



BRANDON M. SCOTT
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

HB 0582

February 13, 2025

TO: Members of the Economic Matters Committee

FROM: Nina Themelis, Director of the Mayor's Office of Government Relations

RE: House Bill 0582 – Labor and Employment - Exemptions from Overtime Pay - Administrative, Executive, or Professional Capacity

POSITION: OPPOSE

Chair Wilson, Vice Chair Crosby, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **opposes** House Bill (HB) 0582.

HB 0582 proposes changes to the exemption criteria for overtime pay for employees working in administrative, executive, or professional capacities in Maryland. The bill aligns state regulations with federal standards, ensuring consistency and fairness in the classification of employees exempt from overtime protections. Under this bill, to qualify for an exemption, employees must meet specific salary thresholds and job duty requirements:

1. Employees must earn a salary of at least \$1,128 per week or the federal minimum specified under 29 C.F.R. § 541.600, whichever is higher.
2. Their primary duties must involve office or non-manual work directly related to management or general business operations, management of an enterprise or department, or work requiring advanced knowledge or creativity in specific fields.
3. They must meet additional criteria, such as exercising discretion or regularly directing the work of others.

It's important to note that the \$1,128 per week federal salary threshold, which was scheduled to take effect on January 1, 2025, was vacated by the U.S. District Court for the Eastern District of Texas. The U.S. government has filed an appeal, and therefore the status of the federal threshold is currently uncertain. If the state decides to approve \$1,128 as its minimum salary per week for these purposes it would potentially differ from the federal ruling.

This legislation aims to modernize overtime pay exemptions, which could lead to more employees qualifying for overtime pay. However, it may also increase labor costs for employers like the City of Baltimore, particularly if previously exempt employees fall below the new salary threshold.

While we acknowledge the legislation's intent to modernize overtime pay exemptions and align them with federal standards, it presents challenges for employers, including the City of Baltimore. Therefore, we oppose this legislation for the following reasons:

- 1. Increased Labor Costs:** The proposed salary threshold of \$1,128 per week may make previously exempt employees eligible for overtime pay, potentially increasing overall labor expenses for the City. However, it is important to note that the federal salary threshold increase to \$1,128, scheduled for January 1, 2025, has been vacated by the U.S. District Court for the Eastern District of Texas, and an appeal has been filed. If the federal government's appeal is denied, the federal salary threshold will remain at \$684 per week. Should the state continue to align with federal standards, the threshold could remain at \$684 per week. However, if the state decides to approve the \$1,128 salary minimum, it could still significantly impact employer budgets.

It may be beneficial for the state to clarify whether it intends to maintain the \$1,128 weekly salary threshold even if the federal appeal is denied. This clarification could provide employers with much-needed certainty regarding future labor costs and compliance requirements.

- 2. Operational Adjustments:** The City may need to reassess job classifications, salary structures, and employee status to comply with the updated criteria, which would require additional administrative resources and adjustments.

Given these potential financial and operational impacts, we oppose HB 0582 in its current form. While we support equitable compensation practices, the proposed changes could place a significant burden on the City's budget and resources. We suggest advocating for amendments to provide a phased implementation timeline or other measures to mitigate the financial strain on employers.

The BCA respectfully **opposes** HB 0582 for these reasons.