

MDTestimony_Misclass_EPI.pdf

Uploaded by: Adewale Maye

Position: FAV

Testimony in support of the Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement Act (HB 1096) before the Maryland House Economic Matters Committee

Chair Wilson, Vice Chair Crosby, and members of the Economic Matters committee: Thank you for allowing me to speak to you today in support of the Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement Act (HB 1096).

My name is Adewale A. Maye. I am a policy and research analyst for the Program on Race, Ethnicity, and the Economy (PREE) with the Economic Policy Institute (EPI). EPI is a nonpartisan, nonprofit research organization in Washington, D.C., whose mission is to analyze the economy through the lens of the typical U.S. working family. EPI researches, develops, and advocates for public policies that help ensure the economy provides opportunity and fair rewards for all Americans, with a focus on policies to support low- and middle-income households.

I am testifying in support of the Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement Act, which would prohibit a person from knowingly making or using a false record or statement resulting in underpayments of unemployment insurance contributions or payment of unemployment insurance benefits of more than a certain amount; altering the enforcement mechanisms of the Maryland Wage and Hour Law, the Maryland Wage Payment and Collection Law, workplace fraud laws, living wage laws, and prevailing wage laws.

This bill would also ensure that the Workplace Fraud Act, Lab. & Empl. 3-909 – a Maryland bill that protects both workers and businesses from worker misclassification – is expanded to all industries and not limited to the occupations of construction and landscaping as it currently stands. In my testimony, I will provide estimates of the individual worker costs of misclassification as an independent contractor for 11 occupations that are most prone to misclassification as well as the impact of worker misclassification on payments to social insurance funds (Social Security, Medicare, federal and state unemployment insurance, and Workers' Compensation).

What is misclassification, and how does it impact workers?

Misclassification is a costly issue of workplace fraud that occurs when an employer wrongly classifies an employee as an independent contractor. An analysis from the National Employment Law Project focusing on state-level reports on misclassification estimated that as many as 10–30% of employers misclassify their workers.ⁱ A worker that is misclassified as an independent contractor loses out on critical federal, state, and local labor protections that are often guaranteed for W-2 employees. Some of the labor protections and rights misclassified workers would be deprived of include:

- The eligibility to earn minimum wage or overtime pay.
- The eligibility to participate in unemployment insurance systems or to qualify for workers' compensation insurance.
- Workers misclassified as independent contractors also assume the full financial cost of Social Security and Medicare contributions, rather than split it evenly with their employer when classified as employees.

- They do not qualify for paid sick or family leave in places where those benefits are statutorily prescribed, and they do not receive employer-provided health insurance or retirement benefits.
- Misclassified workers would lose protection under the National Labor Relations Act, which ensures workers' rights to form unions and bargain collectively to improve their working conditions.

Missing out on these protections leaves workers vulnerable and greatly stifles their economic security. Some employers and employer organizations have attempted to argue that classification as an independent contractor is preferable for many workers, who will supposedly gain some choice or flexibility over their work schedules in exchange for sacrificing foundational labor rights and employer-provided benefits. However, the costs workers and businesses bear when misclassified prove otherwise.

Cost of Misclassification in the state of Maryland

Across several occupations, Maryland workers who are misclassified as independent contractors lose thousands of dollars annually in wages, compared with what they would have earned as employees. **Table 1** shows estimates of the cost of misclassification as an independent contractor for workers in 11 occupations researchers have identified as particularly vulnerable to illegal misclassification in 2024 dollars.ⁱⁱ Using the most conservative estimate, misclassifying workers as independent contractors shifts costs and risks to workers, effectively reducing their annual income from anywhere from \$6,111 to \$13,075 per worker, dependent on occupation. This would cover the low estimate of the distribution as seen in Table 1, which covers independent contractors that receive full compensation for health and retirement benefits. The high estimate of the distribution – an independent contractor that receives no compensation for health and retirement benefits – sees an even higher range of costs imposed on misclassified workers from \$8,300 to \$21,177.

Table 1: The cost of misclassification to workers in Maryland, low and high estimates, net difference relative to W-2 workers, 2024 dollars

Occupation	Low estimate	High estimate
Construction workers	\$10,155	\$15,540
Customer Service reps/Call center workers	\$7,994	\$11,047
Heavy and Tractor-Trailer Truck Drivers	\$13,075	\$21,177
Home health and personal care aides	\$7,533	\$10,422
Janitors and Cleaners	\$7,206	\$9,946
Landscaping Workers	\$7,815	\$10,797
Light truck delivery drivers	\$11,401	\$18,440
Housekeeping cleaners	\$6,221	\$8,571
Manicurists and pedicurists	\$7,258	\$10,370
Retail Sales Workers	\$6,111	\$8,300

Security guards	\$7,816	\$10,800
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Notes: Estimates represent the difference between a value job to a W-2 employee compared to an independent contractor under two models. The low estimates refer to the difference when an independent contractor receives full compensation for health and retirement benefits. The high estimate is calculated as the difference when the independent contractor receives no compensation for health and retirement benefits.

Source: EPI analysis of data from the Bureau of Labor Statistics' Employer Cost for Employee Compensation (ECEC) 2024Q2 Occupational Employment and Wage Statistics (OEWS) Research Estimates by State and Industry May 2023 data.

These costs account for an 18.3% to 21.3% net percentage difference relative to W-2 employees as a low estimate and 24.9% to 34.4% difference as a high estimate. Notably, light truck drivers have the highest net percentage differences relative to W-2 employees. These disparities in wages as an independent contractor relative to a W-2 employee are significant and deal a huge blow to Maryland working families working within these occupations and beyond.

Cost of Misclassification on Social Insurance Funds in the state of Maryland

Outside of individual costs to misclassified workers, misclassification deprives state social insurance funds of crucial dollars needed to maintain safety net programs, such as unemployment insurance and Workers’ Compensation. In Maryland, the low estimate costs to social insurance programs range from \$365 to \$1,258 annually per worker, dependent on occupation. On the high end, between \$927 and \$2,340 annually per worker across several occupations. **Table 2** offers a detailed breakdown of these costs in different industries.

Table 2: The cost of misclassification to social insurance funds in Maryland, low and high estimates, net difference relative to W-2 workers, 2024 dollars

Occupation	Low estimate	High estimate
Construction workers	\$1,258	\$2,230
Customer Service reps/Call center workers	\$867	\$1,419
Heavy and Tractor-Trailer Truck Drivers	\$877	\$2,340
Home health and personal care aides	\$719	\$1,241
Janitors and Cleaners	\$778	\$1,274
Landscaping Workers	\$847	\$1,386
Light truck delivery drivers	\$762	\$2,033
Housekeeping cleaners	\$667	\$1,092
Manicurists and pedicurists	\$365	\$927
Retail Sales Workers	\$650	\$1,045
Security guards	\$847	\$1,386

Notes: Estimates represent the difference in contributions to social insurance funds—Social Security, Medicare, federal and state Unemployment Insurance, and Workers' Compensation—between a W-2

employee and an independent contractor under two models. The low estimate reflects the difference when the independent contractor receives full compensation for health and retirement benefits. The high estimate reflects the difference when the independent contractor receives no compensation for health and retirement benefits.

Source: EPI analysis of data from the Bureau of Labor Statistics' Employer Cost for Employee Compensation (ECEC) 2024Q2 Occupational Employment and Wage Statistics (OEWS) Research Estimates by State and Industry May 2023 data.

What passing Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement Act would mean for workers

This bill presents an opportunity to protect Maryland workers from the cost of misclassification and hold businesses accountable who willingly misclassify their workers. Misclassification is pervasive in several occupations, not limited to construction and landscaping. Some occupations, like Heavy, Tractor-Trailer, and Light truck drivers, face notably high costs to misclassification.

Passing the Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement Act would ensure that workers in all occupations can be protected from misclassification and workplace fraud. Workers deserve the labor rights and protections that by law they are guaranteed, and Maryland has the opportunity to ensure that.

Thank you for taking the time to review the research supporting the Maryland Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement Act. I respectfully urge you to seize the opportunity to pass this important legislation.

ⁱ National Employment Law Project, *Independent Contractor Misclassification Imposes Huge Costs on Workers and Federal and State Treasuries*, October 2020.

ⁱⁱ For discussions of occupations where workers are particularly vulnerable to misclassification as independent contractors, see Annette Bernhardt, Sarah Thomason, Chris Campos, Allen Prohofsky, Aparna Ramesh, and Jesse Rothstein, *Independent Contracting in California: An Analysis of Trends and Characteristics Using Tax Data*, UC Berkeley Labor Center and California Policy Lab, March 2022; Françoise Carré, *(In)dependent Contractor Misclassification*, Economic Policy Institute, June 2015; National Employment Law Project, *Independent Contractor Misclassification Imposes Huge Costs on Workers and Federal and State Treasuries*, October 2020; and Lisa Xu and Mark Erlich, *Economic Consequences of Misclassification in the State of Washington*, Harvard Labor and Worklife Program, December 2019.

PJC - HB1096 - Fav.pdf

Uploaded by: Amy Gellatly

Position: FAV



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HB 1096: Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement

Hearing of the Economic Matters Committee, February 26, 2025, 1pm

Position: FAVORABLE

The Public Justice Center (PJC) is a not-for-profit civil rights and anti-poverty legal services organization which seeks to advance social justice, economic and racial equity, and fundamental human rights in Maryland. Our Workplace Justice Project works to expand and enforce the right of low-wage workers to receive an honest day's pay for an honest day's work. **The PJC supports HB 1096, which supports workers, equips the state to combat workplace fraud, and levels the playing field for law-abiding businesses.**

HB 1096 sets a common standard for all industries.

- Maryland's current Workplace Fraud Act sets a presumption that all workers in the landscaping and construction industries are "employees" rather than "independent contractors" unless certain criteria are met. HB 1096 extends this rule to all industries to give workers and employers a clear understanding of the law, regardless of the industry in which they work.

HB 1096 does not affect the rights of actual independent contractors.

- HB 1096 uses the same "ABC" test to distinguish contractors from employees that exists under current law.
- If a person is actually in business for themselves as a contractor, their rights and freedoms will not be altered by this bill.

HB 1096 supports responsible businesses who are already following the law.

- Law-abiding employers will not be affected by HB 1096. This bill just allows them to compete on a more fair playing field by making it less likely that unscrupulous employers who misclassify their workers will be able to undercut them.

Misclassification shifts costs and risks to workers.

- Opponents of this bill fret that certain business owners aren't equipped to know the difference between employees and independent contractors. But if this isn't the employer's responsibility, the burden falls to the employee. This doesn't make sense.
- Workers who are misclassified lose out on important rights like the state minimum wage and paid sick leave – laws that Maryland voters and legislators supported and passed with all employees in mind.
- HB 1096 gives the state the enforcement tools it needs to support a robust and fair economy in Maryland – one that works for both workers and employers.

HB 1096 makes general contractors liable for workplace fraud.

- Under current law, the general contractor of a construction project is legally liable if their subcontractors don't pay the correct wages to their employees.¹
- HB 1096 makes the common-sense proposal that the general contractor should also be responsible for ensuring that all employees on a project have been properly classified as such.
- Recent reports show that misclassification is rife in industries beyond just construction and landscaping.²
- At the PJC, we regularly encounter cases outside the construction industry where the general contractor has attempted to distance itself from the treatment of workers by outsourcing hiring and/or payroll to a labor broker or an app platform. **HB 1096 eliminates these loopholes by placing ultimate responsibility with the general contractor**, which will incentivize the general contractor to ensure the law is being followed at all levels of the project.

For the foregoing reasons, the PJC **SUPPORTS HB 1096** and urges a **FAVORABLE** report. Should you have any questions, please contact Amy Gellatly at gellatlya@publicjustice.org or (410) 400-6943.

¹ Md. Labor and Employment Code Ann. § 3-507.2.

² Maryland Department of Labor, Joint Enforcement Task Force on Workplace Fraud: 2024 Annual Report, February 2025.

AFSCME Council 3 HB1096 Testimony_FAV.pdf

Uploaded by: Christian Gobel

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Patrick Moran – President

**HB1096 – Fraud Prevention and Worker Protections –
Prohibitions, Penalties, and Enforcement
Economic Matters Committee
February 26, 2025**

FAVORABLE

AFSCME Council 3 supports House Bill 1096. This legislation aims to strengthen the authority of the Office of the Attorney General to promote fair labor practices throughout Maryland's economy by establishing a Worker Protection Unit. The Unit would be charged with investigating and prosecuting violations of Workers' Rights Laws as specified in the bill. The bill provides the OAG's new unit with a full-time chief counsel and additional staff to carry out the functions and mission of the new Worker Protection Unit.

AFSCME Council 3 represents approximately 45,000 public service workers across the state, county, and municipal levels of government. AFSCME members are on the front lines every day delivering critical public services from Western Maryland to the Eastern Shore, without the work of AFSCME members, our communities could not function.

AFSCME Council 3 supports this legislation to promote fair labor practices in industries where abuse of workplace laws is far too common. Other state and local government jurisdictions have taken affirmative steps in recent years to combat various forms of workplace violations including wage theft, prevailing wage violations, employee misclassification, and more.¹ Our union supports similar efforts in Maryland to ensure all workers are treated with dignity and respect in their workplace.

We urge the committee to issue a favorable report of House Bill 1096.

¹ Terri Gerstein, *How district attorneys and state attorneys general are fighting workplace abuses* (May 17, 2021), [https://www.epi.org/publication/fighting-workplace-abuses-criminal-prosecutions-of-wage-theft-and-other-employer-crimes-against-workers/#:~:text=In%20several%20jurisdictions%2C%20state%20attorneys,against%20workers%20\(Gerstein%202020\).](https://www.epi.org/publication/fighting-workplace-abuses-criminal-prosecutions-of-wage-theft-and-other-employer-crimes-against-workers/#:~:text=In%20several%20jurisdictions%2C%20state%20attorneys,against%20workers%20(Gerstein%202020).)

HB 1096 - Fraud Prevention and Worker Protections

Uploaded by: Denise Riley

Position: FAV

**Written Testimony to the Maryland House Ways and Means Committee
HB 1096 - Fraud Prevention and Worker Protections –
Prohibitions, Penalties, and Enforcement
February 26, 2025**

FAVORABLE

Chair Wilson and Members of the Committee, AFT Maryland supports HB 1096 – Fraud Prevention and Worker Protections. This legislation is a critical step toward strengthening enforcement of fraud prevention and helps to ensure fair treatment of workers across Maryland.

This bill broadens the scope of the Maryland False Claim Act (MFCA) to cover unemployment insurance contributions and benefits claims. It prohibits false records or statements that lead to underpayment of unemployment insurance contributions or overpayment of benefits, ensuring that businesses and individuals do not exploit the system.

HB 1096 also provides much-needed enhancements in labor law enforcement and fraud prevention:

1. **Prohibits False Records or Statements** that result in underpayment of unemployment insurance contributions or overpayment of unemployment insurance benefits.
2. **Establishes Civil Penalties and Restitution Measures** by requiring that penalties collected under the MFCA be deposited into the Unemployment Insurance Fund to provide restitution for affected workers when prevailing wage rates are not met.
3. **Strengthens Enforcement Mechanisms** for labor laws, including the Maryland Wage and Hour Law, Maryland Wage Payment and Collection Law, and prevailing wage laws.
4. **Creates the Worker Protection Unit** within the Office of the Attorney General to investigate and enforce worker protection laws.
5. **Prevents Waivers of Workplace Fraud Protections** by ensuring that private agreements cannot override workplace fraud laws or serve as a defense in civil actions.
6. **Mandates Licensing Consequences for Violators** by requiring licensing authorities to revoke or suspend licenses for specific workplace fraud violations.

HB 1096 is an essential measure to protect Maryland's workforce, ensure fair wages, and prevent fraudulent practices that harm both workers and the state economy. I respectfully urge the committee to issue a favorable report on this bill. Thank you

HB 1096 - Fraud Prevention and Worker Protections

Uploaded by: Donna Edwards

Position: FAV



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HB 1096 - Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

House Economic Matters Committee

February 26, 2025

SUPPORT

Donna S. Edwards

President

Maryland State and DC AFL-CIO

Chairman and members of the Committee, thank you for the opportunity to submit testimony in support of HB 1096. My name is Donna S. Edwards, and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of Maryland's 300,000 union members, I offer the following comments.

HB 1096 adds another tool in the legal toolbox to prevent illegal actions of employers and ensure that Maryland's workers receive the wages and protections they deserve. This legislation addresses the impacts of wage theft by further clarifying the enforcement duties of the Commissioner of Labor and Industry while establishing the Worker Protection Unit within the Office of the Attorney General to enhance enforcement efforts and provide a stronger emphasis on identifying bad actors and holding them accountable. These measures serve as a strong deterrent while prioritizing protections for workers.

