

# POLICY MEMO

BETTER WAYS TO BUILD & EXPAND  
BROADBAND SERVICE IN OHIO  
APRIL 26, 2022

## The Buckeye Institute's Recommendation

Ohio communities should resist the temptation to build or expand government-owned broadband networks (GON) with the federal American Rescue Plan Act (ARPA) tax dollars currently pouring into local coffers. Instead, community leaders should use efficient, taxpayer-friendly partnerships with private broadband providers to build or expand broadband service or offer service vouchers to consumers in underserved areas of the state.

## Background

ARPA will soon redistribute \$4 billion in taxpayer money to local communities across Ohio. Some communities appear poised to spend that money unwisely by building or expanding their broadband networks, which will require tomorrow's local taxpayers to inevitably pay for unsustainable upgrades, maintenance, and service once the federal money dries up. Clark County, for example, **plans** to use \$2.2 million to connect government facilities to its GON. Summit County will be even less friendly to taxpayers as it plans to **use** \$35 million in ARPA funds to expand its GON and another \$25 million to pay nearby local governments to connect to the network. Such proposals offer short-sighted solutions with great long-term risk, and they ignore significantly better, more cost-effective options for expanding broadband access to reach underserved communities.

## More Risk Than Reward

GONs often prove more expensive to build and maintain than they first appear. Most, in fact, struggle to pay for themselves. A recent University of Pennsylvania Carey Law School **study** analyzed 15 GONs operating between 2010 and 2019, and found that 13 of them were projected to generate insufficient cashflow to achieve long-term solvency—and 10 were unlikely to ever breakeven. Such evidence makes GONs a risky bet that can leave taxpayers perpetually in the red, and force local leaders to make difficult choices between raising taxes or cutting other vital government services. Using temporary taxpayer funds from Washington at the outset does not negate this risk, it merely delays the inevitable.

Some GON supporters **argue** that a lack of private-sector competition justifies taxpayer-funded broadband. But the facts tell a different story. Market competition has driven broadband prices **down** significantly since 2016—with the largest price reductions in high-speed plans. Rather than lowering prices further, government-backed networks **could** crowd out private investment, impede competition, and reduce broadband quality by damaging upload and download speeds.

## Better Ways

As The Buckeye Institute has **explained**, broadband access remains vital to Ohio's economic present and future, but there are better ways to expand service than redistributing taxpayer dollars and putting local governments in charge of entire networks. The **Ohio Residential Broadband Expansion Grant Program**, for example, strategically targets government resources to expand broadband coverage while protecting taxpayer investments by creating public-private partnerships. The program tailors government grants to close gaps between what commercial service providers will spend to build a network and the full cost of providing the "last mile" to underserved communities. This state level approach would expand access to broadband without risking local taxpayer dollars through opaque subsidization as **outlined previously** by The Buckeye Institute. Additionally, Ohio could prudently use temporary ARPA funds to expand its Startlink **pilot program** or to create installation vouchers to help consumers pay for broadband that best meets their needs. Instead of shackling residents with future tax obligations, such options would **incentivize** private companies to provide better, competitive services at lower prices.

## Conclusion

Providing underserved communities with broadband access should remain a priority for Ohio policymakers. Broadband has become an integral part of a 21<sup>st</sup> century economy and the state's economic future depends on expanding and ensuring high-speed internet access. But short-sighted temptations to spend "free," temporary taxpayer dollars from Washington to build government-owned networks should be resisted. Instead, local leaders should pursue strategic grant programs, prudent partnerships with private-sector broadband companies, and direct-to-consumer vouchers in underserved areas to make the internet reliable and affordable across the state.