

# [***Why Panera is causing a stir in California politics***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BFP-C541-JBSS-S08S-00000-00&context=1516831)

CNN Wire

March 1, 2024 Friday 10:04 PM GMT

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**Length:** 719 words

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**Dateline:** (CNN)

**Body**

Los Angeles (CNN) &#8212; The minimum wage for fast food workers in California [*is set to increase to $20 per hour*](https://www.cnn.com/2023/09/28/business/california-fast-food-law/index.html) on April 1, but one curious carve-out in the new minimum wage law has ignited controversy in the state. And Panera Bread has been caught in the middle.

The law exempts businesses that produce and sell bread as a stand-alone menu item, meaning those bakeries are not required to pay workers the higher minimum wage and can continue paying the state's current $16 minimum wage. That's confounding some in the restaurant industry.

Democratic California Gov. Gavin Newsom has faced accusations - particularly from Republican lawmakers and conservative media - that Panera may have received this unlikely and specific exemption because of Newsom's ties to Greg Flynn, a billionaire Panera franchise owner who is a former classmate of Newsom's. He has donated to the governor's campaigns in the past.

Both Newsom and Flynn have denied Flynn's influence over the bill. Newsom has also said that Panera may not be exempt from the new minimum wage law after all. Panera did not respond to CNN's requests for comment.

Nevertheless, on Thursday, Republican lawmakers in California called on the state's attorney general to investigate the minimum wage exemption.

"Campaign contributions should not buy you exemptions in legislation," said California Senate minority leader Brian Jones in a statement. "The public deserves to know the truth about the allegations of Governor Newsom's crony capitalism."

Here's what you need to know about the controversy:

Panera Bread franchise owner's Newsom ties

According to California public [*records*](https://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1400726&session=2021&view=contributions), Flynn, whose company, The Flynn Group, has 24 Panera locations in California, donated several times to Newsom's 2022 re-election campaign and gave $100,000 in 2021 amid a conservative fight to [*recall the governor*](https://www.cnn.com/2021/09/14/politics/gavin-newsom-california-recall/index.html).

However, Flynn said he never personally met with Newsom about the minimum wage bill, though he did meet with Newsom's staff and a group of other restaurant owners to discuss it.

In a statement to CNN, Flynn said he and thousands of other California restaurant owners disliked an initial version of the bill because "if the intent of the bill was to address alleged labor code violations in fast food restaurants, then the scope of the law should be limited to true fast food restaurants and not include fast casual restaurants like bakeries, bagel shops, delis, etc."

"I suggested the bill's language defining 'fast food restaurant' should be amended to exclude fast casual restaurants," Flynn said.

However, Flynn said he never asked for an exemption or special considerations and said he was "surprised" when the bakery exemption appeared in the final legislation.

Flynn also clarified that although he attended the same high school as Newsom, the two didn't meet until decades later.

Flynn's company operates more than just Panera Bread locations. The Flynn Group owns 2,600 franchise locations including Applebee's, Taco Bell and Arby's businesses.

Those brands would be required to pay a minimum wage of $20 under the new law - and Flynn argued that his Panera Bread locations would likely have to raise employee pay even if they were given a break from the law.

"As it applies to all of our peer restaurants in the fast casual segment, we will almost certainly have to offer market value wages in order to attract and retain employees," he said.

Flynn's Panera locations may not be exempt

Alex Stack, a spokesperson for Newsom, called the story about Flynn's supposed connection to the bakery carve-out "absurd," reiterating that the governor never met with Flynn about the bill.

Stack also said that Newsom's legal team determined that the carve-out would likely not apply to most Panera Bread locations.

"We understand many chain bakeries (such as Panera Bread) mix dough at centralized off-site locations and then ship that dough to their retail locations for baking and sale," meaning that the bread is not technically "produced" on site, Stack said.

The minor quirk in language could have big implications: If Flynn's Panera Bread stores don't mix dough on-site, they may be required to pay $20 an hour to employees after all.

By Samantha Delouya, CNN

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**Load-Date:** March 1, 2024

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