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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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SB 415

Business Regulation – Maryland Franchise Registration and Disclosure Law – Alterations

Good afternoon Vice Chair Hayes and Members of the Finance Committee;

Thank you for the opportunity to present SB 415, the Franchise Reform Act. 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. Franchisors must pay a \$500 filing fee and submit additional information to the state for further approval, and they must renew annually. The purpose of the annual state review is to protect franchisees; however, the process is burdensome. SB415 would codify the Maryland Franchise Disclosure Document Renewal Fast-Track Review Pilot Program put in place last year by the Securities Commissioner. The program 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 bill 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 reports to evaluate the effectiveness of the fast-track program. The goal of these reports is to ensure that the committee can evaluate the program make further improvements to the franchise process if needed.

This is a first 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 protections to franchisees and promote economic prosperity and growth. I respectfully request a "Favorable Report" on SB 415.