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THIRD READING

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Bill No: SB 640  
Author: Portantino (D), et al.  
Amended: 5/18/23  
Vote: 21

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SENATE EDUCATION COMMITTEE: 4-2, 3/29/23  
AYES: Newman, Cortese, McGuire, Smallwood-Cuevas  
NOES: Ochoa Bogh, Wilk  
NO VOTE RECORDED: Glazer

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 4/19/23  
AYES: Cortese, Durazo, Laird, Smallwood-Cuevas  
NOES: Wilk

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/18/23  
AYES: Portantino, Ashby, Bradford, Wahab, Wiener  
NOES: Jones, Seyarto

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**SUBJECT:** California State University: food service contracts and hotel development projects

**SOURCE:** Author

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**DIGEST:** This bill prohibits the California State University (CSU) from entering into a food service contract or undertaking a hotel development project unless the food service employer or hotel employer is party to a labor peace agreement with a labor organization.

**ANALYSIS:**

Existing law:

- 1) Authorizes the Trustees of the CSU to enter into agreements for the performance of acts or for the furnishing of services, facilities, materials, goods, supplies, or equipment under certain conditions.

- 2) Requires the Trustees to prescribe policies and procedures for the acquisition of services, facilities, materials, goods, supplies, or equipment, subject to specified criteria.

This bill:

- 1) Requires the CSU Trustees to make it a condition precedent to entering into each food service contract and to the Trustees' participation in a hotel development project, and an ongoing material requirement of that contract or participation, that the person contracting with the Trustees and each food service employer or hotel employer be party to a labor peace agreement with any labor organization that represents or seeks to represent food service employees performing work under the food service contract or hotel employees at the hotel development project.
- 2) Defines "food service contract" to mean a contract with the Trustees or the CSU for a cafeteria or food and beverage outlet on or serving a CSU campus.
- 3) Defines "food service employer" to mean a person who employs employees performing work at a food service venue under a food service contract or subcontract of that contract.
- 4) Defines "hotel" to mean any hotel, motel, bed and breakfast inn, or other similar commercial transient lodging establishment, and shall include any contracted, leased, or sublet premises connected to or operated in conjunction with the hotel's purpose.
- 5) Defines "hotel development project" to mean a real estate development project that includes or is planned to include one or more hotels and in which the Trustees or the CSU have a proprietary interest.
- 6) Define "hotel employer" to mean any person who owns, controls, or operates a hotel in a hotel development project and who employs employees at that hotel.
- 7) Defines "labor organization" to mean any organization of any kind, or any agency or employee representation committee or plan, in which employees participate and that exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.
- 8) Defines "labor peace agreement" to mean a written agreement with a labor organization that contains, at a minimum, a provision prohibiting the labor organization and its members from engaging in any picketing, work stoppage,

- boycott, or other economic interference with the performance of a food service contract or a hotel employer's operations at a hotel development project.
- 9) Defines "person" to mean an individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, business trust, estate, trust, association, joint venture, agency, or other legal or commercial entity, whether domestic or foreign.
  - 10) Defines "proprietary interest" to mean an interest in the efficient procurement of goods and services or a financial, nonregulatory interest as a market participant, such as a landlord, contractor, investor, owner, or financier. "Proprietary interest" may include, but is not limited to, a financial interest in the form of expected lease revenues, expected debt service on a loan provided by the trustees, and underwriting or guaranteeing the development of a hotel development project or loans related to the project.
  - 11) Specifies that any food service contract or hotel development project in which the CSU or an auxiliary organization has a proprietary interest and that is performed pursuant to a contract entered into or awarded by an auxiliary organization is subject to the requirement outlined above.
  - 12) States that if a food service employer or hotel employer cannot reach agreement with a labor organization on the terms of a labor peace agreement, the requirements may be waived by the office of the Chancellor of the California State University upon a finding, supported by the substantial evidence, that the employer has made a good faith effort to reach a labor peace agreement to protect the trustees' proprietary interest, but the labor organization is not interested in negotiations, has not negotiated in good faith, or has abused the negotiation process, such that the trustees' proprietary interest would no longer be served by insisting on satisfying the requirements of this subdivision. An employer or labor organization may appeal to the trustees the chancellor office's decision on whether to grant a waiver pursuant to this paragraph.

