



May 6, 2026

Honorable John P. Burke
Chairman, Senate Labor and Gaming Committee
Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: S2166 - RELATING TO LABOR AND LABOR RELATIONS - MINIMUM WAGES – OVERTIME

Dear Burke and Honorable Members of the Committee:

As the Executive Director of Rhode Island Business Leaders Alliance (the “Alliance”), I am grateful for the opportunity to provide the Senate Labor and Gaming Committee with this written testimony in response to S2166 - RELATING TO LABOR AND LABOR RELATIONS -- MINIMUM WAGES – OVERTIME, which would gradually raise the minimum salary threshold for an employee to be classified as exempt under the executive, administrative, and professional exemptions. The stated legislative purpose of S2166 is to make employees currently classified as exempt eligible for overtime pay by requiring Rhode Island employers to pay an ever-increasing multiplier of the Rhode Island minimum wage to maintain exempt status.

S2166 Diverges from the Well-Established Salary Threshold Under Federal Law

One of the most serious concerns the Alliance has with S2166 is the enormous gap it would create between the salary threshold for exempt status under Rhode Island law and the corresponding federal standard for exempt status under the Fair Labor Standards Act (“FLSA”).

Currently, the salary threshold for the “white collar” executive, administrative, and professional exemptions under the FLSA is \$684 per week or \$35,568 annually. As the salary threshold for exempt status under Rhode Island is currently lower than the salary threshold under the FLSA, Rhode Island employers only need to concern themselves with a single salary threshold when making classification decisions. If an employee satisfies the duties test and salary basis test under the FLSA, the employee is exempt for purposes of Rhode Island law.

S2166 would cause Rhode Island's salary threshold for exempt status to diverge sharply from the salary threshold under federal law. By 2027, Rhode Island employers with more than 50 employees would face a state salary threshold of \$70,720 – nearly double the current federal threshold of \$35,568. By 2028, small employers would face a salary threshold of \$70,720, and larger employers a threshold of \$88,400. This dramatic divergence would create serious compliance confusion for Rhode Island employers who have become accustomed to using the FLSA salary threshold when making decisions about how to properly classify and pay their employees.

Under S2166, an employee could be properly classified as exempt under federal law – satisfying the FLSA duties test and meeting the longstanding federal salary threshold of \$35,568 – yet simultaneously be classified as non-exempt under Rhode Island law and therefore eligible for Rhode Island overtime. Employers would be required to classify and pay the employee as a non-exempt employee or pay the employee on a salary basis at a level that meets or exceeds the ever-increasing Rhode Island salary threshold.

S2166 Supplants the Duties Tests for Exempt Status with a Higher Salary Threshold

During the Biden Administration, the United States Department of Labor attempted to increase the minimum salary threshold under the FLSA to \$1,128 per week or \$58,656 per year. Ultimately, a federal District Court struck down the Biden Administration's overtime rule on the grounds that the Department had exceeded its authority. The District Court found that by setting the minimum salary threshold for exempt status so high, the Department had violated the FLSA which requires that an employee's exempt status be based on their job duties and not just their salary. Essentially, the Department had eliminated the job duties test by making the employee's salary the determining factor for their exempt status.

Under Rhode Island law, the executive, administrative, and professional exemptions are defined by reference to the FLSA. Section 28-12-4.3 expressly states that the provisions of Rhode Island's minimum wage law regarding overtime pay do not apply to "[a]ny employee employed in a bona fide executive, administrative, or professional capacity, as defined by the Fair Labor Standards Act of 1938" Accordingly, for the same reason that the Biden era overtime rule was declared unlawful, S2166 violates a foundational principle for the white collar exemptions—that it is the employee's job duties and not merely their compensation level that primarily determines their exempt status. By more than doubling the current minimum salary threshold under the FLSA, S2166 would essentially eliminate the duties test for exempt status by replacing it with a dispositive minimum salary threshold.

S2166 Will Reduce Economic Opportunity for Rhode Island Workers and Reduce Rhode Island's Economic Competitiveness

The explicitly stated purpose of S2166 is to increase the number of Rhode Island employees currently classified as exempt who would be eligible for overtime pay under the new salary thresholds (i.e., who would need to be re-classified as non-exempt). The Alliance is deeply concerned that this expansion of overtime eligibility will trigger a series of employer responses that ultimately harm workers rather than help them.

Rhode Island employers – particularly small businesses, non-profits, and family-owned enterprises – operate on thin margins. When faced with rapidly escalating overtime costs, many will have no choice but to respond in ways that reduce worker opportunity and overall economic output:

- To control overtime costs, employers will limit the hours that newly non-exempt employees are permitted to work. Employees who previously exercised autonomy over their work schedules or who worked more than forty hours per week to complete important projects will now find their hours capped. The net result will be reduced productivity, delayed project completions, and diminished earning opportunity for employees who would otherwise welcome the chance to work additional hours to manage their workloads.
- Employers facing expanding overtime liability will choose to hire additional part-time workers rather than allow existing employees to work overtime hours. This shift will lead to the creation of fewer full-time positions with benefits, replacing them with part-time or independent contractor arrangements. For workers who depend on full-time employment with benefits, this outcome is plainly adverse to their economic interests.

Beyond these immediate workforce effects, the Alliance is concerned that S2166 will harm Rhode Island's economic standing by discouraging new business investment in Rhode Island and prompt existing employers to explore whether restructuring or relocating operations to neighboring states might reduce their labor compliance burden. In an already competitive regional business environment, Rhode Island cannot afford to impose regulatory obligations on employers that far exceed those in neighboring states and under federal law.

S2166 Will Create Unneeded Uncertainty for Rhode Island Employers

At a time when Rhode Island businesses are already under immense pressure from rising energy costs, persistent inflation, and macroeconomic uncertainty caused by tariffs and overseas wars,

S2166 will create additional and unnecessary uncertainty about the salary threshold that will apply after 2027.

S2166's salary thresholds are expressed as multipliers of the Rhode Island minimum wage. As a result, the salary thresholds for 2028 and beyond are not fixed; they will increase automatically if and when the Rhode Island minimum wage rises. Multiple bills are currently pending before the General Assembly that would raise the minimum wage to as much as \$24.00 per hour. Should any of these bills pass, the salary threshold for exempt status under Rhode Island law could far exceed the already substantial figures calculated through 2027 using a minimum wage of \$17.00 per hour.

S2166's linkage between the salary threshold and the minimum wage will mean that employers cannot reliably plan their compensation structures for the future. Workforce planning, budgeting, and exempt/non-exempt classification decisions that employers must make every day will be subject to disruption each and every time the minimum wage increases. This is an unreasonable and unworkable compliance environment for employers.

Conclusion

The Alliance respectfully urges this Committee to vote against S2166. The bill creates an unworkable dual compliance regime by establishing state salary thresholds that vastly exceed the federal FLSA standard, dramatically expands overtime eligibility in ways that will restrict worker hours and suppress full-time hiring, and introduces compounding uncertainty through its linkage of the minimum salary threshold for exempt status to the minimum wage. These combined effects will weaken Rhode Island's economic competitiveness, place disproportionate burdens on small employers, and ultimately harm the workers the bill is intended to benefit.

Respectfully submitted by:

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