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Senate Committee on Tax, Business and Transportation  
State Capitol, Room 321  
490 Old Santa Fe Trail  
Santa Fe, New Mexico 87503

March 15, 2025

**RE: Oppose SB 439 – Deceptive Franchise Practices Act**

Dear Chair Hamblen, Vice Chair Berghmans, and Members of the Committee:

My name is Matthew Kagel, director of state & local government relations for the International Franchise Association. On behalf of our nearly 1,300 member companies, franchisees, and suppliers, I am writing to express our strong opposition to SB 439. This bill introduces a series of provisions that could significantly disrupt the franchising model and hinder business growth in New Mexico.

Franchising is a growth industry in New Mexico with nearly **5,000 existing franchise establishments**, providing more than **52,500 jobs** and contributing **\$5.3 billion** to the state's GDP. If SB 439 is enacted, it will impede continued growth for the New Mexico franchising sector, forecasted to add more than 1,000 jobs in 2025.

**If enacted, SB 439 would:**

**Restrictions on Franchise Agreements**

The bill imposes numerous restrictions on franchise agreements that could undermine the ability of franchisors to maintain brand consistency and operational efficiency. For example:

- The prohibition against requiring franchisees to purchase from specific suppliers, unless for trademarked or custom goods, disregards the necessity of ensuring product quality, safety, and brand standards. Many franchise systems rely on approved vendors to maintain consistency, which benefits consumers and protects the brand's reputation.
- The restriction against contract modifications without franchisee consent could hinder necessary operational updates, creating rigidity that prevents businesses from adapting to market changes, regulatory updates, or innovations.
- The limitation on non-compete agreements to two years and undefined "reasonable" geographic areas could lead to unfair competition and undermine the value of franchising, where territorial protections are essential for business viability.
- The requirement for franchisors to justify contract non-renewals could prevent necessary business decisions, forcing franchisors to retain underperforming franchisees and potentially harming brand integrity and customer experience.

## **Operational Burdens on Franchisors**

Beyond contractual restrictions, the bill imposes operational constraints that could make New Mexico a less attractive place for franchise investment.

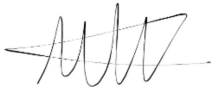
- The requirement that franchisors cannot refuse to renew a franchise agreement without a “good reason” lacks clear legal definition and invites litigation, increasing the cost and uncertainty of doing business in the state.
- Prohibiting franchisors from requiring advertising contributions without explicit terms could weaken brand marketing efforts, ultimately affecting franchisee success.
- The bill’s requirement that franchisors deliver products and supplies within a “reasonable” timeframe ignores the reality of supply chain disruptions that are often outside a franchisor’s control.

## **Impact on New Mexico’s Business Climate**

If enacted, this bill could have unintended economic consequences. By making franchise relationships more cumbersome and legally risky, New Mexico may deter new franchisors from entering the market and prompt existing brands to reconsider expansion in the state. Franchise businesses contribute significantly to job creation and local economic growth, and policies that create unnecessary regulatory burdens could drive investment elsewhere.

For the reasons stated above, we urge you to reject SB 439. Thank you for your time and consideration and I would welcome the opportunity to discuss our concerns further.

Respectfully,



Matthew W. Kagel  
Director, State & Local Government Relations  
International Franchise Association