

# Public-Private Partnerships: The Successful Path Forward for Connectivity

America's position as a global leader in broadband connectivity has been fueled by private sector investment. In fact, America's broadband providers have invested over **\$2 trillion**<sup>1</sup> since 1996 into the nation's broadband networks—with approximately **\$86 billion** invested in 2021 alone. That's nearly equivalent to the American Rescue Plan funding that was intended to bolster the entire American economy!

To meet exploding consumer demand, this investment goes both to expand broadband's footprint and to upgrade existing networks in the advent of ever more enhanced technologies that continue to emerge from a never-ending research and development cycle.

Fierce competition among providers—over 92% of American homes have at least two fixed broadband providers competing for their business—combined with consumers increasingly demanding higher speeds, streaming more video, and using more data has led to breakneck service upgrades. Indeed, because data traffic in America is growing exponentially—increasing at an average of 20% annually over the past five years and **up nearly 250,000% since 2000**—there is a continual need for additional investment in higher capacity connections.

Despite the private sector success story, some are calling for non-profit entities—specifically municipalities—to become broadband providers. History shows why this approach should be viewed with caution.

## EXPERIENCE MATTERS

Simply put, local governments are focused on governing, and possibly building and maintaining static infrastructure such as roads, sewers, and bridges—not running technically complex dynamic broadband networks. And forgetting this has often left their residents with a hefty bill. Government broadband deployments of all sizes have frequently struggled to remain solvent, even with financial subsidies. Couple this with attempting to keep up with the pace of technology to do frequent network upgrades and ensure cybersecurity protections and you have a recipe for disaster. Consider the following cautionary examples across all levels of government:

- **Kentucky:** The Kentucky Wired project promised in 2014 to bring high-speed broadband services and high-tech jobs across the entire state. By 2018, the project costs exceeded its \$400 million budget, and it is now expected to cost taxpayers \$1.5 billion over the next 30 years.<sup>2</sup>
- **Dunnellon, FL:** The city deployed its own fiber network in 2012. By 2013, the city voted to sell the system to a private entity for \$1 million, leaving the city and its residents with \$7 million in debt.<sup>3</sup>
- **Lake County, MN:** This example shows that heavy federal subsidies alone do not guarantee success. The county's project relied on \$56 million in federal loans and \$13.5 million in federal grants. Despite this boost, the town could not support the network and was forced to sell the network to a private company at a \$40 million loss for taxpayers.<sup>4</sup>

**BOTTOM LINE—The private sector has the best track-record of success for broadband deployment.**

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## THE SUCCESSFUL PATH FORWARD

While we have seen many government-owned broadband projects struggle and ultimately be sold to private sector broadband operators, there is a successful path that allows governments at all levels to have input and participate with private providers in expanding broadband networks.

The federal American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA) have together provided billions of dollars for use in public-private partnerships. States should embrace the following best practices to ensure their broadband grant programs maximize this funding opportunity to deploy high-quality broadband as quickly as possible to those who need it.<sup>5</sup>

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- **Set Clear Expectations:** Set clear “rules of the road” with objective criteria to ensure desired outcomes from a project and to level the playing field for all potential providers.
- **Experience Matters:** Insist on working only with providers that have a demonstrated financial and operational track record of success.
- **Set Your Community Up for Success:** Ensure rights-of-way and permitting processes are as streamlined as possible and that associated fees are limited to the local government’s actual administrative costs.
- **Take a Holistic View of Broadband Deployment:** States should think holistically about the scope of a proposed application. Allowing for a mix of underserved and unserved areas in a single proposal will enable a provider to present the most efficient network design.

Several states have utilized a public-private partnership model that embraces these principles to successfully provide new service to thousands of new households.

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## ENDNOTES

- 1 USTelecom, Broadband Capex Report, July 18, 2022; available at: <https://ustelecom.org/research/2021-broadband-capex-report/>
- 2 Alfred Miller, “Kentucky taxpayers ripped off as price of Beshear project leaps,” *Courier Journal*, September 27, 2018
- 3 Dunnellon sells failed fiber optic system - News - *Gainesville Sun* - Gainesville, FL (2013).
- 4 The Law and Economics of Municipal Broadband, T. Randolph Beard, PhD, George S. Ford, PhD, Lawrence J. Spiwak, Esq., Michael Stern, PhD.
- 5 <https://ustelecom.org/state-broadband-best-practices>