



March 31, 2023

The Honorable Matthew Shepherd  
Speaker, Arkansas House of Representatives

Opposition: HB 1783

Dear Speaker Shepherd and Members of the Arkansas State Legislature:

We are writing in opposition to HB 1783. This legislation has far-reaching and harmful ramifications for franchisors, franchisees, and the contributions of these small and large businesses on the Arkansas economy. **HB 1783 is a way to use the legislature to resolve a dispute between parties to private contracts in favor of one side.** HB 1783 represents government overreach in its most obvious form, by inserting the state into commercial contracts freely entered by two private parties. **If enacted, the proposed legislation would significantly alter the franchise relationship and institute the most extreme franchise regulation of any state, placing it far beyond the onerous regulatory regimes of California and New York.**

Franchising is a growth industry in Arkansas with more than 7,900 existing franchise establishments providing more than 85,000 jobs and contributing \$8.1 billion to the state's GDP. If HB 1783 is enacted, it will impede continued growth of the Arkansas franchising sector forecasted to add 115 businesses, more than 2,100 jobs and additional \$400 million in economic output during 2023 alone.

The true impact of HB 1783 would be reduced economic opportunity for Arkansas entrepreneurs.

**If enacted, the modified provisions of HB 1783 would:**

- **Harm Arkansans.** If HB 1783 takes effect, it would protect substandard operators at the expense of those who meet their contractual safety, quality, and operational standards and obligations. This bill would also require a rebalancing of risk to brands that franchise in Arkansas, putting more costs on to franchisees. To mitigate that risk, current and future franchisees in Arkansas would have to expect higher fees and a fundamental change in the returns that they collect and presently enjoy. This would *make Arkansas the least competitive state* to be a franchisee, or a franchisor and make it the most aggressive state in altering the pre-existing private contractual relationships of business entities.
- **Diminish Arkansas economic development.** HB 1783 would deny Arkansans a proven onramp to economic opportunity, small business ownership, and the potential for wealth creation as franchisors reconsider expansion in the state. Additionally, HB 1783 could make Arkansas more adverse to business than [California where companies are leaving](#) primarily due to regulations. The legislation further provides for the Arkansas Franchise Practices Act to apply not only to franchised businesses located in Arkansas but also franchised businesses that conduct business within Arkansas.

- **Significantly alter the franchise business model.** Between its weakening of brand standards and the chilling effect of new regulations, HB 1783 both harms existing small business owners and hinders prospective small business owners from starting new businesses. Franchisors will be less likely to develop new franchise locations in Arkansas due to the significant risk associated with a regulatory environment under HB 1783 and may decide to exit the state entirely. Non-franchise companies considering franchising as a method of expansion have already indicated similar proposals in other states (all of which have been rejected) would have precluded expansion as a viable option, further depriving potential business owners from an opportunity to start a business and employ Arkansas residents.
- **Pointedly deter future small business ownership through franchising.** Worse still, HB 1783 will make it extremely difficult for future prospective franchisees to enter franchised business, putting diverse entrepreneurs at explicit risk from being able to access one of the most powerful engines for wealth creation and economic opportunity. Simply put, if one of the millions of Americans sought to enter the franchise sector in the state, franchised businesses would be less available to you in Arkansas than in any other state.

HB 1783 is bad for Arkansas and bad for business. No other state provides for such broad transfer rights without franchisor review and consent. If enacted, HB 1783 would apply not only to franchises granted, renewed, or transferred after the effective date **but would also apply retroactively to franchises existing on the date the law becomes effective.** HB 1783 would further complicate and undermine the existing, strong regulatory system governing franchising with ambiguous, subjective language and unreasonable new regulations – all in an attempt to solve a problem that does not exist.

The franchise industry gives local entrepreneurs the means to build and grow a business within an established, successful franchise system. Legislators should be focused on policies encouraging job creation and economic growth, not ones that stifle growth and give franchise companies additional concern about expanding in Arkansas. Franchise agreements are private contracts that should be upheld. This legislation will only hurt Arkansas’s economy and franchising in the state.

Thank you for considering our comments and opposition related to this proposed legislation and our concerns about its impacts on our industry, our small business owner members, and the opportunities for future growth in Arkansas. HB 1783 is being promoted by a single individual who is in a dispute with their brand. We do not believe the legislature is the appropriate venue for this kind of dispute resolution and could lead to unreasonable new regulations to solve a problem that does not exist while harming Arkansas’ competitive advantage to growing its economy.

Respectfully,

Aire Serv  
 Allegra  
 Alliance Franchise Brands LLC  
 American Speedy Printing Centers  
 Anytime Fitness  
 Archadeck Outdoor Living  
 Auntie Anne’s  
 Basecamp Fitness  
 Baskin-Robbins

Big Frog Franchise Group  
 BrightStar Care  
 Buffalo Wild Wings  
 California Closets  
 CertaPro Painters  
 Chick-fil-A  
 Choice Hotels  
 Church's Chicken  
 Cinnabon

City Wide Franchise Company  
Class 101  
Code Ninjas  
College Hunks Hauling Junk & Moving  
Conserva Irrigation  
Donatos Pizzeria LLC  
Dryer Vent Wizard  
Dunkin'  
East Coast Wings + Grill  
Empower Brands  
Express Employment Professionals  
FASTSIGNS  
Fish Window Cleaning  
Five Star Painting  
Floor Coverings International  
Franchise Services, Inc.  
Freddy's  
FRSTeam  
Glass Doctor  
Goodcents  
Great Clips  
GYMGUYZ  
Healthy Contributions  
Hilton  
HomeTask Service Brands  
HouseMaster  
IHG Hotels & Resorts  
iKids U Franchise, LLC  
Image360  
Insty-Prints  
Intelligent Office  
InXpress LLC  
JanPro Franchise Development  
Jimmy John's  
Junk King  
KKP  
Lawn Pride  
Marriott International  
McAlister's Deli  
McDonald's  
Moe's Southwest Grill  
Molly Maid  
Mosquito Joe  
Mr. Appliance  
Mr. Electric  
Mr. Handyman  
Mr. Rooter Plumbing  
My Backyard Sports

MY SALON Suite  
Neighborly  
Outdoor Lighting Perspectives  
Paul Davis  
Pillar To Post, Inc.  
Portland Glass  
Postal Instant Press, Inc.  
Precision Door Service  
Premier Martial Arts  
Propelled Brands  
PuroClean  
Rainbow Restoration  
Real Property Management  
RSVP  
RW Venture Holdings, Inc.  
Schlotzsky's  
Season 2 Franchising  
Self Esteem Brands  
Servpro Industries, LLC  
ShelfGenie  
Signal Graphics, Inc.  
Signs By Tomorrow  
Signs Now  
Sir Speedy, Inc.  
Slim Chickens  
Snapology  
Sola Salons  
Sonic Drive-In  
Sport Clips  
Streamline Brands  
Superior Fence & Rail  
TeamLogic, Inc.  
The Bar Method  
The Grounds Guys  
The Joint Corp.  
The Little Gym  
The Wendy's Company  
TLS  
Trash Butler  
Tropical Smoothie Café  
Urban Air Adventure Park  
Waxing the City  
Wild Birds Unlimited  
Window Genie  
Woodhouse Spa  
Wyndham  
XP League  
Yum! Brands