

**Testimony of Jake Lachance**

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**Maine State Chamber of Commerce**

**Before the Joint Standing Committee on Labor**

**In Opposition to LD 599, "An Act to Codify the Federal Salary Threshold for Overtime Pay"**

Sen. Tipping, Rep. Roeder, and members of the Joint Standing Committee on Labor, my name is Jake Lachance, and I am a Government Relations Specialist for the Maine State Chamber of Commerce, which advocates for over 5,000 large and small businesses across the State of Maine. The Chamber believes this bill's implementation would create significant financial and operational burdens for Maine's business community, particularly small businesses, non-profits, and industries with traditionally lower salary structures.

**Increased Payroll Costs**

LD 599 proposes setting the salary threshold for overtime exemption at \$58,656 per year or the 35th percentile of full-time salaried workers in the lowest-wage census region. This threshold (which was struck down at the Federal level last year) is a dramatic increase that will disproportionately impact businesses that rely on salaried employees who earn just above the current threshold. Employers will be forced to either:

- Increase salaries to meet the new threshold, leading to higher payroll expenses that small businesses may not be able to absorb.
- Convert salaried employees to hourly workers, which could reduce flexibility and benefits for employees who prefer stable salaries.
- Reduce staff hours or implement layoffs to offset the increased labor costs.

**Impact on Small Businesses and Nonprofits**

Maine is home to thousands of small businesses and non-profits that operate on tight budgets. Many of these organizations rely on salaried employees who work in managerial roles but earn less than the proposed threshold. This bill would force these businesses to either cut positions or reclassify employees, limiting career growth opportunities.

For example, a small retail store or restaurant that currently pays assistant managers \$50,000 per year would need to increase their salaries by nearly \$9,000 to avoid overtime requirements. If they cannot afford this increase, they may opt to limit hours, reduce benefits, or even scale back operations.

## **Negative Consequences for Employees**

Though LD 599 is intended to increase earnings for workers, it may have unintended negative consequences:

- Employees reclassified from salary to hourly may lose access to certain benefits, such as paid time off and predictable schedules.
- Employers may be forced to cap hours to avoid overtime costs, reducing overall earnings for employees who rely on extra hours.
- Fewer promotional opportunities as businesses become hesitant to offer managerial roles with new cost implications.

## **Conclusion**

While ensuring fair compensation is an important goal, LD 599 imposes a one-size-fits-all solution that does not account for the economic realities facing Maine businesses. Rather than adopting a rigid threshold, we urge the legislature to consider more flexible, business-friendly policies that balance the need for fair wages with the ability of businesses to operate sustainably.

We respectfully ask this committee to vote **against** LD 599 in its current form and work toward policies that promote both worker well-being and economic growth.

Thank you for your time and consideration. I would be happy to answer any questions.