



Rail Law Alert No. 19

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California Passenger Rail Operators Succeed in Reversing Adverse Department of Labor Section 13(c) Determination

On December 30, 2014, the United States District Court for the Eastern District of California granted summary judgment in favor of the California Department of Transportation (CalTrans) and the Sacramento Regional Transit District (SacRT) in their claim that the United States Department of Labor (DOL) erred in denying their applications for federal transit capital improvements funding on federal labor protection grounds. Specifically, the court held that DOL acted arbitrarily and capriciously in violation of the Administrative Procedures Act (APA) in declining to certify that federal funding to be allocated to CalTrans and SacRT included fair and equitable employee protective conditions as required under Section 13(c) of the Urban Mass Transit Act (UMTA), codified at 49 U.S.C. § 5333(b). Section 13(c) requires that state and local governments seeking federal grants for transit projects seek certification from DOL that the “interests of employees affected by the assistance” are protected by “fair and equitable” arrangements. DOL had determined that the California Public Employees’ Pension Reform Act of 2013 (PEPRA), which provides less favorable pension rights to public employees hired after January 1, 2013, prevented CalTrans and SacRT from being able to comply with Section 13(c).

Reviewing DOL’s interpretation of Section 13(c) de novo, the court held that DOL failed to properly interpret the applicable case law and prior DOL decisions, which established that in passing UMTA Congress did not intend to replace the substance of state labor law with federal law, but rather protected the process of collective bargaining. Under 13(c), the court explained that state law may permissibly change the parameters within which collective bargaining proceeds so long as it does not give state and local employers unilateral authority over labor terms. The court found that PEPRA did not give state governmental entities such unilateral authority, and as a result DOL erred in determining that the law was inconsistent with Section 13(c). The court therefore granted summary judgment to CalTrans and SacRT.