

Labor and Public Employees Committee JOINT FAVORABLE REPORT

Bill No.: HB-6955

AN ACT CONCERNING THE LIABILITY OF A CONTRACTOR FOR UNPAID
WAGES OWED TO AN EMPLOYEE OF A SUBCONTRACTOR FOR

Title: PERFORMANCE OF LABOR ON A CONSTRUCTION CONTRACT.

Vote Date: 3/13/2025

Vote Action: Joint Favorable Substitute

PH Date: 2/20/2025

File No.:

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SPONSORS OF BILL:

Labor & Public Employees Committee

REASONS FOR BILL:

The reason for this bill is to prevent wage theft by holding a general contractor liable for unpaid wages if a subcontractor is at fault. This would seek to ensure that general contractors perform due diligence when subcontracting, and address accusations of wage theft by a subcontractor promptly and effectively.

The substitute language: removes provisions that would have required a subcontractor to produce certain payroll records to a contractor upon request, and increases from 10 to 30 days, the length of advance notice an employee must give a contractor before suing, as well as making various minor and technical changes.

RESPONSE FROM ADMINISTRATION/AGENCY:

None provided.

NATURE AND SOURCES OF SUPPORT:

Ed Hawthorne, President Connecticut AFL-CIO: Supports the bill, and states that it can be more difficult to identify and investigate wage theft in the construction industry. Contractors could underpay their workers to get an unfair bidding advantage, and describes the penalties like failing to pay taxes, unemployment insurance and workers' compensation premiums. Bad actors hide behind subcontractors to shield against liability. The bill would hold contractors responsible for the wage theft of their subcontractors.

Matthew Capece, Representative of the General President, United Brotherhood of Carpenters and Joiners of America: Supports the bill, but there needs to be some change, especially for subcontractors at any level. Explains the problems that construction workers are facing, as well as the U.S. Department of the Treasury's Financial Fraud Enforcement Network getting involved by issuing notice to banks, money service businesses and other financial institutions requiring them to report the suspicious transactions. Goes into detail about fraud, citing statistics from national studies. Addresses the growing concern in the bill and cities that the concerns have not happened in similar legislation. This bill would protect workers, employers, and taxpayers.

Kimberly Glassman, Director, Foundation for Fair Contracting: Supports the bill, states that it will motivate general contractors and construction managers to better vet their subcontractors. Provides a statistic in lost state and federal revenue, unpaid workers' compensation premiums, and overtime wage theft, adds in that 39 percent of construction worker families are relying on some form of public assistance, and could cost taxpayers a lot of money. Adds in that this bill creates a level playing field for responsible employers and this bill is going to focus on the private construction, since such liability already exists on publicly funded projects.

NATURE AND SOURCES OF OPPOSITION:

Paul Amarone, Public Policy Associate CBIA: Opposes the bill, hold contractors and/or subcontractors liable for unpaid wages and benefits to employees of subcontractors, and allow organizations representing employees or said employees to bring a civil action against a contractor and/or subcontractor. This bill also unfairly holds contractors liable if a subcontractor owes their own employees' wages. General contractors are already liable for a subcontractor's failure to pay wages for employees that are classified under the federal and state prevailing wage rules, and there are no set classifications and pay rates for private work, and there is no way to determine the wage theft dispute. It would be difficult to validate wage rates between alleged unpaid employees and alleged non-paying subcontractors since bill requires subcontractors to provide general contractors payroll records. This bill creates a joint responsibility between contractors and subcontractors that unfairly holds one liable over the other, as well as slow the progression of housing and multi-use development projects in the construction industry.

David Bonadio, President of Enterprise Electrical Contractors: Opposes the bill. States that while the intentions of the bill are good it will only harm contractors in the state by increasing their administrative burdens while failing to address the bad actors who engage in wage theft. Stating the requirements to file sensitive payroll information will also add to that cost increase and will be an unfair competitive advantage to competitors. Adding that the state should utilize its authority to investigate and punish those engaged in wage theft, and not increase costs and legal risk to honest contractors.

