

**Testimony in Opposition to LD 206, “An Act to Protect Maine Businesses by Eliminating the Automatic Cost-of-living Adjustment to the Minimum Hourly Wage”**

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Arthur Phillips

Good afternoon, Senator Tipping, Representative Roeder, and Members of the Joint Standing Committee on Labor. My name is Arthur Phillips. I’m a Policy Analyst at the Maine Center for Economic Policy and I am here to testify in opposition to LD 206. This proposal would further expose low-wage workers to inflation, disincentivize work, and limit economic growth throughout our state.

When Maine voters approved the state’s minimum wage law in 2016, they also approved the provisions indexing the minimum wage to inflation. The annual cost-of-living adjustment ensures workers who are paid wages at or slightly above the minimum wage can keep up with the rising cost of living, including rent, food, utilities, and health care. Without this adjustment, wages stagnate while expenses continue to rise, making it increasingly difficult for low-income workers to afford their daily needs. This year, we estimate that nearly 100,000 workers in Maine benefited from the minimum wage COLA.<sup>i</sup>

We have seen the importance of indexing in the years coming out of the pandemic when inflation was higher than it had been in decades and was particularly pronounced in the cost of necessities like housing and food. Even with these COLAs minimum wage, many Mainers are struggling to absorb these extra costs. At the same time, many employers report they struggle to attract sufficient workers to meet the demand for their goods and services. Eliminating the annual COLA would harm the goal of enticing more workers into the labor market and limit economic productivity.

As a thought experiment, let’s imagine Maine’s minimum wage remained at \$12 per hour in 2020 and not been indexed to inflation. In this scenario, the lowest-paid full-time workers today would be earning \$5,512 less per year. Conversely, using inflation projections from the Congressional Budget Office, under current law we estimate the minimum wage in 2030 will be \$16.40 per hour.<sup>ii</sup> If this bill were passed, in 2030 tens of thousands of Maine’s lowest-paid workers could each earn \$3,635 less in that year alone. If this bill became law, a minimum wage earner would stand to lose up to \$40,754 over the coming decade. (See table below.)

An annual minimum wage COLA has benefits beyond those that accrue to impacted workers – the COLA benefits local economies as lower-wage earners are more likely to spend more in local businesses; it helps employers attract and retain workers and limits turnover costs; it maintains employers’ incentive to invest in productivity improvements rather than relying on increasingly low wages, which generally promotes economic growth. For all the above reasons, we urge you to maintain annual COLAs and vote against LD 206.

Thank you for your attention and I welcome any questions you may have.

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Table 1: hypothetical impact of LD 206, 2026-2035

Year	Projected rate of inflation (CBO)	Projected Min Wage (rounded to nearest 5 cents)	Full time worker difference
2025	2.3	\$14.65	N/A
2026	2.4	\$15.00	\$728.00
2027	2.3	\$15.35	\$1,456.00
2028	2.2	\$15.70	\$2,184.00
2029	2.2	\$16.05	\$2,912.00
2030	2.2	\$16.40	\$3,640.00
2031	2.2	\$16.75	\$4,368.00
2032	2.2	\$17.15	\$5,200.00
2033	2.2	\$17.50	\$5,928.00
2034	2.2	\$17.90	\$6,760.00
2035	2.2	\$18.30	\$7,592.00
		Total, 2026-2035	\$40,768.00

<sup>i</sup> James Myall, MECEP, “Maine’s minimum wage to increase to \$14.65 next year, boosting wages for 96,000 workers,” September 2024, available at <https://www.mecep.org/blog/maines-minimum-wage-to-increase-to-14-65-next-year-boosting-wages-for-96000-workers/>

<sup>ii</sup> Congressional Budget Office, “The Budget and Economic Outlook: 2025 to 2035,” available at <https://www.cbo.gov/publication/61172>. Note, Maine’s minimum wage statute uses a slightly different inflation measure (CPI-W NE) than does the CBOs Outlook; we are not aware of an inflation projection using the same index as Maine’s minimum wage statute.