Workplace fraud is a widespread and growing issue across all sectors in Maryland. By committing workplace fraud, employers undermine fair labor practices and cheat the federal, state, and local governments of millions of dollars in taxes and revenues. HB 1096 combats this by strengthening our standards in expanding the provisions laid out in the Workplace Fraud Act (WFA) to apply to all industries and hold all employers, general contractors, higher-tiered contractors and successors liable for the wage theft of workers while also prohibiting waivers via private agreements. This protects employees and holds employers accountable to the law by clarifying licensing consequences and the threat of disbarment if violated.

Additionally, this legislation establishes the Worker Protection Unit within the Office of the Attorney General to enforce and ensure compliance of the Wage and Hour Law, the WFA, the

Wage Payment and Collection Law and prevailing wage law. By centralizing additional enforcement efforts, the Worker Protection Unit will contribute to the coordination between agencies, streamline investigations, and ensure that violations are addressed in a timely and efficient manner.

HB 1096 protects Maryland workers from being exploited, holds employers accountable, enhances fair business practices, and reinforces our labor laws. For these reasons, we strongly urge a favorable vote on HB 1096.

HB 1096 Greg Akerman Baltimore DC Building Trades

Uploaded by: Greg Akerman

Position: FAV



February 26, 2025

The Honorable CT Wilson, Chair
The Honorable Brian Crosby, Vice Chair
House Economic Matters Committee
230 & 231 Taylor House Office Building
Annapolis, Maryland 21401

**Testimony of Greg Akerman, President, Baltimore DC Metro Building Trades Council on
HB 1096: Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement
Position: FAVORABLE**

Thank you Chair Wilson, Vice Chair Crosby, and Members of the House Economic Matters Committee for the opportunity to offer testimony on HB 1096. My name is Greg Akerman. I am the President of the Baltimore-DC Building Trades (BDCBT). The BDCBT's 28 affiliates represent more than 30,000 union construction workers across Maryland, Virginia, and the District of Columbia.

The BDCBT supports HB 1096. This bill strengthens worker protections in Maryland. It will help combat wage theft and create a climate of accountability among construction contractors, and it is very much needed. A recent study found Maryland leads US States in wage theft violations. The study analyzed US Department of Labor data and calculated that companies in Maryland committed 12,639 wage theft violations over the past three years, with an average of \$2,221 in back wages owed per employee.

We especially appreciate that the bill creates a Worker Protection Unit within the Office of the Attorney General. The legislation provides the OAG with the power to conduct investigations to determine compliance with workers' rights laws. It will give the OAG the resources it needs to go after bad actors in the construction industry.

Our industry has been rocked by the prevalence of wage theft in the market. In addition to the human toll, responsible companies struggle to stay afloat in a competitive environment when competing against bad actors. Wage theft complaints have emerged on projects across the state of Maryland, including hospitals, schools, critical infrastructure, and others. The Office of the Attorney General should have all the resources and tools at its disposal to be able to directly address complaints of wage theft and punish bad actors.

We also recognize that the Department of Labor and Industry has made great strides in addressing the issue of wage theft. The necessity of this legislation serves as a reminder that partnership between state agencies and the Office of the Attorney General is more important than ever in addressing the wage theft epidemic.

The BDCBT urges a favorable report on HB 1096.

HB 1096 Greg Akerman Baltimore DC Building Trades

Uploaded by: Greg Akerman

Position: FAV



February 26, 2025

The Honorable CT Wilson, Chair
The Honorable Brian Crosby, Vice Chair
House Economic Matters Committee
230 & 231 Taylor House Office Building
Annapolis, Maryland 21401

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The BDCBT urges a favorable report on HB 1096.

SUPPORT HB 1096 – Fraud Prevention and Worker Prot

Uploaded by: Jason Ascher

Position: FAV



Economic Matters Committee

To: Delegate CT Wilson, Char; Delegate Brian Crosby, Vice Chair; and Members of the Committee
From: Jason Ascher, Political Director – Mid-Atlantic Pipe Trades Association

SUPPORT HB 1096 – Fraud Prevention and Worker Protection – Prohibitions, Penalties, and Enforcement

On behalf of the Mid-Atlantic Pipe Trades Association and our five United Association of Plumbers and Steamfitters Locals, which represent over 10,000 Plumbers, Steamfitters, Welders, HVAC Techs, and Sprinkler Fitters across Maryland, I ask you to **SUPPORT HB 1096**.

Wage theft and misclassification are among the construction industry's most significant issues. Unscrupulous contractors submit bids 30% lower than their competitors, knowing they will not pay their workers appropriate wages, benefits, and taxes. Addressing this problem is a battle on many fronts. It is essential to ensure that workers can utilize the Maryland False Claim Act, General Contractor Liability, and that the Attorney General can engage in a wage fraud case without a referral. Prime contractors must be held liable alongside the subcontractors because they manage the construction site. General Contractor liability is the only way to guarantee that contractors who might have "just made a mistake" do not become repeat offenders.

HB 1096 achieves many essential objectives. It allows the Attorney General to expedite serious Wage Fraud cases by removing them from the Commissioner's desk. It establishes liability for general contractors, protects the ABC test concerning the employer-employee relationship, and enables debarment from state contracting following a conviction.

For the above reasons, we ask that you give **HB 1096 a favorable Report**.

Sincerely

Jason Ascher
Political Director
Mid-Atlantic Pipe Trades Association

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Plumbers and Steamfitters Local 10 – Richmond, VA/Roanoke, VA
Plumbers and Pipefitters Local 110 – Norfolk, VA
Road Sprinkler Fitters Local 669 – Columbia, MD

Plumbers and Steamfitters Local 486 – Baltimore, MD
Plumbers and Steamfitters Local 489 – Cumberland, MD
Steamfitters Local 602 – Capitol Heights, MD

32BJ Testimony on MD HB 1096 FINAL.pdf

Uploaded by: Mario Murcia

Position: FAV



Testimony of 32BJ SEIU in Support of HB1096 February 26, 2025

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INTERNATIONAL UNION
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32BJ SEIU is pleased to submit this testimony in support of House Bill 1096, which would strengthen protections against independent contractor misclassification and enhance the state's enforcement tools, ensuring greater economic stability for Maryland workers and their families and a fairer playing field for law-abiding employers.

32BJ SEIU represents over 185,000 members up and down the East Coast, with 10,000 members who work or live in Maryland. Our members are the backbone of the property service industry: they are the essential cleaners, security guards, airport workers, and other building service workers who keep our homes, workplaces, schools, and transportation hubs clean and safe. With our dedicated members, we fight to raise wage and benefits standards and ensure workers are treated with fundamental dignity and respect.

On behalf of our union and members, we urge the legislature to support HB 1096. By extending the state's Workplace Fraud Act to all industries and creating liability for higher-level contractors for the misclassification of workers by subcontractors, HB 1096 would bring critical protections to vulnerable workforces in which both misclassification and subcontracting are rampant. Establishing a meaningful schedule of penalties for misclassification and for hindering an investigation and creating licensing consequences for violators also have the potential to deter would-be violators and encourage greater compliance across the state's economy. 32BJ supports other sections of the bill that would enhance the state's enforcement tools but we will focus our testimony on the need to more aggressively combat independent contractor misclassification, which is a matter of particular concern for the union.

Consistent with the Joint Enforcement Taskforce's February 2025 report, 32BJ has seen misclassification grow in the janitorial sector, where low-road cleaning contractors mislabel workers to cheat them of core workplace protections and underbid for contracts.ⁱ While janitors hired by a cleaning contractor are almost never truly in business for themselves – the hallmark of a legitimate independent contractor – dishonest employers may call workers independent contractors in attempt to convince the workers, courts and labor regulators that the workers are not protected by workplace laws that only cover "employees".ⁱⁱ

The consequences of independent contractor misclassification can be devastating for both workers and law-abiding employers. 32BJ has worked with misclassified janitors whose employers fail to make tax withholdings and pay the employer-

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side portion of federal payroll taxes, attempting to shift responsibility for tax filings onto their low-wage workers.ⁱⁱⁱ Companies may deny workers an overtime premium when workers work more than 40 hours a week, saying that they are ineligible for overtime pay. And when workers attempt to exercise their federal right to organize a union, employers may evade their obligations under the National Labor Relations Act or even retaliate against workers, claiming the workers are not covered employees.

Another consequence of independent contractor misclassification is that responsible employers may find themselves unable to compete with lower-bidding companies that reap the benefits of artificially low labor costs. Janitorial and security contractors can gain competitive advantage by misclassifying workers and illegally driving down payroll costs, undercutting above-board companies that have negotiated collective bargaining agreements or otherwise attempt to play by the rules. Contractors that misclassify undermine the good union standards that 32BJ has fought for many years to secure, and which allow regular working people to support their families and build strong communities in Maryland.

32BJ would like to highlight one problematic janitorial contractor that the union has recently encountered, CVVY Enterprises, to illustrate the specific ways misclassified workers are harmed. CVVY Enterprises currently has contracts to clean seven sites in Baltimore, including three where it recently displaced a union contractor – 100 S. Charles St., 217 E. Redwood St., and 201 N. Charles St. (Two of these three buildings are, incidentally, home to the Maryland Departments of Labor and Information Technology and Maryland Office of the Public Defender, respectively.) While employed by their former employer, a union contractor, workers were covered by a collective bargaining agreement that provided for annual wage increases, employer-paid health insurance, access to the 32BJ legal and training funds, and paid time off. Workers also had protections against unfair firings.

When CVVY took over the contracts at 201 N. Charles and 100 S. Charles Street, it refused to hire many of the incumbent workers and told others that they would be re-hired only as independent contractors rather than employees – even though their job duties had not changed. We believe that CVVY's refusal to employ union workers violates the City's Displaced Service Workers Protection law and the National Labor Relations Act and have filed complaints with both the Baltimore Wage Commission and the National Labor Relations Board.

At 100 S. Charles, workers have begun receiving paystubs showing that CVVY has in fact classified them as independent contractors, despite workers performing

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work under conditions that make clear they are legally employees; they work at the direction of CVVY supervisors, they are paid hourly, they are given clear schedules and tasks, their equipment is provided by CVVY, and they generally continue to work in the same place performing the same work they performed when they were classified as employees.

At 201 N. Charles, CVVY eventually hired some of the employees of the former union contractor, but failed to provide workers with notice of their payrate and schedule when they began work with the company and has failed to provide paystubs. This has made it hard for workers to understand their employment status, and what their actual wage is and what they are owed. The company then delayed payments to some workers and appears to have paid at least some workers less than the minimum wage. 32BJ staff searched the state's workers' compensation database and found no record of the company having a policy.

32BJ is preparing to file a complaint with the Joint Enforcement Taskforce on Workplace Fraud on behalf of the CVVY workers. We are optimistic that with the Taskforce's support, the CVVY workers will recover their unpaid wages, will regain their employee status with full employment protections, and will win back the union. We are also urging the state to ensure that the janitorial and security contractors that service all state offices are responsible companies that comply with the law and pay prevailing wage standards.

We are aware, however, that too many other workers will never challenge their misclassification, especially if they lack the support of a union or other advocate who can explain what the workers' rights and remedies are. We know that workers faced with a take-it-or-leave-it arrangement to be paid off-the-books or via a 1099 form feel enormous pressure to accept the deal. This is especially true for lower-wage workers who cannot risk getting fired for complaining or forgo a paycheck while they look for another job.

While the misclassified CVVY janitors suspected something was amiss with their new employer, it was likely not clear to them that CVVY had incorrectly reclassified them as 1099 independent contractors to dodge tax liabilities and other employer responsibilities. Moreover, under current law, the workers have no claim under the state's wage and hour claims for the act of misclassification itself. We know that many workers who are told they are non-employees, without the help of a union or other advocate, believe they are not protected by workplace laws. They may think they are ineligible for workers' compensation and unemployment insurance and never apply for benefits if they need them.

Unfortunately, the consequences for misclassification under current law are simply too low to deter employers from engaging in the practice, especially if doing so gives them a competitive advantage in bidding. And building

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management companies or other upper-level companies that contract out for labor-intensive services also currently have little incentive to ensure their subcontractors correctly classify their workers as employees.

Extending protections against independent contractor misclassification will give workers and advocates more tools to fight violations and raise the consequences for companies that seek to strip workers of employee status and protections. It will also send a message to workers and employers that misclassification is an actionable violation, encouraging more workers to come forward making it harder for employers to mislead workers that it can legitimately treat them as 1099s.

We thank you for your attention to this important issue and your efforts to protect hard-working Maryland families by passing HB 1096.

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Testimony of 32BJ SEIU in Support of HB1096 February 26, 2025

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32BJ SEIU represents over 175,000 members up and down the East Coast, with 4,500 members in Maryland. Our members are the backbone of the property service industry: they are the essential cleaners, security guards, airport workers, and other building service workers who keep our homes, workplaces, schools, and transportation hubs clean and safe. With our dedicated members, we fight to raise wage and benefits standards and ensure workers are treated with fundamental dignity and respect.

On behalf of our union and members, we urge the legislature to support HB 1096. By extending the state's Workplace Fraud Act to all industries and creating liability for higher-level contractors for the misclassification of workers by subcontractors, HB 1096 would bring critical protections to vulnerable workforces in which both misclassification and subcontracting are rampant. Establishing a meaningful schedule of penalties for misclassification and for hindering an investigation and creating licensing consequences for violators also have the potential to deter would-be violators and encourage greater compliance across the state's economy. 32BJ supports other sections of the bill that would enhance the state's enforcement tools but we will focus our testimony on the need to more aggressively combat independent contractor misclassification, which is a matter of particular concern for the union.

Consistent with the Joint Enforcement Taskforce's February 2025 report, 32BJ has seen misclassification grow in the janitorial sector, where low-road cleaning contractors mislabel workers to cheat them of core workplace protections and underbid for contracts.ⁱ While janitors hired by a cleaning contractor are almost never truly in business for themselves – the hallmark of a legitimate independent contractor – dishonest employers may call them independent contractors in attempt to convince the workers, courts and labor regulators that the workers are not protected by workplace laws that only cover "employees".ⁱⁱ

The consequences of independent contractor misclassification can be devastating for both workers and law-abiding employers. 32BJ has worked with misclassified janitors whose employers fail to make tax withholdings and pay the employer-

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Testimony of 32BJ SEIU in Support of HB1096 February 26, 2025

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side portion of federal payroll taxes, attempting to shift responsibility for tax filings onto their low-wage workers.ⁱⁱⁱ Companies may deny workers an overtime premium when workers work more than 40 hours a week, saying that they are ineligible for overtime pay. And when workers attempt to exercise their federal right to organize a union, employers may evade their obligations under the National Labor Relations Act or even retaliate against workers, claiming the workers are not covered employees.

Another consequence of independent contractor misclassification is that responsible employers may find themselves unable to compete with lower-bidding companies that reap the benefits of artificially low labor costs. Janitorial and security contractors can gain competitive advantage by misclassifying workers and illegally driving down payroll costs, undercutting above-board companies that have negotiated collective bargaining agreements or otherwise attempt to play by the rules. Contractors that misclassify undermine the good union standards that 32BJ has fought for many years to secure, and which allow regular working people to support their families and build strong communities in Maryland.

32BJ would like to highlight one problematic janitorial contractor that the union has recently encountered, CVVY Enterprises, to illustrate the specific ways misclassified workers are harmed. CVVY Enterprises currently has contracts to clean seven sites in Baltimore, including two where it recently displaced a union contractor – 100 S. Charles St. and 201 N. Charles St. (These two buildings are, incidentally, home to the Maryland Departments of Labor and Information Technology and Maryland Office of the Public Defender, respectively.) While employed by their former employer, a union contractor, workers were covered by a collective bargaining agreement that provided for annual wage increases, employer-paid health insurance, access to the 32BJ legal and training funds, and paid time off. Workers also had protections against unfair firings.

When CVVY took over the contracts at 201 N. Charles and 100 S. Charles Street, it refused to hire many of the incumbent workers and told others that they would be re-hired only as independent contractors rather than employees – even though their job duties had not changed. We believe that CVVY's refusal to hire union workers violates the City's Displaced Service Workers Protection law and the National Labor Relations Act and have filed complaints with both the Baltimore Wage Commission and the National Labor Relations Board.

At 100 S. Charles, workers have begun receiving paystubs showing that CVVY has in fact classified them as independent contractors, despite workers performing work under conditions that make clear they are legally employees; they work at

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the direction of CVVY supervisors, they are paid hourly, they are given clear schedules and tasks, their equipment is provided by CVVY, and they generally continue to work in the same place performing the same work they performed when they were classified as employees.

At 201 N. Charles, CVVY also failed to provide workers with notice of their payrate and schedule when they began work with the company and has failed to provide paystubs or has paid them with a 1099 form. This has made it hard for workers to understand what their actual wage is and what they are owed. The company then delayed payments to some workers and appears to have paid at least some workers less than the minimum wage. 32BJ staff searched the state's workers' compensation database and found no record of the company having a policy. 32BJ is preparing to file a complaint with the Joint Enforcement Taskforce on Workplace Fraud.

