TAXPAYERS PROTECTION ALLIANCE

GON WITH THE WIND II

Frankly, Taxpayers Do Care

Introduction

The Taxpayers Protection Alliance (TPA) released "GON with the Wind: The Failed Promise of Government-Owned Networks Across the Country" in 2020 to highlight the fiscal dangers of taxpayer-funded broadband systems, i.e. government owned networks (GONs). State and local governments, intent on building their own broadband networks to service their citizens often discovered that the networks weren't as successful as they hoped because rising costs and lower-than-expected take rates ensured that the efforts would lose money and leave taxpayers picking up the tab.

The initial report examined 30 government networks, finding that most of the projects highlighted didn't attract the customers they anticipated when local officials signed off on the plans. The biggest factor for their failures was incumbent internet providers responding to the new competition and offering faster service. Meanwhile, the GONs failed to offer faster speeds and better service.

Now, with federal coffers wide open and hundreds of billions in taxpayer dollars flowing to governments across the country, the U.S. has experienced an unprecedented interest in the creation of GONs, which already number more than 600 as of 2021.[1] Longtime and pop-up broadband consultants are advising local bureaucrats to build their own complete or middle-mile networks with all the "free" grant money available to them. And, as before, most of these networks are bound to fail.

Governments would be better off letting the private sector continue to take the lead on facilitating broadband deployment. But, the funding programs promulgated by the Biden administration encourage the unprecedented expenditure of taxpayer money to GONs, electric cooperatives, and other non-traditional providers.

This report examines how the significant sum of taxpayer money being allocated toward broadband is changing the digital landscape. TPA partnered with Jeffrey Westling, director of technology and innovation policy at the American Action Forum, to analyze the various funding mechanisms for broadband deployment and the lack of safeguards on how that money is spent. The report also reexamines some of the GONs from the first report to see how they had fared in the past few years before looking ahead to some of the plethora of GONs on the horizon.

Johnny Kampis

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Jeffrey Westling

The Director of Technology and Innovation Policy at the American Action Forum. His research focuses on a range of telecommunications issues such as broadband deployment and spectrum management

1 National Governors Association. "Broadband Affordability Resources." October 19, 2021. Accessed on October 20, 2022. Available at https://www.nga.org/center/publications/broadband-affordability-resources/

Federal Funding for GONs

Too often, subsidy programs designed to connect unserved communities throw money at GONs with little regard for both existing competitive pressures in the market and incentives for private operators to invest in expanding and upgrading existing networks.[2] Unfortunately, Congress has spent hundreds of billions of taxpayer dollars for municipal networks, competing with private operators for these funds to connect unserved communities. Worse, many of these programs do not specifically target unserved areas, meaning subsidy dollars could go to overbuilding municipal networks and actively harming the private incentive to continue to invest and compete in these areas. Currently, at least 16 federal programs totaling more than $413 billion provide funding for broadband deployment which regulators can use to support municipal networks.

Program	Budget ($ Billions)
State and Local Fiscal Recovery Funds	353.6
Broadband Equity, Access, and Deployment	42.5
Capital Project Funds	10
Tribal Connectivity	2.94
Business and Industry Guaranteed Loan	1.25
Reconnect	1.15
Enabling Middle Mile Broadband Infrastructure	1
Telecom Infrastructure	0.69
Broadband Infrastructure Program	0.288
Public Works and Economic Adjustment Assistance	0.233
Community Connect Grant	0.035
Appalachian Area Development	0.023
Partnerships for Opportunity and Workforce Economic Revitalization	0.0216
Community Infrastructure Fund	0.015
States economic development Assistance	0.014
Alaska Broadband	0.0015
Total	**413.7611**

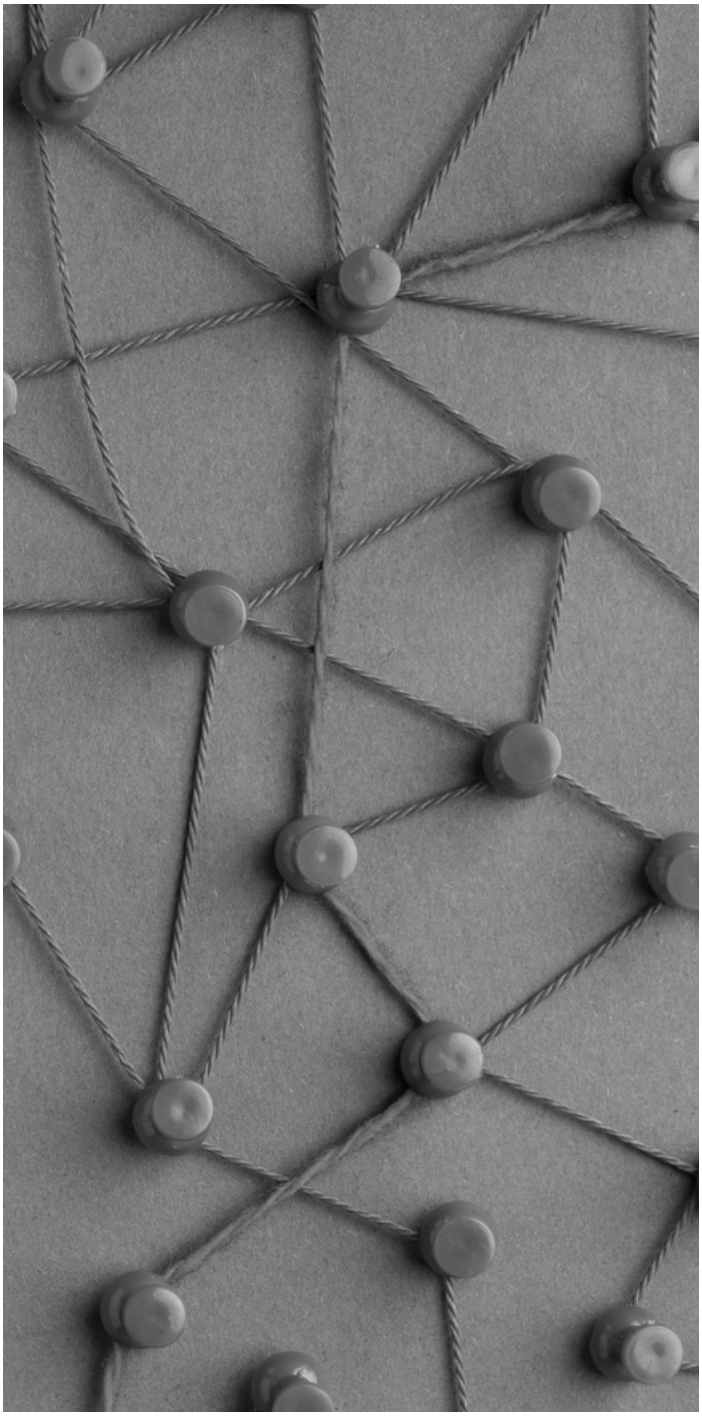

Photo: © via freepik.com

2 R Street Institute. "Government owned network tax credit will further grow the digital divide." Jeffrey Westling. Sept. 30, 2021. Accessed on October 17, 2022. Available at https://www.rstreet.org/2021/09/30/government-owned-network-tax-credit-will-further-grow-the-digital-divide/

Department of Treasury — $353.6 billion

State and Local Fiscal Recovery Funds

The most substantial portion of federal funding for municipal broadband networks comes from the American Rescue Plan Act's (ARPA) State and Local Fiscal Recovery Funds (SLFRF), which total more than $353 billion.[3] Unlike many of the other programs on the list, SLFRF can be used for a wide array of potential infrastructure projects. Congress, however, made clear that localities can use these funds for broadband infrastructure projects, and placed very few guardrails to oversee how the funds are used. As a result, while the full $353 billion will not go towards broadband projects, states will have significant freedom and flexibility in using the subsidies to support GON deployments.

The Department of Treasury could still implement the program in a way that would target these funds to unserved areas and competitively distribute the funds with a focus on which entities can provide the best service at the lowest cost. Instead, Treasury has thus far tailored guidance to support overbuild fiber-to-the-home (FTTH) networks in areas with existing competitive offerings that do not support 100 Mbps upload speeds (a benchmark completely disconnected from how Americans use broadband).[4] For example, initial guidance from Treasury directing funds to go to projects unlikely to be supported with private capital was deleted. Additionally, the Treasury clarified that private provider claims to offer broadband at a given speed would not be a decisive factor in awarding funds.[5]

While these policies present significant problems if the goal is to use limited funds to connect unserved areas, Treasury guidance compounds these problems by actively prioritizing support for broadband networks owned by local governments, rather than for providers capable of providing the best service at the lowest cost to consumers and taxpayers.[6] Additionally, these projects will put resource constraints on projects funded through other programs that target truly unserved areas but which must wait for the Federal Communications Commission (FCC) to finish maps. As a result, consumers who truly lack coverage will fall further behind as areas with existing providers get overbuilt with GONs.[7]

Capital Projects Fund

The Department of Treasury is planning on using a portion of the $10 billion Capital Projects Fund with subsidies from the SLFRF to make available "reliable, affordable broadband infrastructure."[8] The Department of Treasury recommends that recipients prioritize projects "that involve broadband networks owned, operated by or affiliated with local governments, non-profits, and cooperatives."[9] With requirements that networks built using these funds can scale to symmetrical 100 Mbps speeds, the Capital Projects Fund leans heavily into overbuilding with GONs, further exacerbating the problems inherent with the SLFRF.[10]

Department of Commerce — $47 billion

Broadband Equity Access and Deployment Program

The $353 billion from the SLFRF can somewhat distort the funding picture due to the wide range of uses allowed for the funds, but Congress has still made at least $75 billion available for broadband-specific projects. Most significantly, Congress established the $42.5 billion Broadband Equity, Access and Deployment (BEAD) program as part of the Infrastructure Investment and Jobs Act.[11]

While initially designed to target unserved areas with GONs as a potential option rather than a focus, the National Telecommunications and Information Administration (NTIA) began implementing the law using guidance which cuts against the designs and goals of the plan. Initially, Congress designed the BEAD program to target unserved areas before areas with existing coverage, and even then, moving to an underserved

3 United States Department of the Treasury. "Coronavirus State and Local Fiscal Recovery Funds." Accessed on October 17, 2022. Available at https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds.

