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June 13, 2022

Bloomington City Council
City of Bloomington
401 North Morton Street
Bloomington, IN 47404

Dear Councilmember,

On behalf of the 597 members and supporters of the Citizens Against Government Waste (CAGW) in Bloomington, Indiana, and the 33,210 members and supporters in the state of Indiana, I would like to reiterate our concerns about the proposal to provide funds to build an open access fiber network with Meridium Infrastructure North America Corporation (Meridium) articulated in our letter on June 7, 2022. I strongly recommend the council oppose this proposal.

Bloomington Mayor John Hamilton has been pushing for the construction of a government-owned broadband network since 2016. It was a bad idea then, and it is an even worse idea now. Instead of spending the taxpayers' money on a project that will undoubtedly be a failure, the mayor should be working with the Bloomington City Council, the Redevelopment Commission, and the Plan Commission to take advantage of federal and state programs that will help close the digital divide.

Among the programs available to assist with the adoption of broadband services is the Federal Communications Commission's (FCC) Affordable Connectivity Program (ACP), which helps households that could not otherwise afford broadband to access the online activities they need for healthcare, school, work, and shopping. The ACP provides a discount of up to \$30 per month toward internet service for eligible households and up to \$75 per month for households on qualifying Tribal lands. These households are also eligible for a one-time discount of up to \$100 to purchase a laptop, desktop computer, or tablet from participating providers if they contribute more than \$10 and less than \$50 toward the purchase price.¹ Internet service providers in Bloomington currently offer this low-cost program.

Congress provided \$350 billion in the American Rescue Plan Act for state and local government infrastructure projects, \$3.2 billion in the Consolidated Appropriations Act of 2021 for the FCC's Emergency Broadband Connectivity Fund, and \$42.5 billion in the Infrastructure Investment and Jobs Act for the Broadband Equity, Access, and Deployment program, which is intended to help bridge the digital divide in unserved and underserved communities across the country. According to FCC Commissioner Brendan Carr, there could be as much as \$800 billion available to increase broadband deployment across the nation.²

¹ Federal Communications Commission, "Affordable Connectivity Program," <https://www.fcc.gov/acp>.

² Citizens Against Government Waste, "A Conversation with FCC Commissioner Brendan Carr," April 6, 2021, <https://www.facebook.com/9364828262/videos/279920027031270>.

Despite the availability of these programs, on November 16, 2021, Mayor Hamilton announced the signing of a letter of intent (LOI) with Meridium to provide a city-wide, high-speed fiber network.³ But there are already six high-speed broadband service providers covering more than 90 percent of the Bloomington community, three of which offer speeds of up to at least 1 Gbps. According to Broadband Now, the “average download speed in Bloomington is 214.53 Mbps. This is 40.1 percent faster than the average in Indiana and 47.1 percent faster than the national average.”⁴ Providers in Bloomington include AT&T, which offers up to 5 Gbps download speed; Xfinity, which offers up to 1.2 Gbps; Smithville, which offers up to 1 Gbps; T-Mobile 5G Home Internet, which offers up to 182 Mbps; ViaSat, which offers up to 100 Mbps; and HughesNet, which offers up to 25 Mbps.⁵

These networks were built without taxpayer subsidies or financing. The incentives being offered in the LOI to Meridium include tax increment financing of at least \$14.4 million and free access to the city’s rights-of-way, which may violate both state and federal law by giving Meridium preferential treatment. The company will get reduced property taxes over the course of 25 years in exchange for the money.⁶ Meridium is an infrastructure investment firm that assists developed and emerging markets in Europe, Africa, and the Americas by replacing aging infrastructure and building new infrastructure, like hospitals, schools, nurseries, court houses, and university housing.⁷ The company is neither a broadband infrastructure construction firm nor a broadband internet provider.

