

Some Minnesota cities want to impose fees on internet providers, but customers could pay the price

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Minnesota cities are asking the Legislature for power to slap internet providers with new fees, an idea they say will lead to more broadband in the state with the added bonus of helping to pay for basic government access programming like video of council meetings.

But the idea has caused a stir at the Capitol, where telecom groups and Republicans argue the bill—with its significant support from the Twin Cities metro area—won't actually aid rural Minnesota in bridging the digital divide at all. Instead, it would just bring in more cash to local government at the expense of broadband customers.

The tug-of-war has become contentious at times, pitting cities and their media operations against [internet providers](#) large and small and sparking debate about whether the bill's title promising [equal access](#) to broadband is false advertising.

Gov. Tim Walz's broadband office declined to weigh in as officials there plan to distribute more than \$750 million in state and [federal money](#) to subsidize the construction of broadband infrastructure aimed at expanding high-speed internet options.

"The added fee on consumers' bills will tip the affordability scale in the wrong direction," said Brent Christensen, president of the Minnesota Telecom Alliance. "This legislation is contrary to everything the state of Minnesota, the Office of Broadband Development and my members are doing to see that all Minnesotans have access to quality broadband."

Local governments have long negotiated franchise agreements with cable TV providers and utility companies to use public right-of-ways for infrastructure like wires.

Those deals usually include franchise fees, and for cable providers, a second fee specifically dedicated to what is known as Public Education and Government, or PEG. That's basic public access media documenting local life and government.

The bill, which Rep. Mike Freiberg, DFL-Golden Valley and Sen. Nicole Mitchell, DFL-Woodbury sponsor, would give cities and towns

the option to strike similar franchise agreements—and impose fees—on broadband providers. House Democrats are advancing the policy as part of a larger a larger package of legislation in the Commerce Finance and Policy Committee.

The tab for existing franchise agreements typically passes down to customers. Cities use the cash in many ways, not solely for government media.

Federal law limits cable franchise fees to 5% of annual gross revenue in that city, though the PEG fees are additional and uncapped. The latest version of the DFL legislation restricts broadband franchise fees to 5% of gross revenue and PEG fees to 3%.

Supporters have titled the bill as the "Equal Access to Broadband Act," saying cities can negotiate consumer protections through franchise deals. Broadband groups have argued it's a misnomer, that the policy will slow the spread of quality internet.

Christensen said a broadband provider could just avoid entering a city rather than face a franchise fee or regulations, especially in rural areas where the business case is already shaky because of sparse housing or difficult terrain that drives up the cost of laying fiber-optic cables.

Local regulations could hypothetically clash with the requirements for the unprecedented \$652 million tsunami of grant funding headed to Minnesota from the federal infrastructure bill that subsidizes fiber in those harder-to-serve areas, he said. Minnesota lawmakers approved an additional \$100 million last year, too.

The Telecom Alliance represents a range of smaller communications companies and cooperatives in the state and some larger ones such as Lumen.

Another objection from the broadband industry is the fees would pass down to customers on their bills, cooling interest in buying internet.

"This is putting franchise fees on customers' bills at a time when we're trying to make broadband affordable," Christensen said.

Opponents of the bill included several national trade groups representing broadband providers and heavy hitters like the Minnesota Chamber of Commerce and the Minnesota Cable Communications Association. The latter represents Comcast and has led an advertising campaign against the legislation.

Republicans have painted the policy as a way for cities to raise cash rather than spread broadband access.

"This is about bloating government budgets," said Rep. Isaac Schultz, R-Elmdale Township, during a March hearing.

Public support for the bill has been concentrated, though not exclusively, in the Twin Cities metro area where basic internet options are easier to come by than in large parts of Greater Minnesota.

And city leaders don't hide that extra revenue is part of the equation, but many also maintain they are looking out for consumers and broadband equality.

Cities could negotiate to put regulations on broadband providers, ensuring more equal service across a city and other protections, said Mike Bradley, an attorney supporting the bill who works in telecom and cable cases. The fear is that providers now can cherry pick neighborhoods that could be more ripe with potential customers and therefore more likely to make the economics of expanding services feasible.

"Right now there's nothing protecting the residents," Bradley said.

The Federal Communications Commission adopted a rule last year meant to prevent discrimination of [broadband](#) access based on income, race, ethnicity and more, which has drawn lawsuits from the U.S. Chamber of Commerce and others.

Roseville Mayor Dan Roe has watched city fees on cable companies drop through the past half-decade as people switched to streaming services, slicing into PEG funding. He estimated franchise fee and PEG income has dropped 20% in the past five or six years.

Roseville is part of a nine-city consortium known as the North Suburban Communications Commission that uses PEG fees to fund the media group NineNorth. The nine cities in 2023 took in roughly \$1.7 million from cable companies between the two fees, Roe said.

Concern for PEG fees isn't only in the metro. Itasca Community Television in Grand Rapids backs the new franchise fees in a letter to lawmakers, writing it had lost money in recent quarters, a problem for a public service that offers coverage of city, township, school district and county meetings.

And with community newspapers dwindling like the Lillie Suburban Newspapers chain, which closed in 2019, local residents have fewer local sources to rely on for news.

"It's anything from high school sports, or performing arts performances, city festival parades in the summer," Roe said.

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