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House Bill 494

Sponsor Testimony

Government Accountability and Oversight Committee

February 20, 2018

Chairman Blessing, Vice-Chair Reineke, Ranking Member Clyde, and Members of the Government Accountability and Oversight Committee, thank you for allowing me to provide sponsor testimony on HB 494. This bill would clarify status of franchisees for social insurance programs.

Franchising directly contributes $674.3 billion in economic output, accounting for approximately 2.5% of private sector U.S. GDP. This is a job-creating mechanism that not only offers opportunities to entrepreneurs but also supports more than 7.6 million direct jobs across the nation.

HB 494 seeks to specify that a franchisor is not the employer of a franchisee or employee of a franchisee for purposes of the Minimum Fair Wage Standards Law, the Bimonthly Pay Law, the Workers' Compensation Law, the Unemployment Compensation Law, and the Income Tax Law. Franchising is a mutually beneficial contractual agreement between two parties, but not one which creates an employee/employer or joint employment relationship between those two parties. 18 states have already passed legislation that addresses this joint employer issue. The legislation effectively codifies the traditional joint employer standard of 'direct and immediate control' for state law purposes and protects businesses in those states from certain joint employment claims. HB 494 does nothing to impact existing worker rights and in no

way limits potential redress of any employment claims an employee may have. The legislation simply makes clear a franchisee is the owner of the business and the ultimate employer of any individuals who work in that business.

Thank you for the opportunity to testify in support of House Bill 494. I would be happy to answer any questions.