John Butts, Executive Director Associated General Contractors: Opposes the bill. States appreciation for the good intent of the bill in ensuring all workers are paid properly but states its approach to wage theft is problematic. States that this is the law for prevailing wage projects, but there is no set number on private construction projects, although the bill requires subcontractors to provide payroll records, it would be difficult for the contractor to validate

this. Adding that permitting a union representing employees to file a civil action to make a wage claim is preempted by ERISA. States the bill seems to contradict the two-year statute of limitation on wage claims. States several requested edits to the bill, requiring a notice be sent to a contractor of a subcontractors' failure to pay wages within 90 days, adding a provision stating a common wage schedule for the project to help general contractors in the case of a dispute. Resolve the statute of limitations issue, strike section 3, and excluding projects under \$5Million because a contractor of that size doesn't have the resources needed to comply with this law.

Matt Cocco: Opposes the bill. States that the bill will negatively impact the good contractors by adding increased administrative burdens meaning increased costs which will mean an increase in costs of bids, or a lack of bidders. Adding that the only firms that can sustain this financial impact are the large, national firms. States that those guilty of wage theft should be punished, but that Connecticut should not create another law that will be difficult to comply with and pushing this down squarely on the shoulders of the small businesses that drive economic growth in the State of Connecticut.

Christopher Fryxell, President Associated Builders & Contractors: Opposes the bill. States that wage theft is deplorable, but that the state already has mechanism to punish contractors found guilty of it. While this is routine for prevailing wage jobs, private construction does not have a standard scale of wages, adding it would be impossible to enforce this, and that the state will be deputizing general contractors, against their will, to enforce wage theft laws that are impossible for them to enforce all while making them civilly liable for failing to do so. Stating that this bill would disproportionately harm small businesses that do not have the staff to implement the law, while also forcing them to disclose sensitive wage and benefits information to their competitors. Adding that they are opposed to allowing third parties to take civil action against a contractor for alleged wage theft, stating a concern that this will lead to an increase in frivolous and costly lawsuits that are meant to intimidate, distract, and harass good employers.

Jacqueline Laramée, President - NDC Commercial Construction: Opposes the bill. States that the intent of the eliminate wage theft is good, but that this bill will not do that. While this is routine for prevailing wage jobs, private construction does not have a standard scale of wages, even if payroll is attested to and certified to be accurate, it will be impossible for General Contractors to enforce this and will mean that they will be forced to take on additional administrative and compliance costs. Adding this proposal shifts punishment from the guilty to the innocent. States that General Contractors may be forced to require bonding from subcontractors to protect themselves from ill-intentioned subcontractors raising costs, which would harm smaller businesses. Adding that allowing unions to bring action on behalf of employees would put contractors in the crosshairs for frivolous complaints.

Stephanie Mastrogiannis, VP The NY-Conn Corporation: Opposes the bill. States that while the intentions of the bill are good it will only harm contractors in the state by increasing their administrative burdens while failing to address the bad actors who engage in wage theft. Stating the requirements to file sensitive payroll information will also add to that cost increase and will be an unfair competitive advantage to competitors. Adding that the state should utilize its authority to investigate and punish those engaged in wage theft, and not increase costs and legal risk to honest contractors.

Tim O'Brien, Executive Vice President CFO-KBE Building Cooperation: Opposes the bill. States the bill is based on the false premise that general contractors are responsible for subcontractors, and that the bill will do nothing to punish bad actors but will punish good contractors by shifting liability and additional costs to them driving up construction costs. Adding that there is no standard wage for private construction projects making it difficult for a contractor to know if a subcontractor is paying properly, and it is the job of DOL to investigate these issues it should not be shifted onto the private sector. Adding that the bill will promote frivolous lawsuits, which could slow construction project, and smaller companies would be disproportionately harmed under this law. Stating the requirements to file sensitive payroll information will also add to that cost increase and will be an unfair competitive advantage to competitors, and the bill is arbitrary irrational and fundamentally unfair.

