

## Testimony of Jason P. Clay

### In opposition to LD 1964, "An Act to Implement the Recommendations of the Commission to Develop a Paid Family and Medical Leave Benefits Program"

Before the Joint Standing Committee on Labor and Housing.

May 25, 2023

**Senator Tipping, Representative Roeder**, and distinguished members of the Joint Standing Committee on Labor and Housing. My name is Jason Clay, and I am the CEO of Governor's Restaurants and serve on the Board of Directors of the Bangor Region Chamber of Commerce. I am testifying before you today in opposition LD1964, "An Act to Implement the Recommendations of the Commission to Develop a Paid Family and Medical Leave Benefits Program."

I'm in opposition to the way this bill is written, but I am not in opposition to the concept of paid leave and supporting our workforce in general. I've worked hard over the last few years in my own business to support our workforce. Specifically, I've implemented programs such as a 401k retirement plan and short-term disability insurance program for our team members, along with providing constant wage increases and flexible schedules as I strive to create more value for employees in their workplace. These programs are not cheap, but in today's workplace it is necessary to retain our long-term employees and attract the best applicants. There are some specific reasons why I'm concerned about this bill which I will outline, along with some potential solutions.

First, this program adds another burdensome cost to businesses. Representative Scott Landry (D-Farmington) was quoted in the Bangor Daily News on 5/23/23 about this program: *"It's going to be an expensive project. I'm just worried about small businesses."* And I would agree with Rep. Landry. The cost of this program does not exist in a vacuum. Just in this legislative session, I've submitted testimony about LD 1190 concerning restrictive scheduling that would add potential costs to businesses and have testified in person about LD 1214 concerning PFAS which would tweak an existing law set to potentially have huge costs for businesses in many sectors regarding testing products for PFAS or using potentially more expensive components that do not contain forever chemicals (Which everyone agrees reducing/eliminating PFAS is a good thing.) LD 1964 proposes a payroll tax not to exceed 1% with half of that borne by the employer. To put this into some perspective, last year my business paid just under 4% of revenue to payroll taxes. In a good year, profits may be 2% of revenue. Adding more cost only hastens the tipping point where businesses will become unprofitable and cease doing business in Maine or at all. Currently for this bill there is no Fiscal Estimate according to the same Bangor Daily News article, but costs are projected to be 400 million dollars at least. If this cost is above this amount, the tax on employers and employees is bound to be increased above 1%.

Additionally, while year over year inflation is slowing, we are still facing elevated costs of doing business in Maine. The standard offer of electricity increased significantly again in 2023. The minimum wage is tied to CPI and increased 8% in 2023, pushing all wages higher. This is set to increase annually as you know. The cost of raw materials and insurance is not decreasing. We are finally at a point where we are starting to receive push back from guests about higher prices. Being able to pass along increased costs is less possible. Again, a tipping point where we will begin to see less customers able to afford to patronize our business.

And while we are in a better place as far as available labor is concerned than the last few years, There is still an “available labor” crisis. According to Amanda Rector, the state economist in speaking to the Bangor Region Chamber membership on 5/24/23, current unemployment in many counties of the state is at 2.0% of the population or below. We’re already short handed in many industries. In my industry the amount of revenue produced correlates directly with the amount of team members able to work. Simply put, if we are short-staffed, we must do less business because the other team members are at capacity. It will be a huge challenge to fill an open position for someone on leave. Not to mention if more than one employee requests leave at the same time. Our company already offers Paid Time Off in accordance with state law, along with vacation benefits above and beyond, and flexible schedules that are not the traditional work week.

I’m a believer in bringing solutions to the table when problems are identified. So how can this bill be adjusted to work better for everyone? Here would be my suggestions:

- There are too many variables as far as cost is concerned. We need a fiscal estimate, and a cap on costs for future years of the program.
- Right now, the language surrounding who qualifies as a member of a family for someone to take family leave is too vague. It needs to be more specific.
- Also as written the program provides for 12 weeks of medical leave and 12 weeks of family leave, not to exceed 16 weeks in total for an annual period. I would recommend this be limited to 12 weeks total.
- I’m happy to see that there will be a state administrative piece to this program. Enforced rules need to be strict for qualifying events and providing notice for leave for anything other than a medical emergency. A Medical emergency should require some documentation as far as care needed.

Thank you for your time today and the opportunity to share my thoughts and concerns. We know that there most likely will be a paid leave law enacted, and I implore you to craft a bill that works for everyone. Should you require any further information or would like to discuss it in more detail, please do not hesitate to reach out to me.

Sincerely,

Jason Clay

CEO, Governor’s Management Company

Member, Bangor Region Chamber Board of Directors