## Comments

- 1) *Need for the bill.* According to the author, "In 2022, there were over 20 strikes across the country – with the largest higher education strike happening in California. Siting unfair labor practices, wanting better pay and benefits, and job security, University of California (UC) academic workers (many whom are graduate students themselves) made the decision to strike. Strikes bring work stoppage, and for California's higher education system, this meant canceled

classes, delayed grading, interrupted course finals season and wasted tax dollars.

“As CSU campuses continue to grow and evolve, more campus will develop campus plans with more hospitality and food service needs. Because the State of California has a proprietary interest in the activities and business of CSUs, it is essential to minimize future labor disruptions as much as possible through labor peace agreements.

“By requiring CSU and their auxiliaries to enter a labor peace agreement, the CSU, its auxiliaries, and associated labor organizations, will then have mechanisms in place to avoid disruptive actions and ensure the State and its interests can continue fulfilling its mission continuously and without interruption.”

- 2) *Food service contracts at CSU.* According to the CSU, most campuses contract their food service and hospitality programs to service management companies, whereas other campuses provide these services to students and staff “in-house”. It has become increasingly common for self-operating campuses to engage in hospitality assessments to determine whether their food service programs are efficient enough to maintain profitability, particularly as student housing needs expand. In-house providers typically employ CSU workers and students. For campuses that contract out, the three food service management companies being used are Chartwells Higher Education, Aramark, and Sodexo. In addition, CSU campuses have food and beverage tenants, such as Starbucks, Panda Express, and Subway that lease retail space.

As currently drafted, this bill applies to all “food service contracts”, defined to mean a contract with the Trustees of the CSU for a cafeteria or food and beverage outlet on or serving a CSU campus, and “food service employers” defined to mean a person who employs employees performing work at a food service venue under a food service contract. Would food and beverage retailers be required to comply with this bill?

- 3) *Hotel development projects at CSU.* Currently, the CSU operates two hotels—the Kellogg West Conference Center & Hotel at CSU Pomona and the CSU Fullerton Marriot. The Pomona hotel is operated exclusively by CSU students of the Collins College of Hospitality Management. The Fullerton Marriot is not operated by college students or staff, but is located on the CSU campus. Because the CSU Fullerton Marriot is located on the campus, the CSU collects lease revenue and, therefore, has a proprietary interest. There are also a number of CSU campuses with hotel development projects included in their

facilities master plans. It is unclear if this bill would apply to the two existing hotels, one of which is exclusively run by students, or only prospective hotel projects on CSU campuses.

- 4) *Do labor peace agreements require all workers to unionize and collectively bargain?* Generally, a labor peace agreement is a contract between an employer and a union, in which the employer agrees to be neutral during a union organizing campaign and not interfere with union organizing. The union agrees not to engage in picketing, work stoppages, boycotts, and any other economic interference with the employer.

This bill requires each food service employer (either a CSU campus, its auxiliary, or the entity it contracts with for food service) or hotel employer be party to a labor peace agreement with a labor union. This bill defines a labor peace agreement as “a written agreement with a labor organization that contains, at a minimum, a provision prohibiting the labor organization and its members from engaging in any picketing, work stoppage, boycott, or other economic interference with food service or hotel operations in which the trustees have a proprietary interest.”

Labor peace agreements appear far more limited in scope than collective bargaining agreements because they only cover parties’ rights with respect to union organizing. Collective bargaining agreements, by contrast, are broader and include the terms and conditions of employment, such as wages, hours, benefits, working conditions, and more.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, this bill could result in indeterminate costs to the CSU. To the extent that it creates an increase in union membership by food service and hotel development employees, the bill could result in increased labor costs at the CSU. This could then lead to cost increases by the food service providers which could, in turn, be passed along to students in the form of higher food prices or more expensive meal plans.

**SUPPORT:** (Verified 5/18/23)

None received

**OPPOSITION:** (Verified 5/18/23)

None received

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**\*\*\*\* END \*\*\*\***