



2025 Maryland General Assembly Wrap Up

Industry weathers ‘perfect storm’ of State-in-budget crisis in a non-election year

ABC just wrapped up one of the most challenging legislative sessions our industry has witnessed in the last 25 years.

It was a “perfect” storm where the State found itself in a serious budget crunch in a non-election year – a combination that almost always results in higher taxes.

But as it turns out, on the whole, this was a fairly successful session for Merit Shop contractors.

As with past years, ABC would like to take this opportunity to share key highlights from the legislative activities that occurred during the 90-day session. While this synopsis is not exhaustive, it provides an overview of those bills that have a direct, or in-direct impact on our industry. It’s worth noting that of the 3,281 bills introduced during the 2025 legislative session, only 878 bills introduced passed both chambers.

TAXES

Business-to-Business Service Tax (HB 1554/SB 1045)

ABC Opposed / Bill Died in Committee

Late in the Session, legislative leadership proposed Senate Bill 1045/House Bill 1554, which would have imposed a 2.5 percent business-to-business tax on a variety of services, accounting, bookkeeping, billing and payroll services; permanent and temporary staffing services; data and IT services; repair services, as well as a host of others that would have had a significantly negative impact on our industry, as well as the larger economy.

The General Assembly opted to not move forward with the broader proposal, although elements relating to data and IT services were pulled into the broader Budget Reconciliation Financing Act (BRFA), thus resulting in a 3 percent tax increase. Now how this plays out, remains to be seen. Official detail guidance is being developed by the Comptroller’s Office.

ABC’s concerns: Our concern centered on the impact the bill would have on Maryland competitiveness with neighboring states, the administrative burden for compliance, lack of clarity in application, and an indirect financial impact for consumers.

BUSINESS REGULATION

The Better Small Business Employee Benefit Act of 2025 (SB 760/HB 1439)

ABC Supported / Bill Died in Committee

This legislation would have permitted small businesses in Maryland who contract with professional employer organizations (PEOs) as defined in the bill, to purchase large group health insurance. The bill was broadly supported by small business entities, including organizations representing small, minority-owned businesses, but ultimately failed to move due to concerns from the Maryland Insurance Administration (MIA) about the potential impact on Maryland's small group market. Similar legislation to better establish PEOs in Maryland statute and enable Maryland business to fully realize their benefits is likely to be reintroduced in future sessions.

LABOR AND EMPLOYMENT

Fraud Prevention and Worker Protections – Prohibitions, Penalties, and Enforcement SB (938/HB 1096)

ABC Opposed / Bill Died in Committee

At the request of Attorney General Anthony Brown, Senate Bill 938/House Bill 1096 was introduced to amend and expand the Maryland False Claims Act (MFCA) and establish the Worker Protection Unit (WPU). The proposed legislation expanded the MFCA to address false records related to UI contributions and benefits, prohibiting individuals from knowingly making, using, or causing to be made or used, a false record or statement that results in underpayments of UI contributions or payments of UI benefits exceeding a specified amount. Additionally, it revised 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 to enhance protections for workers. Under this legislation, general contractors and higher-tiered contracts would be deemed employers of certain workers under workplace fraud laws.

Furthermore, it modified the test used to determine whether an employer-employee relationship exists for workplace fraud purposes and prohibited the waiver of applicable laws through private agreements.

ABC's chief concern: This legislation, if passed, could have significantly weakened the existing protections for legitimate independent contractors.

Declaration of Rights – Right to Organize (HB 37)

ABC Opposed / Bill Died in Committee

Delegate Joe Vogel (D – Montgomery County) introduced House Bill 37 to establish that every person employed in the State of Maryland has the fundamental right to organize and collectively bargain concerning compensation, hours, and other terms and conditions of employment. Additionally, it prohibited the State from, directly or indirectly, denying, burdening, or abridging the right unless justified by a compelling State interest achieved through the least restrictive means. The bill failed to progress beyond its initial hearing.

ABC's concerns are obvious: Not only did this bill represent a broad expansion of union organizing, but as Maryland is already not a Right-to-Work state, it would have been completely unnecessary and would have served no other purpose than creating more ways for unions to target and disrupt the operations of Merit Shop companies.

State and Private Construction Contracts – Prompt Payment Requirements (HB 451)

ABC Opposed / Bill Died in Committee

Under the category of “Not Everything is as it Appears,” Delegate Mary Lehman (D – Anne Arundel and Prince George’s Counties) introduced House Bill 451 to require timely payment in private construction contracts. The bill mandated that owners must pay contractors within 60 days of receiving an invoice for completed work, along with 9% annual interest on overdue payments. Additionally, it required contractors to pay subcontractors within 60 days of invoicing or within seven days of receiving payment from the owner, with the same interest penalty for delays. The bill marked a departure from compromise legislation on the same subject considered in previous years and failed to advance beyond its initial hearing in the House Economic Matters Committee.

