



Testimony on HB 494
House Government Accountability & Oversight Committee
March 13, 2018

Chairman Blessing, and members of the committee, my name is Jeff Hanscom and on behalf of the International Franchise Association (IFA), I want to express our strong support for HB 494 introduced by Rep. Antani. This franchise clarification legislation will go a long way in securing Ohio's friendly business climate to franchising, which acts as a vital part of the Ohio economy as well as the country's economy.

Celebrating 55 years of excellence, education and advocacy, the International Franchise Association is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations and educational programs to protect, enhance and promote franchising and the more than 733,000 franchise establishments that support nearly 7.6 million direct jobs, \$674 billion of economic output for the U.S. economy and approximately 5 percent of the country's Gross Domestic Product.

Right here in Ohio, franchising accounts for over 318,000 jobs across more than 27,000 franchise establishments contributing over \$25 billion in economic activity each year. IFA members include franchise companies in over 300 different business format categories, individual franchisees and companies that support the industry in marketing, law, technology, and business development.

What is franchising?

At its core, franchising is a local small business with the backing of a national name. The franchise establishments throughout Ohio are owned and operated by small business people contributing jobs, tax revenue and a positive consumer experience to Ohio residents. While the names are national, and at times international brands, franchising remains a local small business, with the franchisor/franchisee relationship as its foundation.

Why HB 494 is necessary

We are seeking to clarify Ohio law to ensure the franchise industry not only has business certainty in the future, but to protect Ohio small businesses from overreaching and unelected bureaucrats in Washington, DC who are seeking to upend the franchise industry. While the administration has changed, bureaucratic overreach begun earlier still has the very real potential of reaching small businesses here in Ohio.



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This law is needed due to the National Labor Relations Board (NLRB) decision in *Browning-Ferris* that while on its face appears unrelated to franchising, actually has the potential to affect the legal relationship between franchisors and franchisees. While there had been a recent move by the NLRB to reverse this decision, it was then subsequently and abruptly overturned again thus returning to the Obama era definition. In order to avoid this ping-ponging, legislative certainty is needed to ensure there is not a constantly moving target. HB 494 simply codifies the long accepted status quo of franchisors and franchisees not being joint employers and will allow franchising to continue thriving in Ohio. The NLRB decision disrupted decades of established law in determining who is and is not a 'joint employer' and created uncertainty for the franchisee small business owners of Ohio and beyond. While HB 494 cannot overturn a NLRB decision, it does make clear what the law is in Ohio and sends a message that Ohio is open for business.

We believe this clarification is necessary for franchise businesses operating now in Ohio, or for those that want to come to the state, so these small businesses have certainly moving forward and know Ohio will stand up for them. We also think various state agencies will benefit by more clear direction from the legislature regarding how to oversee the franchise industry. **Eighteen other states across the country have examined this issue and enacted legislation similar to HB 494.**

Franchising is a vital driver of jobs and economic activity in Ohio and across the United States, contributing to a vibrant array of consumer choices.

Everyday Ohio residents take advantage of the franchise industry, whether through their patronage at one of the more than 27,000 establishments in the state or by going to work and supporting their family. In order to cement the continued growth and expansion of the industry in Ohio, it is vital local business people as well as franchisors have the confidence their relationships are and will continue to be properly classified, which this bill will accomplish.

On behalf of IFA, and the franchise business operation in Ohio, we ask that you pass HB 494.

Thank you for your time and I will be happy to answer any questions the Committee may have.