Issue Briefs

Everything you need to know to be prepared for an effective congressional visit.
If you are reading this, you are well aware of the immensely positive impact that franchising has for millions of Americans every day. Whether you are the CEO of a major franchise brand, or if you are just getting off your feet as a new franchisee, there are no shortage of success stories when talking about the franchise business model. Like many of you at the 2016 Franchise Action Network Annual Meeting, I was fortunate to find franchising and build on my determination to succeed and the American Dream of owning a business.

Time and again, I have voiced my belief that franchising is the greatest job training program that America has to offer. Where else can an entry level employee learn the foundation of a successful business with the opportunity for career advancement that might culminate in that employee choosing to buy such a business someday? We have a fantastic story to tell, and one of my chief priorities as Chair of the International Franchise Association is to communicate that message effectively to Capitol Hill and beyond. To achieve that objective, the IFA recently launched the @OurFranchise campaign to tell the stories of people like you – the local franchise owners, their employees, and the impact that you have on your local communities.

For many Americans, it is too easy to forget that behind many of the brand names they have come to enjoy and trust, there is a small business owner fighting to succeed. They might not realize that you sponsor baseball teams, host local fundraisers or provide services for charity events in your community. And we are going to change that. Starting in Denver, Colorado, @OurFranchise kicked off a multi-city tour that included Chicago, Ill. and Richmond, Va., and that is just the beginning. With each stop, we found franchise small business owners eager to share their experience in franchising with fellow business owners, elected officials, and local media, revealing to the audience just how deeply ingrained franchising is in these communities.

@OurFranchise is the microphone to carry your unique message of success in franchising. This week, as we gather in Washington, D.C. at the FAN Annual Meeting, we all have an opportunity to communicate the benefits of franchising and its impact on the diverse communities of America. As franchise small business owners, we have an enormous amount to be proud of as well as a responsibility to keep providing opportunity in neighborhoods around the nation. It is your story to tell, and I am certain it is an inspiring one.

Aziz Hashim
Managing Partner
NRD Capital, LLC
IFA Chairman
On behalf of the International Franchise Association and the incredible business model we represent, welcome to the 2016 Franchise Action Network (FAN) Annual Meeting. Thank you for joining us, as well as your peers, who together make up some of the most powerful and successful names in franchising. The IFA remains committed to protecting, promoting, and enhancing franchising, but we could never achieve success without the tireless efforts of our greatest advocates – the franchise business operators like you – willing to stand up for the business model and your dreams.

In 2016, franchising continues to exceed expectations and spark economic growth around the country. While this success is evident and everywhere, it is not to say that franchising has not faced any challenges. For those of you who were here last year, you are well aware of the National Labor Relations Board’s (NLRB) threat to franchising with the new “joint employer” standard, which seeks to hold franchisors and franchisees jointly liable for employees. Organized labor groups have advocated for the rule and see this as an opportunity to increase their membership numbers, at the expense of attacking one of America’s most successful business models. Last year, we nearly succeeded in passing language in a congressional spending package that would have blocked implementation of the joint employer rule. The IFA Government Relations Team also has been hard at work fighting the U.S. Department of Labor’s (DOL) new overtime rule, which would more than double the salary threshold for exempt workers. For anyone running a business, you know that potentially doubling an employee’s salary will have drastic consequences on the bottom line, forcing business owners to readjust their labor costs.

No matter the issue, we are fortunate to have dedicated advocates with the best stories to tell – that of achieving the American Dream and generating opportunity. This year, FANs across the country have been successful in hosting roundtable events with elected officials, testifying before Congress, and most recently, spreading the positive message of franchising through the @OurFranchise campaign. Without our most pivotal proponents leading the charge in advocacy, we would be doomed against activists and special interests with large bank rolls and the luxury of only having to focus on disrupting the flow of business, rather than running one.

This week, we have a unique opportunity to effect change for the franchise community. As you meet with legislators on Capitol Hill, go in with the confidence that your business has a vital impact on your community and that Members of Congress understand how important opportunity and job growth are in their districts. The chance to speak with a Member of Congress or their staff is a unique opportunity to convey the concerns we have about legislation affecting franchising, as well as to advocate for the success of the business model.

Franchising is the story of American ingenuity, dedication, and tireless work. This week, I ask that you tell your story passionately in a way that only a small business owner could. If you don’t tell this story, no one else can do it for you.

Thank you once again for joining us at the 2016 FAN Annual Meeting!

