



February 19, 2024

Representative Zack Stephenson  
Minnesota House of Representatives  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
Saint Paul, MN 55155

Re: House File 3679

Dear Chair Stephenson and Members of the Commerce Finance and Policy Committee,

The Minnesota Cable Communications Association (MCCA) represents cable companies who are proud to serve residents of Minnesota in every corner of the state, from Sjoberg's in Thief River Falls, SCI in Hinckley and Midco in Fairmont. Collectively, MN cable companies provide high-speed, reliable broadband connections to over 1.5 million residents in the metro, suburbs and rural Minnesota. Our members employ over 4,400 Minnesotans and have invested over \$1B of private capital in their networks since 2011, expanding internet access and increasing speeds across the state.

Since the creation of the Border-to-Border grant program in 2013, the state of Minnesota has invested over \$350 million in partnerships with broadband providers across the state, including cable companies, telcos and electric coops, to expand broadband access to unserved and underserved areas of our state. All of these dollars have been matched by millions more in private investment. As a result, thousands of Minnesotans have been connected to a reliable and fast broadband connection with different tiers of service options, competitive pricing and affordability plans to meet the needs of every Minnesotan. This long-standing commitment to encouraging and incentivizing public-private partnerships between ISPs and the communities they serve is what has made Minnesota a leader in broadband policy.

MCCA appreciates the opportunity to engage and provide comments on House File 3679. MCCA remains concerned with and opposes section 3 of the bill that would modify Minnesota Statutes section 237.19 to remove the requirement that a municipality obtain the approval of 65% of voters in a referendum before constructing, purchasing, or acquiring by condemnation a "telephone exchange" and owning and operating that exchange "within its own borders." In addition, MCCA is concerned and opposed to section 4 of House File 3679 which would allow cities to overbuild communities that are already well served with broadband or any other communications service.

Despite assertions suggesting government-owned networks (GONs) better serve consumer interests, the few GON initiatives we have seen in Minnesota have not gone well. Beyond the capital required to finance network construction, GONs, like all ISPs, face significant operating costs to maintain and constantly upgrade their networks. The burden of maintaining a broadband network is heavy, and blue-sky promises of immediate substantial market share, big profits, and “future proof” networks never materialize. The more typical story is that the capital-intensive, long term financial burdens associated with building, operating, and maintaining a network come due to taxpayers.

In 2010, Monticello’s construction on the city’s \$16.8 million government owned network completed with funding from city-issued bonds. By 2012, the performance of the network fell dramatically short of the city’s unrealistic projections. The City had to borrow \$3.1 million from the city’s municipal liquor store operation along with \$323,000 in cash from the City’s general fund. After losing \$4 million in taxpayer money, the city defaulted on its loans and saw its credit rating decrease.

In Moorhead, the city’s public broadband system, GoMoorhead, was likewise dogged by conceptual, operational, and marketing problems from inception. The \$2 million project was to be owned and managed by the Moorhead Public Service Commission, which also oversees the City’s municipal water and power operations. Four years later, the city sold GoMoorhead to 702 Communications for \$1.2 million. Moorhead Public Service officials “said they decided to sell GoMoorhead for several reasons, including a shrinking customer base and the fact expensive upgrades are needed if Moorhead Public Service continued to operate GoMoorhead,” the Fargo Forum reported.

Lake County, Minnesota, spent \$70 million in public funds to plan and partially construct what was supposed to be a county-wide fiber network. Greatly underestimated costs, unrealistic business projections, and hubris in dismissing critics of the project all led to a very predictable ending: litigation with frustrated bond holders, and ultimately the sale of the system for \$8.4 million.

With this track record, it would be irresponsible for law makers to give unrestricted authority to municipalities to put taxpayer funds at risk of overbuilding existing broadband networks. Municipalities should be prohibited from cross subsidizing their broadband operations and debt service with revenues from unrelated sources like municipal liquor stores, electric utility operations, and the City’s general fund. Moreover, because municipalities also serve a regulatory role over private providers, it would also be unfair for the Legislature to permit municipal ownership of broadband networks without requirements separating a municipality’s proprietary and regulatory roles. To this last point, we understand that Rep. Kraft is willing to amend the bill to add this protection and we appreciate that improvement to the bill.

On June 30, 2023, the National Telecommunications and Information Administration announced Minnesota would receive nearly \$652 million in funding, appropriated through the Infrastructure Investment and Jobs Act, to secure “Internet for All” and ensure every Minnesotan has a high-speed, reliable broadband connection. This funding will be appropriated in competitive grant rounds through Minnesota’s Office of Broadband Development and Border-to-Border Grant Program. . With a once-in-a-

lifetime amount of funding coming to Minnesota, the focus should remain on encouraging broadband providers and communities to work together to ensure Minnesota does not fall short of its goal of every Minnesotan having a strong, reliable and essential broadband connection.

Given the immense demands on local governments for critical public services, MCCA encourages the author of the bill, Chair Stephenson and the committee to consider including additional taxpayer protections to the bill to ensure more Minnesota communities and residents do not fall victim to failed government owned networks and further away from closing the digital divide.

Sincerely,

Melissa Wolf

Executive Director, Minnesota Cable Communications Association