

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 730 (Delegate Korman)
 Economic Matters

**Business Regulation - Maryland Franchise Registration and Disclosure Law -
 Alterations (Franchise Reform Act)**

This bill alters the time periods within which specified legal actions may be taken by the Securities Commissioner in the Office of the Attorney General (OAG) or by a franchisee under the Maryland Franchise Registration and Disclosure Law. Among other provisions, the bill also (1) specifies rights of association for franchisees and (2) requires the Securities Commissioner to establish a pilot program to expedite the review of franchise registration renewal applications, as specified, and by September 30, 2031, submit a report with certain information to the Senate Finance Committee and the House Economic Matters Committee. **The bill’s provisions related to the pilot program terminate September 30, 2032.**

Fiscal Summary

State Effect: Special fund expenditures increase by approximately \$305,500 in FY 2027 for staff; future years reflect annualization and inflation. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	305,500	362,400	379,100	396,100	413,400
Net Effect	(\$305,500)	(\$362,400)	(\$379,100)	(\$396,100)	(\$413,400)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: This bill does not materially affect local government operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law:

Maryland Franchise Registration and Disclosure Law – Generally

The Maryland Franchise Registration and Disclosure Law (Title 14, Subtitle 2 of the Business Regulation Article) governs an offer to sell or the sale of a franchise if (1) the franchisee must pay a franchise fee of more than \$100 and (2) the offeree or franchisee is a resident of the State; the franchised business will be or is operated in the State; the offer to sell is made in the State; or the offer to buy is accepted in the State. A franchise means an expressed or implied, oral or written agreement in which (1) a purchaser is granted the right to engage in the business of offering, selling, or distributing goods or services under a marketing plan or system prescribed in substantial part by the franchisor; (2) the operation of the business under the marketing plan or system is associated substantially with the trademark, service mark, trade name, logotype, advertising, or other commercial symbol that designates the franchisor or its affiliate; and (3) the purchaser must pay, directly or indirectly, a franchise fee. The Maryland Franchise Law is enforced by the OAG Securities Commissioner.

Enforcement Remedies

Under current law, whenever the commissioner finds that a person has violated or is about to violate the applicable statute or a regulation adopted or order passed under it, the commissioner may (1) order the person to cease and desist from the further offer to sell or sale of the franchise or (2) sue in circuit court to enjoin the violation or enforce the statute or the regulation or order. Statute includes additional specifications regarding the court procedures. Under current law, the commissioner may not exercise these powers more than *three* years after the violation occurs. The bill extends this time period to *five* years.

Civil Liability

Under current law, a person who sells or grants a franchise is civilly liable to the person who buys or is granted a franchise if the person who sells or grants a franchise offers to sell or sells a franchise, as further specified. The person who buys or is granted a franchise may sue to recover damages sustained by the grant of the franchise. Under current law, an action must be brought within *three* years after the grant of the franchise. The bill extends the applicable time period to the earlier of (1) *five* years after the grant of the franchise *or* (2) the later of *three* years after the grant of the franchise *or two* years after the date of the initial commencement or operations of the franchise.

The bill limits applicability of the provisions related to civil liability to only apply to (1) a franchisee or franchisor who is a resident of the State or (2) a franchised business that operates or will be operated in the State.

Franchisee's Right of Free Association

The bill specifies that a franchisor may not, directly or indirectly, through any officer, agent or employee (1) restrict or inhibit the right of a franchisee to join a trade association consisting of other franchisees of the same franchise or (2) prohibit the right of free association among franchisees for any lawful purpose. A violator may be sued in circuit court for temporary or permanent injunctive relief; damages, if any; and costs of the suit, including reasonable attorney's fees. The injunctive relief may be sought from the circuit court in the county where the individual who is alleged to be in violation resides or where the franchise affected by the violation conducts business. The plaintiff may not be required to allege or prove actual damages suffered to obtain injunctive relief. An action must be brought within the earlier of (1) two years after the alleged violation occurred or (2) one year after the discovery by the plaintiff of the facts of the alleged violation.

Seasoned Franchisor Exemption – Net Equity Amounts

Under current law, a person must generally register the offer of a franchise with the commissioner before the person offers to sell – through advertisement or otherwise – or sells the franchise in the State. However, there are numerous exemptions, including that registration requirements do not apply to any other transaction the Securities Commissioner exempts by regulation because (1) the transaction is not within the purpose of the Maryland Franchise Law and (2) the registration of the transaction is not necessary or appropriate in the public interest or for the protection of investors. Regulations also contain several transactions exempt from the registration requirement, including a transaction involving the offer or sale of a franchise when the franchisor:

- has a net equity of at least (1) \$10.0 million (on a consolidated basis) *or* (2) \$1.0 million and is at least 80% owned by a corporation or entity that has a net equity of at least \$10.0 million, as specified; and
- has had at least 25 franchisees conducting the same franchised business at all times during the five-year period immediately preceding the offer or sale.