We are optimistic that with the Taskforce's support, the CVVY workers will recover their unpaid wages, will re-gain their employee status with full employment protections, and will win back the union. We are also **URGING THE STATE** to ensure that the janitorial and security contractors that service ALL its offices are responsible companies that comply with the law and pay prevailing wage standards. But we are aware that too many other workers will never challenge their misclassification, especially if they lack the support of a union or other advocate who can explain what the workers' rights and remedies are. We know that workers faced with a take-it-or-leave-it arrangement to be paid off-the-books or via a 1099 form feel enormous pressure to accept the deal. This is especially true for lower-wage workers who cannot risk getting fired for complaining or forgo a paycheck while they look for another job.

While the misclassified CVVY janitors suspected something was amiss with their new employer, it was likely not clear to them that CVVY had incorrectly re-classified them as 1099 independent contractors to dodge tax liabilities and other employer responsibilities. Moreover, under current law, the workers have no claim under the state's wage and hour claims for the act of misclassification itself. We know that many workers who are told they are non-employees, without the help of a union or other advocate, believe they are ineligible for workers' compensation and unemployment insurance and never apply for benefits if they need them.

The consequences for misclassification under current law are simply too low to deter employers from engaging in the practice, especially if doing so gives them a competitive advantage in bidding. And building management companies or other upper-level companies that contract out for labor-intensive services also currently have little incentive to ensure their subcontractors correctly classify their workers as employees.

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Extending protections against independent contractor misclassification will give workers and advocates more tools to fight violations and raise the consequences for companies that seek to strip workers of employee status and protections. It will also send a message to workers and employers that misclassification is an actionable violation, encouraging more workers to come forward making it harder for employers to mislead workers that it can legitimately treat them as 1099s.

We thank you for your attention to this important issue and your efforts to protect hard-working Maryland families by passing HB 1096.

ⁱ Sarah Leberstein and Catherine Ruckelshaus, "Independent Contractor vs. Employee: Why independent contractors misclassification matters and what we can do to stop it" (National Employment Law Project, May 2016), available at

<https://www.nelp.org/app/uploads/2016/05/Policy-Brief-Independent-Contractor-vs-Employee.pdf>.

ⁱⁱ Sarah Leberstein and Catherine Ruckelshaus, "Independent Contractor vs. Employee: Why independent contractors misclassification matters and what we can do to stop it" (National Employment Law Project: May 2016), available at

<https://www.nelp.org/app/uploads/2016/05/Policy-Brief-Independent-Contractor-vs-Employee.pdf>; Rebecca Smith and Sarah Leberstein, "Rights on Demand: Ensuring Workplace Standards in the On-Demand Economy," (National Employment Law Project, Sept. 2015), available at <https://www.nelp.org/app/uploads/2015/09/Rights-On-Demand-Report.pdf>.

ⁱⁱⁱ Analysis of payroll documents collected and analyzed, and interviews conducted by 32BJ SEIU staff.

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HB 1096- Maryland Legal Aid- FAV.pdf

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Position: FAV



House Bill 1096

Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement
In the Economic Matters Committee
Hearing on February 26, 2025
Position: FAVORABLE

Maryland Legal Aid submits its written and oral testimony on House Bill 1096 at the request of the Office of the Attorney General.

Maryland Legal Aid (MLA) asks that the Committee report favorably and pass HB 1096, which will strengthen protections for Maryland's workforce. Maryland Legal Aid (MLA) is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents. Our twelve offices serve residents in each of Maryland's 24 jurisdictions and handle a range of civil legal matters.

All people deserve fair pay and a safe place to work. Low-income workers are especially vulnerable to workplace fraud, wage theft, and poor working conditions. HB 1096 recommends expansive new safeguards to ensure workplace fairness and safety. The bill expands the protections of the worker misclassification statute, clarifies what it means to be an employee, and creates new penalties and enforcement mechanisms.

HB 1096 creates a rebuttable presumption of employee status for all workers in Maryland.

Status as an employee, rather than as an independent contractor, grants workers significant wage protections, as well as other benefits. Businesses misclassify workers as independent contractors because misclassification is financially beneficial; the employer can avoid paying into various state systems, can deny leave, and can pay less in taxes. Currently, Maryland law protects construction and landscape workers by presuming workers in those industries to be employees, rather than independent contractors. HB 1096 would afford this presumption to all workers.

Many MLA clients work in the gig economy, for rideshare or food delivery services, for example. These industries are notorious for hiring workers as independent contractors with promises of flexible schedules and autonomy. In reality, many gig economy jobs are highly controlled by the employer. These employers closely monitor workers, and have strict requirements around routes, timeliness, and acceptance rates.

When MLA clients are misclassified, they miss out on pay protections, and for low-income workers each penny counts. Independent contractors are not guaranteed minimum wage or overtime pay. Independent contractors also miss out on other workplace protections that are afforded to employees. Independent contractors are not guaranteed any paid time off if they are sick or if they need to care for family members. Employees are allowed to unionize, which gives them the power and protection to bargain for flexible hours and benefits like extended parental leave.

HB 1096 strengthens Maryland's social safety net.

Classifying more workers as employees also contributes to Maryland's fiscal stability. In addition to harming low-income workers, employee misclassification harms Maryland's economy, because businesses without on-paper employees generate lower tax revenues. It also bankrupts the state's social safety net, because employers are not required to contribute to unemployment insurance, disability insurance, or worker's compensation.

HB 1096 creates a civil penalty for employers who knowingly underpay the Unemployment Insurance Fund. Doing so incentivizes employers and makes sure benefits are available for people who lose their jobs through no fault of their own. Unemployment insurance is a vital protection for low-income Marylanders.

HB 1096 creates penalties and enforcement mechanisms that directly benefit workers.

The bill streamlines the investigation process for wage law violations. This is critical because while workers wait for justice, they are also waiting for the pay and benefits they were denied. If they eventually get paid but have already lost their home or had their car repossessed, the laws do not provide adequate protections. Importantly, the bill also defines economic damages not just as unpaid wages, but also as lost benefits and reimbursements. Benefits and reimbursements can be hard to quantify, but are an important part of an employee's remuneration, so it's crucial they are included in any calculation of damages.

HB 1096 also requires employers to pay restitution directly to impacted workers, if the employer failed to pay prevailing wage rates. The law currently requires payment into the State's General Fund. This may penalize the employer and offer an incentive not to violate wage law in the future, but it doesn't do much for the affected worker. It is only fair that the worker be paid what they were owed, and that any damages assessed also go to the worker. Similarly, the bill's proposal to allow a judge to award counsel fees is only appropriate. The inability to obtain fees disincentivizes low-income people from retaining counsel to pursue these cases.

Current law allows an employer to waive their duty to treat a worker as an employee by entering into a private agreement. HB 1096 would prohibit this practice, which is clearly ripe for abuse. There is a power dynamic between any worker and employer, and that only increases for low-income people who do not have a financial back up plan if they lose their job for refusing to sign something such as a worker classification agreement.

HB 1096's creation of a Worker Protection Unit and other enforcement modalities creates a real, accessible pathway for Marylanders to assert their rights.

MLA enthusiastically endorses the OAG's creation of a Worker Protection Unit. MLA will expand its own work in this area by creating a workers' rights unit in 2025. There is a pressing need for advocates to enforce the rule of law in this arena, as evidenced by the many requests MLA receives for advice and representation on wage claims, unemployment insurance, and workplace safety conditions.

MLA urges passage of HB 1096, to provide fair wages and workplace protections for all Marylanders.

If you would like additional information on this bill or the underlying issues it addresses, please contact Meaghan McDermott, Advocacy Director for Community Lawyering and Development, at mmcdermott@mdlab.org or 410-951-7635.

EASRCC Testimony 2.26.25.pdf

Uploaded by: Paul Prendergast

Position: FAV



Eastern Atlantic States
REGIONAL COUNCIL OF CARPENTERS

8500 Pennsylvania Avenue, Upper Marlboro, MD 20772 | Phone: 301-735-6660 | EASCARPENTERS.ORG

**TESTIMONY OF PAUL PRENDERGAST OF THE EASTERN ATLANTIC STATES
REGIONAL COUNCIL OF CARPENTERS**

**SB0938 / HB1096 – FRAUD PREVENTION AND WORKER PROTECTIONS -
PROHIBITIONS, PENALTIES, AND ENFORCEMENT**

**BEFORE THE SENATE FINANCE COMMITTEE AND HOUSE ECONOMIC MATTERS
COMMITTEE**

FAVORABLE

Chairs Beidle and Wilson, and Members of the Senate Finance and House Economic Matters committees,

My name is Paul Prendergast, and I am honored to represent the Eastern Atlantic States Regional Council of Carpenters (EASRCC). On behalf of thousands of skilled union carpenters across Maryland, I submit this testimony in strong support of SB0938 / HB1096.

Carpenters are the foundation of Maryland's construction industry. Whether we are framing homes, installing critical infrastructure, or working on commercial projects, our members are committed to excellence, safety, and fair wages. However, we also see firsthand the negative impacts of wage theft and worker misclassification, which continue to plague our industry. These unfair labor practices hurt not only our workers but also honest contractors and the broader economy.

Maryland's current system does not do enough to address these issues. Right now, the Attorney General does not have the statutory authority to directly enforce wage laws, leaving an enforcement gap that allows unscrupulous employers to evade responsibility. This failure to properly enforce labor laws enables tax fraud, unemployment insurance fraud, workers' compensation fraud, and other forms of exploitation that harm both workers and taxpayers.

This legislation provides a much-needed solution. By granting the Attorney General concurrent jurisdiction alongside the Department of Labor and other state agencies, Maryland will have a stronger enforcement mechanism to crack down on wage theft, misclassification, and employer fraud. This approach will help ensure that workers receive the wages they have rightfully earned and that law-abiding contractors are not unfairly undercut by companies that engage in illegal practices.

Other states have already taken similar steps. California, Illinois, Massachusetts, New York, Washington, and the District of Columbia have empowered their Attorneys General with statutory authority to enforce wage laws. Meanwhile, states like North Carolina derive their AG's power from constitutional provisions. Maryland must act now to bring its enforcement capabilities in line with these states and ensure fair treatment for all workers.

The EASRCC stands firmly in support of SB0938 / HB1096. We urge this committee to take a stand for Maryland's workforce and pass this legislation. Thank you for your time, and I welcome any questions you may have.

Thank you for your time and consideration.

Sincerely,

Paul Prendergast
Eastern Atlantic States Regional Council of Carpenters

M&A_Aaron Bast_IW Local 5_SB938 HB1096.pdf

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Position: FAV



TESTIMONY OF AARON BAST
BUSINESS MANAGER AND FINANCIAL SECRETARY-TREASURER, IRONWORKERS
LOCAL 5

SB0938 / HB1096 – FRAUD PREVENTION AND WORKER PROTECTIONS -
PROHIBITIONS, PENALTIES, AND ENFORCEMENT

BEFORE THE SENATE FINANCE COMMITTEE AND HOUSE ECONOMIC MATTERS
COMMITTEE

FAVORABLE

Chairs Beidle and Wilson, and Members of the Senate Finance and House Economic Matters committees,

My name is Aaron Bast, and I serve as the Business Manager and Financial Secretary Treasurer for Iron Workers Local 5. On behalf of the hardworking union members we represent, I am here today to express our strong support for SB0938 / HB1096, a critical piece of legislation that strengthens worker protections, closes loopholes in our unemployment insurance system, and ensures that Maryland's wage laws are enforced with real consequences for bad actors. For too long, unscrupulous employers have exploited gaps in our labor laws to misclassify workers, underpay unemployment insurance contributions, and cheat working Marylanders out of their hard-earned wages. This bill takes meaningful steps to address these abuses by:

- Prohibiting fraudulent underpayment of unemployment insurance contributions and wrongful payment of benefits over a set threshold.
- Strengthening enforcement of Maryland's Wage and Hour Law, Wage Payment and Collection Law, workplace fraud laws, living wage laws, and prevailing wage laws.
- Establishing the Worker Protection Unit within the Office of the Attorney General to ensure that violations of worker protection laws are properly investigated and prosecuted.

One of the greatest weaknesses in Maryland's current system is that the Attorney General lacks the statutory power to enforce wage theft, misclassification, and related labor violations. As a result, enforcement of these critical protections falls solely on the Department of Labor and other agencies, which often lack the capacity to address the full scale of the problem. Without the ability to take direct legal action, the Attorney General's Office is unable to pursue bad actors



who systematically exploit workers through wage fraud, depriving both employees and the state of rightful earnings and tax revenue.

Granting the Attorney General concurrent jurisdiction with the Department of Labor and other state agencies would significantly enhance Maryland's ability to combat wage theft and worker misclassification. This expansion of authority would allow the AG to collaborate with existing enforcement bodies, share investigative resources, and ensure that violations are prosecuted to the fullest extent of the law. Moreover, wage theft and worker misclassification are often linked to other forms of fraud, including tax fraud, insurance fraud, workers' compensation fraud, unemployment insurance fraud, and FICA fraud. Providing the Attorney General with the ability to investigate and prosecute these cases holistically would not only protect workers but also ensure that employers who follow the law are not undercut by those who engage in illegal practices.

Other states have recognized the necessity of granting their Attorneys General the power to enforce wage laws. California, Illinois, Massachusetts, New York, Washington, and the District of Columbia have all enacted statutory wage enforcement powers for their AGs. In contrast, some states, like North Carolina, derive their AG's authority from constitutional provisions, while others have developed enforcement powers through common law precedents. Maryland should follow the lead of these states by providing its Attorney General with statutory wage enforcement powers to ensure that unscrupulous employers cannot evade accountability. SB0938 / HB1096 is a long-overdue step toward ensuring that Maryland's workers are treated fairly and that employers who violate the law are held accountable. By improving enforcement mechanisms and increasing penalties for wage theft and misclassification, this bill helps protect the rights of workers and strengthens Maryland's economy as a whole.

Iron Workers Local 5 stands firmly in support of this legislation, and we urge the committee to give it a favorable report. Thank you for your time and consideration. I am happy to answer any questions you may have.

Sincerely,

Aaron Bast
Business Manager & Financial Secretary-Treasurer
Ironworkers Local 5

M&A_Chris Madello_UA Steamfitters 602_SB938 HB1096

Uploaded by: Roger Manno

Position: FAV

Journeyman Pipe Fitters and Apprentices



Local Union No. 602

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AFFILIATED WITH AFL-CIO

TESTIMONY OF CHRIS MADELLO, BUSINESS MANAGER / FINANCIAL
SECRETARY TREASURER, UA STEAMFITTERS LOCAL 602

SB0938 / HB1096 – FRAUD PREVENTION AND WORKER PROTECTIONS -
PROHIBITIONS, PENALTIES, AND ENFORCEMENT

BEFORE THE SENATE FINANCE COMMITTEE AND HOUSE ECONOMIC MATTERS
COMMITTEE

FAVORABLE

Chairs Beidle and Wilson, and Members of the Senate Finance and House Economic
Matters committees,

I am Chris Madello, and I proudly serve as the Business Manager and Financial
Secretary Treasurer of UA Steamfitters Local 602. Our union stands as a pillar of
Maryland's economy and workforce, representing 6,031 Journeymen, 1,200
Apprentices, and 205 signatory Mechanical Construction and Service Contractors who
specialize in Heating, Air Conditioning, Refrigeration, and Process Piping. We don't just
work in Maryland—we keep Maryland running. In 2024 alone, our members logged
more than 9,000,000 work hours, ensuring homes, businesses, and essential facilities
operate efficiently and safely.

Our success is the product of a strong partnership between labor and business. Our
signatory contractors, represented by the Mechanical Contractors Association of Metro
Washington (MCAMW), drive economic growth across the region, generating \$2 billion
annually and contributing approximately \$500 million in state, federal, and local taxes.
Unfortunately, the integrity of our industry is continuously threatened by unscrupulous
employers who sidestep their responsibilities through worker misclassification, wage
theft, and tax fraud. These dishonest practices hurt everyone—hardworking
tradespeople, responsible contractors, and the broader economy.

Maryland's current enforcement mechanisms lack the strength to effectively combat
these abuses. The Attorney General's Office does not have the statutory power to take

CHRISTOPHER M. MADELLO
BUSINESS MANAGER
FINANCIAL SECRETARY TREASURER

SIDNEY O. BONILLA
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SEAN T. STRASER
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ROBERT T. GIFFORD
BUSINESS AGENT

RAYMOND E. BLACK
BUSINESS AGENT

direct action against wage theft and worker misclassification. This allows unethical businesses to undercut legitimate contractors and exploit workers without fear of real consequences. Moreover, these labor violations are often accompanied by tax fraud, unemployment insurance fraud, and workers' compensation fraud, further burdening taxpayers and law-abiding businesses.

