



# TESTIMONY

March 9, 2022

## PUBLIC COMMENTS ON GOVERNMENT PROVISIONS OF BROADBAND SERVICES

*By David Stokes and Jakob Puckett*

**Testimony before the Columbia, Missouri, Broadband Business  
Planning Task Force**

Thank you for the opportunity to testify. Our names are David Stokes, director of municipal policy, and Jakob Puckett, policy analyst. We are from the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that advances sensible, well-researched, free-market solutions to state and local policy issues. The ideas presented here are our own and are offered in consideration of proposals that will affect governmental subsidies for, and provision of, broadband service in Columbia, Missouri.

Significant amounts of federal money dedicated to broadband expansion are flowing into Missouri, which has received \$100 million from the federal Infrastructure Investment and Jobs Act specifically to expand broadband access across the state. Additionally, Governor Parson has proposed spending a total of \$400 million

of federal stimulus funds from the American Rescue Plan on broadband expansion.

There are currently two bills before the state legislature (Missouri Senate Bill 1074<sup>1</sup> and House Bill 1488<sup>2</sup>) that are intended to change Missouri's system to require that these federal stimulus and infrastructure funds are spent helping make internet access available to the small percentage of Missourians who currently cannot get it (rather than subsidizing government-owned utilities in competition with private businesses).

While there will be many proposals of how to spend this money to enhance Missourians' internet access, one policy that should *not* be pursued is for municipalities such as Columbia to institute their own government-owned internet companies to compete with the private sector. Doing so would create an unfair playing

ADVANCING LIBERTY WITH RESPONSIBILITY  
BY PROMOTING MARKET SOLUTIONS  
FOR MISSOURI PUBLIC POLICY

field, waste taxpayers' money, and discourage innovative private-sector companies from entering the market. These government agencies pay no taxes, face less regulation, and operate with taxing authority.<sup>3</sup>

After reviewing government owned municipal networks in Kentucky; Burlington, Vermont; and Chattanooga, Tennessee, economist Joseph Fuhr, Jr. concluded that:

**Many cities and municipalities have entered into the broadband market with disastrous results.**

Government should not overburden citizens with ventures that result in no benefit and actually harm consumers. Government-owned networks (GONs) have fared quite poorly because they have neither the resources nor the expertise necessary to provide consumers with reliable state-of-the-art broadband connections.

Government failure is especially prevalent in markets like telecommunications, which are subject to considerable technological changes in a short period of time. The result has been GONs [receiving] subsidies to keep them afloat or the sale of the network at a loss. In a dynamic market such as broadband services, **government ownership has proven to be an abject failure.**

**Government-owned networks often receive an unfair advantage over private networks** because they do not operate under the same tax structures and regulatory rules. This makes private providers reluctant to make investments in an area where the deck is stacked against them, which then results in lower tax revenues. In addition to scaring away potential revenues, GONs are inefficient and are often great wastes of taxpayer money. They are often duplicative of private commercial networks and almost always add to taxpayers' total debt burden.<sup>4</sup>

These situations also frequently result in government-owned municipal broadband companies providing duplicative services. For instance, in 2002 the city of Marshall, Missouri, provided government owned municipal internet service.<sup>5</sup> However, as of 2021, it was at least one of 10 companies that provide residential internet service within Marshall.<sup>6</sup> Furthermore, 78 percent of residents of Saline County, of which Marshall is the county seat, have access to service of at least 100 mbps.<sup>7</sup>

In 2020, Marshall Municipal Utilities received a United States Department of Agriculture grant worth \$1.15 million to expand broadband services in Marshall. In other words, a government agency gave another government agency a million dollars to help it expand its services to compete against private businesses within the community. Everyone wants competition and choice in capitalism, but government grants itself advantages that are hard to compete against.

To reiterate one of Joseph Fuhr Jr.'s points, information technology is one of the fastest-changing industries in the world. Whatever benefits one might expect from government involvement in broadband services, the ability to respond effectively to rapid change is unlikely to be one of them. Market choices and consumer preferences will decide what levels of internet service are proper for the large majority of Columbia residents. Columbia should focus its broadband efforts on working with the private sector to address the internet needs of the small percentage of Columbia's citizens who have no internet access at all. Columbia should not attempt to launch a municipally owned broadband provider.

## NOTES

1. Missouri Senate Bill 1074, 2022: [https://www.senate.mo.gov/22info/BTS\\_Web/Bill.aspx?SessionType=R&BillID=73644707](https://www.senate.mo.gov/22info/BTS_Web/Bill.aspx?SessionType=R&BillID=73644707)
2. Missouri House Bill 1488, 2022: <https://house.mo.gov/bill.aspx?bill=HB1488&year=2022&code=R>
3. Meyer, Paul A. The Municipally Owned Electric Company's Exemption from Utility Commission Regulation: The Consumer's Perspective. Case Western Reserve Law review 33(2), 1983: <https://scholarlycommons.law.case.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=2406&context=caselrev>
4. Fuhr, Joseph Jr., "The Hidden Problems with Government-Owned Networks," Widener University, 2012, page 9, <https://www.theamericanconsumer.org/wp-content/uploads/2012/01/GON-final.pdf>
5. Marshall Municipal Utilities website: <http://www.mmumo.net/internet.php>

6. Broadband Now website: <https://broadbandnow.com/Missouri/Marshall>
7. Broadband now website: <https://broadbandnow.com/Missouri>



**5297 Washington Place · Saint Louis, MO 63108 · 314-454-0647**  
**1520 Clay Street · Suite B-6 · North Kansas City, MO 64116 · 816-561-1777**

**Visit us:**  
[showmeinstitute.org](http://showmeinstitute.org)

**Find us on Facebook:**  
Show-Me Institute

**Follow us on Twitter:**  
@showme

**Watch us on YouTube:**  
Show-Me Institute