A new study from the Advanced Communications Law and Policy Institute at New York Law School provides the most comprehensive review of government-owned broadband networks (GONs) to date. Examining 10 prominent GONs, the study shows few enduring successes in terms of financial viability or in driving economic development. Moreover, the study finds that, but for the existence of unique circumstances, like massive, one-off subsidies, most networks tend to fail, or struggle financially over the long haul. This document highlights the key takeaways for state and local policy makers who are considering GONs and provides a range of ideas for improving broadband connectivity without building a municipal network.

GONs Won’t Solve Most Pressing Broadband Challenges. A comprehensive analysis of the U.S. broadband market shows that, by nearly every metric, it is thriving. In fact, over the last 15 years average speeds have increased significantly as broadband providers consistently invested tens of billions of dollars annually in their networks. Challenges still remain: some areas still are not fully served by the highest speeds, and adoption rates among seniors, persons with disabilities, low-income households, and certain minority communities remain too low. But these problems are largely due to community-specific barriers that GONs cannot solve.

GONs Costs Outweigh Benefits. Despite policy makers’ best intentions, finances at the state and local levels remain volatile, making it difficult to take on the massive investments that GONs require for construction, maintenance, and continuous network upgrades. Meanwhile, other public infrastructure — like roads, bridges, power grids, and water systems — is crumbling due to a multi-trillion dollar investment shortfall. Policy makers must weigh whether limited public funds should be used to fix this physical infrastructure or diverted to GONs.

State and Local Lawmakers Have Important Roles. The most effective public efforts to promote broadband are targeted to address actual problems. Public-private partnerships that leverage the expertise, resources, and incentives of the private sector and position government as a hub for coordinating financing and planning can reduce public risk and optimize outcomes.

Key Considerations for Policy Makers

Look Deeper. Failed and failing GONs highlight the complexities and challenges associated with building and deploying advanced communications networks. Overly optimistic assumptions about costs and take-rates have often doomed GONs. The few moderately successful GONs have benefitted from unique circumstances, such as massive, one-off subsidies. Policy makers must look deeper into the real challenges and issues before committing to building a municipal network.

Selected Findings from Case Studies

Bristol, Virginia
Year of Network Launch: 2002
Current Status: Built

Despite nearly $60 million in federal and state funding, its GON remains $70 million in debt.

Cedar Falls, Iowa
Year of Network Launch: Mid-1990s
Current Status: Partially Built

Significant GON-related debt prompted Moody’s to downgrade Cedar Falls Utilities’ bond rating, now the city plans a property tax increase.

Provo, Utah
Year of Network Launch: 2001
Current Status: Built and Sold

Provo sold its GON to Google for $1, saddling the city with $40 million in debt.
as one-time grant funding, that artificially distort the true economic picture and would be difficult to replicate. Many so-called “successes” have not lasted over the long-haul.

**Protect Constituents.** GONs, especially those deployed by municipal utilities, raise fundamental concerns regarding sustainability, fair competition, and consumer welfare.

**Focus on Real Demand.** Consumer demand, not arbitrary speed benchmarks, should drive deployment. Data show the current supply of bandwidth and speed are accurately shaped by consumer demand and actual usage patterns. State and local policy makers should resist calls for achieving artificial speed benchmarks.

**Be Wary of Economic Panaceas.** The data do not indicate that GONs catalyze significant economic activity, especially regarding job creation, where they have been deployed. For example, there has been significant enthusiasm around the potential for using the Chattanooga GON to spur economic development and create new jobs, but no empirical evidence supports these assertions.

**Keep Pace with Change.** Municipal governments generally do not have strong records of keeping pace with technological advances or in responding to rapidly evolving consumer preferences. Absent a strong private partner, government networks have proved to be too slow to keep pace with the very quickly changing broadband market.

**Prioritize Public Needs.** The substantial costs of building, maintaining, and operating GONs outweigh much greater benefits that could be achieved if limited public funds were used on other infrastructure, education, or public needs.

**Practice Fiscal Stewardship.** Pursuit of a GON often necessitates real tradeoffs that may negatively impact core aspects of local governance. Cities contemplating GONs will have to determine whether the associated debt may limit future bond issuances for other projects. Many states have laws limiting the amount of debt a municipality can accrue.

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**Additional Resources for Policy Makers:**

- Full Paper
- Executive Summary
- Policy Maker Toolkit
- Case Study of Bristol, VA
- Case Study of Cedar Falls, IA
- Case Study of Chattanooga, TN
- Case Study of Danville, VA
- Case Study of Groton, CT
- Case Study of Lafayette, LA
- Case Study of Monticello, MN
- Case Study of Provo, UT
- Case Study of Chattanooga, UT
- Case Study of Wilson, NC

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**Lafayette, Louisiana**

**Year of Network Launch:** Late 1990s

**Current Status:** Built

After investing more than $150 million, the GON has only 14,000 subscribers — just a third of its potential customer base.

**Monticello, Minnesota**

**Year of Network Launch:** 2010

**Current Status:** Built

The GON’s financial struggles caused the city to default on its bond obligations, prompting a lawsuit.

**UTOPIA (Utah)**

**Year of Network Launch:** 2008

**Current Status:** Partially Built

After spending nearly a half billion dollars on the network, the 11 participating municipalities are seeking a buyer.