Policy Memo

No to GONs, Yes to Public-Private Partnerships
September 10, 2024

The Buckeye Institute's Recommendation

Government-owned broadband networks—or GONs—remain a tempting but bad idea that Ohio's municipalities should resist. Local governments have tried for years to prop up government-subsidized internet and, as Bryan, Ohio most recently demonstrated, those efforts continue to fail. The **better policy** would encourage public-private partnerships with cutting-edge technology companies to deploy adequate broadband for customers.

Background

Using GONs to expand internet access has proven predictably problematic for consumers, internet providers, and taxpayers. The failed GON in Lebanon, Ohio, was **plagued** with problems from the start, prompting its sale to a private service provider; and now Bryan, Ohio, **announced** on August 7 that its Board of Municipal Utilities (BMU) will discontinue providing internet services due to costly infrastructure upgrades and **superior competition**. After providing government-subsidized broadband for more than two decades, Bryan has told approximately **1,000 customers** to find another internet provider, once again highlighting the disruptive failure of well-intended, but misguided GON policies.

As The Buckeye Institute has **outlined** previously, GONs require substantial investments, ongoing maintenance to rapidly evolving technology, and frequent and expensive upgrades that can strain municipal budgets. Taxpayers subsidize GONs directly or indirectly through cross-subsidization from other municipal functions, which diverts resources from other essential services like public safety, roads, and sewer systems. Adding recurring GON expenses just as federal COVID-19 **funds** dry-up and cities face broad **tax revenue shortfalls** may require local tax increases or fee assessments for residents to pay for non-essential services.

GONs competing with private-sector internet providers struggle to keep pace in the rapidly changing telecommunications market. Governments are constrained by bureaucracy and limited budgets, which typically means they offer slower, outdated infrastructure products and subpar service. And because GONs benefit from government subsidies, they foster unfair competition that discourages private investment in broadband infrastructure that could otherwise deliver better products and services.

Policy Recommendations

Rather than compete directly with private broadband providers, municipalities should improve broadband access by fostering a private investment environment that encourages private providers to serve underserved areas. Such an environment should include **streamlined permitting processes** and targeted incentives, such as the **Ohio Residential Broadband Expansion Grant Program**, that make it more attractive for the private sector to invest in local

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broadband infrastructure. Facilitating public-private partnerships can mitigate risks for taxpayers and allow cities to benefit from private sector expertise while still maintaining some oversight to ensure that community needs are met. This approach also allows for more efficient resource use tailored to address any unique challenges in underserved areas.

Conclusion

With tighter municipal budgets on the way, Ohio policymakers should focus on providing essential government functions that meet their communities' most pressing needs—not competing against and crowding-out private sector broadband service providers. Instead of funding risky and expensive government-owned networks, cities should relax their regulatory environments, attract private investment, and partner with technology companies to deliver high-quality internet service with less bureaucracy and fewer taxpayer dollars.