4 Department of Treasury. "Coronavirus State and Local Fiscal Recovery Funds." Final Rule. January 27, 2022. Accessed October 6, 2022. Available at https://www.govinfo.gov/content/pkg/FR-2022-01-27/pdf/2022-00292.pdf

5 American Action Forum. "Ensuring Federal Broadband Spending Connects America's Unserved Communities." Jeffrey Westling. March 30, 2022. Accessed on October 6, 2022. Available at https://www.americanactionforum.org/insight/ensuring-federal-broadband-spending-connects-americas-unserved-communities/

6 Ibid.

7 Lincoln Policy. "How (Not) to Waste A Crisis." Evan Swarztrauber. April 21, 2022. Accessed on October 17, 2022. Available at https://lincolnpolicy.org/2022/how-not-to-waste-a-crisis/

8 United States Department of the Treasury. "Capital Projects Fund." Accessed on October 17, 2022. Available at https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/capital-projects-fund#:~:text=The%20ACP%20helps%20ensure%20that,nearly%2040%25%20of%20US%20households

9 United States Department of Treasury. "Guidance for the Coronavirus Capital Projects Fund for States, Territories & Freely Associated States." September 2021. Accessed on October 17, 2022. Available at https://home.treasury.gov/system/files/136/Capital-Projects-Fund-Guidance-States-Territories-and-Freely-Associated-States.pdf

10 Ibid.

11 National Telecommunications and Information Administration, "Broadband Equity, Access, and Deployment (BEAD) Program." Accessed on October 17, 2022. Available at https://broadbandusa.ntia.doc.gov/resources/grant-programs/broadband-equity-access-and-deployment-bead-program#:~:text=The%20Broadband%20Equity%2C%20Access%2C%20and,and%20the%20Commonwealth%20of%20the

category.[12] As advocates noted at the time, this approach best ensured that the scarce subsidy dollars went to the areas that most needed the support.[13] Congress, through compromise, decided not to ban GONs from receiving funds through the program, but the Infrastructure Investment and Jobs Act (IIJA) made clear that GONs shouldn't receive special treatment.

When the NTIA released the notice of funding opportunity (NOFO), however, it designed the program to favor GONs through a variety of means, going against the direction planned by Congress.[14] For example, the NOFO waived matching fund requirements for GONs, but kept these requirements for privately owned networks. This means, in practice, that private networks must supply additional capital if they are to receive BEAD funding, while GONs have no such requirement. While problematic from a pure competition standpoint, it also siphons more taxpayer dollars away as a larger funding grant will be needed to deploy the same infrastructure as a private operator. Further, the NOFO requires additional explanations for awarding funds to traditional broadband providers when municipal networks offered competing proposals. This additional burden not only requires more resources from private operators when applying for BEAD funding, but also indicates to the state and local governments distributing the funds to preference GONs over private alternatives. Instead of simply allowing GONs to compete for subsidy dollars with the private sector, the administration took this major program as another opportunity to direct funds away from the market.

Tribal Broadband Connectivity Program

The Tribal Connectivity Program was originally budgeted for just under $1 billion but received additional funding through the IIJA and now sits just under $3 billion in total funds available for tribal entities.[15] Unlike other programs detailed in this report, the funds must go towards connectivity on tribal lands, and therefore the scope of the program is somewhat limited. Further, the funds made available through the program can go to related telecommunications expenditures, such as telehealth, distance learning, and affordability projects.

Broadband Infrastructure Program

The broadband infrastructure program makes available $288 billion for broadband deployment.[16] While focused on technologically neutral fixed service and limited to networks with at least 25/3 Mbps bandwidth, the NOFO for the BIP specifically encourages GONs to participate and receive funding through the project.[17]

Enabling Middle Mile Broadband Infrastructure Program

NTIA received $1 billion for a program designed to subsidize the deployment of middle mile infrastructure, with awards beginning in March 2023.[18] Similar to other NTIA programs administered during this administration, the NOFO specifically includes GONs as eligible recipients under this program. As a result, much of the $1 billion will go towards competing with private networks.

Public Works and Economic Adjustment Assistance

Run through the Economic Development Administration, this program supports a wide range of projects beyond broadband to provide economically distressed communities with resources to address a variety of economic needs.[19] While the program has a $288 million budget, it is unclear what percentage, if any, will go to GON projects.

12 American Action Forum. "Broadband Equity, Access, and Deployment Program: Consideration for Policymakers." Jeffrey Westling. January 4, 2022. Accessed on October 17, 2022. Available at https://www.americanactionforum.org/insight/broadband-equity-access-and-deployment-program-consideration-for-policymakers/

13 Ibid.

14 National Telecommunications and Information Administration. "Broadband Equity, Access, and Deployment Program Notice of Funding Opportunity." May 13, 2022. Accessed on October 18, 2022. Available at https://www.digitalinclusion.org/blog/2022/05/13/ntia-releases-requirements-for-42-5b-of-bead-program-funding/

15 National Telecommunications and Information Administration. "Tribal Broadband Connectivity Program." Accessed on Oct. 17, 2022. Available at https://broadbandusa.ntia.doc.gov/resources/grant-programs/tribal-broadband-connectivity-program

16 National Telecommunications and Information Administration. "Broadband Infrastructure Program." Accessed on Oct. 17, 2022. Available at https://broadbandusa.ntia.doc.gov/resources/grant-programs/tribal-broadband-connectivity-program

17 National Telecommunications and Information Administration. "Broadband Infrastructure Program Notice of Funding Opportunity." 2021. Accessed on October 18, 2022. Available at https://broadbandusa.ntia.doc.gov/sites/default/files/2021-05/NTIA%20Broadband%20Infrastructure%20Grant%20Program%20NOFO.Final_.pdf

18 National Telecommunications and Information Administration. "Middle Mile Grant Program Notice of Funding Opportunity." May 13, 2022. Accessed on October 18, 2022. Available at https://broadbandusa.ntia.doc.gov/sites/default/files/2022-05/MIDDLE%20MILE%20NOFO.pdf

19 National Telecommunications and Information Administration. "Department of Commerce — FY 2020 EDA Public Works and Economic Adjustment Assistance Programs." Accessed on October 18, 2022. Available at https://broadbandusa.ntia.doc.gov/resources/federal/federal-funding/department-commerce-fy-2020-eda-public-works-and-economic.

United States Department of Agriculture — $2.4 billion

Reconnect

Reconnect targets truly unserved communities in rural areas and is administered through the United States Department of Agriculture (USDA). To date, the USDA has invested $1.86 billion in broadband projects, with a significant portion of these funds going towards GONs and co-ops.[20]

Business and Industry Guaranteed Loan Program

This program doesn't provide a direct subsidy for deployment, but it does guarantee loans for rural businesses. Like the SLFRF, this program encompasses far more than just broadband. If the full $1.25 billion hasn't gone to broadband projects, these funds can be used by local governments to support GONs and co-ops.[21]

Community Connect Grants

Totaling around $35 million in funding, these grants must go to broadband infrastructure projects in unserved areas. Like many other USDA programs, the Community Connect grants may go to state or local governments with the authority to own and operate broadband facilities. The program had a renewed application window launched in the fall of 2022.[22]

Specific Regional Bodies — $60 million

Appalachian Regional Commission Area Development Program

This program is an Appalachian-specific program which empowers "Appalachian communities to work with their state governments to design impactful investment opportunities" supporting the growth and development in the region. Funds from this $23 million program can go towards GONs, but the percentage of funds devoted to GONs depends on implementation.[23]

Appalachian Regional Commission Partnerships for Opportunity and Workforce and Economic Revitalization (POWER)

Over the last two years, the POWER program has invested around $73 million in areas impacted by the regional shift away from coal power production. Funds from these programs can support a wide range of projects, with some of the funding already going towards GON broadband projects.[24]

Alaska Broadband Program

The program is comprised of a $1.5 million fund for broadband deployment in Alaska through the Denali Commission which includes GONs as a potential recipient.[25]

Delta Regional Authority Community Infrastructure Fund

This $15 million fund supports deployment of physical infrastructure projects to build more resilient communities in the Mississippi delta. The funds are not restricted to broadband projects and can support a wide range of infrastructure.[26]

Delta Regional Authority States Economic Development Assistance Program

Budgeted at just under $15 million, the SEDAP program is an economic development program targeting the Mississippi River Delta and Alabama Black Belt regions.[27]

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20 United States Department of Agriculture. "ReConnect Loan and Grant Program. Accessed on October 18, 2022. Available at https://www.usda.gov/reconnect#:~:text=Program%20Awardees&text=To%20date%2C%20USDA%20has%20announced,invested%20through%20the%20ReConnect%20Program.

21 United States Department of Agriculture. "Community Connect Grants." Accessed on October 18, 2022. Available at https://www.rd.usda.gov/programs-services/business-programs/business-industry-loan-guarantees.

22 United States Department of Agriculture. "Business & Industry Loan Guarantees." Accessed on October 18, 2022. Available at https://www.rd.usda.gov/programs-services/telecommunications-programs/community-connect-grants

23 National Telecommunications and Information Administration. "Appalachian Regional Commission — Area Development." Accessed on October 18, 2022. Available at https://broadbandusa.ntia.doc.gov/resources/federal/federal-funding/appalachian-regional-commission-area-development

24 Appalachian Regional Commission. "ARC's POWER Initiative." Accessed on October 18, 2022. https://www.arc.gov/arcs-power-initiative/#:~:text=The%20Partnerships%20for%20Opportunity%20and,the%20changing%20economics%20of%20America's

25 National Telecommunications and Information Administration. "Denali Commission — Alaska Broadband Program." Accessed on October 18, 2022. Available at https://broadbandusa.ntia.doc.gov/resources/federal/federal-funding/denali-commission-alaska-broadband-program

26 National Telecommunications and Information Administration. "Delta Regional Authority — Community Infrastructure Fund." Accessed on October 18, 2022. Available at https://broadbandusa.ntia.doc.gov/resources/federal/federal-funding/delta-regional-authority-community-infrastructure-fund

27 Delta Regional Authority. "States' Economic Development Assistance Program (SEDAP)." Accessed on October 18, 2022. Available at https://dra.gov/funding-programs-states-economic-development/states-economic-development-assistance-program/

GON Bad: Updates on Existing Networks

TPA examined 30 GONs in its first report, some of which have experienced additional struggles in the past two years. Below are updates on some of these communities.

Harlan, Iowa

Harlan Municipal Utilities (HMU) continues to struggle to keep its telecommunications utility system financially viable. Even after upgrading its network to a fiber-to-the-home system, HMU's telecommunications utility continues to lose money year after year.[28]

As noted in the first "GON with the Wind" report even though Harlan began offering cable and internet services to residents in 1996, not much information is publicly available from HMU. Harlan declined to respond to TPA's Freedom of Information Act request, referencing its customer data proprietary information.

