



**Franchising**  
Building local businesses,  
one **opportunity** at a time.

**Statement of Mark Rogers  
President/CEO, Roaring Fork Restaurants  
On behalf of the  
International Franchise Association**

**Before the House Committee on Small Business  
Subcommittee on Investigations, Oversight and Regulations**

**Hearing on the “The Health Care Reform Law: Its Present  
and Future Impact on Small Businesses and Job Creation”**

**March 16, 2012**

Good morning Chairman Coffman. My name is Mark Rogers, and I am grateful for the opportunity to address some of the ramifications the new health care law will have on employers and the workforce, particularly the impacts the new law will have on small businesses and job creation.

While this law includes some important insurance reforms that increase access to coverage for many people, taken as a whole, the law is biased towards mandating coverage rather than providing meaningful cost control. Over the next several years, this legislation will create increased uncertainty in our long term business planning and force employers to choose between absorbing rising premiums or paying mandated penalties. This will ultimately slow or stall the growth of small and mid-sized businesses as we struggle with the costly new requirements during a time of economic recovery.

I am a small business owner and franchise partner for Cheddar's Casual Cafe, the company my father originally co-founded in 1978, where he envisioned an inviting neighborhood restaurant offering handmade, high quality food at a reasonable price. Now, along with my father and sister I have started a pair of companies called Roaring Fork Restaurants, Inc., to expand Cheddar's franchises across the state of Colorado, and Riverside Restaurant Group, LLC which facilitates the purchase and construction of restaurant properties.

Our first Cheddar's franchise restaurant is in Aurora, and our second is in Colorado Springs. We are truly building this business from the ground up. I have worked as a cook, assistant manager, and general manager at Cheddar's to get a true feel for the operations and learn more about restaurant management. As we look to continue our franchise expansion across the state, I am particularly concerned about the health care employer mandate, which may prohibit or hamper our growth.

I am here today on behalf of the International Franchise Association (IFA). As the largest and oldest franchising trade group, the IFA's mission is to safeguard the business environment for franchising worldwide. IFA represents more than 90 franchised industries, including more than 11,000 franchisees, 1,100 franchisors and 500 supplier members nationwide. According to a study conducted for the IFA Educational Foundation, there are more than 800,000 franchised establishments in the U.S., creating 18 million American jobs and generating \$2.1 trillion in economic output each year.

According to a study prepared for the IFA by the Hudson Institute, the franchise industry will be particularly hard hit by the employer mandate provision of the new health care law. The mandate will add costs and regulatory burdens by subjecting small business owners to a penalty of \$2,000 per full-time worker for businesses with over 50 employees if they choose not to cover all employees. The law further confines workplace flexibility by defining a full-time employee as one who works at least a four day per week schedule. Additionally, small businesses will also be required to calculate on a monthly basis the variable schedules of hourly employees to determine requirements under the new law and the associated penalties, adding in burdensome compliance time and costs.

According to the Hudson Institute report, the new law will affect tens of thousands of franchise businesses like mine, putting more than 3.2 million full-time employees earning their living in franchised businesses at risk of losing their jobs and adding costs of more than \$64 billion in employer mandate penalties, not including the additional cost and time of regulatory compliance.

The report also shows that the franchise industry will be particularly hard hit because the new law will make it harder for small businesses with 50 or more employees to compete with

those that have fewer than 50 employees. The law discourages franchisees like me from expanding and owning multiple locations. Therefore, the effects of the new law are anti-small business growth, by inadvertently discouraging many franchisees from owning and operating multiple locations, creating a competitive disadvantage for franchisees who do own more than one or two locations, and barriers to entrepreneurs who are looking to capitalize on the franchise business model to grow their business and hire more workers.

The study also demonstrates that the employer mandate provides an incentive for franchisors and franchisees to replace current fulltime workers with part-time and temporary workers. This is the wrong direction for both our economy and for millions of unemployed Americans. The real irony here is that in the name of expanding health care coverage, Congress and the administration are making it more difficult for workers to enter and eventually be promoted in the workforce at a time when we need job growth.

Another piece of the Hudson Institute study focuses particularly on multi-unit franchisees, like me, that own and operate more than half of the nation's franchised establishments. When a franchisor or franchisee employs 50 or more persons at several locations, it must compete against independent establishments with fewer than 50. The study shows that if our businesses choose not to offer health insurance when it becomes mandatory in 2014, we could face more than \$3.5 billion in penalties. In particular, some sectors such as the restaurant industry, which has a large number of multi-unit franchisees like me, will be affected by penalties approaching \$2 billion.

The new law imposes yet another unnecessary layer of regulatory burden on business owners as we attempt to understand and comply with these new provisions and face the increasing cost of doing business. Because of the employer mandate it will be more difficult for

businesses to estimate the costs to expand and hire new workers for tens of thousands of business owners already struggling to also recover from the deepest recession since the Great Depression. Franchise small business owners should not be forced to choose between absorbing rising insurance premiums and paying tax penalties for non-compliance. The framework of the current law threatens the economic viability and job creation potential of franchised businesses vying to recover from the economic downturn by imposing excessive cost burdens onto the backs of small business. As one of those small business owners, I urge Congress to further review the impacts and consequences of the health care reform law as a whole and to repeal this onerous employer mandate provision.