Sincerely,

Robert Cresanti, CFE
President & CEO
International Franchise Association
IFA’s Government Relations & Public Policy Team

Matthew Haller  
Senior Vice President  
Public Affairs  
mhaller@franchise.org  
202-662-0770

Erica Farage  
Senior Director, Political Affairs  
& Grassroots Advocacy  
efarage@franchise.org  
202-662-0760

Dean Heyl  
Vice President, Government Relations, Public Policy & Tax Counsel  
dheyl@franchise.org  
202-662-0792

Kevin Serafino  
Senior Manager  
Government Relations & Public Policy  
kserafino@franchise.org  
202-662-0783

Elizabeth Taylor  
Vice President, Federal Government Relations & General Counsel  
etaylor@franchise.org  
202-662-0797

Jake Baranik  
Manager  
Government Relations & Public Policy  
jbaranik@franchise.org  
202-662-0170

Michael Layman  
Vice President  
Regulatory Affairs  
mlayman@franchise.org  
202-662-4177

Ryan Kennedy  
Senior Vice President  
Public Affairs  
rkennedy@franchise.org  
202-662-4172

Jeff Hanscom  
Director, State Government Relations & Public Policy  
jhanscom@franchise.org  
202-662-4179

Shelby Shaw  
Coordinator  
Government Relations & Public Policy  
sshaw@franchise.org  
202-774-2069
In its continuing effort to promote and protect the franchise business model, the IFA has launched a bipartisan Congressional Franchise Caucus. Congressional caucuses are formed by members of the U.S. House of Representatives to educate the public, thought leaders, and other members of Congress on various issues. In addition, the caucus members serve as advocates on those issues and emphasize their importance to the public and their colleagues.

The purpose of the Congressional Franchise Caucus is to highlight the importance of franchise businesses and the economic benefits they provide to their communities and the country. The caucus will work in conjunction with the @OurFranchise initiative, which is giving IFA members the opportunity to tell their stories and discuss how their franchise small business has impacted their community.

The caucus members will promote all the positive impacts of franchising to the U.S. economy. For example, in 2016, the output of franchise establishments in nominal dollars is expected to increase by $52 billion in the United States. And, the number of franchising establishments is expected to increase by 1.7% (an increase of 13,359 units), which in return would increase the number of direct jobs in these franchise establishments by 3.1% (an increase of 278,000 jobs).

The caucus will illuminate that, behind many familiar logos and trusted brands are entrepreneurial small business owners who create economic opportunities and give back to their communities every day. The IFA will work in conjunction with the Congressional Franchise Caucus to organize events both in Washington, D.C. and in members’ home districts to highlight the successes of franchisors and franchisees. Through programs and meetings in their districts, members of the caucus will provide a forum for their constituents who are interested in buying a franchise, working at a franchise, or expanding and transforming their existing small business using the franchise business model to learn about and pursue those opportunities.
These member-sponsored franchise events will highlight career prospects for women, veterans, and minorities at franchise businesses.

The caucus programs also will give franchisees, franchisors, and their employees the opportunity to meet their representatives, and it will give members of Congress the chance to hear from their constituents about the issues affecting their businesses and communities. Caucus events will assist caucus members in the development of new relationships with small business owners in their community.

Small businesses are the backbone of the U.S. economy and often are the most impacted by unintended consequences of government action. By joining the caucus, members of Congress can learn about and respond to the legislative and regulatory issues affecting franchise businesses. They will become the champions of franchise small businesses.

THE ASK TO MEMBERS OF CONGRESS:

“Will you join the Congressional Franchise Caucus?”
Joint Employer Standard

**BACKGROUND:**

In August of 2015, the National Labor Relations Board (NLRB), the independent government agency charged with enforcing labor laws under the National Labor Relations Act, upended decades of precedent when it found waste management company Browning-Ferris Industries to be a “joint employer” with a staffing agency for union organizing purposes. While this case was not franchise-specific, the NLRB’s ruling changed the criteria for finding two companies jointly liable for employees by adopting a broad joint employer standard based on “indirect” or “potential control” of employees as opposed to the previous standard of “direct and immediate control” over the terms and conditions of employment.

**How does this affect franchising?**

As a result of the new standard, franchisors could now be held liable for a franchisees’ employees, completely upending the proven franchise business model. This change could result in franchisors exerting extensive control at franchise locations to prevent legal liability concerns or distancing themselves from franchisees in order to avoid any claims of joint employment by the NLRB, labor unions or trial lawyers. In doing so, the necessary maintenance of brand standards and cooperation between franchisors and franchisees will be imperiled. The new joint employer standard is a direct threat to the very existence of the franchise model.