In 2020, HMU internally loaned nearly $1 million of excess funds from its electric utility to shore up the telecommunications system's financials.[29] In November 2021, voters approved a ballot initiative to give HMU authority to sell the telecommunications network.[30] As part of the ballot initiative, legally-required appraisals valued Harlan's FTTH utility system at $797,000 – 2,000,000.[31] Following the vote, HMU received a bid from a private entity of $2,050,000.[32] HUM's board refused to engage in negotiations to sell the telecommunications system, and allowed the bid to expire.[33]

HMU's board is continuing to evaluate its options going forward, including the development of a comprehensive plan to review its financial situation and future.[34]

Lafayette, Louisiana

Controversy arose in Lafayette after city leaders decided to raid the meager reserves of LUS Fiber to balance the city's budget, requiring the broadband division of the electric utility to make $3.2 million in in-lieu-of-tax payments over the next fiscal year.

LUS Fiber plans an ambitious $31 million expansion across several Louisiana parishes over the next few years, expanding fiber service to more than 20,000 potential customers. Much of the funding will come from Louisiana's GUMBO grant program.[35]

Lafayette voters approved construction of the network in 2005, authorizing LUS to issue $125 million in revenue bonds to build it. A few years and several lawsuits later, LUS bonded for $110 million in 2007, began building the network in 2008, and started connecting customers in 2009. Moody's downgraded Lafayette Communications System Revenue Bonds twice, in 2005 and 2007, due to concerns about the debt service.

As with Harlan's HMU, LUS Fiber declined to respond to TPA's open records request for the first "GON with the Wind", as state law shields the network from releasing customer data. Researchers have cobbled together information about LUS Fiber's status through various third-party reports. For example, TPA used financial numbers from NewGen Strategies & Solutions Consulting Engineers Report on the network.

Local columnist Geoff Daily of *The Current* pointed out that the recent decision to empty out the reserves makes LUS Fiber vulnerable to revenue shortfalls — which would likely mean money from the electric division would be shifted over to shore up the network. He noted that while LUS Fiber is receiving grants to aid in planned expansions, the matching funds required by those grants may be too much for the GON to bear.[36]

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28 Harlan Municipal Utilities Independent Audit for Years Ending June 30, 2020, and June 30, 2021, https://www.auditor.iowa.gov/reports/file/66565/embed.
29 Harlan Municipal Utilities Independent Audit for Years Ending June 30, 2019 and June 30, 2020, https://www.auditor.iowa.gov/reports/file/62758/embed.
30 Broadband Bytes, Voters in Harlan, Iowa, Authorize Board to Sell Telecom Utility, https://www.broadbandbytes.com/news/voters-in-harlan-iowa-authorize-board-to-sell-telecom-utility.
31 Harlan Municipal Utilities Packet of Compliance Documents, http://www.harlannet.com/Site/PDF/Public%20Notices%20and%20Bid%20Documents/HMU%20-%20Full%20Packet%20of%20388.2A%20Compliance%20Documents%20Revised%208-12-2021.PDF.
32 HarlanOnline.Com, Open Meeting Reveals More Questions, Concerns to Any Potential Disposal and Sale, https://harlannews.com/news/hmu-develop-plan-telecom%E2%80%99s-future.
33 Harlan Online.Com, FMCTC Won't Extend Offer for HMU Telecom, https://harlanonline.com/news/fmctc-won%E2%80%99t-extend-offer-hmu-telecom.
34 HarlanOnline.Com, HMU Telecom Sale In Near Term Appears Unlikely, https://www.harlanonline.com/news/hmu-telecom-sale-near-term-appears-unlikely.
35 Lafayette Daily Advertiser. "LUS fiber makes $31-million bid to expand high-speed internet to rural Acadiana." Andrew Capps. January 13, 2022. Accessed on October 17, 2022. Available at https://www.theadvertiser.com/story/news/local/2022/01/13/lus-fiber-seeks-19-million-grant-expand-internet-rural-acadiana/9188416002/
36 The Current. "COLUMN: Guillroy is leading LUS Fiber on a path to insolvency." September 21, 2022. Accesses on October 17, 2022. Available at https://thecurrentla.com/2022/column-guillory-is-leading-lus-fiber-on-a-path-to-insolvency/

"The fastest way to bankrupt a fiber network is to expand too quickly. That's because it's relatively expensive to connect customers, and it can take years before those connections generate enough revenue to pay back the install costs. Even with the state and federal grants, that's still true," Daily wrote.[37]

Christopher Yoo, the University of Pennsylvania professor who led the groundbreaking 2017 study exposing GONs' many fiscal issues, examined 15 more GONs in a study published in January 2022. He found that LUS Fiber would require 62 years to pay back the loans that funded it based on adjusted nominal cash flow (ANCF) from 2017 to 2019. Yoo points out this isn't even close to the 13 years before Lafayette's debt is expected to come off the books.[38]

"In terms of actual performance, none of the fifteen projects satisfied the short-run test for viability based on ANCF by generating cumulative ANCF surpluses every year of their operation. That means that all of the projects either required infusions of cash from outside sources or debt relief through refinancing," Yoo noted.[39]

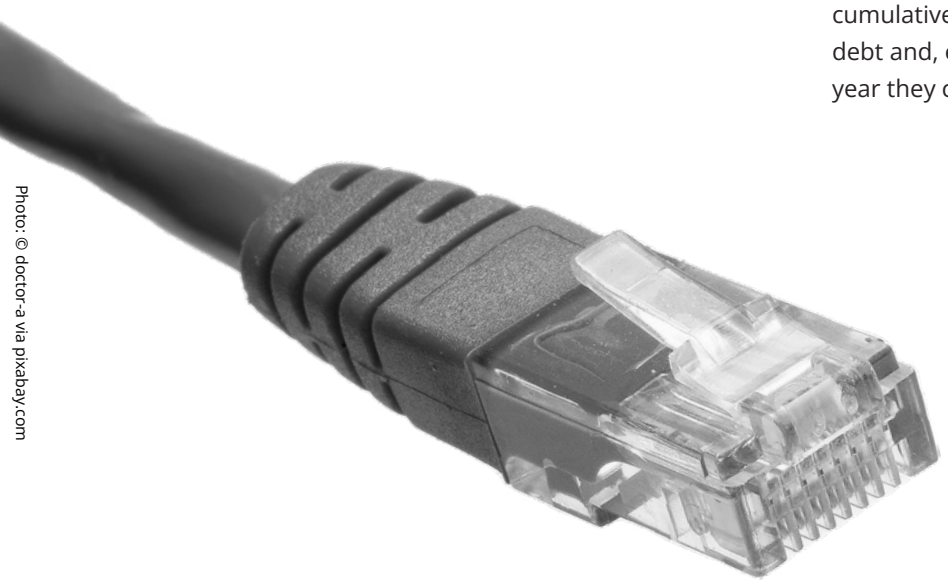

Photo: © doctor-a via pixabay.com

Pulaski, Tennessee

GONs are often touted by Democrats as an avenue for upholding the principles of "net neutrality," with some believing that government internet is less likely to discriminate against certain content than private providers.

But the cable arm of PES Energize — a GON that offers "triple play" service of cable, internet and telephone — courted controversy in 2022 when it dropped the conservative news outlet Newsmax from its channels. Newsmax argues that PES and other systems kept "over 80 channels that have lower ratings, and for which they pay more money." These included the left-leaning CNN and MSNBC.[40]

The city solicited a feasibility study for a GON in 2003 and leaders were initially hesitant to proceed. But a second feasibility study in 2005 convinced bureaucrats to pursue the taxpayer-owned fiber network.

The Pulaski project was among 10 of the 15 GONs examined in the aforementioned University of Pennsylvania study that generated negative cumulative adjusted nominal cash flow over the previous three fiscal years examined (2017-2019). That report notes that "projects that generate negative cumulative and annual ANCF have no chance of repaying their debt and, even worse, risk sinking further into debt with every year they continue to operate."[41]

37 Ibid.

38 University of Pennsylvania Carey Law School. "Municipal Fiber in the United States: A Financial Assessment." Christopher Yoo, et al. January 15, 2022. Accessed on October 25, 2022. Available at https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=3448&context=faculty_scholarship

39 Ibid.

40 Newsmax. "Stop Newsmax Censorship by Your Cable Operator." February 18, 2022. Accessed on October 20, 2022. Available at https://www.newsmax.com/us/letter-cable-censorship/2022/02/18/id/1057451/

41 University of Pennsylvania Carey Law School. "Municipal Fiber in the United States: A Financial Assessment." Christopher Yoo, et al. January 15, 2022. Accessed on October 25, 2022. Available at https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=3448&context=faculty_scholarship

Tacoma, Washington

The first "GON with the Wind" highlighted the long-time financial troubles of Click!, the city's government internet network of more than 20 years that saw an unsuccessful lawsuit over Tacoma Public Utilities' subsidization of the broadband division. This was also one of the earlier GONs recommended by CTC that proved to be a long-term failure.

As noted in the first report, local private provider Rainer Connect agreed to take over operations of Click! In 2020. Customers have since seen benefits, such as the November 2021 announcement that Rainer Connect would increase all broadband speeds by at least 100 percent free of charge. Brian Haynes, president and CEO of Rainier Connect, said, "we made a commitment to upgrade the network and bring the citizens of Tacoma and our customers, competitive speeds at competitive rates."[42]

In 2022, Rainier Connect announced a plan to move to an all-streaming format for cable TV, though this was not without a rate increase for customers. Haynes' explanation for the need for price bumps explain at least partially why Click! experienced so much financial turmoil over the years. "Programmers charge at least what we're charging the consumer at this point, so TPU at one point subsidized that and they were multiple years behind on their own rate increases," he said.[43]

UTOPIA in Utah

Utah Telecommunication Open Infrastructure Agency (UTOPIA) was among the dozen GONs initially listed in a 2017 TPA report highlighting the most egregious wastes of taxpayer money, and it was also included in the first "GON with the Wind." Although the network finally turned cash flow positive after more than a decade in the red, it continues to grow within Utah, with possible expansions to neighboring states being considered. And, it keeps asking for more municipal bonds to continue that march.

