

Testimony of Jake Lachance

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Before the Joint Standing Committee on Labor

In Opposition to LD 853 "An Act to Replace the Minimum Hourly Wage with a Regionally Based Living Wage"

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. I am submitting this testimony in opposition to LD 853, which proposes replacing Maine's minimum wage with a regionally based living wage as determined by the Massachusetts Institute of Technology's (MIT) Living Wage Calculator.

While the intent of this bill is to address cost-of-living disparities across different regions of the state, its implementation would pose a significant burden on small businesses and represents a drastic and immediate increase in labor costs that many businesses cannot absorb. This legislation would be a dramatic change to Maine's minimum wage law making the state an outlier and further eroding our state's competitiveness.

Impact on Small Businesses

Small businesses form the backbone of Maine's economy, providing local jobs and economic stability to our communities. The proposed legislation would dramatically increase the minimum wage in various regions, with estimates based on MIT's Living Wage Calculator suggesting a wage increase from the current \$14.65 per hour to figures as high as \$22.25 (Northern Region) to \$25.11 (Portland Metro Region) per hour. Many small businesses, particularly in the retail, hospitality, and food service industries, operate on narrow profit margins and would struggle to meet these new wage mandates.

Such a rapid and substantial increase in labor costs could result in:

- **Job Losses:** Businesses may be forced to reduce staff, cut hours, or eliminate positions altogether to compensate for higher wages.
- **Price Increases:** To offset rising labor costs, businesses may raise prices, making goods and services more expensive for consumers.
- **Business Closures:** Some small businesses, particularly those in rural areas or with seasonal operations, may find it unsustainable to continue operating under these conditions, leading to closures and economic downturns in affected communities.

Drastic Increase from Current Minimum Wage Standards

The current state minimum wage of \$14.65 per hour, already one of the highest in the nation, was implemented with incremental increases to allow businesses time to adjust. LD 853 proposes a sudden and significant jump in wage rates that does not afford businesses the same transition period. Currently, the highest overall state minimum wage is in Washington at \$16.66. This steep rise will have a

disproportionate impact on industries that rely on entry-level workers and could discourage job creation.

Additionally, using a model such as the MIT Living Wage Calculator, which is not specifically designed for wage-setting legislation, raises concerns about accuracy and applicability to Maine's diverse economic landscape. The model does not account for employer contributions such as health benefits, tipped wages, or regional economic fluctuations, all of which play a critical role in wage determinations.

Conclusion

While we recognize the need for a minimum wage law, LD 853 imposes an unsustainable financial burden on small businesses that could lead to job losses, increased consumer prices, and potential business closures. A more balanced approach, such as a gradual increase or targeted tax relief for low-income workers, would better support both employees and businesses.

For these reasons, I respectfully urge the committee to oppose LD 853. Thank you for your time and consideration.