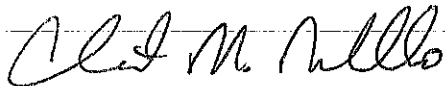
SB0938 / HB1096 presents a much-needed solution by granting the Attorney General concurrent jurisdiction alongside the Department of Labor and other agencies. This expanded authority will enable Maryland to better enforce labor laws, protect workers from exploitation, and level the playing field for ethical businesses. Strong enforcement benefits everyone—ensuring fair wages, stabilizing industry standards, and protecting the tax revenue that funds critical public services.

Maryland cannot afford to fall behind. Other states, including California, Illinois, Massachusetts, New York, Washington, and the District of Columbia, have already empowered their Attorneys General with statutory authority to enforce wage laws. Meanwhile, states like North Carolina provide this power through constitutional provisions. Maryland must act now to strengthen its enforcement framework and secure economic justice for workers and employers alike.

On behalf of UA Steamfitters Local 602, I urge this committee to give SB0938 / HB1096 a favorable report. This bill is about fairness, accountability, and protecting the workforce that keeps Maryland moving forward.

Thank you for your time, and I welcome any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Madello", is written over a horizontal line.

Chris Madello

Business Manager / Financial Secretary Treasurer

UA Steamfitters Local 602

M&A_MCAMW_testimony_SB938 HB1096_FAV.pdf

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Position: FAV



**SB0938 / HB1096 – FRAUD PREVENTION AND WORKER PROTECTIONS -
PROHIBITIONS, PENALTIES, AND ENFORCEMENT**

**BEFORE THE SENATE FINANCE COMMITTEE AND HOUSE ECONOMIC MATTERS
COMMITTEE**

FAVORABLE

Chairs Beidle and Wilson, and Members of the Senate Finance and House Economic Matters committees,

My name is Thomas Bello, and I have the privilege of serving as the Executive Vice President of the Mechanical Contractors Association of Metropolitan Washington (MCAMW). Our organization represents 200 construction contractors employing over 10,000 skilled tradespeople and 1,000 apprentices across the DMV region. Our reach extends through local unions, hiring halls, and apprenticeship programs of the Mid-Atlantic Pipe Trades Association in Maryland, in addition to affiliates within the Building Trades that maintain additional hiring halls and workforce training centers. The impact of our industry is profound, contributing approximately \$2 billion in annual revenue and generating \$500 million in state, federal, and local taxes each year.

The success of our industry depends on fair competition, adherence to labor laws, and respect for the hardworking men and women who build and maintain Maryland's infrastructure. However, our ability to operate on a level playing field is continuously undermined by unscrupulous employers who engage in wage theft, worker misclassification, and various forms of fraud. These practices allow dishonest businesses to bypass the obligations that lawful employers meet—undercutting wages, evading taxes, and denying workers the benefits they rightfully earn.

Maryland's existing enforcement mechanisms do not go far enough to curb these abuses. As it stands, the Attorney General lacks the statutory authority to directly enforce wage laws, leaving enforcement largely in the hands of already overburdened agencies. This gap in enforcement allows bad actors to continue exploiting workers and defrauding the system with little fear of meaningful consequences. Beyond wage theft, these violations frequently extend into tax fraud, unemployment insurance fraud, workers' compensation fraud, and payroll fraud—further burdening Maryland's economy and shortchanging public services.

SB0938 / HB1096 is a critical step toward addressing these systemic issues by granting the Attorney General concurrent jurisdiction alongside the Department of Labor and other relevant agencies. This will create a stronger enforcement network, ensuring that



wage laws are upheld, workers are protected, and honest businesses are no longer disadvantaged by those who break the rules.

Maryland should not lag behind other states that have already strengthened their enforcement frameworks. California, Illinois, Massachusetts, New York, Washington, and the District of Columbia have empowered their Attorneys General with statutory authority to pursue wage violations, while other states, such as North Carolina, have granted similar powers through constitutional provisions. It is time for Maryland to adopt these best practices to ensure fairness and accountability within our labor market.

On behalf of MCAMW and our member contractors, I urge this committee to pass SB0938 / HB1096. This legislation is not just about labor rights, it is about protecting the integrity of our economy and ensuring that Maryland's construction industry remains strong, fair, and competitive.

Thank you for your time, and I welcome any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Bello", is positioned above the printed name.

Thomas L. Bello
Executive Vice President
Mechanical Contractors Association of Metropolitan Washington

M&A_Roger Manno, Attorney_SB938 HB1096_FAV.pdf

Uploaded by: Roger Manno

Position: FAV

TESTIMONY OF ROGER MANNO, ATTORNEY AT MANNO & ASSOCIATES LLC

SB0938 / HB1096 – FRAUD PREVENTION AND WORKER PROTECTIONS -
PROHIBITIONS, PENALTIES, AND ENFORCEMENT

BEFORE THE SENATE FINANCE COMMITTEE AND HOUSE ECONOMIC MATTERS
COMMITTEE

FAVORABLE

Chairs Beidle and Wilson, and Members of the Senate Finance and House Economic Matters committees,

My name is Roger Manno, and I submit this testimony in my capacity as an attorney, and on behalf on my clients, the Mid Atlantic Pipe Trades Association (UA), the Mechanical Contractors Association of Metropolitan Washington, the Eastern Atlantic States Regional Council of Carpenters, and the Ironworkers District Council of Mid-Atlantic States.

Please accept this testimony in support of SB0938 / HB1096, which provides necessary statutory authority to the Office of the Attorney General to enforce Maryland's wage and worker classification laws and to address the systemic fraud that continues to undermine Maryland's labor market and revenue base.

I. The Legal Deficiencies in Maryland's Current Enforcement Regime

Under Maryland law, the Attorney General lacks common law powers and may exercise only those powers expressly granted by statute. See *Murphy v. Yates*, 276 Md. 475 (1975) (holding that the Maryland Attorney General does not possess common law powers and can only act within the scope of statutory authority). Unlike Attorneys General in other states that retain common law authority, Maryland's AG cannot initiate certain enforcement actions without specific legislative authorization.

Currently, Maryland's wage enforcement framework is fragmented among several agencies, most notably the Maryland Department of Labor, which administers the Maryland Wage and Hour Law (Md. Code, Lab. & Empl. § 3-401 et seq.), the Wage Payment and Collection Law (Md. Code, Lab. & Empl. § 3-501 et seq.), and the Workplace Fraud Act (Md. Code, Lab. & Empl. § 3-901 et seq.). While these laws provide mechanisms for enforcement, they do not grant the Attorney General concurrent jurisdiction to bring enforcement actions against violators. This statutory gap hinders the state's ability to prosecute systematic wage theft, misclassification, and the associated tax fraud that deprives Maryland of significant revenue.

II. The Need for Statutory Authority for the Attorney General

This legislation appropriately rectifies the enforcement deficiencies by providing the Attorney General with concurrent jurisdiction over wage and worker misclassification

violations. Similar statutory grants exist in states such as California (Cal. Lab. Code § 90.5), New York (N.Y. Lab. Law § 861-d), and Illinois (820 ILCS 185/40), where Attorneys General have the explicit power to investigate and prosecute labor law violations.

Providing the Attorney General with enforcement power is particularly critical in Maryland, where misclassification and wage theft often accompany a host of related frauds, including:

- **Tax fraud** (Md. Code, Tax-Gen. § 13-1001)
- **Unemployment insurance fraud** (Md. Code, Lab. & Empl. § 8-1301)
- **Workers' compensation fraud** (Md. Code, Ins. § 27-803)

Without this legislation, enforcement remains largely reactive, dependent on the capacity of administrative agencies that often lack the investigative and prosecutorial resources necessary to combat systemic violations. The bill's approach ensures a coordinated enforcement strategy by granting the Attorney General concurrent jurisdiction alongside these agencies.

III. Constitutional and Precedential Support

The General Assembly has clear constitutional authority to expand the Attorney General's powers under Article V, Section 3 of the Maryland Constitution, which states: "The Attorney General shall have and perform such duties as are now or may hereafter be prescribed by Law." Maryland courts have repeatedly upheld the legislature's authority to expand or limit the Attorney General's role. See *State v. Burning Tree Club, Inc.*, 315 Md. 254 (1989) (confirming that the General Assembly has the authority to define the Attorney General's statutory powers).

IV. Conclusion

SB0938 / HB1096 represents a necessary and legally sound expansion of enforcement authority to address pervasive violations of Maryland's wage laws. By granting the Attorney General concurrent jurisdiction, the bill aligns Maryland's enforcement framework with best practices in other jurisdictions and strengthens the state's ability to protect workers, ensure fair competition among businesses, and recover lost tax revenue.

For these reasons, I respectfully urge the committee to issue a favorable report on SB0938 / HB1096. Thank you for your consideration, and I am available for any questions the committee may have.

M&A_T Smalls_UA Local 5_Testimony_SB938 HB1096_FAV

Uploaded by: Roger Manno

Position: FAV



PLUMBERS LOCAL UNION NO. 5

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES OF THE PLUMBING AND PIPE FITTING INDUSTRY OF THE UNITED STATES AND CANADA, AFL-CIO

4755 Walden Ln. Lanham, MD 20706 • 301-899-7861 (T) • 301-899-7868 (F)



In Support of Senate Bill 938 / House Bill 1096

SB938 / HB1096 – FRAUD PREVENTION AND WORKER PROTECTIONS - PROHIBITIONS, PENALTIES, AND ENFORCEMENT

House Economic Matters Committee and Senate Finance Committee

Chairs Beidle and Wilson, and Members of the Senate Finance and House Economic Matters committees,

On behalf of UA Plumbers and Gasfitters Local 5, I am proud to express our strong support for Senate Bill 938 / House Bill 1096. This critical legislation promotes fairness, accountability, and protection for Maryland workers by addressing the harmful effects of workplace fraud.

The skilled professionals of Local 5 are vital to Maryland's infrastructure, ensuring safe plumbing, efficient gas systems, and reliable sanitation. Our work directly impacts public health, energy efficiency, and economic growth. Yet, our members face ongoing threats from employers who exploit weak labor laws, committing wage theft and worker misclassification.

Maryland's system has loopholes that prevent the Attorney General from taking direct action against employers who underpay workers, deny benefits, and evade taxes. Without statutory authority, these violations go unpunished, harming workers and giving dishonest contractors an unfair advantage.

These illegal practices also contribute to tax fraud, unemployment insurance fraud, and workers' compensation fraud, further burdening taxpayers and ethical businesses.

Granting the Attorney General concurrent jurisdiction with the Department of Labor will strengthen enforcement, protect workers, and ensure fair competition. Many states, including California, Illinois, and New York, have already empowered their Attorneys General to combat wage theft and labor fraud. Maryland must follow suit to safeguard its workforce and uphold labor integrity.

UA Plumbers & Gasfitters Local 5 urges the committee to pass SB0938 / HB1096 to ensure fairness in our industry, protect workers, and hold fraudulent employers accountable.

Thank you for the opportunity to provide this testimony. Please feel free to contact me with any questions or for further information.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Canales', with a long horizontal flourish extending to the right.

Michael Canales
Assistant Business Manager
UA Plumbers & Gasfitters Local # 5

Terriea "T" L. Smalls
Business Mgr. / Financial Sec-Treas.

Michael S. Canales, Jr.
Asst. Business Manager

Anthony A. Solis
Business Rep. and Organizer

Julius Wright
Business Rep. and Organizer

NELP Testimony ISO HB 1096 AG Expansion WFA_FINAL.

Uploaded by: Sally Dworak-Fisher

Position: FAV

Testimony of Sally Dworak-Fisher
National Employment Law Project

**H.B 1096 – Labor and Employment –Fraud Prevention
and Labor Protections– SUPPORT**

**Hearing before the House Economic Matters Committee
of the Maryland General Assembly**

February 26, 2025

Sally J. Dworak-Fisher
Senior Staff Attorney

National Employment Law Project
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New York, NY 10004

202-869-3286
sdworak-fisher@nelp.org

The National Employment Law Project (NELP) is a nonprofit organization with more than fifty years of experience advocating for the labor and employment rights of low-wage workers. NELP works extensively at the federal, state and local levels to promote policies that expand worker protections and support a good jobs economy. We have particular expertise in independent contractor misclassification and the harms it poses to workers, to businesses that comply with the law, and to critical social insurance programs.¹

**Misclassification of
employees as
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harms workers, honest
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We write in **SUPPORT** of H.B. 1096 and
urge a **FAVORABLE** report.

Independent Contractor Misclassification is Hurting Marylanders

Independent contractors are people who are in business for themselves. They have the power to make key business decisions — to determine the price they charge, to market their business to customers, and to make investment decisions. Too frequently, however, businesses call their employees independent contractors. Why? Because it is cheaper: businesses can save up to thirty percent of payroll and other taxes by misclassifying their employees as contractors.²

Misclassification Harms Maryland Workers.

As the table on the following page illustrates, when businesses misclassify their workers, they deny them employee rights and protections, degrading work quality and worker power.

¹ See NAT'L EMP. L. PROJECT, *End Independent Contractor Misclassification*, <https://www.nelp.org/explore-the-issues/contracted-workers/misclassified-workers/>. See also Catherine Ruckelshaus, *Independent Contractor v. Employee: Why Misclassification Matters and What we can do to Stop It*, NAT'L EMP. L. PROJECT (May 2016), <https://s27147.pcdn.co/wp-content/uploads/Policy-Brief-Independent-Contractor-vs-Employee.pdf>.

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The loss of these rights and protections is costly to workers. As the Joint Enforcement Task Force on Workplace Fraud recently highlighted, the costs to Maryland workers is staggering, and is causing significant economic harm to workers, many of whom are in low-paid jobs.³ The chart below shows low and high estimates of annual monetary losses to workers denied overtime, differential pay, paid leave, health and retirement benefits from being classified as an independent contractor instead of as an employee.⁴

Occupation	Low Estimate	High Estimate
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Misclassification puts honest businesses at a competitive disadvantage and creates a system of unfair competition. Businesses that misclassify their employees pocket employer payroll costs they would otherwise incur and pressure their competition to shed labor costs, creating a “race to the bottom” where firms try to remain competitive by following suit.⁵

And at a time when the state is struggling with a budget deficit, it is critical to ensure a level playing field with every business contributing its fair share. Yet misclassification is causing critical losses in Maryland. The state’s Joint Enforcement Task Force notes how Maryland’s social insurance programs and other public revenue contributions are suffering as a result of cheating businesses *in just one industry – construction*. Each year, Maryland loses:

1. \$9.1 million in Unemployment Insurance contributions;
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The Economic Policy Institute’s recent analysis further reveals how the state loses critical contributions *for each worker* who is misclassified across ten other industries. For example, businesses that misclassify their janitors annually pocket unpaid contributions to social insurance and other employee benefits ranging from a low estimate of \$778 per misclassified janitor to a high estimate of \$1274 per misclassified janitor.⁷

Misclassification Is NOT Limited to Landscaping and Construction.

Maryland took an important step in passing the Workplace Fraud Act in 2009, but it is high time to expand it. The problem is not a problem unique to landscaping or construction work and may be spreading. The USDOL has recognized that misclassification is a problem in agriculture, retail, food

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service, hotel, construction, janitorial, and beauty and nail salons.⁸ It is also a serious problem in call center work, security, trucking, and delivery.⁹

Misclassification is also prevalent in many businesses that manage their work through a digital labor platform. Digital surveillance and automated decision-making tools enable businesses to exert hidden control even as they insist that their workers are independent contractors, i.e., in business for themselves.¹⁰ Indeed, app-based hospitality staffing companies like Qwick, which operates in Maryland, have been sued for misclassification and forced to pay penalties and reclassify their workers as employees in other jurisdictions.¹¹ The Qwick case and others like it demonstrate the spread of the exploitative ‘gig’ business model far beyond Uber drivers and DoorDash food deliverers, to encompass a growing number of jobs that have long been performed by employees with legal protections. The practice appears to be spreading to white collar industries, as a new *Uber for Nurses* report suggests.¹² And the cases illustrate the urgent need for government intervention to safeguard core workplace rights across industries.¹³

Misclassification Is a Racial Justice Issue.

Independent contractor misclassification by companies is also strikingly racialized, occurring disproportionately in occupations in which people of color, including Black, Latinx, and Asian workers, are overrepresented. As a group, workers of color—Black, Latinx, Asian/Pacific Islander, and Native American workers—are overrepresented in construction, delivery, home care, agricultural, personal care, ride-hail, and janitorial and building service occupations; they comprise approximately 41 percent of workers overall, but between 49 and 92 percent of workers in these occupations.¹⁴ In digital labor platform work, Black and Latinx workers are overrepresented by 45

⁸ U.S. Dep’t. of Labor, Wage and Hour Div., Low-wage/High Violation Industries, available at <https://www.dol.gov/agencies/whd/data/charts/low-wage-high-violation-industries>, last accessed Feb. 10, 2025.