UTOPIA announced in early 2022 its plan to extend fiber to Cedar Hills and Santa Clara in Utah, adding the 18th and 19th cities to the open access network. At that time, UTOPIA had bonded out for more than $400 million in fiber projects. The new projects are expected to cost about $12 million.[44]

Deputy director Kimberly McKinley told *Fierce Telecom* that UTOPIA got approval from its board to seek another round of $20 million in bonds for additional fiber in its existing cities.[45]

Now, UTOPIA plans to go regional. UTOPIA Executive Director Roger Timmerman told *Fierce Telecom* the network has struck deals or is expected to strike deals with municipalities in Idaho, Montana, Colorado, California and Arizona while also continuing to grow within Utah.[46]

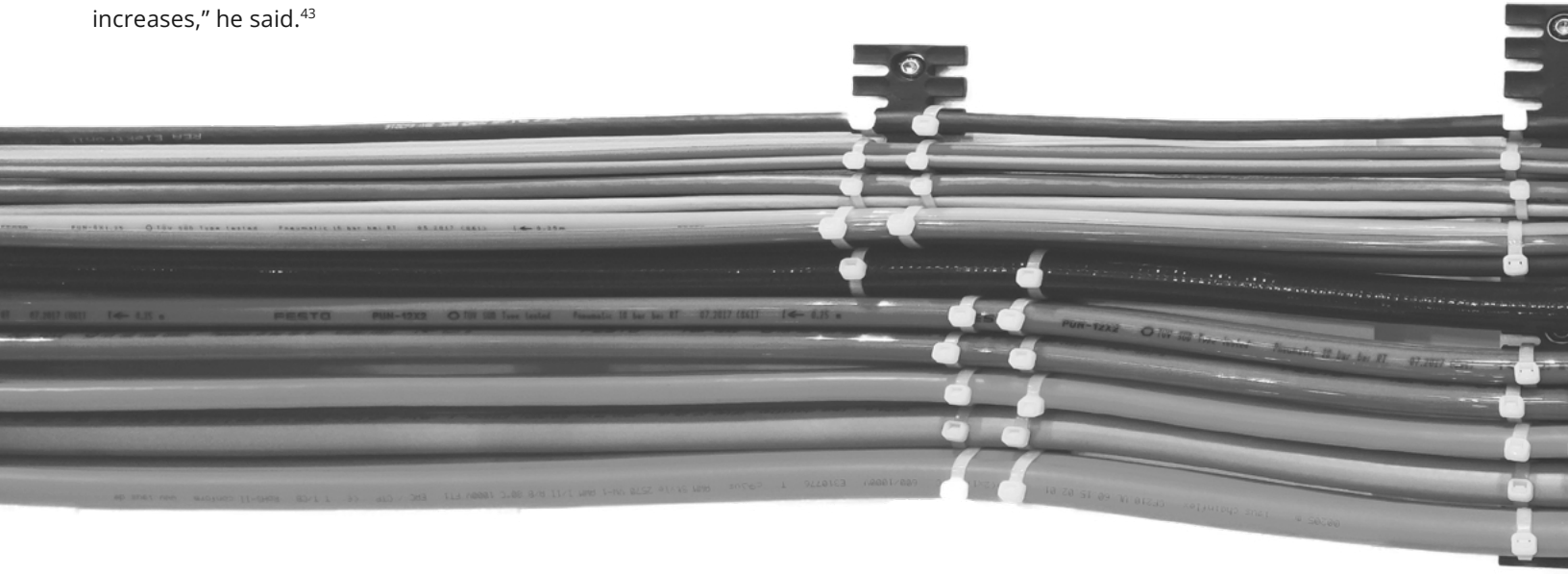

Photo: © taranchic via canva.com

42 WFMZ. "Rainier Connect Increases Tacoma Internet Speeds More than 100%" November 9, 2021. Accessed on October 20, 2022. Available at https://www.wfmz.com/news/pr_newswire/pr_newswire_technology/rainier-connect-increases-tacoma-internet-speeds-more-than-100/article_684916c6-3127-5a1c-802a-588f6c6ab412.html

43 KIRO. "Rainier Connect making major changes to cable TV service. Some folks are unhappy." Debbie Cockrell. March 12, 2022. Accesses on October 20, 2022. Available at https://www.kiro7.com/news/local/rainier-connect-making-major-changes-click-cable-tv-service-some-folks-are-unhappy/4CGWZ7PVIJFT5INLMNAXHZPGIA/

44 Fierce Telecom. "UTOPIA Fiber brushes off critics as it expands to 19th city in Utah." Diana Goovaerts. January 6, 2022. Accesses on October 21, 2022. Available at https://www.fiercetelecom.com/broadband/utopia-fiber-brushes-naysayers-it-expands-19th-city-utah

45 Ibid.

46 Fierce Telecom. "UTOPIA Fiber wraps work on largest open access broadband network in U.S." May 25, 2022. Accessed on October 21, 2022. Available at https://www.fiercetelecom.com/broadband/utopia-fiber-wraps-work-largest-open-access-broadband-network-us

New GONs

With the vast amounts of federal taxpayer money allocated for broadband infrastructure, many communities across the U.S. are entertaining the idea of building their own high-speed internet networks. The sampling below largely shows why that isn't usually a good idea.

Image by fabrikasimf on Freepik

Accelecom, Georgia

Much has been written about the border-to-border middle-mile network KentuckyWired in the same-named state and its huge hit to taxpayers. Now, the company that partnered with the state and outmaneuvered bureaucrats is expanding its business into Georgia.

Accelecom is an offshoot of Macquarie Capital, the Australian-based company that partnered with the state of Kentucky to build KentuckyWired. The company became the exclusive wholesale partner in managing the half of KentuckyWired's 288 strands of fiber available for commercial use in 2021, the *Louisville Courier-Journal* reported.[47]

Accelecom CEO David Flessas told WLKY that profits from the partnerships with last-mile providers in Kentucky such as AT&T and Windstream will be split between Accelecom and the state on a sliding scale.[48]

In 2018, State Auditor Mike Harmon called the KentuckyWired project a massive "bait-and-switch on the taxpayers," shifting the burden of construction costs from private partners to the citizens of Kentucky for the project that includes 3,200 miles of fiber spanning all 120 counties. The project's total cost exceeded $1.5 billion, with Macquarie only having to fund about 2 percent of it.[49]

Now, Accelecom is expanding into other states. In October, the Louisville-based company announced its acquisition of Georgia Public Web, a middle-mile provider in the Peach State, which will be rebranded as Accelecom Georgia.[50]

In making the announcement, Accelecom touted that Georgia customers "will now have access to a greater regional network that extends from Kentucky through 5 contiguous states."[51]

The press release failed to mention that such access was built on the backs of Kentucky taxpayers.

47 Louisville Courier-Journal. "With KentuckyWired 'substantially complete,' exclusive provider looks to attract customers." Ben Tobin & Emma Austin. February 19, 2021. Accessed on October 21, 2022. Available at https://www.courier-journal.com/story/news/local/2021/02/19/kentuckywired-broadband-networks-exclusive-provider-accelecom/4494763001/

48 WLKY. "After years of delays, KentuckyWired project is finally finished. Now what?" Julie Dolan. March 19, 2021. Accessed on October 21, 2022. Available at https://www.wlky.com/article/project-brings-3200-miles-of-fiber-optic-cable-across-ky-what-it-means-for-your-internet-at-home/35866733

49 The American Spectator. "Audit Shows Massive Debt and Deception for Kentucky Wired." Johnny Kampis. October 18, 2018. Accessed on October 21, 2022. Available at https://spectator.org/audit-shows-massive-debt-and-deception-for-kentucky-wired/

50 PR Newswire. "Accelecom Acquires Georgia Public Web, A Leading Regional Broadband Provider." October 5, 2022. Accessed on October 21, 2022. Available at https://www.prnewswire.com/news-releases/accelecom-acquires-georgia-public-web-a-leading-regional-broadband-provider-301640912.html

51 Ibid.

Bloomington, Indiana

A group of cities in Indiana partnered with a French company in 2022 to build fiber networks in their communities.

As TPA noted in a letter to commissioners in Bloomington urging them to vote against creating a spider Tax Increment Financing (TIF) district for Meridiam Infrastructure North America, the broadband project is redundant and takes taxpayer money away from other projects that could benefit the citizens of Bloomington.

The letter pointed out that the plan from Meridiam, a company based in Paris, will only connect up to 85 percent of households in Bloomington, stretching alongside existing infrastructure of companies like AT&T and Comcast that already service these areas. The agreement with the city also allows Meridiam to bypass areas it determines to be unreasonably expensive to connect, which does nothing to close the digital divide.

Not only was the letter of intent signed in secret three months before it was publicly announced, it also gives Meridiam advantages no other internet provider in Bloomington enjoys, TPA pointed out in its letter. These include priority consideration for city contracts, expedited permitting and free access to rights-of-way through a five-year exclusivity deal for Hoosier Networks, LLC, the subsidiary that Meridian established to operate the network.

Bloomington's redevelopment commission passed a resolution in July 2022 to appropriate funds generated by the TIF district. Under the plan, Meridiam will invest $50 million into the network, but will get nearly $11 million in breaks on property taxes.[52]

That represents $11 million less in tax money that would go to city services that rely on property taxes to operate, such as the public schools. Instead, that money would go toward constructing a redundant broadband network.

Oddly, Hoosier Networks CEO James Salter compared the new network to building a highway with a hundred lanes and only using three of them, according to *Indiana Public Media.*[53]

Washington-based GigabitNow signed a deal with Meridiam to piggyback on the company's fiber network to extend gig broadband services to Columbus, Shelbyville and more residents of Bloomington.[54]

Photo: © DenisTangneyJr via canva.com

52 Indiana Public Media. "Bloomington gives final go ahead for broadband project." Holden Abshier. July 6, 2022. Accessed on October 11, 2022. Available at https://indianapublicmedia.org/news/bloomington-gives-final-go-ahead-for-broadband-project.php

53 Indiana Public Media. "Installation of Bloomington's $50 million city-wide broadband utility is underway." Joe Hren. October 7, 2022. Accessed on October 11, 2022. Available at https://indianapublicmedia.org/news/installation-of-bloomingtons-50-million-city-wide-broadband-utility-is-underway.php

54 Yahoo Finance. "GigabitNow Selected as ISP to Bring Fiber-Based Broadband Services to the Cities of Bloomington, Columbus, and Shelbyville, Indiana." September 14, 2022. Accessed on October 11, 2022. Available at https://finance.yahoo.com/news/gigabitnow-selected-isp-bring-fiber-150000818.html

Bowling Green, Kentucky

This city plans to use $16.5 million in ARPA funds to incentivize providers to invest in a plan to run fiber to all 27,000 households and 4,000 businesses in the city.[55]

Bowling Green Municipal Utilities, which currently provides gigabit internet service to businesses in the city, is being touted as a bidder in competition with at least two companies that will likely put in bids. BGMU General Manager Mark Iverson said the utility "would be a logical candidate" for the project.[56]

FCC maps show that 99 percent of Bowling Green is already covered by broadband.