ABC's concerns: ABC supports timely payments from owners to prime contractors and primes to subcontractors. This Bill requires that prime contractors pay all the subcontractors upon invoice, regardless of whether the owner paid the prime contractor as contractually obligated. Contractors do not possess the financial resources to finance projects for private owners, state and local governments. ABC supported compromise legislation, which would have required owners to pay promptly, impose an interest penalty upon late payers that could not be legally waived, and required all contractors, regardless of their tier to pass through received interest. We will seek to introduce legislation next session to address this issue.

Employment Discrimination – Intent (HB 1261)

ABC Opposed / Bill Died in Committee

Delegate Adrian Boafo (D – Prince George’s County) introduced House Bill 1261 to prohibit acts with a discriminatory effect, regardless of the perpetrator’s intent, in employment by any person against an individual based on that individual’s race, color, religion, sex, age, national origin, marital status, sexual orientation, gender identity, disability, or military status. The bill also specified that if a person unintentionally violates a provision of the law, they have not committed an unlawful employment practice provided the violation was justified by a legitimate business necessity and no less discriminatory means were available to achieve that necessity. This bill failed to progress beyond its initial hearing.

ABC's concerns: We believe that the legislation would leave employers vulnerable to frivolous lawsuits and create a climate of uncertainty. It was the thought that employers would be forced to second-guess every employment decision, no matter how well-intentioned. In addition, small businesses/subcontractors would have been disproportionately burdened. It was our belief that this legislation would have stifled job creation and economic growth in Maryland.

WORKFORCE DEVELOPMENT

RAISE Act (SB 431/HB 501)

ABC Supported / Bill Passed

Governor Wes Moore's "Registered Apprenticeship Investments for a Stronger Economy (RAISE) Act" (Senate Bill 431, House Bill 501) aimed to expand registered apprenticeships in Maryland. The devil, however, is in the details, and earlier versions of the bill included provisions that could have done harm to Merit Shop programs. But those issues were addressed, and the bill became something ABC could get behind and support.

The bill established:

- Maryland Office of Registered Apprenticeship Development (MORAD) within MD Labor's MATP.
- Registered Apprenticeship Qualified Intermediary Program (RAQI) to connect sponsors, employers, and participants with programs.
- Maryland Pay Per Apprentice Program (MPPA) and a special fund to help offset employer costs for new apprentices (recruitment, education, training, accommodations).
- Registered Apprenticeship Development and Advisory Board (RADAB) for voluntary advice to MORAD on expanding apprenticeship opportunities.

MD Dept. of Labor requested \$1.5 million in new FY26 funding for MORAD, primarily for 14 new Apprenticeship Navigators. They plan to use \$10 million from an existing \$25 million Dedicated Purpose Account (DPA) in FY26 (\$5 million each for RAQI and MPPA grants) and another \$10 million from DPA in FY27. The bill also sets a 1:1 journey worker-to-apprentice ratio (with exceptions for non-hazardous occupations), repeals the Youth Apprenticeship Advisory Committee, and changes apprenticeship reporting.

While House Bill 501 did not pass its initial hearing, Senate Bill 431 was passed by both chambers and will take effect on October 1, 2025.

SB 688/HB 1017 – Maryland Workforce Apprenticeship Utilization Act

ABC Opposed / Bill Died in Committee

Senator Joanne Benson (D – Prince George's County) and Delegate Melissa Wells (D – Baltimore City) introduced Senate Bill 688/House Bill 1017 to improve employment opportunities for qualified apprentices and journey workers on public works projects. Beginning January 1, 2026, contractors and subcontractors with four or more employees would be required to ensure that at least 20% of their workforce consists of qualified apprentices or journey workers, with verification needed before work commences. Monthly reports and a final summary of hours worked would also be mandated. The Secretary of Labor would establish the required percentage annually and could grant waivers under certain conditions. Additionally, the bill removed the option to pay into apprenticeship programs as an alternative to hiring apprentices or journey workers and introduced penalties for noncompliance. Ultimately, both bills failed to advance beyond their initial hearings.

ABC's concerns: We certainly support expanding apprenticeship in Maryland, but not as a mandate. We recognize not every trade is necessarily "apprenticeable" and there are other, more streamlined, less expensive ways to train your workforce without going through a registered program.

Incarcerated Individual Apprenticeship Program (HB 289)

ABC Supported / Bill Passed

Delegate Ric Metzgar (R – Baltimore County) introduced House Bill 289 to establish the Incarcerated Individual Apprenticeship Program. This legislation required the Department of Public Safety and Correctional Services (DPSCS) to develop and offer an apprenticeship program in skilled trades for incarcerated individuals, allowing them to work as paid apprentices in a state or local government agency or with a private entity. The bill mandated that employers compensate DPSCS at least the state minimum wage for each day an incarcerated individual participates in the apprenticeship program. Additionally, this legislation allowed DPSCS to pay all or part of an incarcerated individual's wages to a spouse, child, or other dependent in need of financial support.