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¹⁴ NELP analysis of March 2024 Current Population Survey Annual Social and Economic Supplement microdata. For underlying data, see *CPS Annual Social and Economic Supplement*, U.S. Census Bureau, <https://data.census.gov/app/mdat/CPSASEC2024/vars>.

percent—more even than in more traditional misclassification-prone sectors.¹⁵ Because independent contractor misclassification often comes with the wage and benefit penalties noted above, this corporate practice perpetuates growing racial income and wealth inequality and health disparities in the U.S. The practice reinforces occupational segregation along lines of race and gender, and it fosters a second-tier workforce of predominantly workers of color in precarious jobs stripped of bedrock employment protections.¹⁶ Combatting corporations' illegitimate use of "independent contractors" by strengthening the Workplace Fraud Act is racial justice issue.

HB 1096 Improves the Workplace Fraud Act.

Maryland's renewed commitment to combatting independent contractor misclassification, via the re-establishment of the Joint Enforcement Taskforce on Workplace Fraud, is a step in the right direction, but HB 1096 provides critical updates to the law to better foster a culture of compliance.

The expansion of the law to all industries is an important improvement. As noted above, no industry or occupation is immune from the problem. Moreover, the three-part analysis used to determine independent contractor status in the Workplace Fraud Act is well established in Maryland. Under the state's unemployment insurance law, unless otherwise exempt, workers are presumed to be employees unless the business satisfies the Secretary that all three prongs of the test are met.¹⁷

Likewise, using the state's power to license and to contract for public works in a way that ensures that Maryland does not support cheating businesses reflects not only common sense, but good government. Maryland should use its licensing power to ensure that the state is not authorizing licenses to scofflaw businesses, and it should debar cheating businesses from lucrative public works projects. Notably, these tools have been adopted by other states, which still have thriving businesses.¹⁸

¹⁵ See U.S. Bureau of Lab. Statistics, *Electronically Mediated Work*, *supra* n. 6 (noting over-representation of Black and Latinx workers).

¹⁶ See, e.g., Veena Dubal, *The New Racial Wage Code*, 15 HARV. L. & POL. REV. 511 (2022) (arguing that gig-worker carve outs are made possible by and reproduce racial subjugation).

¹⁷ Md. Code Ann., Lab. & Empl. § 8205. See also COMAR 09-32-01-18 ("A person performing services is presumed to be an employee" unless employing unit satisfies all three prongs).

¹⁸ See, e.g., New Jersey's Workplace Accountability in Labor List ("WALL"), N.J.S.A. 34:1A1.16, prohibiting public contracting by businesses with named on a public list as having outstanding liabilities for violations of wage, benefit and tax laws. The WALL is "a powerful enforcement tool that enables the department to publicly name companies that shortchange their workers and skip required contributions to programs such as unemployment insurance and workers' compensation " and was "established through bipartisan action (S -4226) in 2020 as part of an effort to combat worker misclassification and exploitation. " Jay Edwards, *Northwest New Jersey business among 10 businesses added to the Workplace Accountability in Labor List for outstanding wage, benefit and tax law violations*, (July 12, 2024), available at <https://wrnradio.com/northwest-new-jersey-business-among-10-businesses-added-to-the-workplace-accountability-in-labor-list-for-outstanding-wage-benefit-and-tax-law-violations/>.

AG Worker Protection Units Complement Departments of Labor to Protect Workers, Honest Businesses, and State Resources.

NELP also supports the creation of a Worker Protection Unit within Maryland's Office of the Attorney General. The Maryland Department of Labor has worked hard to rebuild and conduct investigations of the Workplace Fraud Act, identifying nearly 200 misclassified workers in 2024. But as numerous other states have recognized, state attorneys general offices can meaningfully complement the work of labor departments. In general, state departments of labor are structured to handle a higher volume of cases, working with a staff of investigators. Meanwhile, attorneys general offices tend to focus more on pattern or practice cases and generally bring cases that can have a broader effect. The two agencies can work hand-in-glove to enhance compliance and meaningfully protect workers, honest businesses, and state resources.

Several reports highlight the impacts that dedicated worker protection unit within a state attorney general's office can have.¹⁹

HB 1096 is Good Policy.

For all of the foregoing reasons, NELP supports HB 1096 and urges a favorable report.

¹⁹ See, e.g., Terri Gerstein, *How district attorneys and state attorneys general are fighting workplace abuses*, ECON. POL'Y INST. AND HARVARD LAB. AND WORKLIFE PROG., (May 17, 2021), <https://www.epi.org/publication/fighting-workplace-abuses-criminal-prosecutions-of-wage-theft-and-other-employer-crimes-against-workers/>. See also Terri Gerstein, *The People's Lawyers Take On Scofflaw Employers: Social Justice Oriented State AGs Stand Up for Workers*, American Constitution Society blog, (August 29, 2024), <https://www.acslaw.org/expertforum/the-peoples-lawyers-take-on-scofflaw-employers-social-justice-oriented-state-ags-stand-up-for-workers/>.

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Testimony of Sally Dworak-Fisher
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**Hearing before the House Economic Matters Committee
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occupations.¹⁴ In digital labor platform work, Black and Latinx workers are overrepresented by 45 percent—more even than in more traditional misclassification-prone sectors.¹⁵ Because independent contractor misclassification often comes with the wage and benefit penalties noted above, this corporate practice perpetuates growing racial income and wealth inequality and health disparities in the U.S. The practice reinforces occupational segregation along lines of race and gender, and it fosters a second-tier workforce of predominantly workers of color in precarious jobs stripped of bedrock employment protections.¹⁶ Combatting corporations' illegitimate use of "independent contractors" by strengthening the Workplace Fraud Act is racial justice issue.

HB 1096 Improves the Workplace Fraud Act.

Maryland's renewed commitment to combatting independent contractor misclassification, via the re-establishment of the Joint Enforcement Taskforce on Workplace Fraud, is a step in the right direction, but HB 1096 provides critical updates to the law to better foster a culture of compliance.

The expansion of the law to all industries is an important improvement. As noted above, no industry or occupation is immune from the problem. Moreover, the three-part analysis used to determine independent contractor status in the Workplace Fraud Act is well established in Maryland. Under the state's unemployment insurance law, unless otherwise exempt, workers are presumed to be employees unless the business satisfies the Secretary that all three prongs of the test are met.¹⁷

Likewise, using the state's power to license and to contract for public works in a way that ensures that Maryland does not support cheating businesses reflects not only common sense, but good government. Maryland should use its licensing power to ensure that the state is not authorizing licenses to scofflaw businesses, and it should debar cheating businesses from lucrative public works projects. Notably, these tools have been adopted by other states, which still have thriving businesses.¹⁸

¹⁴ NELP analysis of March 2024 Current Population Survey Annual Social and Economic Supplement microdata. For underlying data, see *CPS Annual Social and Economic Supplement*, U.S. Census Bureau, <https://data.census.gov/app/mdat/CPSASEC2024/vars>.

¹⁵ See U.S. Bureau of Lab. Statistics, *Electronically Mediated Work*, *supra* n. 6 (noting over-representation of Black and Latinx workers).

¹⁶ See, e.g., Veena Dubal, *The New Racial Wage Code*, 15 HARV. L. & POL. REV. 511 (2022) (arguing that gig-worker carve outs are made possible by and reproduce racial subjugation).

¹⁷ Md. Code Ann., Lab. & Empl. § 8205. See also COMAR 09-32-01-18 ("A person performing services is presumed to be an employee" unless employing unit satisfies all three prongs).

¹⁸ See, e.g., New Jersey's Workplace Accountability in Labor List ("WALL"), N.J.S.A. 34:1A1.16, prohibiting public contracting by businesses with named on a public list as having outstanding liabilities for violations of wage, benefit and tax laws. The WALL is "a powerful enforcement tool that enables the department to publicly name companies that shortchange their workers and skip required contributions to programs such as unemployment insurance and workers' compensation " and was "established through bipartisan action (S -4226) in 2020 as part of an effort to combat worker misclassification and exploitation. " Jay Edwards, *Northwest New Jersey business among 10 businesses added to the Workplace Accountability in Labor List for outstanding wage, benefit and tax law violations*, (July 12, 2024), available at

AG Worker Protection Units Complement Departments of Labor to Protect Workers, Honest Businesses, and State Resources.

NELP also supports the creation of a Worker Protection Unit within Maryland's Office of the Attorney General. The Maryland Department of Labor has worked hard to rebuild and conduct investigations of the Workplace Fraud Act, identifying nearly 200 misclassified workers in 2024. But as numerous other states have recognized, state attorneys general offices can meaningfully complement the work of labor departments. In general, state departments of labor are structured to handle a higher volume of cases, working with a staff of investigators. Meanwhile, attorneys general offices tend to focus more on pattern or practice cases and generally bring cases that can have a broader effect. The two agencies can work hand-in-glove to enhance compliance and meaningfully protect workers, honest businesses, and state resources.

Several reports highlight the impacts that dedicated worker protection unit within a state attorney general's office can have.¹⁹

HB 1096 is Good Policy.

For all of the foregoing reasons, NELP supports HB 1096 and urges a favorable report.

<https://wrnradio.com/northwest-new-jersey-business-among-10-businesses-added-to-the-workplace-accountability-in-labor-list-for-outstanding-wage-benefit-and-tax-law-violations/>.

¹⁹ See, e.g., Terri Gerstein, *How district attorneys and state attorneys general are fighting workplace abuses*, ECON. POL'Y INST. AND HARVARD LAB. AND WORKLIFE PROG., (May 17, 2021), <https://www.epi.org/publication/fighting-workplace-abuses-criminal-prosecutions-of-wage-theft-and-other-employer-crimes-against-workers/>. See also Terri Gerstein, *The People's Lawyers Take On Scofflaw Employers: Social Justice Oriented State AGs Stand Up for Workers*, AMERICAN CONSTITUTION SOCIETY BLOG, (August 29, 2024), <https://www.acslaw.org/expertforum/the-peoples-lawyers-take-on-scofflaw-employers-social-justice-oriented-state-ags-stand-up-for-workers/>.

SEIU Local 500 Testimony in Support of HB 1096.pdf

Uploaded by: Terrence Cavanagh

Position: FAV



Testimony - HB 1096, Fraud Prevention and Worker Protections - Prohibitions,
Penalties, and Enforcement
Favorable
House Economic Matters Committee
February 26, 2025
Terence Cavanagh
On Behalf of SEIU Local 500

Honorable Chairman Wilson and Members of the House Economic Matters Committee:

SEIU Local 500 is one of Maryland's largest public sector unions. I am here today representing over 23,000 workers to ask on their behalf for your support of House Bill 1096. This bill is crucial to ensuring fair labor practices, enhancing worker protections, and holding bad actors accountable in Maryland's workforce.

HB 1096 strengthens the Maryland False Claims Act (MFCA) by expanding its scope to include fraudulent underpayments of unemployment insurance contributions and improper claims for benefits exceeding \$15,000 annually. This provision is essential to maintaining the integrity of our unemployment insurance system and preventing fraud that harms both workers and taxpayers.

Additionally, the bill enhances enforcement of wage and hour laws by providing the Attorney General with expanded authority to pursue claims on behalf of workers when widespread violations occur. It also introduces stricter penalties for employers that knowingly misclassify employees as independent contractors—a practice that deprives workers of essential benefits and protections while undermining law-abiding businesses.

A key component of HB 1096 is the establishment of the Worker Protection Unit within the Office of the Attorney General. This unit will focus on enforcing labor laws, investigating fraudulent workplace practices, and ensuring that workers receive the wages and benefits to which they are entitled. By centralizing enforcement efforts, Maryland can more effectively combat wage theft and employer misconduct.

Furthermore, the bill mandates that civil penalties and damages collected for violations of prevailing wage laws be directed toward restitution for affected workers. This provision ensures that workers who have been wronged are compensated fairly and expedites financial relief for those impacted by wage violations.

Fair labor practices are fundamental to a thriving economy. HB 1096 sends a strong message that Maryland stands firmly against workplace fraud, wage theft, and the exploitation of workers. By holding unscrupulous employers accountable and providing stronger enforcement mechanisms, this legislation protects Maryland workers while leveling the playing field for businesses that comply with the law.

I respectfully urge the committee to give HB 1096 a favorable report. Thank you for your time and consideration.

Terence Cavanagh
On Behalf of SEIU Local 500

HB 1096 Fraud Prevention AG Support 2025.pdf

Uploaded by: Tom Clark

Position: FAV



International Brotherhood of Electrical Workers

JOSEPH F. DABBS: Business Manager • THOMAS C. MYERS: President • RICHARD D. WILKINSON: Vice President
CHRISTOPHER M. CASH: Financial Secretary • RICHARD G. MURPHY: Recording Secretary • WILLIAM T. NG: Treasurer



TESTIMONY IN SUPPORT OF HB 1096 FRAUD PREVENTION&WORKER PROTECTION PENALTIES&ENFORCEMENT February 26, 2025

TO: Chair Wilson, Vice Chair Crosby, Members of the House Economic Matters Committee
FROM: Tom Clark, Political Director, Intl. Brotherhood of Electrical Workers Local 26

Mr. Chair, Mr. Vice Chair, and Members of the Committee, I ask you to join me, Maryland construction workers and honest Maryland contractors, in full **support of HB 1096**. I appreciate the Speaker and Attorney General Brown for taking the necessary steps to combat workplace fraud and wage theft within our state. Establishing the Worker Protection Unit in the Office of the AG will be another tool that the state can use to fight unscrupulous contractors that cheat workers and evade taxes.

One example of this failure to contribute to unemployment insurance, consistently committing workplace fraud and wage theft is Power Design out of Florida. This company has been in the area for some twenty years and its their business model to commit violations to prevailing wages and cheat workers, with a tendency to exploit Latino Americans. The District of Columbia, with laws like what HB 1096 will bring, has taken Power Design to court and won. Most importantly the working men and women they cheated were reimbursed. What has kept thieves like Power Design in the area is Maryland and Virginia's lack of laws to combat this thievery. HB 1096 maybe the legislation needed to get Power Design out of the area. Imagine the relief and prosperity that will be achieved by honest Maryland Contractors that often lose bids to companies like Power Design. *It's tough to out bid an out of state contractor that commits wage theft.

There will always be dishonest contractors, but HB 1096 is a step in the right direction and a helping hand to construction workers and contractors in our great state. I respectfully ask for a **favorable report on HB 1096**. Thank you



HB1096 FAV LiUNA 2025.pdf

Uploaded by: William Kress

Position: FAV



Committee: House Economic Matters Committee

Bill Number: HB 1096 – Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement

Date: February 26, 2025

Position: Favorable

The Laborers' International Union of North America (LiUNA) Mid-Atlantic Region strongly supports House Bill 1096- *Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement*.

House Bill 1096 is a crucial piece of legislation that will enhance worker protections, ensure fair wages, and uphold the integrity of Maryland’s labor laws. This bill significantly expands coverage under the Workplace Fraud Act (WFA) to all industries, extending protections beyond the construction and landscaping sectors to benefit a wider range of workers.

Addressing Worker Misclassification Will Ensure Fair Labor Standards Are Upheld.

Worker misclassification remains a serious issue, depriving employees of essential rights and benefits while creating an uneven playing field for law-abiding businesses. By extending accountability to general contractors, higher-tiered contractors, and successors for the misclassification of workers by subcontractors, HB1096 ensures that all responsible parties uphold fair labor standards. Additionally, prohibiting private agreements that attempt to waive compliance

with this law prevents employers from circumventing their obligations and undermining worker protections.

Penalties Will Deter Violations and Improve Compliance.

The bill introduces meaningful penalties to deter violations. Employers who fail to properly classify employees will face civil penalties ranging from \$5,000 to \$10,000 per misclassified worker, with increased fines of up to \$25,000 for knowing violations. These penalties serve as a powerful incentive for compliance while providing restitution for affected workers. Furthermore, the Commissioner's enforcement authority, including the ability to issue citations and seek administrative search warrants, strengthens oversight and ensures timely accountability.

HB1096 also introduces significant licensing consequences for violators, ensuring that professional and occupational licensees who engage in worker misclassification are held accountable. By mandating that licensing authorities be notified of final violations, this bill reinforces the principle that businesses operating in Maryland must adhere to fair labor practices.

In addition, this legislation empowers the Attorney General to take legal action against employers who fail to pay at least 10 employees the required wages or who accumulate unpaid wages of \$25,000 or more. By authorizing the recovery of unpaid wages, liquidated damages, and civil penalties, HB1096 provides a powerful tool for the enforcement of wage laws. The creation of the Worker Protection Unit within the Office of the Attorney General further underscores Maryland's commitment to safeguarding workers' rights and holding bad actors accountable.

Finally, the inclusion of workplace fraud as grounds for debarment from state contracts reinforces the state's commitment to ensuring that only responsible businesses benefit from public funding.

Additionally, amendments to the Maryland False Claims Act will address fraudulent practices related to unemployment insurance contributions, further protecting workers and state resources.

HB1096 represents a comprehensive and necessary step toward ensuring that all Maryland workers receive the protections and compensation they rightfully deserve. By closing loopholes, strengthening enforcement mechanisms, and holding employers accountable, this legislation will promote a fair and just labor market.