**Top Talkers**

- An unelected group of regulators, the NLRB, is overturning years of established labor law that will fundamentally alter the franchise business model and negatively affect the millions of American lives it touches every day.
- The NLRB’s new nebulous “joint employer” standard creates endless uncertainty for business owners as they try to navigate the new “indirect and potential control” guidelines for determining employee liability.
• Fearing prosecution and government penalties, many franchise businesses will be discouraged from expanding their businesses and creating jobs.

• Congress must take this opportunity to stand up for America’s franchise small business owners and enact legislation that stops the NLRB’s new standard and returns to the previous standard of “direct and immediate control.”

• The IFA, as a member of the Coalition to Save Local Businesses, supports the Protecting Local Business Opportunity Act (H.R. 3459, sponsored by Rep. John Kline (R-MN-02) and S. 2686, sponsored Sen. Lamar Alexander (R-TN)), which would block any attempt by the NLRB to hold a franchisor jointly liable with a franchisee. IFA also supports using the appropriations process to halt the new joint employer standard.
Overtime Rule

BACKGROUND:

The U.S. Department of Labor more than doubled the salary threshold for overtime-exempt employees in May 2016 by increasing it from $23,660 to $47,476. In effect, anyone who earns a salary under the threshold is now owed mandatory overtime pay once they have worked more than 40 hours in any given week. The rule, which takes effect on December 1, 2016, also includes unpredictable, automatic increases to the salary threshold, which are tied to the 40th percentile earnings rate of the Economic Census’ poorest region – the Southeast region of United States.

How does this affect franchising?

Doubling the salary threshold for exempt employees undeniably affects the bottom line of franchise small business owners who operate on tight margins and have significant labor costs. By increasing labor costs in such a dramatic fashion, business owners will be forced to either demote exempt employees, who are often managers, to hourly employees with less responsibility and limit their hours, or restrict the number of hours their exempt employees work. This regulation will cause workers to lose pay, flexibility, responsibilities, and the potential for career advancement.

Top Talkers

• The drastic doubling of the salary threshold forces business owners to adapt to an unrealistic standard with little time to comply.
• Rising labor costs will force employers to lay off employees or reduce the hours of those they employ in order to make ends meet.
• Managers and supervisors will be demoted to lower level, hourly employees as a result of the salary increase – stripping them of career advancement opportunities.
• Schedule flexibility will disappear as employers fear the ramifications of violating the overtime provision
• The IFA supports legislation that would either halt or revise the timeline of implementation of the DOL’s new rule including, H.R. 4773 by Rep. Tim Walberg (R-MI-07) and H.R. 5813 by Rep. Kurt Schrader (D-OR-05).
Making The Most of Your Capitol Hill Visits

WHAT TO DO:

Here are some tried and true tips on how to maximize your impact while you’re here in D.C.—and how to continue protecting your small business once you get home!

1. Thank Your Members of Congress or Their Staff. Let them know you appreciate their time and attention.

2. Be Concise. Introduce yourself and say where you live and work. Recognize that you may have only 5 minutes of a lawmaker’s time, so be sure to make a few key points quickly!

3. Know Your Issues. Read the issue brief booklet and let Members of Congress know how these issues specifically impact your business.

4. Invite Them to Your Business. Invite Members of Congress to your business in the district to meet you and your colleagues and to learn what goes on behind the scenes.

5. Be Sure to Follow Up. Within a week, follow up with any requested information. Also, report back to IFA through the Soapbox mobile platform or advocacy@franchise.org so that we can be sure to follow up as well!
Making The Most of Your Capitol Hill Visits

WHAT NOT TO DO:

1. **Don’t Be Offended.** Due to scheduling conflicts, your Member of Congress may ask you to meet with a staff person. Members of Congress rely heavily on the opinions of their staff when making decisions, so don’t worry about it!

2. **Don’t Assume Your Lawmaker Disagrees With You.**
   Even if you disagreed with their viewpoints in the past, take this opportunity to help your lawmaker better understand franchising, and see if you can’t find an issue, like creating new jobs, that you can both agree on!

3. **Don’t Just Talk About Statistics - Talk About YOUR Story.** Help lawmakers see your top-priority issues in real terms – the impact on your day-to-day life. You have a great story to tell. Be proud of what you do for your employees, your community and your local economy.

4. **Don’t Walk Away Without “Making The Ask.”** Make sure you ask your lawmaker for something specific. Refer to IFA’s issue briefs which list “The Ask” for each of our target issues.

AND FINALLY...