Jim Perras, CEO Home Builders and Remodelers Association of Connecticut: Opposes the bill. States the bill's approach to fighting wage theft is problematic, it fails to recognize the complex dynamics of construction work where many subcontractors are involved making it impractical for contractors to monitor wage transactions. Adding the requirement for contractors to maintain payroll records from subcontractors is overly burdensome and will add administrative costs to everyone involved. Stating the bill adds a more excessively punitive structure, and that existing labor laws provide adequate remedies. Adding that this bill fails to acknowledge the distinctive nature of residential development, and the bill will hamper construction work in the state which desperately needs more housing built.

Melissa C Sheffy, President Networks Interiors Inc: Opposes the bill. States fear this bill will lead to contractors being responsible for subcontractor workers compensation claims, and that the bill does not solve the issue of wage theft, stating that by requiring all subcontractors to submit lien waivers to receive payment documenting that they have paid for all labor and material will do that. Adding Individual companies should be responsible for their own actions, bill adds additional overhead expenses to all contractors and subcontractors. Stating bill will eliminate competition because small companies won't be able to manage the paperwork or risk of financial impact using a subcontractor could cause them, pushing work to large and union firms showing that the small contractors don't matter to legislators. Adding that cheating subcontractors will continue to operate the same way, and legitimate subcontractors will be burdened by higher overhead to process this paperwork. Questions what the penalty to contractors would be for a subcontractor submitting incorrect paperwork. Adding that forced disclosure of personal employee information will make it easier for competitors, including labor organizations, to poach employees, and allowing third parties to bring a civil action will lead to costly frivolous lawsuits meant to harass and intimidate law-abiding contractors.

Heather Spencer, Controller Human Resources Advanced Performance Glass Inc: Opposes the bill. States support of ensuring workers receive fair wages, but opposes the undue burdens on general contractors, subcontractors, and smaller independent firms the bill would have, stating it will fundamentally shift the responsibility for wage compliance onto parties that have no direct control over a subcontractor's payroll. The bill would mean GC's will need to collect and review detailed payroll information from all subcontractors. Adding this could lead to attempts to poach employees, disrupting the workforce, increased administrative costs from the burden of compliance that only larger firms could absorb, it will drive up costs across the industry, and it will expose competitive pricing information that will harm smaller firms. The unintended consequences of this legislation will be harmful to the

very industry that drives economic growth and job creation in our state, rather than imposing broad liability on general contractors, enforcement efforts should be focused directly on the bad actors.

Alex Babbidge, President of Babbidge Construction Company: Opposes the bill. States eliminating employee wage theft is good, but this bill will not accomplish that. General contractors currently collect certified payrolls on projects subject to prevailing wage, this bill will extend that requirement to private construction projects where a standard wage doesn't exist. Even with payroll information from subcontractors that has been attested to and certified to be accurate it will be impossible for general contractors to determine whether wages and benefits were properly paid. General contractors will be forced to assume additional administrative and compliance costs while being unsure how to determine when an underpayment of wage exists, they will now be liable for hefty fines and legal expenses for a crime they did not commit, adding bill shifts punishment from the guilty to the innocent, doing nothing to deter bad actors that knowingly engage in theft. Under this proposal, GCs may be forced to require bonding from subcontractors to protect themselves from ill-intentioned subcontractors. Additional bonding of subs will increase costs and will have a much more significant impact on small and minority owned businesses that may have more difficulty securing bonding. This will further deteriorate competition and drive work towards larger firms and away from small independent contractors. Further, the ability of labor organizations to bring action on behalf of an employer means that contractors could be in the crosshairs for frivolous complaints meant to harass and intimidate competitors.