LiUNA Mid-Atlantic urges the committee for a **favorable report on HB1096** to protect Maryland's workforce and ensure a level playing field for all employers.

If you have any questions, please contact LiUNA's lobbyist, William Kress, Esquire at

bill@kresshammen.com.

2025_02_24 HB 1096 Support with Amendments.pdf

Uploaded by: Anthony Brown

Position: FWA

CAROLYN A. QUATTROCKI
Chief Deputy Attorney General

LEONARD J. HOWIE III
Deputy Attorney General

CARRIE J. WILLIAMS
Deputy Attorney General

SHARON S. MERRIWEATHER
Deputy Attorney General

ZENITA WICKHAM HURLEY
Chief, Equity, Policy, and Engagement



PETER V. BERNS
General Counsel

CHRISTIAN E. BARRERA
Chief Operating Officer

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL

ANTHONY G. BROWN
Attorney General

February 24, 2025

The Honorable C.T. Wilson
Chair, Economic Matters Committee
230 House Office Building
6 Bladen Street
Annapolis, MD 21401

Re: House Bill 1096 - Fraud Prevention and Worker Protections - Prohibitions, Penalties,
and Enforcement

Dear Chair Wilson,

House Bill 1096 is a comprehensive piece of legislation with a straightforward purpose: to equip both the Office of the Attorney General (OAG) and the Maryland Department of Labor (MDOL) with the necessary tools to effectively combat worker misclassification and wage theft in the State of Maryland. By doing so, the bill seeks to protect Maryland workers and safeguard the state's financial resources. The bill will reform the Workplace Fraud Act, amend other wage and hour laws, and establish the Worker Protection Unit within OAG to empower the agency in addressing the pervasive and growing issues of wage theft and worker misclassification.

Worker misclassification deprives employees of wages, benefits, and workplace protections while costing the state millions of dollars in lost payroll taxes and contributions to unemployment insurance and workers' compensation funds. The Workplace Fraud Act, as it currently stands, is an inadequate law that fails to effectively address misclassification. It applies only to the construction and landscaping industries, but in the 16 years since its enactment, it has done little to curb misclassification in Maryland's construction sector.

House Bill 1096 will amend the Workplace Fraud Act in two critical ways, as recommended by the Joint Employment Task Force (JETF). First, it will expand the Act's coverage to all industries. This is essential, as misclassification is prevalent in numerous sectors, including home health care, security services, janitorial work, and housekeeping services.

Second, in accordance with JETF's recommendations, the bill will impose liability on general contractors and higher-tier contractors in the construction industry for misclassification by lower-tier subcontractors under their oversight. This provision is crucial because general contractors often incentivize worker misclassification by accepting low bids from subcontractors who rely on misclassifying workers to turn a profit. On the rare occasions when penalties for misclassification are enforced, they typically fall on lower-tier subcontractors, who operate on thin margins, rather than on general contractors. By holding general contractors accountable for misclassification occurring on their job sites, House Bill 1096 will encourage them to ensure that subcontractors classify workers properly.

One of the reasons the Workplace Fraud Act has been ineffective is that it is enforced by the Labor Commissioner through an administrative process that provides violators with numerous opportunities to evade liability or significant penalties. House Bill 1096 will strengthen enforcement by making it more difficult for employers to avoid penalties and by equipping the Labor Commissioner with additional tools for enforcement. Furthermore, the bill grants OAG the authority to investigate and bring lawsuits under the law. Currently, while private parties have the right to sue under the Workplace Fraud Act, no state entity has that authority. House Bill 1096 will change this by allowing OAG to take legal action against violators, mirroring the existing private right of action.

Concerns about duplicating enforcement efforts are unfounded, given that current enforcement mechanisms are demonstrably insufficient. This is not to diminish the efforts of the Labor Commissioner, the Comptroller, the Division of Unemployment Insurance, and the Workers' Compensation Commission in addressing misclassification. However, the magnitude of the problem necessitates a multi-faceted approach. There should be no wrong doors for workers seeking to report misclassification. The agencies participating in the JETF already refer cases to one another and are working to improve information sharing and coordination to ensure violations are addressed effectively.

MDOL has suggested that worker misclassification could be tackled using existing enforcement tools, but it is clear that these tools are inadequate. In states that have been more successful in addressing misclassification, the attorney general has concurrent authority with the state labor department to enforce misclassification laws. At the invitation of the Labor Commissioner, representatives from labor agencies in Minnesota and Illinois presented their states' approaches to JETF. They explained that the Attorneys General of Minnesota and Illinois share enforcement authority with their respective labor departments, which has been critical to their success. These states have found that it is effective for labor agencies to focus on routine enforcement while attorneys general handle larger cases and novel legal challenges. The District of Columbia employs a similar model, as evidenced by its recent lawsuit against two Maryland-based contractors who orchestrated a widespread misclassification scheme to deny hundreds of construction workers the wages and benefits they were owed under D.C. law.

The Honorable C.T. Wilson

Re: House Bill 1096 - Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

February 24, 2025

Page 3

The goal of House Bill 1096 is to position Maryland among the states leading the fight against worker misclassification and wage theft, rather than remaining a state that lags behind in this area. For these reasons, the Office of the Attorney General urges a favorable report on House Bill 1096.

Sincerely,

A handwritten signature in black ink, appearing to read "AG Brown", written in a cursive style.

Anthony G. Brown

Enclosure

States Where the Attorney General Has a Role in Enforcing Wage and Hour Laws

States Where AG has Independent Authority to Enforce Wage and Hour Laws	States Where AG's Office has a Worker's Rights Unit to Enforce Wage and Hour Laws	States Where AG is Active in Wage and Hour Enforcement without a Dedicated Unit
California	New Jersey	Delaware
New York	Pennsylvania	Rhode Island
Massachusetts	Michigan	Maine
District of Columbia	Colorado	Washington
Minnesota	Arizona	
Illinois		

OAG Amendments to House Bill 1096

On page 7, in line 8, strike “on behalf of an employee”.

On page 8, strike beginning with “on” in line 19 down through “employees” in line 20.

On page 11, strike beginning with “entitled” in line 1 down through “benefits” in line 4 and substitute “employed within the meaning of § 3-101(c) of this title.

On pages 13 and 14, strike the lines beginning with line 27 on page 13 down through line 12 on page 14, inclusive, and substitute “(A)(1) A GENERAL CONTRACTOR, HIGHER-TIERED CONTRACTOR, AND INTERMEDIATE SUBCONTRACTOR SHALL BE JOINTLY AND SEVERALLY LIABLE FOR ANY VIOLATION OF THIS SUBTITLE THAT IS COMMITTED BY A SUBCONTRACTOR, REGARDLESS OF WHETHER THE SUBCONTRACTOR IS IN A DIRECT CONTRACTUAL RELATIONSHIP WITH THE GENERAL CONTRACTOR, HIGHER-TIERED CONTRACTOR, OR INTERMEDIATE SUBCONTRACTOR.

(2) A SUBCONTRACTOR SHALL INDEMNIFY A GENERAL CONTRACTOR, HIGHER-TIERED CONTRACTOR, AND INTERMEDIATE SUBCONTRACTOR FOR ANY WAGES, DAMAGES, INTEREST, PENALTIES, OR ATTORNEY’S FEES OWED AS A RESULT OF THE SUBCONTRACTOR’S VIOLATION UNLESS:

(I) INDEMNIFICATION IS PROVIDED FOR IN A CONTRACT BETWEEN THE SUBCONTRACTOR AND THE GENERAL CONTRACTOR, HIGHER-TIERED CONTRACTOR, OR INTERMEDIATE SUBCONTRACTOR; OR

(II) A VIOLATION OF THE SUBTITLE AROSE DUE TO A LACK OF PROMPT PAYMENT IN ACCORDANCE WITH THE TERMS OF THE CONTRACT BETWEEN THE GENERAL CONTRACTOR, HIGHER-TIERED CONTRACTOR, OR INTERMEDIATE SUBCONTRACTOR.”.

On page 24, strike beginning with “on” in line 22 down through “classified” in line 23, inclusive.

On page 26, in line 22, strike “(1)”; in line 25, strike “(i)” and substitute “(1)”; and in line 27, strike “(ii)” and substitute “(2)”.

On page 27, strike lines 4 through 6 in their entirety.

On page 31, in line 5, strike “or the commissioner on behalf of the employee”; after line 10, insert “

(I) THE MATTER IS REFERRED TO THE ATTORNEY GENERAL BY THE COMMISSIONER IN ACCORDANCE WITH SUBSECTION (A)(4)(I)(2) OF THIS SECTION; OR”;

and in lines 11 and 14, strike “(i)” and “(ii)” and substitute “(ii)” and “(iii)”.

On page 32, in line 11, strike “Commissioner” and substitute “Attorney General”; in line 22, strike the colon; in line 23, strike “(i)”; and strike beginning with “; or” in line 25 down through “situated” in line 29, inclusive.

The Honorable C.T. Wilson

Re: House Bill 1096 - Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

February 24, 2025

Page 6

On page 40, strike “on” in line 20 down through “been” in line 21 and substitute “against an employer that has”; in line 21, after “against” insert “an employee”.

HB1096-ECM_MACo_SWA.pdf

Uploaded by: Karrington Anderson

Position: FWA



MARYLAND
Association of
COUNTIES

House Bill 1096

Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

MACo Position: **SUPPORT**

To: Economic Matters Committee

WIYH AMENDMENTS

Date: February 26, 2025

From: Karrington Anderson

The Maryland Association of Counties (MACo) **SUPPORTS** HB 1096 **WITH AMENDMENTS**. HB 1096 aims to enhance worker protections by strengthening workplace fraud laws, expanding enforcement authority within the Office of the Attorney General, and increasing accountability for worker misclassification.

While MACo supports these goals, counties seek clarifying amendments to ensure that counties are not unfairly held liable for violations committed by third-party contractors or subcontractors when contracting or subcontracting services.

Local governments regularly engage in contracts for services essential to public operations. As currently written, HB 1096 does not explicitly exclude counties from potential liability if a contractor or subcontractor is found to have violated worker classification laws. This ambiguity could create unintended consequences where counties are unfairly penalized for actions beyond their direct control. A targeted amendment clarifying that counties and other local governments are not considered liable for violations committed by independent contractors and subcontractors would prevent unnecessary legal and financial burdens on local governments.

MACo urges the Committee to adopt these amendments to preserve the bill's intended focus while ensuring that local governments are not subject to unintended liability. For these reasons, MACo urges a **FAVORABLE WITH AMENDMENTS** report on HB 1096.

MMHA - 2025 - HB 1096 - OAG Bill workplace fraud.p

Uploaded by: Aaron Greenfield

Position: UNF



Bill Title: House Bill 1096, Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

Committee: Economic Matters

Date: February 26, 2025

Position: Unfavorable

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

House Bill 1096 expands coverage beyond construction and landscaping to include all industries and applies to all employers, general contractors, higher-tiered contractors, and subcontractors. It holds general contractors and their successors liable for worker misclassification by subcontractors and prohibits private agreements that waive compliance. Additionally, licensing consequences are established for violators in fields regulated by the Division of Occupational and Professional Licensing. If a licensee fails to pay penalties or comply with a final order within 45 days, the Commissioner must notify the relevant licensing authority.

Employers face civil penalties ranging from \$5,000 to \$25,000 per misclassified employee, with higher penalties for willful violations. Obstructing an investigation carries a \$5,000 penalty per occurrence. The Commissioner can issue citations, and violators have 30 days to comply or request a hearing. The Attorney General (AG) can take legal action against employers who misclassify 10 or more employees or cause \$25,000 or more in economic damages, with a three-year statute of limitations. Violators may also be debarred from state contracts.

The Maryland Wage and Hour Law empowers the AG to act against employers who fail to pay at least 10 employees their required wages or owe \$25,000 or more in unpaid wages, allowing recovery of wages, liquidated damages, penalties, and legal fees. The Maryland False Claims Act now covers false records related to unemployment insurance fraud, with restitution going to workers and the Unemployment Insurance Fund. Finally, the bill establishes a Worker Protection Unit in the AG's office to enforce workplace fraud, wage, and prevailing wage laws.

MMHA opposes House Bill 1096 for several reasons, particularly because they employ maintenance staff, property managers, or contract with third-party vendors for services like landscaping, cleaning, or construction.

- Increased Liability for Worker Misclassification: The bill expands liability beyond direct employers to general contractors and higher-tiered contractors, meaning housing



providers could be held responsible if a subcontractor misclassifies workers. Many housing providers contract with property management companies, maintenance crews, and construction firms, and they may not have full visibility into how those workers are classified.

- Increased Compliance Burden: The bill places new reporting and enforcement requirements on businesses, potentially increasing administrative costs and legal risks. Housing providers would need to vet subcontractors more thoroughly, require more documentation, and possibly conduct audits to avoid penalties.
- Financial Penalties and Enforcement Risks: Penalties of up to \$25,000 per misclassified worker could be financially devastating, especially for small or nonprofit housing providers. If a provider unknowingly hires a contractor who misclassifies workers, they could face unexpected fines and legal action.
- Impact on Housing Costs and Affordability: At a time when Maryland faces a dearth of affordable housing to the tune of 96,000 units, increased regulatory and legal risks could lead to higher costs for services, including maintenance, renovations, and repairs, which might increase rent or fees for tenants. Some providers may choose to limit hiring or shift to larger, more expensive contractors who can guarantee compliance, reducing competition and raising costs.
- Risk of Losing State Contracts: Housing providers who engage in public-private partnerships or receive state funding for affordable housing projects could face debarment from state contracts if found in violation, threatening their ability to operate or expand housing initiatives.
- Legal Uncertainty and Potential Litigation: The expanded enforcement authority of the Attorney General and Worker Protection Unit increases the risk of investigations, administrative penalties, and lawsuits, creating uncertainty for housing providers. Even those in full compliance may face legal costs if they must defend against an investigation or citation.
- Chilling Effect on Contracting and Development: The increased risk and regulatory burden may discourage housing providers from hiring small or independent contractors, reducing economic opportunities for local workers. Some providers may delay or cancel development projects due to concerns over compliance risks and increased costs.

Housing providers oppose this bill due to financial liability, compliance burdens, increased costs, legal risks, and potential restrictions on contracting and development.

For these reasons, the Maryland Multi-Housing Association respectfully requests an unfavorable report on House Bill 1096.

Please contact Aaron J. Greenfield at 410.446.1992 if you have any questions.

HCCC_HB 1096_UNFAV.pdf

Uploaded by: Andrew Griffin

Position: UNF



February 26, 2025

Legislative Position: Unfavorable

House Bill 1096

Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

House Economic Matters Committee

Dear Chairman Wilson and members of the committee:

Founded in 1969, the Howard Chamber of Commerce is dedicated to helping businesses—from sole proprietors to large international firms—grow and succeed. With the power of 700 members that encompass more than 170,000 employees, the Howard County Chamber is an effective partner with elected officials and advocates for the interests of the county's business community.

The Howard County Chamber of Commerce strongly opposes HB 1096, which seeks to expand the Workplace Fraud Act to all industries beyond construction and landscaping, and grants the Office of the Attorney General (OAG) broad authority to enforce wage and hour laws and workplace fraud. This legislation will have far-reaching consequences for Maryland's business community.

By expanding the Workplace Fraud Act to all industries, this bill places significant liability on businesses, particularly small and medium-sized enterprises. The potential for costly lawsuits and fines will stifle economic growth, deter entrepreneurship, and lead to increased costs for consumers. Furthermore, the bill's provisions allowing for treble damages and attorney's fees will create a cottage industry for plaintiff's attorneys, further increasing the financial burden on businesses.

We are also deeply concerned about granting the OAG broad authority to enforce wage and hour laws and workplace fraud. This will lead to duplicative and unnecessary enforcement actions, as the Maryland Department of Labor (MDDOL) already has the authority to investigate and enforce these laws. The OAG's involvement will only serve to increase the complexity and cost of compliance for businesses, without providing any additional benefits to workers.

Moreover, we question the need for this enhanced enforcement. There is a lack of data suggesting the current enforcement mechanisms are inadequate or that there is widespread non-compliance with wage and hour laws. It is our understanding that MDDOL's own complaint data shows that the vast majority of businesses in Maryland are in compliance with these laws. This bill is a solution in search of a problem.

The Howard County Chamber of Commerce urges the Committee to reject HB 1096. The increased liability and enforcement authority granted to the OAG will have a chilling effect on Maryland's business community, without providing any tangible benefits to workers. We believe that any efforts to enhance



enforcement should be data-driven and targeted at specific industries or sectors where non-compliance is a demonstrated problem.

Sincerely,

Kristi Simon
President & CEO
Howard County Chamber of Commerce

DoorDash testimony in opposition to MD HB 1096 .pd

Uploaded by: Chad Horrell

Position: UNF



**Testimony provided by Chad Horrell with DoorDash to the
Economic Matters Committee of the Maryland House of Delegates
February 26, 2025**

Thank you, Chair Wilson, and members of the Committee.

