

Testimony in Support of LD 599, “An Act to Codify the Federal Salary Threshold for Overtime Pay”

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Good morning, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor. My name is James Myall and I’m here today to testify on behalf of the Maine Center for Economic Policy in support of LD 599, “An Act to Codify the Federal Salary Threshold for Overtime Pay.” MECEP supports LD 599 because by enshrining federal protections into state law, it will allow Maine workers a better work-life balance and help restore the promise of the forty-hour work week.

Since 1938, the US Fair Labor Standards Act has protected everyday workers’ right to a forty-hour work week. This standard was established to ensure that Americans would not find themselves working endless hours for inadequate pay, leaving them barely any time to spend with their families, volunteering in their communities, or simply living a full life outside of work. The overtime salary threshold which LD 599 seeks to strengthen is a key component of this concept.

LD 599 will update Maine’s overtime salary threshold to reflect current federal law and offer clarity to both workers and employers. Maine state law and the Fair Labor Standards Act provide that low-paid salaried workers are automatically eligible for overtime pay if they work more than 40 hours a week. Under Maine law, that standard is currently 3,000 times the state’s minimum wage on an annual basis, which this year is equivalent to \$43,950. However, state law is superseded by federal law, and last year the federal department of labor updated its salary threshold, with a threshold of \$58,656 due to come into effect January 1, 2025. Employers across the country had to prepare for this update to federal law.

However, that federal rule has been suspended by a judicial order, which the US Department of Labor appealed on February 28 of this year. This creates uncertainty for workers and employers which LD 599 would resolve. By enshrining the federal standard into state law, it would mean that whatever the outcome in the federal courts, Maine’s workers and employers will be governed by the overtime standard that was announced last year and was due to come into effect in January.

MECEP estimates that just under 29,000 salaried workers in Maine will fall under the current state threshold in 2026. Codifying the federal rule will guarantee those protections

to an additional 25,000 workers. In total, 54,000 workers would be covered. That's 23% of all salaried workers in the state, or 8% of the total workforce.¹ While a meaningful benefit for those workers, this will still be far less than the 62% of salaried Americans by the threshold nationally in 1975.²

This does not mean all 25,000 workers will receive more pay. MECEP estimates that most of them don't work overtime hours, and among those who do, some are already being paid for it. Approximately 7,000 people in this group do currently work unpaid overtime, either occasionally or regularly, and MECEP estimates the bill would guarantee \$6.7 million in additional wages each year for these workers.

It's also worth noting that employers can react to the increased threshold in a number of ways. They can:

- Manage overtime hours so that employees only work 40 hours a week
- Increase employee salaries above the threshold to make them exempt again
- Pay time and a half for the hours worked beyond 40 per week

Because employers already started planning for the implementation of the federal rule this January, there should be minimal disruption from passage of LD 599.

To minimize uncertainty for Maine's workers and employers, and to protect the promise of a 40-hour work-week, I urge you to vote ought to pass on LD 599.

Thank you, I'm happy to take any questions.

Notes

¹ MECEP calculation based on US Census Bureau, Current Population Survey, Outgoing Rotation Group data for January 2015-December 2024 (120 months). Estimates derived using methodology developed by the US Department of Labor and the Economic Policy Institute.

² Heidi Shierholz, "It's time to update overtime pay rules." *Economic Policy Institute*, July 9, 2014.
<https://www.epi.org/publication/ib381-update-overtime-pay-rules/>