

Journeyman Pipe Fitters and Apprentices



Local Union No. 602

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AFFILIATED WITH AFL-CIO

HB465 / SB436

Workplace Fraud and Prevailing Wage - Violations - Penalties and Referrals

FAVORABLE

Dear Chairs Wilson and Beidle, and members of both the House Economic Matters Committee and the Senate Finance Committee:

As Business Manager/Financial Secretary Treasurer of UA Steamfitters Local 602, please accept this letter in strong support of HB465 / SB436 - Workplace Fraud and Prevailing Wage - Violations - Penalties and Referrals, which addresses the pervasive acts of Misclassification, wage theft, tax fraud, payroll fraud and insurance fraud

The UA Steamfitters Local 602 represents some 4,900 Journeymen, 1100 Apprentices, and 205 signatory Mechanical Construction and Service Contractors in the Heating, Air Conditioning, Refrigeration and Process Piping Industry throughout the Washington, DC Metropolitan area. Our economic and workforce footprint is enormous, including having performed some 7,231,500 work hours in 2020 alone. We understand how to make Maryland work, because it's what we do, each and every day.

Our work is a business-labor partnership, and our contractor affiliates, represented by the Mechanical Contractors Association of Metro Washington (MCAMW), is a powerful driver of local economies throughout the region, generating some \$2 BILLION in annual revenue, and some \$500 MILLION in state, federal and local taxes each and every year.

This legislation addresses the pernicious practice of Misclassification, and its inevitable underlying practices of wage theft, tax fraud, payroll fraud and insurance fraud. These practices run rampant in most states, including in Maryland, where few investigative tools are available, and fewer resources are deployed to address the practices.

Misclassification, whether intentional or unintentional, wrongly classifies workers as independent contractors, or worse, paid entirely off the books, when, in fact, those workers are employees. This practice occurs across all workforce sectors, but is particularly rampant in the construction industry.

Within each instance of misclassification, exists multiple instances of wage and hour violations, including violations of minimum wage laws, overtime laws, prevailing wage laws, and so on. Importantly, by definition, each violation also constitutes payroll fraud, tax fraud, and insurance fraud, including underreporting, misreporting, or under collection of workers' compensation withholding, unemployment insurance withholdings, and federal FICA withholding. These are

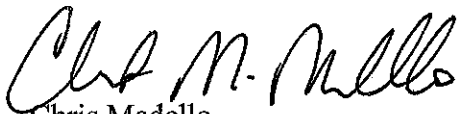
problematic for the workers themselves, for state and federal government and taxpayers who are being deprived of revenues, and for law abiding businesses who are at a competitive disadvantage.

As you may be aware, at the request of the Joint Audit and Evaluation Committee, the Office of Program Evaluation and Government Accountability has conducted an evaluation of the Worker Classification Protection Unit (WCPU) of the Maryland Department of Labor. This evaluation uncovered abject wage theft, misclassification, and a range of payroll violations, that are directly related to the structure of the Maryland Department of Labor, Licensing and Regulation, and the statutes which enable these atrocious practices.

While HB465 / SB436 does not speak to the need for reforms with the structure of the Department of labor, Licensing and regulation, it does begin to address this problem holistically, as other states have, by appropriately elevating willful acts of Misclassification to a misdemeanor, while requiring referrals from Department of Labor to the Comptroller, for enforcement of the underlying tax fraud, and payroll fraud that are baked-in to each and every act of Misclassification. In addition, this committee should also require mandatory referrals to the Maryland Attorney General and the Maryland Insurance Commission. And while the United States Department of Labor's Wage and Hour Division, the Maryland Department of Labor's Division of Unemployment Insurance, and the Maryland Department of Labor's Division of Labor and Industry are parties to a 2022 MOU to improve collaborative information sharing and to some extent prosecutorial resources, this committee should require mandatory referrals to the US Department of Labor and the US Department of Justice for willful violations of federal law.

For these reasons, we ask for a favorable committee report.

Sincerely,



Chris Madello

Business Manager and Financial Secretary / Treasurer
UA Steamfitters Local 602