My name is Chad Horrell, and I am with DoorDash. Our company was founded over ten years ago with the goal of growing and empowering local economies. Tony Xu, our co-founder and CEO, worked alongside his mom in a restaurant after moving to this country from China. He created DoorDash to help local restaurants and other businesses grow, while providing opportunities for delivery workers – or Dashers, as we call them – to earn extra income.

We are proud to be accomplishing our mission in Maryland. For the state's restaurants and small businesses, the competitive landscape has changed dramatically in just the last few years. For these local businesses to grow and compete, they need to expand their customer base and reach more people in their communities. DoorDash gives them a powerful way to reach more customers and grow their bottom lines.

For Dashers, the DoorDash platform provides something unique: a way to tap into extra income, when it fits into their schedule, with no commitment to work any more than they choose. Over 220,000 people in Maryland last year used DoorDash to earn extra income for them and their families. They deliver on average for just a few hours a week, they come and go from the platform as they choose, and they choose whether or not to work. The vast majority of them already have a full- or part-time job or other reason why they are not looking for dashing to be employment.

HB 1096 puts many types of work in the state, including dashing, at risk. This bill would make a sweeping change to how the state has traditionally defined “employment” under the state’s wage and hour laws. That change could force large numbers of the state’s independent workers across a wide range of industries, including Dashers, to give up their independent work. This bill, in other words, is not about giving the state more tools to root out companies that intentionally misclassify their workers. This bill is designed to forcibly *reclassify* large swaths of workers who work independently, creating confusion for businesses and workers alike and putting jobs at risk. We respectfully urge you to not support this bill.

Dashers value the ability to tap into independent work for a few hours a week. HB 1096 could take that away.

Over 220,000 people in Maryland last year used DoorDash to earn extra income. Why do so many people in the state choose to be “Dashers”, rather than find other sources of income, like a traditional, part-time employment job?

- **Maryland Dashers deliver on average for just 3.4 hours per week.**¹ Dashers can use DoorDash to tap into small, occasional amounts of work when it works for their schedule, with no commitment to work more than they choose.
- **Dashers can scale their hours up or down as it suits them.** Nearly all Dashers in Maryland – 90% – use dashing to deliver for, on average, 10 hours or less per week.² But if something comes up, like an unexpected expense or a loss of another job, Dashers can take on more work on the fly, without having to search for a new job or ask a manager for more hours (which often isn't possible).
- **Dashers can come and go as they choose.** We never tell Dashers when to work, so unlike an employee, they can start and stop as they choose. A Dasher might dash for a month or two to work toward a savings goal, then stop dashing entirely for a month, only to start again (with no advance notice to us) the next month. That's not a far-fetched example: for Dashers, coming and going is common. When we looked at the data, we found that, over a given thirteen-week calendar quarter, a large majority of Dashers – 73% – chose to step away from dashing for 4 weeks or more over that span.³
- Being able to tap into work occasionally, in small increments – with no commitment to work more – is important to Dashers, because **the vast majority of Dashers (82%) already have a full- or part-time job, or own their own business, or have another reason for not wanting to commit to an employment job**, whether that's because they're a student, a stay-at-home caregiver, or retired.⁴ Converting dashing into employment would not make sense for them, because they cannot or do not want to commit to dashing as employment.

After looking at who Dashers are, and how they use this work, it's easy to see why hundreds of thousands of people in Maryland value this work: it offers a way to tap into extra income that Dashers can fit around their other work and other commitments. That's unique, and that would be lost if dashing were converted into just another type of hourly, part-time employment job.

Yet some still claim that Dashers and all other app-based workers would rather work as employees. But Dashers have had those jobs, and they don't need someone to tell them what those jobs are like. Working as an employee – especially an hourly, part-time employee, which is the closest employment analog to dashing – means the kind of “short shifts and variable weekly hours” that's “known to create work-life challenges for employees who lack consistent schedules.”⁵ A Tufts University report concluded that if the laws were changed to convert

¹ Measured during the fourth quarter of 2024.

² Measured during the fourth quarter of 2024.

³ DoorDash, *Behind the Dash: Insights into the Flexibility and Freedom of Dashing* (July 27, 2023), <https://about.doordash.com/en-us/news/insights-into-the-flexibility-and-freedom-of-dashing>.

⁴ DoorDash, *Delivering the Goods: The Impact of DoorDash in the United States in 2023*, at 12 (2024), <https://doordash2023.publicfirst.co/wp-content/uploads/DoorDash%202023%20Community%20Impact%20Report.pdf>.

⁵ Center for State Policy Analysis, Tufts University, *Understanding the Ballot Question that Could Reshape Rideshare and Gig Driving*, at 7 (2022), https://cspa.tufts.edu/sites/g/files/lrezom361/files/2022-04/cSPA_understanding_gig_driving_ballot_question.pdf.

app-based workers into employees, a likely outcome is that app-based work would end up like those kinds of employment jobs.⁶

Even for employees fortunate enough to be assigned a schedule that's relatively constant from week to week, having to work a schedule that an employer assigns does not work for everyone. A Dasher with a full- or part-time job who is looking for just a few extra hours of work cannot get that from an employment job. A Dasher who is a stay-at-home caregiver likewise may not want or be able to commit to the structure of employment. And Dashers who are students, or retired, may not be able – or want – to trade the control dashing gives them for assigned hours.

Like we mentioned above, the vast majority of Dashers fall into one of these categories. **That's why, when we ask Dashers across the country, nearly all of them – a full 91% – tell us that they prefer to remain independent contractors, rather than be reclassified as employees.**⁷ They know where to find a typical, hourly employment job, but they've chosen dashing precisely because it's different. When outside groups claim to speak for Dashers and say that Dashers would prefer to be converted into employees, they are not in touch with the value that this kind of work offers to so many people, both in Maryland and across the country.

Sometimes, when outside groups or commentators push for Dashers or other app-based workers to be converted into employees, they focus on the outliers: the small number of workers who use this work not for extra income, but to work longer, more employment-like hours. As we mentioned, those are outliers: only 10% of Maryland Dashers average more than 10 hours per week delivering (still a small number of hours by comparison to employment), and the percentage who dash for even longer than that is much smaller still. But even those Dashers – the highly active ones – tell us, overwhelmingly, that they, too, prefer to remain independent,⁸ which allows them to work independently without a manager supervising them and choose for themselves when, where, and how to work.

It's true – for that small number of highly active Dashers – that they currently face a tradeoff, which independent contractors all across the economy have long faced. Working independently as a Dasher puts them in control of their time and their work, but may cause them to miss out on the kinds of benefits they might be able to get from employment. But the solution for that very small proportion of Dashers is not to take away – from all 220,000-plus Maryland Dashers – the option they value to tap into independent work.

The solution instead is to pursue policies that can strengthen independent work. That means policies that can, for those highly active Dashers, open up access to benefits and protections that traditionally have been reserved for employees, without forcing all Dashers to give up the independence and control that draws them to this work in the first place.

That's why we're experimenting with new policy solutions, like portable benefits, which would enable independent contractors like Dashers to accrue contributions toward benefits based on how much they work. We partnered last year with Governor Josh Shapiro of Pennsylvania to

⁶ *Id.*

⁷ *Delivering the Goods*, *supra* note 4, at 17.

⁸ *Behind the Dash*, *supra* note 3.

launch a pilot portable-benefits program,⁹ and we're continuing to work with policymakers to find solutions that work for Dashers.

HB 1096 threatens a wide range of workers in industries all across Maryland's economy.

The purpose of HB 1096 is not merely to give state agencies more tools to go after employers who flout the law and misclassify their workers. This bill is not, in other words, about helping to root out *misclassification*: this bill is about *reclassification*. The bill intends to change the definition of employment under the state's wage-and-hour laws to try to shift many types of independent contractors in the state into the structure of employment.

For Maryland's businesses, that means having to either hire some of their independent contractors as employees or, when that's not feasible, simply cut ties with them. For many of Maryland's independent workers, that means, at best, having to trade in their independence for employment. At worst, that means losing their jobs.

That is not a hypothetical. In the late 2010s, California adopted a similar definition of employment to the one that HB 1096 proposes. That California law, like HB 1096, applied a version of a test for worker-classification called an "ABC test." But California legislators quickly recognized that the new law could upend the state's economy and threaten the livelihoods of a wide range of workers who commonly work as independent contractors.

Over the next year, the California legislature scrambled to exempt more and more occupations from the new law. By the time the legislature was done, it had amended the law twice and carved out a swath of more than 50 types of occupations across a jumbled, confusing range of industries. Some of those include:

- Licensed insurance businesses or individuals
- Certain commercial fishermen
- Physicians, surgeons, dentists, and podiatrists
- Psychologists
- Veterinarians
- Lawyers
- Architects
- Engineers
- Private investigators
- Accountants
- Registered securities broker-dealers and investment advisers
- Marketers
- Human resources administrators
- Travel agents
- Graphic designers
- Grant writers
- Fine artists
- Freelance writers, editors, and cartoonists

⁹ DoorDash, *DoorDash Announces Portable Benefits Savings Program for Dashers in Pennsylvania* (Apr. 3, 2024), <https://about.doordash.com/en-us/news/pa-portable-benefits-pilot>.

- Some licensed estheticians, manicurists, barbers, and cosmetologists
- Repossession agents
- Newspaper carriers
- And a wide range of performing artists, including songwriters, lyricists, composers, musical engineers, vocalists; and independent radio promoters¹⁰

In addition to the occupations the California legislature carved out via amendments, **California voters, in a referendum, voted overwhelmingly – by a 17-point margin¹¹ – to carve app-based workers, like Dashers, out of the law in order to protect their ability to work independently.**

California’s experience with a law like HB 1096 teaches two things. First, that this kind of law had far-reaching and unintended effects on the state’s economy, which led to confusion and uncertainty for businesses and workers alike and left California with a law containing a jumbled collection of over 50 exceptions and exceptions-to-those-exceptions.

Second, and more importantly, California’s experience proved that the law is bad policy. The purpose of the law was to define “employment” – to lay down a test for drawing the line between employees and independent contractors. But if a test has to contain over 50 exceptions, it is not a good test.

* * *

HB 1096 would have major, real-world consequences for many people in Maryland. The bill threatens jobs across many industries, including dashing, which over 220,000 people in the state use to bring in extra income for themselves and their families. The bill will create uncertainty for both companies and workers, make companies less willing to work with independent contractors of all stripes, and leave the state’s many independent workers unsure about their livelihoods. We respectfully urge the Committee to not support this bill.

Thank you.

Chad Horrell
Senior Manager, Government Relations
DoorDash

¹⁰ See California Act of Sept. 18, 2019, ch. 296, 2019 Cal. Stat. 2888 (known as A.B. 5); California Act of Oct. 2, 2019, ch. 415, § 1, 2019 Cal. Stat. 3747, 3750 (known as A.B. 170); California Act of Sept. 4, 2020, ch. 38, 2020 Cal. Stat. 1836 (known as A.B. 2257).

¹¹ State of California, *Statement of Vote*, at 67 (2020), <https://elections.cdn.sos.ca.gov/sov/2020-general/sov/complete-sov.pdf>.

HB1096_UNF_MNCHA_Fraud Prevention & Worker Protect

Uploaded by: Danna Kauffman

Position: UNF



Maryland-National Capital Homecare Association

House Economic Matters Committee

February 26, 2025

House Bill 1096 – *Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement*

POSITION: OPPOSE

On behalf of the Maryland-National Capital Homecare Association (MNCHA), whose members include Medicare-certified home health agencies, private duty companies, and durable medical equipment suppliers across the State, we oppose House Bill 1096. House Bill 1096 makes changes to the employer/employee test under the Workplace Fraud Act, which is then applied to all businesses in the State. Among other provisions, the bill also increases penalties.

During the 2024 Session, **Senate Bill 197/House Bill 39: Residential Service Agencies - Reimbursement - Personal Assistance Services (Homecare Worker Rights Act of 2024)** passed, which specifies that the Maryland Department of Health (MDH) may reimburse a residential service agency (RSA) for personal assistance services only if the services are provided by an individual classified as an employee. This bill was negotiated between MNCHA, the unions, and other stakeholders. The bill takes effect January 1, 2026, to provide time for residential service agencies to convert from independent workers to employees. House Bill 1096 would advance the timeline and could subject RSAs to enhanced penalties in addition to eroding the agreement that it only applies to those RSAs that participate in the Medicaid program.

In addition, MNCHA is concerned that, for RSAs that do not participate in State programs, this bill will eliminate the ability to hire workers who prefer an independent worker status and cause a shortage in the home care industry, which is already facing a shortage of healthcare workers. Maryland is facing an aging senior population that prefers to age-in-place in their communities. MNCHA is concerned that House Bill 1096 may only exacerbate the workforce crisis. Therefore, we urge an unfavorable vote.

For More Information:

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Executive Director
Maryland-National Capital Homecare Association
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MDCC_HB 1096_UNFAV.pdf

Uploaded by: Grason Wiggins

Position: UNF



House Bill 1096

Date: February 26, 2025

Committee: Economic Matters

Position: Unfavorable

Founded in 1968, the Maryland Chamber of Commerce (Maryland Chamber) is a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

HB 1096 establishes joint liability for businesses that outsource a project, creates excessive penalties for inadvertent mistakes, and applies these changes to every industry in Maryland. As a result, HB 1096 will negatively impact every Maryland industry, disproportionately impact small businesses, and negatively disrupt Maryland's economy for businesses and workers.

HB 1096 redefines "general contractor" to include any business in the State that outsources a project and then seeks to hold those businesses financially accountable if a subcontractor misclassifies an employee. When coupled with the bill's broad definition of terms "employee" and worker," this change will create massive disruptions across industries by exposing businesses to untenable financial liability for actions over which the businesses do not have control.

HB 1096's definitions are so broad that businesses could be financially liable under any project that is outsourced to another company. In fact, businesses that are defined as "general contractors" would need to hire whole teams to constantly monitor the human resources and payment mechanisms of subcontractors. That increased cost and liability would result in fewer projects being outsourced to small businesses and subsequently increase the price of goods and services for consumers.

After a final order is issued, the Maryland Department of Labor currently provides businesses who made a non-knowing violation 45 days to achieve compliance. This important cure period allows good faith actors to rectify honest mistakes and ensures that all parties are made whole without fear of excessive and unnecessary reprisal.

HB 1096 seeks to abolish that good faith standard by excessively punishing good faith actors who reasonably believed wages were correctly paid. While the bill does provide a mitigation requirement for actions brought by employees (Pg. 6, Line 28), appears to exclude that good faith mitigation standard from actions brought by the Attorney General. Instead, the bill provides the Attorney General with excessive punishment authority for good faith actors that includes economic damages,



liquidated damages, civil penalties, and attorney fees (Pg. 7, Lines 7-24). Additionally, the bill seeks to establish minimum financial penalties for honest mistakes (Pg. 19, Line 18).

During the 2024 legislative session, the Maryland General Assembly enacted House Bill 465, which increased the penalty for an employer knowingly misclassifying an employee to \$10,000 per violation. With that law in effect for just 5 months, HB 1096 now seeks to increase the same penalty for a knowing violation to not less than \$10,000 and up to \$25,000 per violation. Additionally, HB 1096 seeks to establish that an *un-knowing* violation must be penalized by not less than \$5,000 and up to \$10,000 per violation. The Maryland Chamber is concerned with another increase to the same penalty provision, and we question the need to raise financial penalties and set minimum penalties in the same statute that was amended just 5 months ago.

HB 1096's creation of joint liability for any business that outsources a project and excessive penalties will cause disruption across Maryland's industries, disproportionately impact small businesses, and damage Maryland's economy. For these reasons, the Maryland Chamber respectfully requests an **unfavorable report on HB 1096**.

HB1096 - Oppose - Maryland Motor Truck Association

Uploaded by: Louis Campion

Position: UNF

Maryland Motor Truck Association



NOTHING WITHOUT
TRUCKING

HEARING DATE: February 26, 2025

BILL NO/TITLE: HB1096: Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

COMMITTEE: House Economic Matters

POSITION: Oppose

Maryland Motor Truck Association (MMTA) respectfully offers its opposition to this legislation. Although we have several concerns, such as the expansion of the Maryland False Claims Act to all industries, the increase in penalties for employers who are not knowingly misclassifying workers, and the imputed responsibility on general contractors for misclassification committed by subcontractors, our primary concern is the repeal of § 3-903.1 of the Labor and Employment Article. That section of law states that the presumption of an employer-employee relationship does NOT exist in certain circumstances as follows

The presumption that an employer-employee relationship exists under § 3-903(c)(1) of this subtitle does not apply if:

(1) an employer produces for inspection by the Commissioner:

(i) a written contract, signed by the employer and business entity, that:

- 1. describes the nature of the work to be performed by the business entity;*
- 2. describes the remuneration to be paid for the work performed by the business entity; and*
- 3. includes an acknowledgment by the business entity of the business entity's obligations*

under this article to:

A. withhold, report, and remit payroll taxes on behalf of all employees working for the business entity;

B. pay unemployment insurance taxes for all employees working for the business entity; and

C. maintain workers' compensation insurance;

(ii) an affidavit signed by the business entity indicating that the business entity is an independent contractor who is available to work for other business entities;

(iii) a current certificate of status of the business entity, issued by the State Department of Assessments and Taxation, indicating that the business entity is in good standing; and

(iv) proof that the business entity holds all occupational licenses required by State and local authorities for the work performed; and

(2) the employer provided to each individual classified as an independent contractor or exempt person a written notice under § 3-914 of this subtitle.

