

Date of Hearing: August 23, 2023

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

SB 640 (Portantino) – As Amended May 18, 2023

Policy Committee:	Higher Education	Vote:	8 - 3
	Labor and Employment		6 - 0

Urgency: No            State Mandated Local Program: No            Reimbursable: No

**SUMMARY:**

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. The bill provides a waiver to this requirement in certain cases.

Specifically, this bill provides an exemption in cases where a food service employer or hotel employer cannot reach agreement with a labor organization on the terms of a labor peace agreement. In these cases, the requirements may be waived by the CSU Chancellor's Office upon a finding 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. An employer or labor organization may appeal to the CSU trustees the CSU Chancellor's Office decision on whether to grant a waiver.

**FISCAL EFFECT:**

Potential General Fund cost increases to CSU campuses for more expensive food service and hotel contracts to the extent this bill results in increased labor costs for food service and hotel development employees. Some of the increase in labor costs may be passed down to students in the form of higher food prices or more expensive meal plans.

**COMMENTS:**

- 1) **Purpose.** According to the California Faculty Association, the only registered supporter of this bill:

As you know, higher education institutions have not been immune from labor strikes in recent years. Disruptions resulting from such labor conflicts have profound impacts, from canceled classes to delayed grading, all of which inhibit our primary mission of education. SB 640 provides a clear mechanism to minimize these disruptions by mandating labor peace agreements within CSU's expanding hospitality and food service sectors.

We acknowledge that a number of CSU campuses currently contract their food service and hospitality programs to service management

companies while others operate these services in-house. However, regardless of the operational structure, we believe that fostering labor peace is essential for continuity of services and the overall stability of our campuses.

- 2) **Background.** A labor peace agreement is a contract between an employer and a union that represents employees. The contract stipulates that the employer will be neutral during a union organizing campaign and will not interfere with union organizing. In return, the union that represents the employees, or, if the employees are not represented, the union that is trying to represent the employees, agrees not to engage in picketing, work stoppages, boycotts, and any other economic interference with the employer.

This bill requires CSU to enter into contracts with food and hotel contractors who have labor peace agreements, with limited exceptions. Businesses opposed to this bill indicate the labor peace agreement requirement may increase the costs of doing business, presumably because employees would be more likely to unionize, if they are not unionized already, therefore driving up food prices for students or resulting in the businesses no longer doing business on CSU campuses. The California State Student Association is also opposed to this bill. It writes, "In conversations with several of our campuses, if enacted, this bill could result in vendors pulling out or not re-signing lease agreements within the Unions and/or increasing on campus food prices." The association also indicates this bill could result in the loss of student jobs on campus if food vendors leave campus.

- 3) **Prior Legislation.** SB 1444 (Durazo), of the 2019-2020 Legislative Session, was nearly identical to this bill. The Senate Education Committee held the bill without a hearing due to the Covid-19 pandemic.

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