Stay motivated! Advocacy is not just a one-day-a-year task: it’s a 365-day commitment. Pick up the phone, send an e-mail, rally your franchise colleagues to “make the ask” of your legislators on the key issues facing your business’ bottom line on the Hill and in the states. Join IFA’s Franchise Action Network program to stay involved! Contact IFA’s Erica Farage at efarage@franchise.org for more information.
Map of Capitol Hill

Bus Pick-Up Location to Closing Reception (Peace Circle)

Bus Drop-Off for Congressional Appointments (Garfield Circle)

Boxed Luncheons and Refreshments (Capitol Hill Club at the corner of First St & C St SE)
IFA gives a special THANK YOU to our over 12,000 Franchise Action Network advocates!

At left, Sen. Tom Cotton (R-Ark.) listens to the Arkansas delegation during a visit as part of the 2015 FAN Annual Meeting.

Board members John Draper, CEO of Viridian Group and Matthew Patinkin, co-owner of Double P Corp./Auntie Anne’s Pretzels, at the 2015 Congressional Reception.

Sen. James Lankford (R-Okla.), at right in the gray suit, listens to the Oklahoma delegation discuss the impact of joint employer legislation during 2015 Franchise Action Network meetings on Capitol Hill.

Jamie Izaks (left), president of All Points Public Relations, talks with a staff representative for Rep. Robin Kelly (D-Ill.)

IFA Vice Chair Shelly Sun, CFE, (left), CEO and co-founder of BrightStar Franchising, listens to Sen. Roy Blunt (R-Mo.) as Home Instead Senior Care’s Phyllis Hegstrom, IFA members and Blunt’s staff look on at a meeting with the legislator during the 2015 FAN Annual Meeting.

For more information on the Franchise Action Network, contact Erica Farage at (202) 662-0760 or efarage@franchise.org.
THE FRANCHISE ACTION NETWORK (FAN): WHAT IS IT? WHY DO WE NEED IT?

From discriminatory wage increases to federal regulations that would recast franchisors as employers of their franchisees' employees, the franchise industry is under unprecedented attack. That's why we formed the Franchise Action Network (FAN)—a community dedicated to protecting franchise small business.

FAN: Frequently Asked Questions

Q. What is the Franchise Action Network (FAN)? Who are the members?
A. The Franchise Action Network is a national network of franchisees, franchisors, and suppliers like you! We are dedicated to protecting the franchise business model from recent threats. Simply put: FAN is the best way for you to get engaged and protect your business. We are a coalition of the franchise industry in each state and city, all promoting a single mission statement:

Locally owned franchises are America's hidden small businesses.
Behind many familiar logos and trusted brands are small business owners seeking to increase opportunity—not just for themselves—but for their entire community. By joining together to form the Franchise Action Network, we seek to create jobs and strengthen America's economy.

Q. Why should I join the Franchise Action Network?
A. Being engaged and telling your story is the best way to protect your business. Legislators need to know about the franchise model, what you do on an everyday basis, and how that impacts your local community. We've seen a real lack of understanding as it relates to our industry over the last few years. FAN will help you tell that story and promote your business. It's time to get proactive and FAN gives you the tools to do that. The future of our industry is in your hands, it's time to step up and take action.

Q. How can I help?
A. There are a number of ways to get involved: 1) Join the Franchise Action Network! www.FranchiseActionNetwork.com 2) Follow FAN on Facebook and Twitter, @FranchiseAction, to stay in the loop about what's happening in your community and state. 3) You can send an email or letter to your legislator about issues impacting your business. 4) On the website we've provided toolkits for you to utilize in and share with your colleagues and peers. There's no limit to the ways you can help!

Q. Is there a cost associated with joining the Franchise Action Network?
A. No! All we ask for is a little bit of your time when needed. Help us help you, by educating law makers and protecting franchising against legislative threats.

Q. Where can I learn more about FAN and sign up?
A: Visit www.FranchiseActionNetwork.com to find out about the issues affecting franchises in your area and to become a member of the FAN. With your help, we can defend the franchise industry from today's threats while positioning our industry to combat tomorrow's challenges.

Take a stand for franchise small business. Join FAN today!
www.FranchiseActionNetwork.com
You run 24/7/365 — so do we.

Running a franchise can be easier with the right team.

RUN Powered by ADP® works wherever and whenever you do. Whether you are in the office or on the go with your mobile device, ADP’s employee solutions combine innovative software with human expertise to help you better manage payroll and HR administration – every day, every step of the way.

Founding Franchisee of the Year Award Sponsor. | www.adp.com/IFA2016

To learn more contact: Ryan Colas, Vice President ADP Small Business Services (973) 712-3618 or Ryan.Colas@ADP.com