



Testimony of Cheryl Whelan
Committee on Health Coverage, Insurance and Financial Services
Testifying in FAVOR of L.D. 2110
An Act to Amend the Laws Governing Licensing of Payroll Processors

March 7, 2024

Senator Bailey, Representative Perry, and Honorable Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services, my name is Cheryl Whelan, and I am the Executive Director of the Independent Payroll Providers Association (IPPA.) I am speaking on behalf of IPPA and The Payroll Group, a sister association also representing payroll companies.

As others have explained in their testimonies, our members have serious concerns with the Bureau of Consumer Credit Protection agency rule Ch. 710. About a year and a half ago, our members received notification letters from the Bureau of the proposed rule. The letter noted that the Bureau's only intent was to transition the licensing process to the NMLS system. The letter also explicitly stated that the intent was *not* to modify the standards of licensing for the Maine Payroll Processor Act. As we reviewed the proposed changes to Maine's licensing requirements, we discovered that the rule vastly changed the licensing standards.

The rule creates a significantly more onerous licensure process. Coupled with the risk of opening members up to money services regulations in numerous states, this rule has significant fiscal and regulatory impacts that are great enough to put many small payroll

companies out of business. This caused our members to be extremely fearful of the Maine registration process. To date, at least three of our members have stopped processing payroll for their Maine clients to avoid the process. Others are likely to follow suit if this rule remains unchanged, leaving Maine companies with limited options for payroll processing services. This is unfortunate as the process for regulating payroll processors that Maine has developed and advanced over the years has allowed payroll companies of all sizes to serve Maine businesses efficiently and economically in the best interest of their employees.

To further complicate the process, the Bureau is now requiring payroll providers located outside of the state to become licensed in Maine if a client pays even one remote employee in Maine. This is another departure from the Maine Payroll Processor Act. The Act only requires a license for a payroll company who is paying employees for a company that “maintains an office or transacts business in the state.” Simply paying one remote employee does not fit this definition. Additionally, payroll companies have no control over where their client chooses to hire or pay employees.

Since our members first received notification, our associations have made numerous attempts to work with the Bureau to address our concerns. We sent several letters. We requested meetings. We had a call with former acting Superintendent Susi early in the process to explain our concerns and offered to have a member pilot the registration process before it was released. Our concerns were dismissed. Since the final rule has been adopted, our associations have continued to communicate with the Bureau and individual members have reached out to the Bureau. We have pursued alternative pathways to resolution and to our frustration and dismay, have been unable to get the Bureau to understand the gravity of our concerns in order to come to a workable resolution.

As such, we respectfully request that the legislature help us achieve a solution that restores our members' confidence in Maine's payroll processor licensing process.

Thank you for your time and the opportunity to answer questions from the committee.

Sincerely,

A handwritten signature in black ink that reads "Cheryl Whelan". The signature is written in a cursive, flowing style.

Cheryl Whelan
Executive Director
Independent Payroll Providers Association