The bill requires that the franchisor net equity amounts for the exemption set forth above account for inflation or deflation based on the Consumer Price Index for all urban consumers by the U.S. Department of Labor.

Maryland Franchise Disclosure Document Renewal Fast-Track Review Pilot Program

Franchise Renewal Registration: Generally, under current law, a registration expires on the first anniversary of its effective date, unless registration of an offer of a franchise is renewed for a one-year term. The Securities Commissioner by regulation or order may set a different term of registration. Before the registration expires, the registrant periodically may renew it for an additional one-year term, if the registrant (1) at least 15 business days before the expiration of registration files with the Securities Commissioner a renewal application and a prospectus; (2) otherwise is entitled to be registered; and (3) pays a renewal fee of \$250. The Securities Commissioner by order may allow a registrant to submit a renewal application after the fifteenth business day before expiration of the registration. Unless a stop order or other order is in effect, renewal of the registration of the offer of a franchise automatically takes effect at noon on the day when the previous registration is due to expire, or an earlier time set by the Securities Commissioner.

Maryland Franchise Disclosure Document Renewal Fast-Track Review Pilot Program

The bill requires the Securities Commissioner to establish and administer a pilot program to expedite the review of the franchise registration renewal application filed in accordance with statute. The Securities Commissioner must (1) establish a standard for the review and approval of incomplete franchise disclosure documents and (2) adopt regulations to carry out the pilot program, including regulations establishing requirements and procedures for the submission and approval of franchise disclosure documents. By September 30, 2031, the commissioner must submit to the Senate Finance Committee and the House Economic Matters Committee, and post on the website of OAG, a report that includes:

- the number of franchise disclosure documents submitted by franchisors under the pilot program;
- the amount of time required to administer the program;
- an analysis of any impact on the franchise disclosure documents submitted outside the program, including the amount of time required for the analysis of franchise disclosure documents that were rejected;
- a description of programs in other states that address exemptions for certain franchisors, including the standards used by the appropriate authority to make determinations;
- an analysis of whether the program effects consumer protection; and
- information regarding the efficiency of the review of franchise disclosure documents, including specified information.

Legislative Policy and Intent of the Maryland Franchise Registration and Disclosure Law

Finally, the bill expresses additional findings of the General Assembly, including that franchising has played a role in the State’s economy by enabling residents to open and operate businesses in the State under established systems and brands. The bill also alters the expressed intent of the Maryland Franchise Registration and Disclosure Law, including by adding the goal of promoting honesty, transparency, accountability, and fair dealing in the offer and sale of franchises.

State Expenditures: Based on the substantial increase in franchise renewal registration applications in recent years, most of which are filed from March through May, the Securities Commissioner determined that a pilot program would be beneficial to franchisors, existing and potential franchisees, and the OAG Securities Division. Accordingly, a pilot program was established within OAG to expedite the review of franchise registration renewal applications during fiscal 2026 to potentially serve as a model for future years. For context, the commissioner reports that the number of renewal filings received during March through May 2025 was nearly equal to the total number of filings received in all of 2015; in 2024, 65% of franchise applications were received during March through May. OAG indicates that 916 franchise registration renewals were processed in fiscal 2025.

OAG anticipates that existing resources can handle the administrative requirements of reviewing and approving documents under the pilot program created under the bill. However, the bill’s provisions specifying the rights of association of a franchisee, extending the period of time during which the Securities Commissioner may exercise its enforcement powers, and the information tracking necessary for the reporting requirements for the pilot program require additional staff. This analysis assumes, therefore, that one assistant Attorney General, one administrator, and one examiner are needed.

Accordingly, special fund expenditures increase by at least \$305,518 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$278,096
Operating Expenses	<u>27,422</u>
Minimum FY 2027 State Expenditures	\$305,518

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. The termination of the pilot program is beyond the five-year period covered by this fiscal and policy note.

In addition to the costs reflected above, OAG likely incurs additional expenditures to develop a tracking system to better facilitate the reporting requirements (either by the addition of a computer network specialist or contractual information technology costs). These expenditures have not been accounted for in this analysis.

Small Business Effect: Franchisees that are small businesses may meaningfully benefit from the bill's requirements related to (1) a longer period of time to bring a civil action for damages against a franchisor and (2) the pilot program expediting the review of the franchise registration renewal application.

Additional Comments: The October 2025 [guidelines](#) for the fiscal 2026 pilot program referenced above specify eligibility criteria and filing instructions.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 992 of 2025.

Designated Cross File: SB 415 (Senator Beidle) - Finance.

Information Source(s): Office of the Attorney General (Securities Division); Judiciary (Administrative Office of the Courts); Department of Legislative Services

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jg/jkb

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