Michael Boscarino, President NexGen Steel Erectors Inc.: Opposes the bill. States this bill will only harm good contractors by increasing costs and administrative burdens on small businesses while failing to address those few bad actors who knowingly engage in wage theft. Adding the state should utilize its authority to investigate and punish those engaged in wage theft, instead of forcing contractors to comply with bureaucratic requirements which will have a disparate impact on smaller independent businesses who don't have the resources to comply giving unfair competitive advantages to larger firms. Adds they are opposed to filing employee payroll information, including wages and benefits, to other contractors who may be interested in poaching our employees. Since this bill will apply to private construction there is not a prevailing or standard wage which means general contractors will be unable to determine which subcontractors may be engaging in wage theft and that subcontractors are giving away private company information directly to competitors. States wage theft should be punished but this bill fails to accomplish that goal, while unfairly increasing costs and legal risks of honest contractors.

Joseph Coppola, General Counsel Petra Construction Corporation: Opposes the bill. States eliminating employee wage theft is good, but this bill will not accomplish that. General contractors currently collect certified payrolls on projects subject to prevailing wage, this bill will extend that requirement to private construction projects where a standard wage doesn't exist. Even with payroll information from subcontractors that has been attested to and certified to be accurate it will be impossible for general contractors to determine whether wages and benefits were properly paid. General contractors will be forced to assume additional administrative and compliance costs while being unsure how to determine when an underpayment of wage exists, they will now be liable for hefty fines and legal expenses for a crime they did not commit, adding bill shifts punishment from the guilty to the innocent, doing nothing to deter bad actors that knowingly engage in theft. Under this proposal, GCs may be

forced to require bonding from subcontractors to protect themselves from ill-intentioned subcontractors. Additional bonding of subs will increase costs and will have a much more significant impact on small and minority owned businesses that may have more difficulty securing bonding. This will further deteriorate competition and drive work towards larger firms and away from small independent contractors. Further, the ability of labor organizations to bring action on behalf of an employer means that contractors could be in the crosshairs for frivolous complaints meant to harass and intimidate competitors.

Marc Pare, CEO, All State Construction, Inc.: Opposes the bill. States eliminating employee wage theft is good, but this bill will not accomplish that. General contractors currently collect certified payrolls on projects subject to prevailing wage, this bill will extend that requirement to private construction projects where a standard wage doesn't exist. Even with payroll information from subcontractors that has been attested to and certified to be accurate it will be impossible for general contractors to determine whether wages and benefits were properly paid. General contractors will be forced to assume additional administrative and compliance costs while being unsure how to determine when an underpayment of wage exists, they will now be liable for hefty fines and legal expenses for a crime they did not commit, adding bill shifts punishment from the guilty to the innocent, doing nothing to deter bad actors that knowingly engage in theft. Under this proposal, GCs may be forced to require bonding from subcontractors to protect themselves from ill-intentioned subcontractors. Additional bonding of subs will increase costs and will have a much more significant impact on small and minority owned businesses that may have more difficulty securing bonding. This will further deteriorate competition and drive work towards larger firms and away from small independent contractors. Further, the ability of labor organizations to bring action on behalf of an employer means that contractors could be in the crosshairs for frivolous complaints meant to harass and intimidate competitors.

Victor Serrambana, President of VMS Construction Company: Opposes the bill. States eliminating employee wage theft is good, but this bill will not accomplish that. General contractors currently collect certified payrolls on projects subject to prevailing wage, this bill will extend that requirement to private construction projects where a standard wage doesn't exist. Even with payroll information from subcontractors that has been attested to and certified to be accurate it will be impossible for general contractors to determine whether wages and benefits were properly paid. General contractors will be forced to assume additional administrative and compliance costs while being unsure how to determine when an underpayment of wage exists, they will now be liable for hefty fines and legal expenses for a crime they did not commit, adding bill shifts punishment from the guilty to the innocent, doing nothing to deter bad actors that knowingly engage in theft. Under this proposal, GCs may be forced to require bonding from subcontractors to protect themselves from ill-intentioned subcontractors. Additional bonding of subs will increase costs and will have a much more significant impact on small and minority owned businesses that may have more difficulty securing bonding. This will further deteriorate competition and drive work towards larger firms and away from small independent contractors. Further, the ability of labor organizations to bring action on behalf of an employer means that contractors could be in the crosshairs for frivolous complaints meant to harass and intimidate competitors.

