

Charter School Is Not a “Municipal Corporation” for Certain Employment Purposes

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In *Gateway Community Charters v. Heidi Spiess* (March 8, 2017, C078677) __Cal.App.5th__ [2017 WL 912073], the Third District Court of Appeal held that charter schools are not “other municipal corporations” for purposes of Labor Code section 220 subdivision (b), and therefore, charter schools are subject to payment of penalties for failing to pay wages due upon termination.

Background

Gateway Community Charters (“Gateway”) is a nonprofit public benefit corporation that operates several public charter schools, including the school at which Heidi Spiess worked as an at-will employee. Gateway is the exclusive public school employer for purposes of the Educational Employment Relations Act for all employees at the charter schools, including Ms. Spiess. Ms. Spiess was terminated from her employment, and in response, she filed a claim with the labor commissioner alleging Gateway failed to timely pay her wages due as required by Labor Code section 201. The labor commissioner awarded Ms. Spiess damages as a waiting time penalty pursuant to Labor Code section 203. The labor commissioner expressly concluded that Gateway, unlike public school districts, is not an “other municipal corporation,” which under Labor Code section 220 would have made Gateway exempt from the Labor Code penalties. Gateway appealed that decision to the trial court, which also entered judgment finding that Gateway is not an “other municipal corporation” for purposes of Labor Code section 220.

Decision

The Court of Appeal affirmed the trial court order. The Court reasoned that the term “other municipal corporation” is preceded by a list of government entities, “any county, incorporated city, or town,” which provides legislative intent that any “other municipal corporation” must share characteristics with counties, cities, and towns. The Court also looked to prior cases holding that a public school district, a hospital district, and a water storage district were “other municipal corporations” within the meaning of Labor Code section 220 and determined that all of these entities shared similar traits with counties, cities, and towns as follows: 1) entity provided a public function; 2) governing board is elected by the public; 3) entity has regulatory and police powers; 4) entity has power to impose taxes and/or fines to people within its jurisdictional boundaries; 5) entity adheres to the Brown Act; and 6) entity adheres to the Public Records Act.

The Court concluded that, although Gateway serves a public function by operating public schools

and “is also subject to the open meeting laws of the Ralph M. Brown Act and the California Public Records Act,” Gateway nevertheless is not an “other municipal corporation” because it does not share enough of the same characteristics as counties, cities, and towns, as it does not have an elected board, has no regulatory, police, or taxing powers, and does not have jurisdictional boundaries.

The Court was unconvinced by Gateway’s arguments that it should be given the same status as a public school district. The Court reasoned that, while certain parts of the Education Code treat school districts and charter schools the same, most of the Education Code treats them as distinct, separate entities subject to different legal rules.

Impact

The Court’s analysis demonstrates that charter schools are not public school districts for all purposes, and will not be treated as such for purposes of certain Labor Code penalties. Perhaps more importantly, it is clear that the courts will examine on a case-by-case basis whether a charter school is sufficiently public/private to obtain a benefit otherwise provided to a school district.

If you have questions regarding this decision, please contact us.

PRACTICE AREAS

- Charter Schools