

Bond Case Briefs

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LABOR & EMPLOYMENT - CALIFORNIA

Stone v. Alameda Health System

Supreme Court of California - August 15, 2024 - P.3d - 2024 WL 3819163

Employees, who formerly worked at hospital, brought putative class action against employer, which was county health system established by county board of supervisors, for alleged violations of wage orders and statutes governing meal and rest breaks and full and timely payment of wages, for penalties under Labor Code Private Attorneys General Act of 2004 (PAGA), and for other claims. Employer demurred.

The Superior Court sustained demurrer without leave to amend, finding provisions of Labor Code and wage orders at issue did not apply to employer as public agency. The First District Court of Appeal reversed in part. Petition for review was granted.

The Supreme Court held that:

- Public employers were not “employers” within meaning of meal-and-rest-break provisions of Labor Code and wage order covering hospital workers;
- As a matter of first impression, Labor Code’s definition of “person” excluded non-enumerated entities, including public entities;
- County health system was public entity excluded from Labor Code’s definition of “person”;
- County health system was “municipal corporation” excluded from certain wage-payment provisions of Labor Code; and
- PAGA exempts public employers from penalties for violations of Labor Code provisions carrying their own penalties; disapproving *Sargent v. Bd. of Trustees of Cal. State Univ.*, 61 Cal.App.5th 658, 276 Cal.Rptr.3d 1.

Government employers were not “employers” within meaning of Labor Code provisions imposing meal-and-rest-break obligations on employers and wage order provisions entitling hospital workers to meal and rest breaks; wage order required “employer” to be “person” as defined by Labor Code, Labor Code in turn limited definition of “person” to “any person, association, organization, partnership, business trust, limited liability company, or corporation,” thereby excluding entities not expressly mentioned, legislature specified that other provisions of Labor Code applied to public employers, wage order, which covered hospital workers, expressly excluded public employees from its scope absent contrary language in a provision, and legislature chose not to displace wage order’s exclusion.

Text of statute enabling specific county’s board of supervisors to create county health system to provide medical care to indigent residents demonstrated that legislature considered health system to be quasi-governmental “public entity,” for purpose of determining whether health system was exempt from meal-and-rest-break obligations imposed on employers under Labor Code and under wage order covering hospital workers; enabling statute described health system as “public agency” and made its affairs intertwined with and dependent upon county, health system as public hospital authority was “public entity” as defined in Health and Safety Code, and enabling statute set forth health system’s rights, liabilities, and exemptions under laws applying specifically to public entities.

In statute enabling specific county's board of supervisors to create county health system, subdivision stating that health system "shall be a government entity separate and apart from the county, and shall not be considered to be an agency, division, or department of the county" did not indicate legislature meant to subject health system to meal-and-rest-break requirements of Labor Code and of wage order covering hospital workers notwithstanding such requirements' general exemption of public entities; subdivision expressly classified health system as "government entity," public-entity exemption did not extend only to divisions of a state or local government body, and enabling statute gave health system some of the same powers, obligations, and protections as a division of government.

Definitions of "political subdivision" in False Claims Act, which included any "legally authorized local governmental entity with jurisdictional boundaries," and California Voter Participation Rights Act, which referred to "geographic area of representation created for the provision of government services," did not impose requirement of "geographic jurisdiction" for county health system or any other public employer to qualify as "political subdivision" under Labor Code's definition; Labor Code did not refer to need for "geographic jurisdiction," and similarly broad definitions of term "political subdivision" appeared in other codes without any requirement of geographic jurisdiction.

Whether a public entity is exempted from meal and rest break obligations imposed on employers by the Labor Code and the wage order covering hospital employees does not depend on whether applying those obligations to the public entity in question would cause infringement of sovereign powers; besides the absence of a statutory basis, such an outcome would frustrate the legislature's clear intent to exclude public entities from the Labor Code requirements at issue.

The term "municipal corporation" in the Labor Code section stating that certain wage-related provisions "do not apply to the payment of wages of employees directly employed by any county, incorporated city, or town or other municipal corporation" refers to something other than a county, incorporated city, or town; the only reasonable interpretation of this section is that the legislature knew from the decided cases that "incorporated city or town" referred to a municipal corporation in the strict sense, and intended that "or other municipal corporation" should refer to municipal corporations in the commonly accepted sense, that is, public corporations or quasi-municipal corporations, and this construction is consistent with legislative history and administrative interpretations.

County health system, which legislature authorized county board of supervisors to create to provide medical care to indigent residents, was "municipal corporation" within meaning of Labor Code section stating that certain wage-payment provisions, including those governing semimonthly payments and creating penalty and cause of action for failure to make payments, "do not apply to the payment of wages of employees directly employed by any county, incorporated city, or town or other municipal corporation."

The Labor Code Private Attorneys General Act (PAGA) exempts public employers from penalties for violations of Labor Code provisions which establish their own penalties recoverable by the Labor and Workforce Development Agency; PAGA specifies that the Labor Code's definition of person, which excludes public entities, applies throughout PAGA, including to the provisions referring to employers subject to suit as "persons," legislative history demonstrates that PAGA's use of this definition of "person" was intentional, and requiring public entities to pay PAGA penalties would contravene the public policy behind the statute shielding public entities from punitive sanctions; disapproving *Sargent v. Bd. of Trustees of Cal. State Univ.*, 61 Cal.App.5th 658, 276 Cal.Rptr.3d 1.