Pat Libero, Marketing Sales Manager Coastal Materials Testing Labs: Opposes the bill. Stating While the intentions of this bill are good it will only harm the good contractors by increasing costs and administrative burdens on small businesses while failing to address

those few bad actors who knowingly engage in wage theft and instead of placing additional burdens on reputable businesses, the state should utilize its authority to investigate and punish those engaged in wage theft. Adding the bill will lead to burdensome administrative costs, the additional costs to comply with this bill will have a disparate impact on smaller, independent businesses who don't have the resources to comply, giving an unfair competitive advantage to larger firms with existing administrative departments. Opposes filing employee payroll information, including wages and benefits, to other contractors who may be interested in poaching employees, and would mean that subcontractors are giving away private company information directly to competitors. Adding that those guilty of wage theft should be punished, but this bill fails to accomplish that goal.

Mark Shteierman, President, Axela Construction: Opposes the bill. States the intent of this bill to stop wage theft is commendable but it will have significant unintended consequences, harming Connecticut's construction industry. Adding that many small businesses lack the administrative capacity to comply with the complex procedures this bill would mandate. Adding the bill's broad liability exposes general contractors to unacceptable risk, contractors would be forced to require certified payroll from all subs, even with that there's no practical way for a general contractor to ensure sub-contractor compliance. Adding this bill will result in smaller subcontractors being forced out of business, because contractors will be forced to choose larger, more established subs who can handle the administrative burden, effectively punishing law-abiding businesses for the potential misdeeds of others. The state could implement harsh penalties for companies that deliberately practice wage theft, focusing enforcement efforts on those who intentionally exploit their workers, rather than imposing blanket regulations that harm the entire industry.

Steven Kaplan, Legal Counsel, Connecticut Subcontractors Association: Opposes Opposes the bill. States the bill imposes extremely impractical requirements on contractors and subcontractors, while doing little to combat wage theft. The bill would impose liability on a general contractor for the unpaid wages of its subcontractors' employees on private construction projects, but the bill fails to recognize the difficulty, if not impossibility, of the general contractor accurately determining what is owed to employees. Adding that unlike the established wage and benefit classifications on public projects per the federal and state prevailing wage rules, there are no set pay rates for workers on private projects. The statute of limitations for imposing this new liability on a general contractor is open-ended, and thus unworkable. Additionally, extending the liability for a general contractor to a second-tier subcontractor, only exacerbates these problems incrementally. Stating the unfair penalties to be imposed by the bill, where the general contractor can be held liable, without any prior notice, for unpaid wages, penalties, and other expenses resulting from a subcontractor's failure to pay employees. Adding the bill's new requirements would invite unmeritorious complaints to be filed by disgruntled employees and would require general contractors to become involved in the work disputes of subcontractors. The added paperwork and reporting requirements demanded by the bill will not lead to more equitable results for the truly aggrieved unpaid employees. Adding there are other remedies available that already address the issue including, wage complaints filed by employees directly with the DOL, and the use of payment bonds, already most significant private projects require these from general contractors. States that the bill is unworkable, impractical, and unfair.

Sara Mendillo, Government Affairs Middlesex Chamber of Commerce: Opposes

Opposes the bill. States that subcontractors would be reluctant to provide detailed payroll and wage information for their employees and it could lead to significant risks like the business-sensitive data could be mishandled or misused. adds in that Additional bonding of subcontractors will increase costs and will have a significant impact on small and minority owned businesses that may have more difficulty securing bonding.

James Walker: Opposes the bill. States that the bill would be impossible for contractors to enforce, and they would be held responsible. Adding that subcontractors would have to provide private payroll and wage information which would end up in the hands of competitors. Stating the bill would increase administrative costs.

Reported by: Matt Domejczyk and Ian Graves

Date: 3/26/2025