PROCUREMENT

Procurement Reform Act of 2025 (SB 426/HB 500)

ABC Supported with Amendments / Bill Passed

Senate President Bill Ferguson (D – Baltimore City) and House Speaker Adrienne Jones (D-Baltimore County) introduced and passed Senate Bill 426/House Bill 500 on behalf of the Governor. This legislation amends the State Procurement Law, impacting the Small Business Reserve Program, the Internship and Registered Apprenticeship Program, the creation of a Good Labor Practices evaluation factor, prompt payment to contractors, as well as initiatives for small and minority business programs and diversity plans.

This bill was significantly amended to eliminate a price preference for firms complying with state wage and hour laws, replacing it with a qualifications percentage preference that requires signing an affidavit to adhere to specific wage and hour regulations. The bill mandates that bidders submit workforce diversity plans before being awarded a contract and allows for adjustments to the participation goals for minority and veteran owned businesses, either before or after contract execution.

The bill repeals the provisions related to modifying the Minority Business Enterprise (MBE) participation schedule. Instead, it requires that if a unit's procurement officer, in consultation with the unit's MBE liaison, identifies a deficiency in the MBE participation schedule after the submission of a bid or proposal but, prior to contract execution, the officer must notify the bidder or offeror and provide them with a reasonable period to submit an amended schedule that addresses the deficiency. This legislation states that for competitive sealed proposals and task orders solicited under a master contract, an oral presentation by the offeror is required before awarding the contract when (1) a contract for architectural and engineering services is expected to exceed \$2 million; (2) a contract for construction and construction-related services is

expected to exceed \$10 million; or (3) a contract for any other procurement, including IT and professional services, is expected to exceed \$5 million.

Although the Senate version of the bill stalled after its second hearing, the House version successfully passed and will come into effect on October 1, 2025.

ABC's concerns: Practically, any bill that is introduced by a sitting governor is almost assured passage. So, while we did have significant concerns with the legislation, we were able to work with the Administration to address those concerns and make it more palatable for contractors doing business with the State of Maryland.

Workgroup on the Creation of a Data Dashboard for Public Work Contracts and Apprentices (SB 3/HB 850)

ABC Supported with Amendments / Bill Passed

Senator Arthur Ellis (D – Charles County) and Delegate Nicole Williams (D – Prince George's County) introduced Senate Bill 3/House Bill 850. As amended and passed, the bills establish a Workgroup on the Creation of a Data Dashboard for Public Work Contracts and Apprentices to study the most efficient and cost-effective methods for creating a publicly available data dashboard that disaggregates information regarding public work contracts with the State and apprentices engaged under these contracts. The work group will include legislators, labor officials, and one representative from ABC Maryland. The President of the Senate and the Speaker of the House will appoint co-chairs. Furthermore, the bill requires the workgroup to report its findings and recommendations to the Governor and the General Assembly by January 7, 2027. The bill successfully passed both chambers and will be in effect July 1, 2025, through January 31, 2027.

Employee Stock Ownership Plan Preference – Pilot (SB 653/HB 819)

ABC Supported with Amendments / Bill Passed

Senator Cory McCray (D – Baltimore City) and Delegate Pam Guzzone (D – Howard County) introduced Senate Bill 653/House Bill 819 to authorize the Maryland Stadium Authority, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College to establish a percentage preference program, not to exceed five percent, for procurement bids from entities utilizing Employee Stock Ownership Plans (ESOPs) valued at less than \$80 million. ABC offered an amendment that was accepted and would remove the price preference for ESOPs and instead add a 10% qualifications preference if the procurement authority chooses to establish an evaluation factor.

Additionally, the legislation mandates that a report detailing the number and dollar value of contracts awarded to ESOP bidders, the amount of price preference applied to all contracts in accordance with this legislation, and an evaluation of the effectiveness of the ESOP Preference Program during Fiscal Years 2026, 2027, and 2028 be submitted by December 1, 2028, to the Legislative Policy Committee, the Senate Budget and Taxation Committee, and the House Health and Government Operations Committee. This bill takes effect July 1, 2025, and applies

to procurement contracts solicited on or before June 30, 2030, and will remain in effect for five years.

Worker Residency Requirements (HB 957)

ABC Supported with Amendments / Bill Failed

Delegate C.T. Wilson (D – Charles County) introduced House Bill 957 to ensure that 35% of apprenticeship hours are performed by state residents on large state procurement projects located in Anne Arundel County, Baltimore City, Baltimore County, Howard County, Montgomery County, and Prince George’s County. The bill also allows a contractor who exceeds the requirements of a contract to apply the excess apprenticeship hours to another contract entered into by the contractor within two years after the completion of the first contract. A heavily amended version of the bill passed the House late in the Session but failed to get out of the Senate Rules Committee and, therefore, died for lack of action.

ABC’s concerns: On the surface, this was a bill that we thought we could get behind. But somewhere along the way, it got so marked up and amended that it raised more questions and concerns than answers and solutions. At the end of the day, any legislation that restricts the percentage of non-Maryland residents could render our state vulnerable to retaliation from neighboring states.

Marcus Jackson, Director of Government Affairs, ABC of Metro Washington,

Mike Henderson, President, ABC of Greater Baltimore