

ASSEMBLY BILL

No. 2632

Introduced by Assembly Member Hoover

February 20, 2026

An act to add Section 20045 to the Business and Professions Code, relating to franchises.

LEGISLATIVE COUNSEL'S DIGEST

AB 2632, as introduced, Hoover. California Franchise Relations Act: fees for a stated purpose.

Existing law, the California Franchise Relations Act, sets forth certain requirements related to franchises between a franchisor, subfranchisor, and franchisee. For these purposes, the act defines a “franchise fee” as any fee or charge that a franchisee or subfranchisor is required to pay or agrees to pay for the right to enter into a business under a franchise agreement, as specified, but excludes prescribed purchases and payments from that definition. Existing law provides that the act applies to any franchise when either the franchisee is domiciled in this state, or the franchised business is or has been operated in this state.

This bill would prohibit a franchisor from using any fee collected from a franchisee for a stated purpose, as specified, for anything other than the stated purpose and would require that such fees collected be segregated from the franchisor’s funds at all times. The bill would prohibit the amount allocated to administrative expenses or overhead from exceeding 10% of the amount collected for a fee for a stated purpose unless the franchisor discloses the exact amount or percentage to be allocated to administration or overhead, as prescribed. The bill would also require a franchisor to provide franchisees with an annual

detailed accounting as to the amounts collected and their use and application for any fees for a stated purpose.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 20045 is added to the Business and
2 Professions Code, to read:

3 20045. (a) A franchisor is prohibited from using any fee
4 collected from a franchisee for a stated purpose for anything other
5 than the stated purpose. All such fees collected shall, at all times,
6 be segregated from the franchisor’s other funds.

7 (b) If any part of a stated purpose for a fee is for administrative
8 expenses or overhead of the franchisor, including related to the
9 stated purpose, the franchisor shall disclose the exact amount or
10 percentage to be allocated to administration or overhead. If no
11 exact amount or percentage is disclosed, the amount allocated to
12 administrative expenses or overhead shall not exceed 10 percent
13 of the amount collected for the fee.

14 (c) The franchisor shall provide franchisees with an annual
15 detailed accounting as to the amounts collected and their use and
16 application for any fees for a stated purpose. Franchisees shall
17 have the right to audit franchisor’s collection, use, and application
18 of such fees not more than once every fiscal year.

19 (d) For purposes of this section, a “fee for a stated purpose”
20 includes, but is not limited to, advertising funds, loyalty collections,
21 and technology fees.

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