Complicating matters is a 2017 study that found the estimated cost of running fiber to all homes in BGMU's service area would be $47 million, or more than three times the current grant money available for the project. The *Bowling Green Daily News* noted that fiber-to-the-home concept was "floated before, only to be shot down because of cost."[57]

Now the concept rears its head again. The vendor for the project would be expected to make up the difference. In Bowling Green, that could be the city utility and its ratepayers.

Description: Fountain Square in downtown Bowling Green, Kentucky
Photo: © DenisTangneyJr via canva.com

Cumberland and Salem Counties, New Jersey

These two counties want to band together to build a middle-mile fiber ring within their borders, seeking $21 million in federal assistance for a project estimated to cost nearly $30 million. The counties hope to obtain a grant from the Middle Mile Broadband Infrastructure Grant Program run through the NTIA.

The plan calls for nearly 89 miles of fiber in Cumberland County and 64 miles in Salem County, with 15 miles to interconnect both counties and nearly 48 miles to connect the fiber ring to data center points of presence.

The counties state their goal is to provide access for underserved populations, but they use the ambitious benchmark of 100 Megabits per second download speeds and 20 Mbps upload speeds as the definition of "underserved." While the FCC under Chairwoman Jessica Rosenworcel has considered bumping up the definition from the current level of 25/3, commissioners have yet to do so. Consider that, for example, Netflix recommends just 25 Mbps to stream 4K content and some would argue the 100/20 benchmark is overzealous at this point. Using those criteria certainly creates many more "underserved" areas eligible for tax dollars for new broadband infrastructure.

Vineland, a city in Cumberland County, previously contracted with Bonfire Engineering and Construction for broadband consulting services, agreeing to pay the Colorado-based company about $220,000 in July 2021 to create a plan for a GON.[58]

55 Bowling Green Daily News. "City 'leveraging' ARPA funds for fiber optic project." Don Sergent. March 18, 2022. Accessed on October 20, 2022. Available at https://www.bgdailynews.com/news/city-leveraging-arpa-funds-for-fiber-optic-project/article_a9cf41bc-574e-51e9-a29e-c519258a2683.html

56 Ibid.

57 Ibid.

58 City of Vineland. Resolution No. 2021-368. July 23, 2021. Accessed on October 13, 2022. Available at http://councils.vinelandcity.org/ArchiveCouncil/Agendas/2021%20council%20agendas/21-07-27/r-award4-Broadband%20consultant%20contract.pdf

Dallas, Texas

Dallas leaders may build their own fiber network using $82 million in taxpayer dollars in a city with no shortage of broadband options. They are moving forward with this plan despite the city having a 98 percent coverage rate of 5G wireless service.[59]

The city consulted on a plan to make Dallas a "smart city," with wireless internet access everywhere within its borders. A presentation of the city's Broadband & Digital Equity Strategic Plan in August 2021 notes that AT&T and Charter "serve almost all premises, but gaps persist."[60]

That plan was put together by CTC Technology & Energy, which TPA has noted is one of the leading consultants in the broadband industry. In nearly all cases, the company has encouraged cities to build their own networks.[61]

The city installed WiFi devices on streetlights in the Red Cloud neighborhood in less well-to-do southeast Dallas as part of a pilot project, NBC 5 reported.[62]

The website *Broadband Now*, which tracks internet coverage across the U.S., shows 100 percent coverage from Charter's Spectrum and 91.3 percent coverage from AT&T, although presumably some residences fall through the cracks.[63]

Dallas' plans extend far beyond connecting a few neighborhoods. *Axios* notes that Dallas leaders have been identifying construction projects that could qualify for the abundance of federal taxpayer dollars coming down the pike.[64] The state is set to receive about $35 billion of the $1.2 trillion in funding appropriated in the infrastructure bill and Dallas will likely use a portion of that money for a fiber network and to upgrade the city's existing network to reduce cyber threats. More federal dollars will be available through other programs passed by Congress to help bridge the digital divide, including Broadband Equity, Access, and Deployment (BEAD) and Coronavirus State and Local Fiscal Recovery Funds.[65]

The positive reaction among Dallas City Council members to the digital equity study point to a likely request for proposals for a partner to construct a middle-mile fiber network and assist with the wireless network deployment.

Much like cities such as Detroit, the leaders of Dallas seem to be using the very small minority of residents who lack broadband as a pretext to build a costly city-wide taxpayer-funded network that may end up being unprofitable.

The presentation identifies how Dallas' digital divide could be solved much more cheaply than building a potential $82 million network. More viable alternatives include service/equipment investments and and greater outreach/education regarding available internet services.

A survey from the City of Dallas and Dallas Independent School District from December 2020 cited in the report found that students and residents struggle with the affordability of computers. Many cities have started programs to subsidize the cost of laptops or wireless "hot spot" devices to help close this gap. That survey notes that "almost all respondents have internet access."

The presentation to the city also noted that low-cost programs from AT&T and Charter (funded by various federal subsidies) and the FCC's Lifeline program are greatly underutilized. The report says that only 1 percent of residents get internet subsidies through Lifeline and only 3 percent of residents are enrolled in Charter Spectrum's Internet Assist program — in fact, 58 percent of residents aren't even aware of the Charter broadband subsidy. It would seem from these statistics that better education of impoverished residents about their subsidy options could close much of the digital divide in Dallas.

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59 Best Neighborhood. Mobile Coverage & Cell Phone Plans in Dallas, TX. Accessed on October 6, 2022. Available at https://bestneighborhood.org/mobile-and-cell-dallas-tx/

60 Dallas City Hall. Broadband and Digital Equity Strategic Plan. August 2021. Accessed on October 6, 2022. Available at https://dallascityhall.com/departments/pnv/resilient_dallas/DCH%20Documents/Broadband%20and%20Digital%20Equity%20Strategic%20Plan%20(FULL).pdf

61 Yellowhammer News. "Alabama taxpayers beware: Broadband consultants collect hefty fees as they push taxpayer-supported networks." Johnny Kampis. December 16, 2016. Accessed on October 6, 2022. Available at https://yellowhammernews.com/alabama-taxpayers-beware-broadband-consultants-collect-hefty-fees-push-taxpayer-supported-networks/

62 NBCDFW 5. "Plans to Make Dallas a 'Smart City.'" Ken Kalthoff. April 18, 2022. Accessed on October 6, 2022. Available at https://www.nbcdfw.com/news/local/plans-to-make-dallas-a-smart-city/2943469/

63 Broadband Now. Top Internet Providers in Dallas, Texas. Accessed on October 6, 2022. Available at https://broadbandnow.com/Texas/Dallas

64 Axios. "Tracking Dallas' infrastructure dollars." Tasha Tsiaperas. March 18, 2022. Accessed on October 6, 2022. Available at https://www.axios.com/local/dallas/2022/03/18/dallas-infrastructure-funding

65 American Action Forum. "Ensuring Federal Broadband Spending Connects America's Unserved Communities." Jeffrey Westling. March 30, 2022. Accessed on October 6, 2022. Available at https://www.americanactionforum.org/insight/ensuring-federal-broadband-spending-connects-americas-unserved-communities/

Decatur, Alabama

The electric utility in Decatur may be the next Alabama municipality to get into the broadband business, which should concern local residents.

The board of directors for Decatur Utilities (DU) in 2022 unanimously approved a plan to solicit a firm to conduct a feasibility study for a high-speed fiber internet network to be owned and operated by the utility.[66]

General Manager Ray Hardin said the utility will send out requests to multiple firms to elicit proposals to help it determine if it should enter the broadband business. DU is also considering television and telephone service as part of this potential expansion.

DU electric manager Glenn Boyles said he anticipates that cost of the feasibility study to be $75,000 to $100,000. "We feel like it will provide the answers we're looking for as to whether or now we should proceed in the fiber business," he said. Based on a plethora of historical evidence, it seems highly unlikely the consultant would tell the utility not to build the broadband system.

BroadbandNow shows that Decatur is hardly an internet desert. The website reports that Spectrum services 99.1 percent of Decatur and AT&T services 95.2 percent of the city. There are several satellite internet providers, as well.[67]

In pushing for the plan, Decatur City Council President Jacob Ladner used the same argument often heard in other cities, believing that adding another entrant into the market will drive down the overall cost of broadband in the city.

"The more competition, the better," he said. "This just happens to be from a governmental entity."

Several electric utilities have begun offering internet services in Alabama after the state legislature passed a law allowing

Desctiption: Decatur Utilities Logo

them to do so in 2019. Unlike neighboring states such as Mississippi and Tennessee that passed similar laws, the Alabama bill doesn't prohibit cross-subsidization, which means the electric division of a utility could be used to prop up the broadband division if it struggles financially.

In 2018, Opelika sold off its broadband network for a massive loss. George Ford, chief economist at the Phoenix Center, noted that the city increased monthly power rates by about $5 per customer to cover the internet system's loss. Ford described it in *The Montgomery Advertiser* as "a failed cross-subsidy scheme wherein all electric customers helped pay the internet bills of the one-third of homes that bought broadband service from the city."[68]

DU board member Tom Counts, an executive at a fiber-optic construction business (who said his company would not bid on the project due to that conflict of interest), said during the recent meeting that he believes the project would be financially feasible if 30 to 35 percent of the city's residents subscribed to the service. But TPA's initial "GON with the Wind" report found that other municipal providers with similar take rates have often struggled financially.

Counts anticipates that if DU builds the network, the fiber would run along the utility's poles, increasing the efficiency of DU offering the broadband service. But, that also incentivizes DU to increase costs for other broadband providers who use those same poles. Mercatus Center senior research fellow Brent Skorup points out that such tactics "could scare off unsubsidized companies in rural areas."

