



American Association of Franchisees & Dealers *The Center for Total Quality FranchisingSM*

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Opposing California Legislation that Harms Franchisees

The American Association of Franchisees and Dealers (AAFD) voices its opposition to Assembly Bill 1228, which mandates a minimum wage increase to \$20 per hour for employees in franchised fast-food establishments. This significant legislation is currently on a fast track to be approved by the California Senate and Assembly on Thursday, September 14 and quickly sent to Governor Gavin Newsom's desk for his signature.

In significant disregard to hearing the voices of small business franchisee owners, the negotiated settlement was made between the International Franchise Association (IFA), the National Restaurant Association (NRA), and the Service Employees International Union (SEIU). If signed, the result would be onerous to the franchisee community who would have to bear the primary brunt of this settlement, which would not only significantly increase labor costs thereby forcing franchisees to increase costs to consumers; this, in turn, also benefits franchisors with a larger royalty base.

The AAFD views this development as a prime example of behind-the-scenes political maneuvering, raising concerns about transparency and fairness.

The compromise agreement was unexpectedly disclosed on Monday, September 11th and was scheduled for a hearing the following morning. The committee's pre-analysis included a list of supporters without opposition advocates – a result due to not having prior knowledge of the amendments.

In the press release, IFA CEO Matt Haller stated that the agreement was in the “best interest of local franchise restaurant owners”, disregarding the fact he did not include franchisee representatives on the negotiating team and that if the bill becomes law, franchisors will make additional profits at the expense of their franchisees and the public.

Given these circumstances, the AAFD cannot endorse legislation crafted behind closed doors, which disproportionately affects its members and lacks transparency in its decision-making process. It also sets a dangerous precedent when minimum wage legislation targets franchised establishments and specifically quick service restaurants. AAFD is always available for open and transparent discussions on legislation impacting franchisees.

In a recent [New York Times](#) article, AAFD Director of Public Affairs and Engagement Keith Miller was quoted as saying, “The real issue is who is this impacting the most? It's the franchisees. There was a lot of back-room dealing that made this happen and no time for anyone to really voice opposition.” The process to forward this legislation fails to include the most impacted constituency in the negotiations, regardless of whether the franchisee community would ultimately oppose or support the legislation.

From a quantitative standpoint, California hosts over 81,000 franchise establishments, providing nearly 788,000 jobs with an estimated annual payroll exceeding \$28 billion. Franchising's economic contribution in the state totals \$81.5 billion, contributing significantly to the Gross Domestic Product at \$43.9 billion.

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About the AAFD: AAFD is the oldest and largest national not for profit trade association advocating the rights and interests of franchisees and independent dealer networks. The AAFD supports more than 40 independent franchisee associations and trademark specific chapters, representing thousands of franchisee operated business outlets. Since our establishment in 1992, the AAFD has focused on its mission to define, identify and promote collaborative franchise cultures that respect the legitimate interests of both franchisors and franchisees, cultures we describe as embracing our vision of *Total Quality Franchisingsm*.