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Patrick Moran – President

HB 299 – Fraud Prevention, Prevailing Wage, and Living Wage – Prohibitions, Penalties, and Enforcement
Government, Labor, and Elections Committee
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FAVORABLE

AFSCME Maryland Council 3 supports House Bill 299. House Bill 299 amends various provisions of state law concerning Workplace Fraud, Prevailing Wage, and Living Wage enforcement. The legislation promotes greater cooperation between the Commissioner of Labor and the Office of the Attorney General to review information concerning complaints, referrals, and coordinate enforcement activity. House Bill 299 also promotes accountability by ensuring general contractors, and licensees in certain industries, are properly classifying individuals as employees rather than independent contractors. Finally, the legislation also prohibits a person from knowingly making, using, or causing to be made or used false records or statements that result in underpayment of contributions owed to the Unemployment Insurance Fund.

AFSCME Maryland Council 3 represents approximately 55,000 public service workers across varying levels of government including city, county, state, and higher education. AFSCME members are on the frontlines every day delivering critical public services our communities depend on. AFSCME is proud to represent employees at the Maryland Department of Labor, including Wage and Hour Investigators, who are charged with protecting workers and ensuring our state's labor and employment laws are followed.

Worker misclassification is a serious problem that impacts workers' wages, federal and state income tax revenue, and economic competitiveness between businesses that follow the law and those that skirt the rules to gain an unfair advantage at the expense of workers. For workers, employee classification ensures they have access and protection to critical federal and state labor and employment laws including wage and hour laws, collective bargaining, anti-discrimination protections, unemployment insurance, workers compensation, and paid sick and safe leave. Research on employee misclassification in certain industries within Maryland reveals that workers are losing thousands of dollars in income due to misclassification, while businesses misclassifying construction workers in Maryland avoid paying millions in overtime pay, unemployment insurance contributions, workers compensation premiums, and federal payroll taxes.¹ In FY 2025 alone, state agencies identified approximately 7,700 workers who were misclassified, an increase of 39% over 2024.²

¹ Maryland Department of Labor, *Joint Enforcement Task Force on Workplace Fraud: 2024 Annual Report*, p. 10, February 2025, <https://labor.maryland.gov/workplacefraudtaskforce/wpffannrep2024.pdf>.

² Maryland Department of Labor, *Joint Enforcement Task Force on Workplace Fraud: 2025 Annual Report*, January 2026, <https://labor.maryland.gov/workplacefraudtaskforce/wpffannrep2025.pdf>.

House Bill 299 enhances cooperation between state agencies enforcing crucial worker protections, while also instilling greater accountability to prevent employers from misclassifying workers. The legislation promotes a level playing field for businesses adhering to the law and protects workers in industries susceptible to misclassification.

In order for this legislation to be successfully implemented, more merit positions in the Department of Labor are needed to support compliance and enforcement of our state's labor and employment laws. Additionally, sufficient training for new hires and current employees charged with carrying out compliance and enforcement activities is needed. Sufficient staffing and training will be crucial to ensure the policy aims and objectives of this legislation will be successful.

We urge the committee to support House Bill 299.