66 The Decatur Daily. "Decatur Utilities considers entering broadband business." Eric Fleischauer. April 26, 2022. Accessed on October 14, 2022. Available at https://news.yahoo.com/decatur-utilities-considers-entering-broadband-123900118.html

67 Broadband Now. Internet Providers in Decatur, AL. Accessed on October 14, 2022. Available at https://broadbandnow.com/Alabama/Decatur

68 Montgomery Advertiser. "Alabama Voices: Will Alabama's internet bills raise electric rates?" George Ford. June 3, 2019. Accessed on October 14, 2022. Available at https://www.montgomeryadvertiser.com/story/opinion/2019/06/03/alabama-voices-alabamas-internet-bills-raise-electric-bills/1327459001/

Detroit, Michigan

Detroit officials began work in 2021 on a $10 million pilot project for 2,000 homes and businesses in the Hope Village neighborhood, using funds from ARPA.[69] That area was targeted first due to a 45-day internet outage that occurred in 2020 during the COVID-19 pandemic.

Detroit's Digital Access Policy and Strategic Infrastructure Plan[70] proposes a mammoth long-term project — a citywide fiber broadband network with open access costing $900 million and taking a decade to complete. This would make the network easily the largest such municipal broadband project in the U.S.

City officials said they will pursue money from a variety of sources at a time where a historic amount of taxpayer money is being allocated for broadband infrastructure. In addition to ARPA, Detroit hopes to tap into the BEAD program and the Michigan state broadband grant program. But with plans so vast, and a tab approaching $1 billion, the city would almost certainly have to fund some (or a large portion) of the project with debt.

Despite the unfortunate outage that occurred, the city doesn't make a compelling case for spending that kind of taxpayer money to blanket all of Detroit in a new fiber network. *Broadband Now* points out that few such gaps exist in Detroit.[71]

Data from the FCC show that only about 0.5 percent of Detroit residents are not served by a wireline broadband provider. Meanwhile, 88 percent of residents have at least two options for fixed broadband service. In addition to fiber options, the growth of 5G wireless continues to bring blazing-fast speeds to residents who lack wireline broadband.

City leaders have mostly agreed that the bigger issue leading to a digital divide in the city is demand rather than access, and the municipality created the digital equity strategy program Connect 313 in 2020 to educate residents about the importance of broadband and offer subsidies to help low-income residents pay for service.[72] It has done an effective job of closing the digital divide by providing mobile hot spots where there are gaps in coverage.

Detroit's plan seems to indicate a willingness to strong-arm providers into using the city's fiber. On Page 23 of the city's digital equity plan, under the section asking what the plan means for Detroit's incumbent providers, the paper points out the city could refuse access to rights of way.

"As system bandwidth is shifted from delivering channelized video to internet and data services, these operators will have no legal claim to continue accessing Detroit's ROW," it states. "This plan effectively solves this problem by providing cable operators with the ability to move their internet or data only customers over to the municipal fiber optic utility infrastructure with no capital costs incurred."

Consultant EntryPoint Networks assumes a hefty 65 percent take rate for residents of the Detroit municipal network. But as TPA's original "GON with the Wind" report pointed out in 2020, the rosy projections of consultants rarely pan out when incumbent providers respond competitively to the new entrant in the market.[73]

69 Crain's Detroit Business. "Detroit launches plan for its own high-speed internet infrastructure." Nick Manes. April 20, 2022. Accessed on October 6, 2022. Available at https://www.crainsdetroit.com/infrastructure/detroit-launches-plan-its-own-high-speed-internet-infrastructure

70 City of Detroit. Digital Access Policy and Strategic Infrastructure Plan. March 2022. Accessed on October 6, 2022. Available at https://detroitmi.gov/sites/detroitmi.localhost/files/2022-03/DETROIT%2C%20MI%20-%20DIGITAL%20ACCESS%20POLICY%20AND%20STRATEGIC%20INFRASTRUCTURE%20PLAN%20-%2003%2001%202022%20%281%29.pdf

71 Broadband Now. Internet Providers in Detroit, Michigan. Accessed on October 6, 2022. Available at https://broadbandnow.com/Michigan/Detroit

72 Connect 313 home page. Accessed on October 6, 2022. Available at https://connect313.org/

73 Taxpayers Protection Alliance. "GON with the Wind: The Failed Promise of Government-Owned Networks Across the Country." May 13, 2020. Accessed on October 6, 2022. Available at https://www.protectingtaxpayers.org/report/gon-with-the-wind/

Dickson, Tennessee

The Dickson Electric System (DES) is moving forward with its own broadband network despite plenty of pushback from critics.

The Tennessee Cable and Broadband Association (TCBA) sent a letter to Tennessee Comptroller Jason Mumpower arguing that "DES has dramatically underestimated the costs association with construction and operating the broadband network; and substantially overestimated the revenue opportunity associated with the project."[74]

In digging down deeper, TCBA said that DES projects an average cost per mile 25 percent less than what TCBA member companies typically incur over the thousands of miles of fiber optic lines that have been built in Tennessee. And TCBA said those costs are only increasing thanks to inflation, further throwing the DES numbers into question. "TCBA members are seeing significant inflation in the labor and materials associated with construction costs," the letter states.[75]

TCBA also points out that the projected costs by DES of marketing, advertising and support staffing are lower than what such projects typically require.

A $9.25 million loan from the electric division will fund the start-up of the broadband division, with a 20-year repayment with an estimated 4 percent interest rate from broadband revenues.[76]

But DES officials are thinking much bigger — a $58 million expansion with nearly 2,000 more miles of backbone fiber lines.[77]

DES announced in September that it had hired a director of broadband operations and secured a $86,000 grant from ARPA to help pay for the project. In addition, DES said it will seek additional federal and state grants for what it calls a "critical" project.[78]

Broadband Now says 90 percent of Dickson residents are served by multiple wired providers.[79]

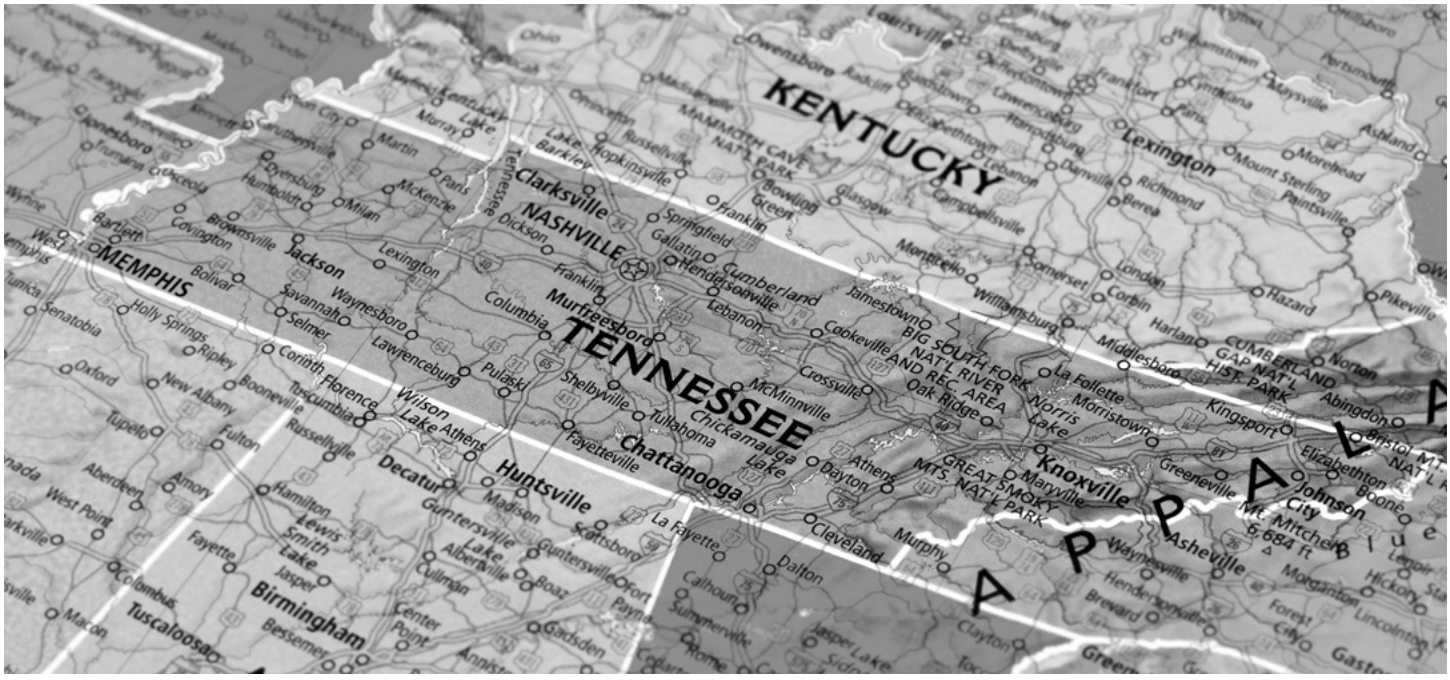

Photo: © omersukrugoksu via canva.com

74 Forbes. "Broadband Proposals Could Jeopardize Taxpayer Dollars In A State That Is No Stranger To Such Boondoggles." Patrick Gleason. April 1, 2022. Accessed on October 13, 2022. Available at https://www.forbes.com/sites/patrickgleason/2022/04/01/broadband-proposals-could-jeopardize-taxpayer-dollars-in-a-state-that-is-no-stranger-to-such-boondoggles/?sh=3f4085b311bb

75 Ibid

76 The Tennessean. "'Next three to four months.' Dickson Electric broadband detailed plan expected soon." Chris Gadd. April 27, 2022. Accessed on October 13, 2022. Available at https://www.tennessean.com/story/news/local/dickson/2022/04/27/next-three-four-months-dickson-electric-broadband-detailed-plan-coming/7441715001/

77 Ibid

78 Dickson Electric System. "Sagar named DES Director of Broadband Operations + Phase I Financing Complete." September 2022. Accessed on October 13, 2022. Available at https://dicksonelectric.com/fiber20/

79 Broadband Now. Internet Providers in Dickson, TN. Accessed on October 13, 2022. Available at https://broadbandnow.com/Tennessee/Dickson

Escambia County, Florida

Leaders in Escambia County are currently pondering whether to build their own network with grant money or use those federal dollars to entice a private provider to build and operate a new network.

A county official who spoke on background told TPA that RFPs have been issued to providers on proposals to execute the plan "to get the maximum value for county citizens."

The official said that could include the county owning the network or just funding the network with ARPA money. That person said some in the community are for Escambia County having control of the system while others have reservations. The official told TPA "there are pros and cons they're weighing right now," but sentiment seems to be mostly against building a GON.

