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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 Madam Chair, Mr. Vice Chair, and members of the Senate Finance 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 expedite 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 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 to within three years of the grant of the franchise or within two years of the franchise being open to the public, whichever is later.

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. The legislation passed the House of Delegates on a bipartisan basis 137-0 and had no opposition testimony. I urge a favorable report.