

Chairman Walberg, Ranking Member Scott, and distinguished members of the Committee:

Thank you for the opportunity to testify today. I am here to highlight an issue of significant importance to small business owners, workers, and local economies across the United States: the need for a clear, permanent joint employer standard for franchise businesses.

Franchising is a major facilitator of economic growth in the US. In 2024 alone, franchises generated approximately \$896 billion in economic output and employed about 8.8 million workers. More than 831,000 independently owned small businesses operate under franchise agreements across the country.

The franchise business model has long served as a powerful engine of economic opportunity for Americans from all backgrounds. According to Oxford Economics, “Black-owned franchises earn 2.2 times more than Black-owned independent businesses; Hispanic-owned franchises earn 1.6 times more than Hispanic-owned independent businesses; and Asian-owned franchises earn 1.4 times more than Asian-owned independent businesses.”

My nearly 30 years as a McDonald’s franchisee — including eight years as Chair of Franchise Relations on the National Leadership Team — showed me that franchising is one of the clearest expressions of the American Dream. I’ve seen firsthand how essential clear labor standards and transparency are to ensure this business model continues to thrive.

The franchise model is built on a simple but powerful idea: allowing entrepreneurs to go into business for themselves, but not by themselves. Local franchise owners invest their own capital, hire their own employees, manage payroll and oversee every aspect of daily operations. Meanwhile, franchisors provide branding, operational

expertise, and support necessary for consistency and consumer trust. This partnership has created generations of successful small business owners.

But this business model — and the opportunities it creates — is increasingly threatened by regulatory uncertainty around the federal joint employer standard.

The joint employer standard determines when two entities share legal responsibility for labor law violations based on the degree of control one exercises over another's employees. For decades, this standard was straightforward: two employers were jointly liable only if one exercised substantial, direct, and immediate control over essential terms of employment.

This changed dramatically in 2015, when the National Labor Relations Board (NLRB) broadened the definition. The new standard swept franchisors and franchisees into unnecessary joint liability, despite franchisees independently hiring and managing their workers.

The consequences were real and significant. The 2015 standard cost franchise businesses over \$33 billion annually, eliminated 376,000 job opportunities, and drastically increased lawsuits against local businesses.

Since 2015, the definition has shifted four separate times, creating severe legal and operational uncertainty for thousands of small business owners. In 2024, a federal court struck down the NLRB's most recent expansive joint employer rule — but litigation continues.

This instability erodes trust in regulators, discourages investment, and stifles growth across the franchise sector.

To provide clarity and stability for millions of workers and business owners, Congress should adopt the bipartisan, bicameral American

Franchise Act. With more than 40 cosponsors and strong support from members on both sides of the aisle — including on this very committee — the bill reflects a broad, balanced commitment to strengthening the franchise sector.

This legislation makes targeted, modest amendments to the Fair Labor Standards Act and the National Labor Relations Act to codify a clear standard:

A franchisor may be considered a joint employer of a franchisee's employees only if the franchisor possesses and exercises substantial, direct, and immediate control over one or more essential terms or conditions of employment.

This standard is consistent with decades of precedent and current NLRB policy.

The bill does not grant immunity to franchisors. Instead, it ensures:

Actions like setting brand standards, protecting trademarks and intellectual property, or providing training materials cannot be misconstrued as direct control over a franchisee's workforce.

The legislation applies only to franchisors and franchisees under the NLRA and FLSA — not to independent contractors or other liability doctrines such as misclassification or agency.

In short, the American Franchise Act restores balance, preserves the independence of local business owners, empowers Americans from all backgrounds, and protects a business model that contributes nearly a trillion dollars to the U.S. economy. Franchising offers a unique entrepreneurial opportunity to minorities, veterans, and all aspiring entrepreneurs, with nearly a 26-percent minority ownership rate and 14-percent veteran ownership rate; Also, no other sector has done

more to foster broad-based economic stability and lift Americans out of poverty, including myself.

Franchise owners are folks who take risks, invest their savings, and create jobs in their communities. They deserve a stable regulatory framework that allows them to grow with confidence. Passing the American Franchise Act will provide the clarity and fairness they need to thrive.

Thank you for the opportunity to testify today, and I yield back.