The county partnered with Magellan Advisors, which was paid $650,000 for the consultant work, to examine the issue, with the Colorado-based company suggesting to Escambia County that it should build a GON. Magellan offered to build said network.[80]

Escambia County had initially set aside $22 million in ARPA money to pay for the project, which would include connecting public buildings and creating wireless nodes to deliver internet to residences.[81]

Commissioner Steven Barry has been the lead voice expressing reservations on the thought of a GON. He said at a recent meeting that "I don't want to leave something in the ground that's going to be a huge burden, or that we then have to try to fire sale. Or if something just doesn't go like the best-case scenario. I always hoped for the best-case scenario. … (But) many of the paths that we've gone down have not ended up in best-case scenarios."[82]

Barry proposed dedicating $22 million for the project but using grant money to incentivize a private company to build and operate the network. The county would primarily use CARES Act and ARPA funds to pay for the project.

Broadband Now shows that, while most of Pensacola is well covered by legacy providers such as AT&T and Cox Communications, the outlying areas of the county are often served just by satellite providers.[83]

Photo: © Norm Lane via canva.com

80 Pensacola News Journal. "Will North Escambia 'finally' get fiber internet? $12M investment may make it happen." Jim Little. April 11, 2022. Accessed on October 7, 2022. Available at https://www.pnj.com/story/news/local/escambia-county/2022/04/11/escambia-county-invest-22-million-improving-broadband/9506492002/

81 Ibid.

82 Ibid.

83 Broadband Now. Internet Providers in Pensacola, FL. Accesses on October 6. Available at https://broadbandnow.com/Florida/Pensacola

Greenville, Tennessee

Greenville Light and Power System (GLPS) got approval from the Greeneville Energy Authority to create a broadband network, largely using ARPA funds.

The initial build will cover the town and offer service to about a quarter of GLPS customers, or just over 9,000 residents, at an estimated cost of $14 million. Greenville plans to leverage ARPA funds to pay for the construction, hoping to receive money from the Tennessee Emergency Broadband Fund (which is funded by $400 million from ARPA) as well as matching funds from the county from the project out of its ARPA allocation. In addition, the city has pledged $500,000 toward the project.[84]

GLPS CEO Chuck Bowlin told the energy authority board that the long-term goal is to expand the service to much of the county and the utility's footprint. He claimed that offering high-speed internet will help keep power rates low, telling the board that additional revenue from broadband sales would likely prevent electric rate increases. "Every one of our neighbors is providing broadband to some or all of their customers, and they are going to be able to keep their electric rates lower. We could be handicapped with electric rates in the long-term if we don't do this. This is the biggest reason that I think we need to take this step, because of we don't do this and compete with other counties we are going to fall behind on what we charge for electricity because our rates will go up," he said.[85]

As TPA has noted in its previous reporting on the issue, there are many examples of the opposite happening — power rates going up after the broadband division's utility fails, forcing electric ratepayers to pay higher bills to subsidize internet.

Bowling also pointed to the internet offered by Chattanooga's Electric Power Board as a success that could be emulated, but, as the first "GON with the Wind" noted, the project was propped up by a $111 million in federal stimulus funding under the Obama administration.

Jasper, Texas

This community experienced a rare win for taxpayers.

Local officials in Jasper decided to kill a city broadband project that at one time had the support of the majority of the City Council. The Council voted 3-0 in June to sever ties with consultant Kramer Services Group and consultant Nathan Watkins.[86]

The Council had voted earlier that year 3-2 to approve a $15.6 million bid from Kramer, based in Wisconsin, after initially paying the consultant $450,000 to conduct a feasibility study.

City leaders voted at the May meeting to continue to contract with Watkins, former city manager of Mont Belvieu (Texas), and extend a contract with Kramer, but the city attorney said the council didn't follow proper procedure.

The May city elections saw one of the supporters for the project replaced in office by a new councilmember opposed to building a GON, resulting in the Council shifting its opinion. The two supporters of the project still on the Council abstained in the June vote to end the contracts with the outside parties.

As an example of why such GON projects are usually foolhardy, Spectrum announced in September that almost 3,000 homes and small business in Jefferson County would gain access to broadband through infrastructure buildout related to money from the federal Rural Digital Opportunity Fund designed to extend high-speed internet to rural communities.[87] KFDM reported that local officials "were instrumental in this process" by ensuring the permitting process moved swiftly.

The situation in the Jasper area shows that cutting red tape is a more effective solution to closing the digital divide than building more GONs.

84 Greeneville Sun. "Greenville Light and Power System Approved Broadband Project in 2021." Spencer Morrell. March 26, 2022. Accessed on October 25, 2022. Available at https://www.greenevillesun.com/special_sections/benchmarks/benchmarks_e/greeneville-light-and-power-system-approved-broadband-project-in-2021/article_91039a38-c610-5d29-8bff-cd958948bbe0.html

85 Ibid.

86 KJAS. "Broadband issue appears to have been put to rest in 3-0 vote." Steve W. Stewart & Mike Lout. June 13, 2022. Accessed on October 4, 2022. Available at https://www.kjas.com/news/local_news/article_8b71e5b6-eb87-11ec-9c01-0779b4c67132.html

87 KFDM. "Speaker Phelan says high-speed broadband coming to about 3,000 homes and businesses." September 9, 2022. Accessed on October 7, 2022. Available at https://kfdm.com/news/local/speaker-phelan-says-high-speed-broadband-coming-to-about-3000-homes-and-businesses

Taxpayers Protection Alliance

Los Angeles County, California

The nation's most populous county shouldn't need a government network, but leaders there have discussed the possibility. The proposal has received pushback from local groups, who say Los Angeles County should use existing infrastructure and leverage federal, state and local tax dollars already allocated to broadband to connect all residents.

Los Angeles County published a report last year offering three different approaches to helping bridge the small digital divide that exists there. The first approach would leverage existing infrastructure and incoming broadband tax funds to connect all residents. The other two options would task Los Angeles County with creating its own networks: one approach involves a wireless network at an estimated cost of $1.4 billion and the other would extend county-owned fiber to every home in the county at a cost of untold billions.

Los Angeles County opted to establish a pilot project for the wireless network and study the option for fiber.

Plenty of local groups, as well as private providers, have urged county leaders to focus on the first option. A band of groups that include the Boys & Girls Clubs, Korean American Coalition and Latino Equality Alliance sent a letter to the Los Angeles County Board of Supervisors that asked the board to "choose a solution that prioritizes the allocation of funding towards immediately connecting our most vulnerable communities." The groups said the county should facilitate subsidized access to existing infrastructure with fast and reliable speeds rather than try to build its own duplicative network.

"The track record on public broadband projects is littered with failures and wasted resources," the groups wrote in their letter to the board of supervisors. "Cities across the country have failed to make their public programs work because building, operating, maintaining and servicing a broadband system is incredibly costly even for private companies. We cannot afford to waste a decade on a failed enterprise."

The groups also point out that adoption is a bigger issue than access, especially in a large city like Los Angeles with plenty of internet options. "Many residents choose not to adopt internet services for complex reasons, including concerns that the government will attain access to private information," the letter states.

The Alliance for Quality Broadband launched a website[88] recently to focus on this issue, offering a petition for residents to encourage local leaders to focus on adoption and digital literacy instead of building another broadband network.

Instead of stringing unnecessary fiber, "our Los Angeles County Board of Supervisors has a historic opportunity to use federal funding to invest in the right solutions to close the right gaps that will bridge the digital divide for the long term," the website states.

Photo: © LPETTET via canva.com

88 Alliance for Quality Broadband Los Angeles website

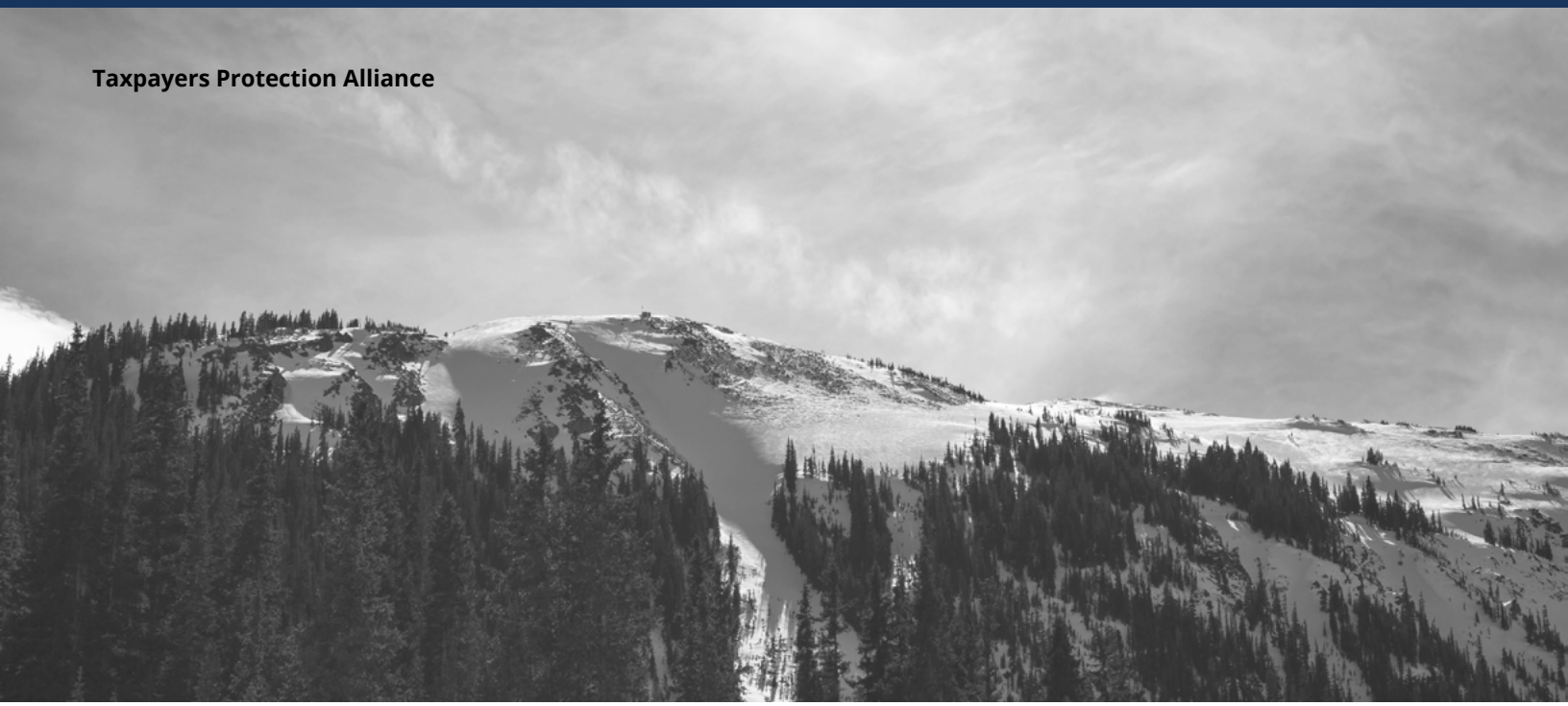

Photo: © LPETTET via canva.com

Loveland, Colorado

In 2022, Loveland was the latest town to relive the unfortunate history of a costly government-owned network not performing as well as expected. The Loveland City Council authorized a $15 million loan from Loveland Water & Power, the city's utility, to Pulse, the city's broadband network. Councilmembers voted 8-to-1 on the ordinance in late May.

