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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Franchise Reform Act (HB 992)

Testimony of Marc Korman - Favorable (HB 992)

Thank you Mr. Chair, Mr. Vice Chair, and members of the Economic Matters Committee. I come before you today with the Franchise Reform Act (HB 992). Several constituents have reached out to me regarding the current franchise registration process in Maryland. Maryland is one of ten 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. And there is a similar annual renewal requirement. The purpose of the state review is to protect franchisees, however, the process is burdensome due to lengthy wait times. The bill would establish a Pilot Program to waive the franchise registration renewal fee if franchisors submit updates at least 60 days before expiration. With earlier submissions, the Securities Commissioner will be able to approve renewals in a more timely fashion.

The bill makes a few other changes. First, it adjusts the net equity calculation for exempt franchisors to account for inflation. Second, it clarifies that Maryland franchisees may join associations of franchisees and provides legal protection for doing so. Third, with a sponsor amendment, clarifies that certain claims can only be brought in Maryland by a Maryland franchisee. An out-of-state franchisee could still bring common law or contractual claims but not use Maryland's statutory franchise law.

The bill will serve as a first step in a larger goal of fully overhauling and reforming the franchise process within 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 in Maryland. I urge a favorable report.