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THE MARYLAND HOUSE OF DELEGATES
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Franchise Reform Act (HB 730)

Testimony of Chair Marc Korman – Favorable

Thank you, Madame Chair, Madame Vice Chair, and members of the House Economic Matters Committee. I come before you today with the Franchise Reform Act (HB 730). Several constituents have reached out to me regarding the current franchise registration process in Maryland. Maryland is one of thirteen states considered a franchise registration state, indicating the highest level of scrutiny for franchisors seeking to franchise in the state. State oversight is important to protect franchisees from being taken advantage of, but it must be balanced against our economic development goals.

Maryland's franchisors – like those in any state – require federal approval via the federal Franchise Disclosure form. We also have an additional state process whereby franchisors must pay a \$500 filing fee and submit additional information to the state for further approval. There is also a similar annual renewal requirement. The purpose of the annual state review is to protect franchisees; however, the process is burdensome due to lengthy wait times. HB 730 would codify the Maryland Franchise Disclosure Document Renewal Fast-Track Review Pilot Program that expedites the review of the franchise registration renewal if the franchisor provides certain information no later than 30 days after the end of the registrant's fiscal year. The pilot was created in response to legislation that this committee and the House passed last year, but did not pass in the Senate. I want to thank the Securities Commissioner for going forward with the pilot.

The bill makes a few other changes. First, it clarifies that Maryland franchisees may join associations of franchisees and provides legal protection for doing so. Second, it alters the statute of limitations on certain claims from 3 years after the grant of the franchise to within four years after the grant of the franchise or 2 years after the date the franchise opened to the public, whichever is earlier. Third, the bill requires that the Securities Division establish a standard for the review and approval of incomplete Franchise Disclosure Documents and allows them to use technologies to do so.

The bill also requires a number of reports so that we can evaluate the effectiveness of the fast-track program. The goal of these reports is to ensure that the committee can evaluate the program as established and look for further improvements to Maryland's franchise process. We cannot make Maryland more competitive in this space with processes that are from the 20th century.

The bill will serve as a step in a larger goal of fully overhauling and reforming the franchise process in Maryland. Ultimately, the goal is to implement a process that rivals our neighbors in efficiency and allows for more Marylanders to pursue business ownership through franchising.

The Franchise Reform Act will support business ownership in Maryland by providing further protections to franchisees and inform future action to promote economic prosperity and growth. Last year, the committee and the House passed a version of this bill unanimously. I urge a favorable report.