The City Council pushed the vote through to create Pulse in 2018 despite the objections of some residents and the city's mayor, Jackie Marsh, who objects to putting more money into the project because the original debt was not approved by voters.

Marsh, who has voting power on the council, was the only city official to vote against the new loan.

"It's a new entity, it competes with private industry, and it's a heck of a lot of money," she said. "I'm not surprised that we need additional money…it's a lot easier to say yes to $15 or 20 million more when the notes approved the original debt."[89]

Loveland city officials created the Electric & Communication Enterprise (ECE), and council members serve as its board members. This enables them to issue debt for Pulse. In early 2019, the council members voted to approve and issue $97 million in bonds to fund the initial construction and start-up of the network.[90]

Colorado's Taxpayers Bill of Rights mandates that cities require a vote of residents when they intend to take on debt, and some in Loveland say ECE is a workaround to the state law. Sherrie Pief, a reporter for *Complete Colorado*, the reporting arm of the Independence Institute, told TPA that Loveland is counter to other cities in Colorado in that city officials simply bypassed voters because they really wanted to do this project. Pief worries that officials "mortgaged the city on it."

Councilor John Fogle told TPA that city officials did give voters a voice when residents passed an initiative in 2015 by an 82 percent to 18 percent margin to allow Loveland to opt out of Colorado Senate Bill 153. That legislation forbids local governments from building their own networks unless a majority of voters opt out of the bill. But Marsh, one of the "yes" votes, said residents weren't voting on building a broadband network, and they certainly didn't give their approval to take on nearly $100 million in debt.

Now, the city of about 80,000 residents an hour from Denver will add another $15 million to the tally. City officials say the extra money is needed due to factors they couldn't anticipate — the effects of the pandemic, inflation, skyrocketing growth in the community — and the funds will be placed in a line of credit, moved over from Loveland Water & Power to Pulse as needed.

89 Loveland Reporter-Herald. "Loveland City Council approves interfund loan for Pulse construction." Jocelyn Rowley. May 26, 2022. Accessed on October 6, 2022. Available at https://www.reporterherald.com/2022/05/26/loveland-city-council-approves-interfund-loan-for-pulse-construction/

90 The Center Square. "Op-Ed: Voters unhappy they didn't get say in Colorado city's broadband plans." Johnny Kampis. December 16, 2000. Accessed on October 6, 2022. Available at https://www.thecentersquare.com/colorado/op-ed-voters-unhappy-they-didn-t-get-say-in-colorado-city-s-broadband-plans/article_357c5684-3fe7-11eb-8487-9f08970ace0d.html

Waterloo, Iowa

In June 2022, despite having seven operating incumbent internet providers[91] and an eighth on the way,[92] the City of Waterloo moved forward with its plan for a $115.5 million[93] city-owned broadband system.[94] Using an undisclosed amount of the city's $31.4 million of federal ARPA funds,[95] the city also put forth a referendum to borrow $20 million using general obligation bond funding to begin construction of the initial "backbone" portion of its city-owned broadband system. The $20 million of general obligation bond funding is backed by multiple sources, including property taxes, sewer revenues, stormwater revenues, property tax-increment financing revenues, and utility debt service levies.[96]

Before Waterloo decided to proceed with a city-owned system, the Magellan feasibility study showed that 98 percent of survey respondents already had internet service, with an average download speed of 75.26 Mbps and an average cost of $88.74 for 100Mbps service.[97] Of the 2 percent who did not have internet service, the top reason given was that it was too expensive.[98] The study did not indicate at what price those 2 percent of respondents would be willing to pay for internet service.

Waterloo, Iowa, is a city with a population of 67,700 residents and 28,700 households, with a median average income of $46,500.[99]

West Des Moines, Iowa

With a surprising lack of transparency, the City of West Des Moines signed an agreement with Google in July 2020 for the city to build a fiber conduit system and lease it to Google for its new Google Fiber system.[100] The project's initial "not to exceed" cost was $42.8 million, to be paid by the issuance of general obligation bonds backed by the city's property tax revenues.[101] To issue the bonds, the City Council declared all of West Des Moines a "blighted" area so as to allow for access to urban renewal financing sources.[102]

Touted as an "open access" system for lease to any provider who wished to use it, the project was almost immediately plagued with a lawsuit by Mediacom Communications, alleging that the city wrongfully signed a secret, exclusive lease agreement with Google that left other providers out of the project, all at taxpayers' expense.[103] The lawsuit was settled in January 2022, with the city paying Mediacom $600,000, providing Mediacom with access to the conduit, and requiring the city to provide notice to providers of future changes to any agreements with Google.[104]

Also in January 2023, merely 18 months after the project was initiated, the City Council approved an amendment to its project increasing the "not to exceed" cost from $42.8 million to $60 million, an increase of 40 percent, and issuing another $17.2 million in general obligation bonds.[105]

In November 2022, West Des Moines issued $29.2 million of 5.17 percent general obligation bonds to finance the project, adding nearly $18 million in interest costs to the project over 20 years.[106] To repay the bonds, the city authorized a property tax levy assessable against every parcel of taxable real estate located within city limits.[107]

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91 Magellan Advisors City of Waterloo Broadband Assessment and Feasibility Analysis, https://cms6.revize.com/revize/waterlooiowa/document_center/Broadband/City_of_Waterloo__-_June_20_Presentation.pdf, p. 7.
92 Telecompetitor.com, https://www.telecompetitor.com/metronet-begins-construction-fiber-network-in-waterloo-iowa/.
93 Magellan Advisors City of Waterloo Broadband Assessment and Feasibility Analysis, https://cms6.revize.com/revize/waterlooiowa/document_center/Broadband/City_of_Waterloo__-_June_20_Presentation.pdf, p. 5-6.
94 Waterloo Courier, July 1, 2022, https://wcfcourier.com/news/local/govt-and-politics/fiber-network-plan-presented-to-waterloo-city-council/article_0f6601b6-5cea-56cb-8926-e581325b8e58.html.
95 Ibid.
96 Speer Financial Inc. Memo to Waterloo City Council, July 18, 2022, https://waterloo.novusagenda.com/AgendaPublic/AttachmentViewer.ashx?AttachmentID=34228&ItemID=23946.
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98 Ibid.
99 DataUSA, City of Waterloo Profile, https://datausa.io/profile/geo/waterloo-ia/.
100 City of West Des Moines City News, https://www.wdm.iowa.gov/Home/Components/News/News/6579/117.
101 City of West Des Moines City Council Agenda, June 15, 2020, https://www.wdm.iowa.gov/home/showpublisheddocument/31445/637275747527970000.
102 Ibid.
103 Fierce Telecom, https://www.fiercetelecom.com/telecom/mediacom-files-lawsuit-against-city-west-des-moines-over-google-fiber-build.
104 Des Moines Register, January 20, 2022, https://www.desmoinesregister.com/story/news/local/west-des-moines/2022/01/20/google-fiber-internet-speed-mediacom-lawsuit-settle-west-des-moines/6595137001/.
105 City of West Des Moines City Council Agenda, January 24, 2022, https://www.wdm.iowa.gov/home/showpublisheddocument/35753/637783520149230000.
106 City of West Des Moines City Council Agenda, November 7, 2022, https://www.wdm.iowa.gov/home/showpublisheddocument/37934/638031802485200000.
107 Ibid.

Conclusion and Recommendations

As federal funds continue flowing across the country, Congress will have an important oversight role in ensuring they go to the right places. Federal agencies have begun the process of collecting information about the current location of broadband deployments and the needs of individual states, and some programs have already begun in earnest. As the process gets fully underway, legislators should ensure that the FCC, the NTIA, and the Department of Treasury comply with the specific directives included in the laws regarding the types of projects that can be supported using these funds, the areas which can receive support, and compliance with oversight requirements included in the law. To that end, efforts such as those led by Senator John Thune (R-S.D.) which seek to review "numerous broadband programs spanning several federal agencies" are a welcome first step. Taking the initiative to coordinate and oversee how these programs are implemented will better ensure that taxpayer dollars go to the areas that need them the most, rather than overbuilding government-owned networks in areas with adequate broadband coverage.[108]

Further, to the extent that agencies unduly preference GONs at the expense of private sector deployments, Congress can pass specific reforms to programs to better tailor the spending in a way that is neutral both technologically and to the type of entity (government vs. private sector) providing the service. For example, if states and localities are using American Rescue Plan funds to support government-owned networks while excluding or ignoring private sector competition (while other areas remain unconnected), Congress could pass legislation amending the program and refocusing where and how the funds can be used.

Finally, separate from the spending, Congress could also help limit deployment barriers. Currently, broadband providers need access to poles and public rights-of-way to dig fiber, attach wires, or collocate cellular antennas. In many locations, however, local, state, and federal review processes and fees for accessing the rights-of-way present a barrier to deployment. Congress can mitigate these issues by supporting local broadband offices and limiting the fees for access to this infrastructure. By streamlining the deployment process, fewer funds will be needed to support the deployment of infrastructure to unserved locations.

In addition, Congress should work to establish requirements for state and local governments to report how the new funding for broadband is distributed through a database posted on an easily accessible website. This will promote more transparency for how this money is spent so that taxpayers can ensure there is as little waste as possible in these programs.

108 Senate John Thune website. "Thune Launches Nationwide Broadband Oversight Effort." December 6, 2022. https://www.thune.senate.gov/public/index.cfm/2022/12/thune-launches-nationwide-broadband-oversight-effort