MMTA believes this is a reasonable protection against the presumption of an employer-employee relationship that should be retained. As such, the Association respectfully requests an unfavorable report.

About Maryland Motor Truck Association: Maryland Motor Truck Association is a non-profit trade association that has represented the trucking industry since 1935. In service to its 1,000 members, MMTA is committed to support, advocate and educate for a safe, efficient and profitable trucking industry in Maryland.

For further information, contact: Louis Campion, (c) 443-623-5663

[MD] HB 1096_classification_TechNet.pdf

Uploaded by: margaret durkin

Position: UNF



TECHNET
THE VOICE OF THE
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www.technet.org | @TechNetMidAtla1

February 24, 2025

The Honorable C.T. Wilson
Chair
House Economic Matters Committee
Maryland House of Delegates
230 Taylor House Office Building
6 Bladen Street, Annapolis, MD 21401

RE: HB 1096 (Jones/OAG) - Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement – Unfavorable

Dear Chair Wilson and Members of the Committee,

On behalf of TechNet, I'm writing to share our concerns on HB 1096.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over 4.5 million employees and countless customers in the fields of information technology, artificial intelligence, e-commerce, the sharing and gig economies, advanced energy, transportation, cybersecurity, venture capital, and finance. TechNet has offices in Austin, Boston, Chicago, Denver, Harrisburg, Olympia, Sacramento, Silicon Valley, Tallahassee, and Washington, D.C.

The modern workforce requires a flexible employment environment that allows workers to find opportunities that match their skills, interests, and availability. The composition of the U.S. workforce is changing as new technologies have provided low-barrier access to flexible, independent work. Over time, in large part due to the availability of the gig and sharing economies, the independent workforce has grown to serve as an important source of supplemental earnings for millions of Americans.

Many in the modern, independent workforce find they get better financial returns on their skills than similar groups in the traditional workforce. Perhaps the biggest benefit to this new workforce is the flexibility that self-employment, independent contracting, and freelancing provides, which allows the independent workforce to balance work, family, and leisure activities differently than in a traditional employment relationship.

While TechNet is supportive of efforts to combat any kind of employment fraud, we are concerned that HB 1096 creates a presumption for traditional employment without considering the independent contractor workforce.

Any classification law should protect independent contractor and consultant classifications and avoid inappropriately restrictive standards that could disrupt the arrangements the independent workforce enjoys today. We are concerned that the terms in HB 1096 conflate independent contractors with traditional employees. For example, the definition of "Worker" includes employees classified or alleged to be independent contractors, regardless of the legal relationship between the parties. We believe that independent contractors should not be included in this definition of "Worker" given the unique nature and role they play in the economy. The exemptions to the employer-employee relationship are, in our view, overly prescriptive and open to interpretation.

TechNet and its members are open to providing responses to government requests for data; however, such requests need to strike the right balance for consumer protection, business innovation, trade secrets, and privacy. Regarding complaints to the Commissioner and/or Attorney General, we are concerned that the requirements to provide records on "books, registers, payroll records, records of wage withholdings, etc.", as well as "any other records relating to compliance", will potentially reveal companies' trade secrets and intellectual property, ultimately harming competition. Further, we are concerned that the requirements laid out in this bill could lead to frivolous complaints by bad actors. Additionally, requiring the Commissioner and/or Attorney General to determine one's identity and worker activities is anti-privacy and concerning for our member companies who use independent contractors in day-to-day operations.

Many independent contractors enjoy the flexibility of gig work as it can provide supplemental income for families, and the ability to earn on one's own schedule. Again, TechNet is committed to employee protection; however, we believe that HB 1096 is not the correct approach. Thank you for your consideration of our concerns and please let me know if you have any questions.

Sincerely,



Margaret Durkin
TechNet Executive Director, Pennsylvania & the Mid-Atlantic

2025-02-25 Maryland HOUSE CLASSIFICATION Testimony

Uploaded by: Michele Blackwell

Position: UNF

House Economic Matters Committee
Delegate C. T. Wilson, Chair
Delegate Brian M. Crosby, Vice Chair
Thursday, February 26, 2025

Written Testimony for Uber Technologies, Inc. on HB1096, Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

The modern approach to work has drastically shifted how people view employment and their opportunities to earn. From taking trips to delivering food, individuals turn to platform work so that they can earn on demand and set their own schedule. And, platform workers across the country have made it overwhelmingly clear that they do not want to lose the unique independence they enjoy—and need. Despite its intended goal of disincentivizing fraud in the workplace and protecting vulnerable workers, HB1096 has the potential to completely upend the flexibility of platform work and shift the way thousands of Marylanders earn a living.

The presumption of employment could adversely impact independent work in Maryland. As noted, HB1096's intention is to address workplace fraud. Nonetheless, proposed language to who is considered a “worker” for purposes of the bill, could fundamentally change how people work and earn because it presumes that *all* workers are employees—unless proven otherwise. This significant change to how workers are classified does not contemplate or consider those who choose to operate as independent contractors. Currently, the independent contractor status in Maryland allows for those engaged in platform work to freely choose when and where they want to work. This flexibility allows individuals to balance their lives as they see fit and use the majority of their time however they choose. In fact, in Maryland, nearly 80% of drivers drive less than 30 hours a week; and 90% of couriers deliver food less than 30 hours a week. This means Marylanders are determining how to use their time without the burden of a set schedule. Moreover, the bill's ABC classification test would make Maryland one of the most challenging states in the country for platform workers—and other ICs—who wish to maintain their independence. In order to protect the current structure—and the flexibility of platform work—HB1096 should be amended to remove the presumption of employment or provide for an exception for those engaged in platform work.

While the policy goals behind such a drastic change may be well intentioned, they do not obtain the results sought. Studies [assessing the impact of California's Assembly Bill 5](#), which is eerily similar to the present bill, have shown none of the policy benefits promised by the bill's sponsors. There has been no broad-based reclassification of independent work into traditional W2 jobs—rather total employment is *down* in the traditional employment economy by 4.4%. And among self-employed workers, that decline is even steeper—there are now 10.4% fewer self-employed workers in non-exempt¹ occupations. The only thing this policy shift has evidenced in California is fewer jobs across the entire economy, with no benefits accruing to workers or the working- and middle-classes.

¹ California's AB 5 (and later AB 2257) exempted over 100 professions, industries, and occupations from the application of its stringent rules. These effects will likely be even more profound under the proposed legislation.

Broad authority could adversely impact platform worker information. HB1096 grants the Commissioner of Labor broad authority to initiate investigations, even without a worker complaint, using subpoenas and business records demands. This authority could place confidential and trade secret information vulnerable to disclosure to competitors. The Committee should ensure that any provisions related to data collection should be done so in a way that minimizes disclosure and protects confidential information.

The current penalty structure is overly punitive and could lead to unnecessary litigation: While it is important to disincentivize bad actors, Uber is concerned that HB1096's penalty structure, as written, is overly punitive. Under the bill, the mere presumption misclassification allows multiple parties to file suit, even simultaneously. This could lead to companies spending significant time and resources to continuously defend themselves. Additionally, fines of \$5,000–\$25,000 per worker, plus additional penalties for record-keeping errors, are disproportionate to potential damages owed. Uber would like to work with the Committee to determine a penalty structure that deters bad actors, allows workers to be made whole, and maintains a fair system where companies are able to respond without using significant resources.

Uber urges the Committee to carefully consider these concerns and the impacts they will have on Marylanders. We would like to work with the Committee to find a more balanced approach that addresses the core issue of workplace fraud and misclassification without these unintended negative outcomes.

HB1096.Jerold Giddins.UNF.pdf

Uploaded by: Phuong Bui

Position: UNF

To members of the Maryland legislature,

My name is Jerold Giddins and I live in Hanlon Longwood, Baltimore. Thank you for providing an opportunity for me to share how independent work has helped my family and why I'm concerned by House Bill 1096, which could make it more difficult for people like me to continue earning extra income when, where, and how I want.

I am a Maryland native, and always enjoy everything that our communities have to offer. Even for someone who has spent my whole life here, one of the ways that I have been able to see more of Maryland is through delivering with DoorDash.

Since I started dashing a few years ago, I have come to really enjoy the flexibility that it offers. I'm raising six children, which certainly takes up a lot of my time. My last job in the customer service industry just didn't offer enough time for me to be there for my family, and I hated missing out on the special moments with them.

Right now I have the freedom to choose how many hours I deliver — usually a few hours each day, but sometimes more when I have the time and others not at all if I want to. If my kids need me — even just for the little things like school pick-ups and drop-offs — I can simply turn off the app and be there for them. It works for me, and I want to make sure it stays that way.

Unfortunately, HB 1096 would be a bad outcome for Dashers like me. Flexibility is the main reason I chose this work — I love having no boss to answer to, shifts assigned to me, or set hours that I need to be on the clock. If this bill made me lose that independence, that would be devastating, and I don't know what I would do without that extra income that dashing offers.

Dashers like me aren't the only ones who could be impacted by passing this bad bill — it could impact other people, in many types of jobs, who depend on being independent contractors and the freedom that it provides. Passing HB 1096 would hurt people across Maryland who are looking for ways to make ends meet besides the traditional 9-to-5 job.

I hope that our representatives will hear loud and clear why we need to make sure we protect options like these that have been a lifeline for so many of us when we need it most. Thank you for your consideration and I hope you will keep my concerns in mind by opposing HB 1096.

Sincerely,
Jerold Giddins

HB1096.Larry Gilmer. UNF .pdf

Uploaded by: Phuong Bui

Position: UNF

To members of the Maryland legislature,

My name is Larry Gilmer and I live in Glen Burnie. Thank you for providing an opportunity for me to share how independent work has helped me, and why I'm concerned by House Bill 1096, which would make it more difficult for people like me to continue earning extra income when, where, and how I want.

I am a Maryland native and have been here my entire life, and enjoy everything that our communities have to offer. Even for someone who has been living here for more than eight decades, one of the ways that I have still been able to see more of Maryland is through delivering with DoorDash.

I just started dashing last year, but I have come to really enjoy the flexibility that it offers. You may not think about someone like me when you picture a delivery worker — an 82 year old — but I take pride in still working to keep busy. But as someone who worked a full career, I appreciate not having a boss to tell me what to do anymore.

Right now I have the freedom to choose how many hours I deliver — I'm usually making deliveries all throughout the week, but sometimes more when I have the time and others not at all if I want to. Having done hard work all my life, now I like to take time for myself every now and again to read and just relax. It works for me, and I want to make sure it stays that way.

Unfortunately, HB 1096 would be a bad outcome for Dashers like me. Flexibility is the main reason I chose this work — I love having no boss to answer to, shifts assigned to me, or set hours that I need to be on the clock. Losing that independence would be devastating, and I don't know what I would do without that extra income that dashing offers.

Dashers like me aren't the only ones who would be impacted by passing this bad bill — it would impact other people who depend on being independent contractors and the freedom that it provides. Passing HB 1096 would hurt people across Maryland who are looking for ways to make ends meet and don't have a traditional 9-to-5 job.

I hope that our representatives will hear loud and clear why we need to make sure we protect options like these that have been a lifeline for so many of us when we need it most. Thank you for your consideration and I hope you will keep my concerns in mind by opposing HB 1096.

Sincerely,
Larry Gilmer

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HB1096.Muhammad Akhtar.UNF.pdf

Uploaded by: Phuong Bui

Position: UNF

To members of the Maryland legislature,

My name is Muhammad Akhtar and I live in Glen Burnie. Thank you for providing an opportunity for me to share how independent work has helped me, and why I'm concerned by House Bill 1096, which would make it more difficult for people like me to continue earning extra income when, where, and how I want.

I have been living in Maryland for the past three years and enjoy everything that our communities have to offer. One of the ways that I have been able to see more of Maryland is through delivering with DoorDash.

Since I started dashing back in 2023, I have come to really enjoy the flexibility that it offers. I currently work in retail at a few stores around town, but sometimes I still need some extra income to make ends meet if my shifts fall through. That's where dashing has been a huge help for me and my wife.

Right now I have the freedom to choose how many hours I deliver — usually a few hours each day, but sometimes more and sometimes less. Sometimes my wife even joins me on deliveries and gives us a chance to spend quality time together. It works for us, and I want to make sure it stays that way.

Unfortunately, HB 1096 would be a bad outcome for Dashers like me. Flexibility is the main reason I chose this work — I love having no boss to answer to, shifts assigned to me, or set hours that I need to be on the clock. Losing that independence would be devastating, and I don't know what I would do without that extra income that dashing offers.

Dashers like me aren't the only ones who would be impacted by passing this bad bill — it would impact other people who depend on being independent contractors and the freedom that it provides. Passing HB 1096 would hurt people across Maryland who are looking for ways to make ends meet besides the traditional 9-to-5 job.

I hope that our representatives will hear loud and clear why we need to make sure we protect options like these that have been a lifeline for so many of us when we need it most. Thank you for your consideration and I hope you will keep my concerns in mind by opposing HB 1096.

Sincerely,
Muhammad Akhtar

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HB1096.Tilneka Singletary.UNF.pdf

Uploaded by: Phuong Bui

Position: UNF

To members of the Maryland legislature,

My name is Tinelka Singletary and I live in Baltimore. Thank you for providing an opportunity for me to share how independent work has helped me, and why I'm concerned by House Bill 1096, which could make it more difficult for people like me to continue earning extra income when, where, and how I want.

I have been living in Maryland for more than a decade and enjoy everything that our communities have to offer. One of the ways that I have been able to see more of Maryland is through delivering with DoorDash.

I have been dashing since 2018, and I have come to really enjoy the flexibility that it offers. My husband, who doubles as my business partner, and I are balancing running three other businesses. While these side hustles keep us busy, I found that I have been able to make some extra money to put back into our businesses making deliveries with DoorDash.

Right now I have the freedom to choose how many hours I deliver — usually a few hours each day, but sometimes more when I have the time and others not at all if I want to. We're also raising a son with autism, who needs special care and attention. On top of running our other businesses, I have to make sure I can help him with all of his needs. This lifestyle works for me, and I want to make sure it stays that way.

Unfortunately, HB 1096 would be a bad outcome for Dashers like me. Flexibility is the main reason I chose this work — I love having no boss to answer to, shifts assigned to me, or set hours that I need to be on the clock. If this bill made me lose that independence, that would be devastating, and I don't know what I would do without that extra income that dashing offers.

Dashers like me aren't the only ones who could be impacted by passing this bad bill — it could impact other people, in many types of jobs, who depend on being independent contractors and the freedom that it provides. Passing HB 1096 would hurt people across Maryland who are looking for ways to make ends meet besides the traditional 9-to-5 job.

I hope that our representatives will hear loud and clear why we need to make sure we protect options like these that have been a lifeline for so many of us when we need it most. Thank you for your consideration and I hope you will keep my concerns in mind by opposing HB 1096.

Sincerely,
Tilneka Singletary

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hb1096.pdf

Uploaded by: Will Vormelker

Position: INFO

HON. STACY A. MAYER
CIRCUIT COURT
JUDGE
BALTIMORE COUNTY
CHAIR

HON. RICHARD SANDY
CIRCUIT COURT
JUDGE
FREDERICK COUNTY
VICE-CHAIR



KELLEY O'CONNOR
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SUZANNE PELZ, ESQ.
SNR. GOVT. RELATIONS AND
PUBLIC AFFAIRS OFFICER
P: (410)260-1523

MARYLAND JUDICIAL COUNCIL LEGISLATIVE COMMITTEE

MEMORANDUM

TO: House Economic Matters Committee
FROM: Legislative Committee
Suzanne D. Pelz, Esq.
410-260-1523
RE: House Bill 1096
Fraud Prevention and Worker Protections – Prohibitions, Penalties,
and Enforcement
DATE: February 12, 2025
(2/26)

INFORMATIONAL COMMENT PAPER

The Judiciary respects the separation of powers doctrine and acknowledges that the legislature is the policy-making branch. As such, the Judiciary has no position on the policy aims of this legislation and defers to the legislative branch on such matters.

The Judiciary comments only to note that the bill limits the Attorney General's application for an administrative search warrant to the District Court, on page 38, lines 12-17, when the resulting claims are likely to come before the circuit courts as well. It is unclear whether that specific limitation was intentional or whether the Committee wishes to consider authorizing either court to review.

cc. Hon. Adrienne Jones
Judicial Council
Legislative Committee
Kelley O'Connor