



MARK GLENN

CEO/OWNER, FASTSIGNS DALLAS

**TESTIMONY BEFORE THE U.S. HOUSE COMMITTEE ON SMALL
BUSINESS SUBCOMMITTEE ON OVERSIGHT, INVESTIGATIONS, AND
REGULATIONS**

HEARING ENTITLED "SBA'S ROLE IN CLIMATE SOLUTIONS"

JULY 21, 2021

Introduction

Good morning Chairman Phillips, Ranking Member Van Duyne, and distinguished members of the Subcommittee. My name is Mark Glenn, and I'm the Chief Executive Officer and multi-unit owner of four FASTSIGNS locations in Texas. I am appearing before you today on behalf of both my company and the International Franchise Association (IFA), which is the world's oldest and largest organization representing franchising worldwide. I am honored to join you at today's hearing on "The SBA's Role in Climate Solutions".

My wife, Shawn, and I became local business owners in 2011 after having spent fifteen years working in the corporate headquarters of FASTSIGNS International, Inc. Sales tripled at our first location in Carrollton after three years, so we bought three additional FASTSIGNS centers in the Dallas area. If you are unfamiliar with FASTSIGNS, it is a sign and visual graphics company founded in 1985 and is the sign industry's leading franchise system. The system is 100% franchised by approximately 550 owners, like me. We chose the FASTSIGNS franchise model because of an entrepreneurial dream to not only own our own business, but to make our own business decisions and to create jobs to provide opportunities for others in our community.

I want to first express my utmost gratitude to this Subcommittee and the full Committee for your bipartisan efforts to provide relief for small business franchises throughout the COVID-19 pandemic. As a result of these efforts, we were recipients of the PPP loans. These loans were impactful and made a difference by saving jobs and by keeping the business running as normally as possible during some very uncertain times.

I do believe that all stakeholders, including small businesses, have a role to play in the responsible, sustainable stewardship of our planet for our future generations. However, as a small business owner still recovering from the pandemic, my main focus right now is on rebuilding our employee team and navigating policy uncertainties that may have real world, bottom line impacts on our balance sheet.

Labor Shortages

First, I'd like to share my experience with the critical labor shortage issue. It is both real and crippling. At my four locations, I generally have 28-30 staff, so with 4 open positions currently, that is roughly 10% of my workforce that is unfilled.

I strive to be an employer of choice through competitive wages and career building opportunities. These are good paying jobs in a strong industry that a career can be built upon.

We have made extraordinary efforts to recruit and hire talented candidates. Not only have we posted job openings on traditional online job platforms and on social media, but we are offering the existing staff referral incentives for quality candidates that are payable if the candidate is hired. Most recently, we also exhibited last week as an employer at a local job fair orchestrated by Ranking Member Van Duyne.

The primary challenge we as small business owners face with staffing has come from the expanded unemployment benefits which has become a small business owner's biggest hurdle to recruiting and hiring quality candidates.

This critical staffing shortage is preventing me from full recovery, but also impacting my ability to provide quality service to my customers – and we pride ourselves on the highest level of service to our clients. While Governor Abbot has rejected the additional expanded unemployment insurance, more can still be done. Tax credits, like a back to work bonus credit for employers or a temporary expansion of the Work Opportunity Tax Credit, can provide additional flexibility for me to gain a market advantage and boost wages.

Policy Uncertainty

The uncertainty regarding tax increases, but also major existential business model threats to the franchising sector, are also of utmost concern.

For those of us outside of Washington, DC, we often hear about potential tax increases associated with infrastructure spending or budget debates. I want to emphasize that increasing taxes on small businesses can take the lifeblood needed to help with this recovery. This forces us to take cash and allocate to taxes rather than increasing pay for staff or creating promotional opportunities for employees. As you know, small businesses' income appears on their personal tax return. There is a real difference between a hedge fund manager's tax return showing over \$1 million in income where zero jobs are created and a small business owner that shows a profit that is essential to take risk and create jobs.

Secondly, my business, and indeed the franchise business model, may not survive if the *Protect the Right to Organize Act* (H.R. 842) becomes law. There are two provisions in the legislation which will encourage franchise brands to exert more control, not less, over franchise owners, like myself. These provisions include changes to the definitions of independent contractor and joint employment.

As one consequence, these changes would mean hiring numerous attorneys at the franchisor level to oversee employment issues and claims over which the franchisor has no control. Ultimately, the additional costs to the franchisor would translate into additional costs to the independent owners like me, that would make the franchise business model untenable. These changes would take away the equity and independence of franchise small business owners and would put their success and livelihoods, including mine, in jeopardy.

Ironically, these changes would encourage concentration of business into one big corporation at the franchisor level. As franchise contracts come up for renewal, franchise brands will be encouraged to convert locations into corporate locations. Rather than assume the risk, they will grow using a corporate model instead.

Without a doubt, these seismic shifts in employment policy would hurt small businesses and provide less opportunities for women and People of Color, in particular. Growing a business through the corporate model does not provide ownership or wealth building opportunities. We

need policy and regulatory changes that will drive wealth creation and new ownership opportunities for the most underserved communities, not hinder it.

Relatedly, I encourage you to review the enclosed results of a multi-disciplinary study commissioned by the International Franchise Association and Oxford Economics that analyzes payroll data for franchise and non-franchise businesses. The research included a survey of over 4,000 franchise owners, which found that benefits were also roughly on par at franchisees.

The survey showed that franchisees generally value being part of a brand. 32% of respondents said they wouldn't be business owners without franchising, which translates to about 60,000 small business across the economy. That percentage was even higher for women-owned and first-time business owners. Franchisees also have materially higher sales on average than independent small businesses, including among women and People of Color.

Conclusion

Chairman Phillips and Ranking Member Van Dyne, thank you again for allowing me to share my views on today's hearing and the current economic climate. I welcome the opportunity to further discuss how we can work together to create a policy environment that provides the certainty needed for a robust recovery.

I would be happy to answer any questions you may have.