



April 16, 2024

Re: HF 5217

Dear House Labor and Industry Finance and Policy Chair, Rep. Michael Nelson and Committee Members:

The Association of Minnesota Counties (AMC) has been a leading advocate of our state's Border-to-Border Broadband Grant Program for more than a decade. We have asked this Legislature on many occasions to fund the grant program and you have graciously obliged because you believe, as we do, that this is one of the most consequential investments the state can make.

Broadband infrastructure grant programs are based on the premise that the remaining unserved homes and businesses would never receive broadband service because the cost to connect them is too high for an ISP build the project on its own. Our grant program has had a prevailing wage exemption in statute for nearly 10 years. The reason for this is to lower project costs and make them financially viable. Our grant program has been used by states across the country and even some federal programs. It is the gold standard, often referred to as the Minnesota Model.

HF 5217 would apply prevailing wage to the \$650 million in federal BEAD funding coming to Minnesota over the next few years. It would also repeal the existing prevailing wage exemption for broadband projects in the Border-to-Border Broadband Grant Program. **AMC opposes these provisions for a several reasons.**

First, Minnesota's portion of the BEAD funding is finite. As part of the agreement with the NTIA and U.S. Department of Commerce, Minnesota is obligated to serve every home and business with high-speed broadband using these dollars. Prevailing wage will drive up project costs, especially in the hardest to serve areas in rural counties. If prevailing wage standards were required, we are not sure how the state could possibly meet its 100% connectivity obligation without additional funds, which the federal government will not supply.

Second, counties regularly contribute thousands of dollars to these projects in partnership with ISPs. We have heard directly from large and small ISPs and rural cooperatives that they will not participate in these voluntary grant programs if prevailing wage standards are required. In many counties in rural Minnesota, there is only one ISP. If they do not apply for these grants, no one will, and our residents will be left behind as they have been for the last quarter century.

Lastly, HF 5217 would award additional points on a grant application if an ISP conforms to prevailing wage standards. AMC believes this would put Minnesota out of compliance with federal program guidelines and result in funds being further delayed or, worse, withheld by NTIA and the U.S. Department of Commerce.

Thank you for the opportunity to share our thoughts on the bills with you today.

Sincerely,

Nathan Zacharias, Technology Policy Analyst
Association of Minnesota Counties