

March 23, 2018

To: Members of the Kentucky House of Representatives  
From: Americans for Tax Reform  
Re: Remove Funding for KentuckyWired

Dear Representative,

On behalf of Americans for Tax Reform (ATR) and our supporters across Kentucky, **I urge you to follow the Senate's lead and remove all KentuckyWired funding from the state budget. Contrary to many claims, finishing this unnecessary government-run broadband network (GON) would only result in negative consequences for Kentucky taxpayers and consumers, and the future of the internet.**

As has been the case with dozens of other GONs, **KentuckyWired is running over budget and behind schedule.** Two years past its intended date of completion, just 708 of KentuckyWired's 3,000 miles of fiber optic cable have been laid in the ground, yet more than half of its \$350 million budget has been spent.

**On top of these overrun labor costs, Kentucky taxpayers are also on the hook for millions of dollars in contract penalties for "supervening events."** Indeed, these penalties have already escalated so much that the Kentucky Communications Network Authority is currently asking lawmakers for the authority to borrow an additional \$110 million.

Despite KentuckyWired's horrible track record, some are still optimistic that it could be turned around. But such an outcome is highly unlikely, **as dozens of GONs nationwide have proven that government entities are not capable of succeeding in this space.** Government simply lacks the expertise necessary to correctly and efficiently build out and maintain a broadband network.

**Another major problem with KentuckyWired is the fact that it is directly competing against private sector internet providers in spite of promises that it would not do so.** In fact, KentuckyWired has even launched a radio advertising campaign to promote the network.

**Government competition with private sector should be rejected on principle, as the two cannot fairly compete.** That is because government entities can subsidize costs with tax dollars, and thus charge consumers below the cost of service. The private sector, on the other hand, cannot undercharge their customers because it would drive them out of business.

**Ultimately, such market distortion has adverse effects on consumers.** Private sector providers are discouraged from remaining, expanding, and investing in areas where they are subject to such unfair competition from an entity that doesn't need to turn a profit. **Since it is vigorous competition between providers that spurs innovation, improves quality,**

722 12<sup>th</sup> Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

[www.atr.org](http://www.atr.org)

and naturally brings prices down, GONs would likely result in consumers having fewer choices, outmoded technology, and deteriorating service.

**ATR urges lawmakers to stop throwing money at KentuckyWired.** Contrary to what many claim, **KentuckyWired will NOT reach any Kentuckian who does not currently have internet access.** It will only reach consumers who are already connected to fast internet speeds. **Pouring more money into a multimillion-dollar project that Kentuckians do not need would be an inappropriate and irresponsible use of scarce taxpayer resources.** If you have any questions, or if ATR can be of assistance, please contact me or Margaret Mire, ATR's state affairs manager, at [mmire@atr.org](mailto:mmire@atr.org) or 202-785-0266.

Sincerely,



Grover Norquist  
President  
Americans for Tax Reform