

Testimony of James Belanger
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 James Belanger, I am a resident of Portland and the Co-owner of Local Economy Payroll. I am testifying before you today in favor of **L.D. 2110, An Act to Amend the Laws Governing Licensing of Payroll Processors.**

I would like to share the following about my experience with the Bureau's change in rules for renewal of Payroll Processor License.

I will start by saying that my company, Local Economy Payroll, has been licensed by the Bureau since 2012. The Bureau has audited our company several times (every 18 months) since 2012. In each audit, we have been found to be fully compliant.

The new system being used for licensing, NMLS, was introduced to me in September of 2023 in a form letter from the Bureau which I found was vague and gave no explanation as to the reason for the change. The letter stated some very disturbing, new requirements for the licensing such as the use of NMLS, criminal background checks, and a requirement to provide annually audited financial statements (which we could never afford).

There was no further communication from the Bureau and my phone calls and emails to Mark Susi, of the Bureau, went unanswered. In late October of 2023 I received a call from a member of the Independent Payroll Providers Association (IPPA) informing me that the Bureau was indeed making the change to NMLS and that the licensing process was to

begin in November of 2023. No further communication was ever sent to me from the Bureau, so I was left to wonder how to proceed with renewing our license.

Through IPPA communication, I learned that licensees were being forced to use NMLS (something not suitable for payroll processor licensing) and in the process we were to attest to being “money transmitters”. I found this disturbing as that is not what payroll processors do. I reached out to Stephen Lemieux of the Department of Consumer Credit Protection for some guidance. He directed me to the NMLS login URL. From there I navigated my way through the process. I estimate that it took approximately 6 to 8 hours, over the course of several days, to complete the renewal process. I believe that is burdensome. A guidance document designed by the Bureau was somewhat helpful but could have been done much better to describe the tasks and the workflow. It was a difficult process at a very busy time of year for those of us in our industry.

We are a small, family-owned business in Maine and our clients work with us because we are not ADP or Paychex. Having my home state throw this curveball at me after being a licensed practitioner for years was insulting. When we first obtained our license in 2012, we understood that the statute included a provision to help small businesses afford to be licensed. The Payroll Processor Recovery Fund was established to allow licensees to pay into the Fund in lieu of purchasing a \$500K surety bond (only a \$10K bond is required). The cost of a bond is the same as what we pay to the Fund, but the requirement for “audited” financial statements (by the insurance companies) was eliminated. Now, having the Bureau tell us that we would be required to spend thousands of dollars annually on audited financials seemed to fly in the face of their claim to help small businesses.

I realize there are bad actors in the payroll industry (read: Michael Mann). We have all suffered because of them. Yes, we directly suffered because of his fraud against an ACH processing firm that we worked with. We are hard-working Mainers trying to make a living and we are being viewed as criminals. Thank you for your time and consideration.