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Should States Fund Municipal Broadband and Cooperatives?

Municipal broadband is booming, growing 600 percent since 2018. These alternatives to private-sector Internet service promise better access and affordability to communities. But are they really cost-effective?

Despite the more than \$1.6 trillion private Internet service providers (ISPs) have invested in broadband infrastructure since 1996, the Internet landscape in the U.S. faces significant challenges. Over 30 percent of American households do not have broadband at home, while as many as 42 million do not have the option to purchase it in the first place, especially in rural areas. Millions more are unsatisfied with the Internet they do have. Moreover, large ISPs face little or no competition in most U.S. markets, resulting in Internet service that is comparatively more expensive than most peer nations while also not being relatively fast.

As private ISPs have struggled to tackle these issues, two related models have emerged as creative alternatives: municipal broadband and cooperatives. These models differ from private ISPs in that they are locally controlled — local governments or public utilities in the case of municipal broadband networks and subscribers in the case of cooperative networks—and are more focused on expanding access and affordability for residents than in making a profit. Today, there are over 600 communities served by a municipal network of some kind and 300 served by a cooperative.

Though municipal broadband and cooperatives have been growing in popularity, they have also been a topic of heated debate. Proponents argue that these models are more democratically accountable and will lead to increased competition as well as higher quality, more affordable, and wider-reaching service than that provided by their private-sector counterparts. Conversely, detractors say these models may not be financially sustainable and could potentially crowd out private investment. Additionally, some argue that lack of expertise makes governments ill-suited to take on the tasks of operating and maintaining commercial broadband networks and that failure comes at the expense of taxpayers.

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