

THE BOND BUYER

Wisconsin firm finds a winning formula for broadband bonds

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Rural broadband firm Bug Tussel's first bond deal was in 2012, when Fond du Lac County, Wisconsin, issued \$5.85 million of bonds and the company installed new broadband that ran at five megabytes per second.

These figures seem quaint now.

Bug Tussel, through Fond Du Lac County, has priced \$220.9 million in bonds in partnerships with 15 counties since 2021. The company — with a mission to bring high-speed internet to "the unserved and underserved communities of rural Wisconsin" — offers speeds of up to 800 gigabits per second, and its service is no longer seen as an economic boost for a region, but a necessity.



The Green Bay office of Bug Tussel, which offers high-speed internet in rural Wisconsin counties with municipal bonds as a finance tool. *Bug Tussel*

"Broadband is not going to assure that you have economic development," said Steve Schneider, Bug Tussel's founder and president. "Not having broadband will assure that you don't have economic development."

All of Bug Tussel's issuances have the same structure: One county issues bonds and lends the proceeds to Bug Tussel. Every county partnering with Bug Tussel on that deal becomes a guarantor for the bonds. The bonds are first payable from Bug Tussel's revenues, but if the company cannot pay, investors will be paid from a general obligation pool from the participating counties.

In Bug Tussel's most recent deal, a \$58 million transaction that priced Aug. 24, Fond du Lac, Oneida and Outagamie counties were participants and guarantors.

Fond du Lac County, Bug Tussel's first issuer, has issued all of its subsequent bond deals, even the deal in 2022 where the county was not a participant,

because it is already familiar with the legal and administrative work involved, Schneider said.

Erin Gerred, the county's director of administration, said the arrangement is a "win-win."

"We guarantee the loan, but in return we're also getting some basis points and a guarantee fee," Gerred said. "It's actually helping offset some of our costs, for operations and things like that."

Bug Tussel uses the money to build cell towers, fiber optic cables connecting the towers, and cables directly to people's homes, Schneider said. Bug Tussel's most recent issuance also helped cover the costs of a 2021 project, which grew beyond the company's price projection due to inflation.

Build America Mutual, which has insured Bug Tussel's last three issuances, found the structure of the deals very trustworthy, according to BAM Assistant Vice President Gia Calabrese.

Laying broadband involves a lot of risk, but these deals negate that risk by guaranteeing the bonds with GOs from several different counties, Calabrese said.

S&P Global Ratings assigned the bonds its AA-minus underlying rating, with the BAM wrap lifting it to AA.

Bug Tussel's three issuances in the last three years have been taxable social bonds. The company self-designates its bonds as social, in accordance with the International Capital Markets Association definition, to highlight its appeal to investors, Lynda Templen of Husch Blackwell, bond counsel on the deals. Bug Tussel aims to provide services and economic growth to underserved areas at affordable prices.

The company hopes to issue tax-exempt bonds in the future, but the federal tax code does not yet have a category of tax exempt bonds for broadband, Templen said. The 2021 Infrastructure Investment and Jobs Act [created a category](#) for tax exempt broadband facility bonds, but these regulations are still being finalized.

The pandemic and the popularization of remote work and school highlighted the importance of high-speed internet access. Municipal, state and federal governments now view broadband expansion as an economic imperative.

If an area doesn't have reliable internet access, people may want to move their families or businesses elsewhere. Broadband is also vital to reliable 911 and emergency responder systems.

Wisconsin offers broadband grants through its Public Service Commission, and Bug Tussel has historically received about 15% of them, according to Bug Tussel CEO Jason Weid. The federal government also granted Wisconsin \$1 billion for rural broadband expansion under the 2021 infrastructure law. These grants allow Bug Tussel to move more quickly and broaden the scope of its projects, Schneider said.

Technology has also rapidly advanced since Bug Tussel began expanding rural broadband. Counties that have expanded their broadband access once may upgrade it multiple times. Fond du Lac County decided to partner with Bug Tussel to upgrade its broadband in 2021, and then again in 2023.

Bug Tussel also offers educational programming, called "Bug Tussel University," for all of the counties it works with. The company offers classes at libraries and community centers on technology literacy, covering subjects like using cell phones and Zoom, cybersecurity and accessing telehealth.

Erik Pritzl, county administrator for Oconto, said Bug Tussel has already begun offering classes in the county's libraries even though it hasn't finished building yet.

Bug Tussel does have an initial experience with tax-exempt bonds.

In 2012, when Fond du Lac County wanted to expand its broadband and approached Bug Tussel, Schneider initially said no. Fond du Lac County, with more than 100,000 residents, was far bigger than most of Bug Tussel's projects at the time, and the company wouldn't be able to finance such an operation on its own.

So the county applied for bond authority under the [Midwest Disaster Area Bonds program](#). That program, created by Congress, assigned \$14.6 billion of private activity borrowing authority for qualified projects in designated counties hit hard by storms in the spring of 2008.

Nearby Adams County joined as a guarantor in the [\\$5.8 million deal](#) that resulted, with interest tax-exempt under the private activity bond designation.

Bug Tussel benefits from a strong reputation in Wisconsin and strong relationships with its counties. Calabrese noted that many counties wouldn't take the risk of guaranteeing a loan for a company they're not familiar with, but the firm's track record creates trust.



A scene in Fond du Lac, Wisconsin, seat of Fond du Lac County, which issued a recent \$58 million bond sale for broadband firm Bug Tussel. *Bloomberg News*

The company has partnered with 15 counties for bond partnerships and another nine counties with other grants and loans, Schneider said. Counties usually approach Bug Tussel first.

In the future, Weid said, Bug Tussel hopes to expand rural broadband in other parts of the Upper Midwest. The company is not yet sure whether this expansion will involve bonds, as different states have different rules for bond issuances.

Technology's rapid expansion makes it hard to pinpoint what Bug Tussel will offer in the future, but it also inspires confidence for Schneider.

"The customer expectation has changed dramatically, and it will continue to change," he said.

"In 1987, people would call me and they would say, 'Hey, I'm in [a small town] and I have service. Can you believe it?'" Schneider recalled. "And 20 years later, people call me and say, 'I'm in the bottom of a cave in the Upper Peninsula of Michigan, and I don't have service. What's wrong with you people?'"