Meridium will be using local taxpayer money to build a middle-mile broadband network that would directly compete with existing broadband providers, but not provide broadband service connection to the premise. The reduced property tax provisions of the agreement being given to this company will divert funds away from the city’s schools and public services and force the city to raise taxes to replace that income. Indeed, Mayor Hamilton suggested that is it time to raise taxes since that has not been done for several years.⁸ Taxpayers and families who will bear the burden of this project, which would start at a time when inflation is at its highest in 40 years and many families are having to choose between buying gas or groceries, deserve the opportunity to know every detail of the contract with Meridium and its impact on their children’s education and security in the city.

The proposed network will do nothing to connect the residents of Bloomington who do not have access to broadband internet service since Meridium is only required under the LOI to

³ City of Bloomington, “City Signs Letter of Intent with Meridium for City-Wide, High-Speed Fiber,” Press Release, November 16, 2021, <https://bloomington.in.gov/news/2021/11/16/5019>.

⁴ Internet Providers in Bloomington, IN,” Broadband Now, <https://broadbandnow.com/Indiana/Bloomington?zip=47404>.

⁵ Ibid.

⁶ Dave Askins, “Some details emerge on \$14.4M ‘spider’ TIF funding for Meridium’s high-speed internet in Bloomington,” B Square Bulletin, May 24, 2022, <https://bsquarebulletin.com/2022/05/24/some-details-emerge-on-14-4m-spider-tif-funding-for-meridiams-fiber-to-the-home-project-in-bloomington/>.

⁷ Meridium, “About Us,” <https://www.meridium.com/about-us/>.

⁸ Joe Hren, “Ask The Mayor: Bloomington’s Hamilton on tax increase, fiscal transparency,” WTU News, April 20, 2022, <https://indianapublicmedia.org/news/ask-the-mayor-bloomingtons-hamilton-on-tax-increase.-fiscal-transparency.php>.

provide service to 85 percent of the community where it is affordable to build a network. This makes absolutely no sense when service already exists for 90 percent of the community. It will end up like other wasteful government-owned network projects across the country. Indeed, this may be one of the worst broadband proposals ever considered by any municipality.⁹

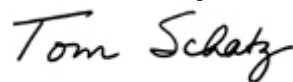
Since 2004, when Concord, Massachusetts attempted to create a publicly financed broadband communications company, CAGW has been reporting on government-owned broadband networks. Local governments undertake an enormous amount of financial risk and end up spending far more than initial estimates. It is common for municipal electric customers to subsidize the broadband customers, causing electric rates and taxes to increase. The magnitude of financial losses caused by failed government-owned networks around the country is staggering. From Bristol, Virginia to Provo, Utah, towns, and cities across the nation have invested in tens of millions of dollars to build a government-owned network, only to sell these systems for pennies on the dollar, including in Provo, where the system was sold for exactly one dollar.¹⁰

Since the plan is to build a middle-mile network, there is little hope that potential customers who have access but have not adopted broadband service for various reasons would be incentivized to subscribe. It will likely end up being built, and no one will come to use it, leaving dark fiber like many similar projects.

If city officials are truly interested in connecting unserved and underserved residents of Bloomington, the solution is not to redirect taxpayer resources to build an unnecessary middle-mile broadband network, but instead to increase outreach on the benefits of using the internet, and how low-income households can obtain the assistance they need to subscribe to existing providers. In addition, the city should review its rights-of-way pricing and restrictions and equitably make any necessary reduction of application fees and timing for all applications, not just for one company that does not even provide broadband service.

I, again, respectfully ask that the Bloomington City Council exercise fiscal prudence by rejecting what will likely be the worst contract they could ever approve.

Sincerely,

A handwritten signature in black ink that reads "Tom Schatz". The signature is written in a cursive, slightly slanted style.

⁹ Deborah Collier and Tom Schatz, "The Folly of Government-Owned Networks," Citizens Against Government Waste, May 2021, <https://www.cagw.org/reporting/government-owned-networks>.

¹⁰ Ibid.