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February 12, 2026

Legislative Position: Unfavorable
House Bill 299

Fraud Prevention, Prevailing Wage, and Living Wage - Prohibitions, Penalties,
and Enforcement
House Government, Labor, and Elections Committee

Dear Chair Wells and members of the committee:

Established in 1950, the Associated Utility Contractors of Maryland, Inc. (AUC) is dedicated to advancing the utility contracting industry across the state. Our mission is to foster strong relationships between utility contractors and their clients, uphold the highest professional standards within the industry, and elevate the reputation of utility professionals within the business community. We actively advocate for public policies that address industry challenges and contribute to improving Maryland's overall business environment.

AUC represents subcontractors who perform essential infrastructure work across the State. Our members support efforts to eliminate intentional misclassification and wage fraud; responsible employers want to compete on a level playing field and comply with Maryland's labor and workplace fraud laws. However, HB 299, as currently drafted, will unintentionally harm compliant subcontractors and small businesses without materially improving enforcement outcomes.

A central concern is HB 299's potential to permit withholding of payments from any contractors found to be out of compliance. This has significant downstream ramifications for compliant subcontractors. In the utility construction industry, many subcontractors operate under pay-if-paid or pay-when-paid contractual terms. Under these arrangements, subcontractors only receive payment once the general contractor or a higher tiered subcontractor is paid by the project owner. If HB 299 signals that payment may be withheld based on misclassification or alleged violations at any tier, compliant subcontractors could face serious cash-flow disruptions, jeopardizing payroll, subcontractor commitments, and project progress. Small subcontractors in particular could be forced to delay critical payments to their own vendors and employees, creating economic instability in the industry.



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Whereas most subcontractors are not equipped to police labor classification compliance across all subcontractors above and below them, including those with whom they have no direct relationship, this could create a disincentive for reporting bad actors. Folks may choose to turn a blind eye rather than risk triggering withholding and penalties for otherwise compliant parties.

HB 299 also adds multiple layers of enforcement, first by the Department of Labor and then by the Attorney General. This added layer effectively requires small businesses to endure successive investigations for a single allegation, even if the Department of Labor finds no merit in a complaint. This consecutive process, with no safe harbor, places a significant administrative and financial burden on small subcontractors who must defend against costly overlapping inquiries based on the same facts.

Further, the bill appears to expand the ability of the Commissioner or Attorney General to bring civil suits on behalf of individuals or groups, even though individuals already have standing to pursue their own civil claims. This additional avenue for litigation increases potential exposure and legal costs for small businesses again without advancing the underlying goal of eliminating intentional misclassification.

In its current form, HB 299 places undue risk on compliant subcontractors, undermines established pay-if-paid/pay-when-paid structures, and imposes open-ended enforcement burdens on small businesses without providing clear, objective criteria or safe harbors. For these reasons, the AUC of MD respectfully **urges an unfavorable report on HB 299** and to pursue a more tailored solution that balances accountability with fairness and practicality.

Sincerely,

The Associated Utility Contractors of Maryland (AUC)