



TESTIMONY

December 15, 2023

PUBLIC COMMENTS SUBMITTED TO THE MISSOURI OFFICE OF BROADBAND DEVELOPMENT

By David Stokes

Thank you for the opportunity to submit these comments. My name is David Stokes, and I am the director of municipal policy at 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 my own and are offered in consideration of proposals that will affect the distribution of federal and state government funds for the expansion and provision of the Broadband Equity Access and Deployment (BEAD) program in parts of Missouri.

Promoting free market public policies is our mission at the Show-Me Institute. That is the lens through which I have viewed the draft Volume 2 BEAD proposal. While I agree with the use of these funds to assist parts of Missouri in obtaining effective broadband services, there are some unrealistic and arbitrary affordability standards in the proposal that move us away from proven, free-market principles. For example, government

price limits (in this case, enforced by the scoring mechanism) are not an effective policy tool and should not be a part of the BEAD program.

This \$1.7 billion in BEAD funding can be an important part of fully connecting Missourians to vital high-speed internet. But that will only be accomplished if these tax dollars are paired with free-market principles that incentivize providers to participate in the program and invest in broadband delivery. I recognize the need that still exists in Missouri's rural and underserved areas. That's why it is important that the Office of Broadband Development bring as many private broadband providers as possible to this mission. If the government takes the lead role in this program, it is likely to fail.

The proposed BEAD application scoring system gives advantages to broadband proposals that have the support of the local municipality or county. This approach is unnecessary and burdensome, and it invites potential abuse in the form of favoritism or cronyism. The scoring

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system should not favor broadband proposals with local government involvement, support, or funding. The provision of private broadband services between customers and private providers should be encouraged, not watered down. Giving additional points to proposals with local government funding is an invitation to local government ownership, and that would be highly problematic.

After examining government-owned municipal networks in Kentucky; Burlington, Vermont; and Chattanooga, Tennessee, economist Joseph Fuhr, Jr. concluded that:¹

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.

Other aspects of the BEAD program I believe the State of Missouri should eliminate from the scoring rubric include favoring bids that (1) purchase goods made in Missouri, (2) agree to integrate apprenticeship programs (which favors unions over non-union competitors), or (3) focus

on hiring “historically underrepresented” populations. The funds used in the BEAD program are tax dollars, and they should be spent for the purpose of expanding broadband access in the most efficient way possible. This money should not be used to favor politically influential groups or to enact preferred social policies at taxpayer expense. The more that politics comes into play with these funding decisions, the less successful the decisions will be.

Government-instituted price caps are another highly concerning part of the Volume 2 Bead proposal.

Government imposed price controls don't work, The proposal's price caps for low-cost plans could make BEAD projects financially unsustainable for Missouri's internet service providers. I believe Missouri's program rules should opt out of such rate regulation.

It is concerning to read the proposal's “middle-class affordability” criteria and how the state will require providers to commit to artificially low prices for internet service in order to receive full credit in the scoring rubric. Like the price caps for low-cost plans, regulating rates for the highest tiers of service will have a similar deterrent effect on providers—its impact on revenue potential may make it impossible for providers to justify the costs required in order to serve new areas. This revised proposal should simply consider supporting proposals where providers commit to offering the same prices for internet service in BEAD-funded areas as they offer in their current, competitive service areas. The invisible hand of competition will set prices far more accurately than a government mandate.

Missouri has an opportunity to improve online connectivity through broadband access. The BEAD plan should entirely focus on working with broadband providers to invest in this huge undertaking, not to use these funds to favor municipal governments, influential political groups, or favored social policies. I urge you to reconsider the various parts in this Volume 2 proposal that I have identified as presenting real concerns that will undermine the stated objective of expanding broadband to underserved areas.

¹ Fuhr, Joseph Jr., “The Hidden Problems with Government-Owned Networks,” Widener University, 2012, page 9, <https://www.theamericancanconsumer.org/wp-content/uploads/2012/01/GON-final.pdf>



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

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