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California Department of Public Health



EDMUND G. BROWN JR.  
Governor

December 15, 2015

AFL 15-28

**TO:** Congregate Living Health Facilities  
Home Health Agencies  
Hospice Facilities  
Intermediate Care Facilities  
Skilled Nursing Facilities

**SUBJECT:** SB 588: New Labor Code Requirements Regarding Nonpayment of Employee Wages

**AUTHORITY:** Labor Code sections 238 and 238.4

**All Facilities Letter (AFL) Summary**

- This AFL informs specified facilities of the chaptering of SB 588, which permits the California Department of Public Health (CDPH) to deny a new license or the renewal of an existing license for failure to satisfy final judgments for nonpayment of employee wages.

Effective January 1, 2016, SB 588 (Chapter 803, Statutes of 2015) allows CDPH to deny a new license or the renewal of an existing license for a failure of one of the above specified health facilities to comply with Labor Code section 238.

Labor Code section 238 requires an employer to stop conducting business in California if that employer has not satisfied a final judgment for nonpayment of employee wages 30 days after the time to appeal has expired, unless the employer has obtained a bond in a specified amount from a surety company and filed that bond with the Labor Commissioner. Required bond amounts are as follows:

- \$50,000 bond for unsatisfied judgments of no more than \$5,000;
- \$100,000 bond for unsatisfied judgments of more than \$5,000 but no more than \$10,000; and
- \$150,000 bond for unsatisfied judgments of more than \$10,000.



In lieu of filing and maintaining the surety bond, an employer can provide the Labor Commissioner with a notarized copy of an agreement reached with the individual holding the unsatisfied judgment, including agreements to pay the judgment in installments.

A change of ownership of the licensed health facility does not nullify the final judgment or exempt the new owner from the requirements of Labor Code 238 for a past judgment against the licensed health facility.

The information in this AFL is a brief summary of the changes that SB 588 makes to the Labor Code. Facilities are responsible for following all applicable laws. Any failure of CDPH to expressly notify facilities of statutory or regulatory requirements does not relieve facilities of their responsibility for following all laws and regulations. Facilities should refer to the full text of all applicable sections of the Labor Code.

If you have any questions, please contact your respective district office.

Sincerely,

**Original signed by Jean Iacino**

Jean Iacino  
Deputy Director