

Before the Gallatin County Commission

October 5, 2021

Re: Bozeman Fiber \$65 Million Loan Proposal for Network Expansion

Comments of Patrick Hedger, Vice President of Policy, Taxpayers Protection Alliance

Good morning, my name is Patrick Hedger and I am Vice President of Policy of the Taxpayers Protection Alliance, a nonprofit, nonpartisan taxpayer and consumer advocacy group based in our nation's capital. I appreciate the time and attention of the commissioners of Gallatin County to speak on the proposed \$65 million Bozeman Fiber network expansion loan.

My organization is here today because last year we published a report documenting the grand promises and disappointing results of dozens of government-owned broadband networks around the country.

Here's one example that may sound familiar.

Burlington, Vermont taxpayers fronted a \$17 million loan to Burlington Telecom, a local quasi-governmental telecom provider. For years, the network missed subscriber and service targets. But taxpayers were promised there was no risk. After all, the city's charter states, "any and all costs associated with the investment of cable television, fiber optic, and telecommunications network and telecommunications business-related facilities, are borne by the investors in such a business, and in no event are borne by the City's taxpayers."

In 2017, Burlington Telecom was sold to a private company after the system defaulted on its loans. After the sale, taxpayers recovered just \$7 million of the \$17 million fronted by the city to the system. This proceeded to tank the city's credit rating, dropping six levels by Moody's metrics. Now all borrowing by Burlington to execute its core functions and services to taxpayers is inherently more expensive.

Unsurprisingly, the existing Bozeman Fiber system fits this national trend of broadband boondoggles. The local government is doing anything and everything to keep the system on its feet, and much of it goes on behind the scenes. For example, the school system, yes the school system, has been a conduit of taxpayer dollars for Bozeman Fiber via no-bid contracts at above-market prices. It's not the role of government to use education dollars to prop up superfluous systems such as Bozeman Fiber.

And when I say superfluous, I mean there is no excuse for the government to begin competing against its own citizens and local franchises using their tax dollars. The fact of the matter is that Bozeman is not exactly on the other side of the digital divide.

CenturyLink and Charter serve 97 percent and 82 percent of Bozeman, respectively, with at or near gig speeds. Viasat offers satellite internet to 100 percent of homes with speeds of up to 100 Megabits per second (Mbps), while HughesNet offers the same coverage with speeds up to 25 Mbps. All are above the Federal Communications Commission's definition of high speed broadband. This all goes without mentioning SpaceX's Starlink, due to fully come online soon.

Taxpayers Protection Alliance, 1101 14th St NW, Suite 1120, Washington, D.C. 20005

(202) 930-1716

www.protectingtaxpayers.org



Imagine if this discussion were about any other businesses already serving this community. Should public school dollars and millions in taxpayer-backed funds be used to build grocery stores and hotels that compete against those that are owned by and employ local taxpayers? Businesses would think twice about investing in this community ever again.

This is why this project is so counterproductive. If the goal here is to serve the unserved, that's noble. But competing directly against companies for the customers they already serve is a significant deterrent against private investment in competitive service options in rural and unserved areas of the community in the future.

Finally there is the issue of transparency. Many of the details regarding Bozeman Fiber and the county's dealings with the system have yet to be disclosed to the public. If this was such a good deal, then the details of the agreement should be made public. But the problem is obvious, because if this was such a good deal, it wouldn't be necessary to tie the finances and credit of Gallatin County and its taxpayers to Bozeman Fiber.

Thank you for your time and to read our report on government-owned networks, please visit protectingtaxpayers.org.

Taxpayers Protection Alliance, 1101 14th St NW, Suite 1120, Washington, D.C. 20005

(202) 930-1716

www.protectingtaxpayers.org