The Fair Wages and Healthy Families Act (Paid Sick Leave)

ARIZONA

Revised: October 2018

Summary:

This FYI discusses providing paid sick leave and otherwise complying with the paid sick time requirements of Arizona’s Fair Wages and Healthy Families Act. A.R.S. § 23-371 et seq. The Act was a proposition approved by voters in 2016, and became effective in July 2017.

In addition to the paid sick time provision, the Act amended the Arizona Minimum Wage Act of 2006. More information about the minimum wage requirements can be found in Employers Council’s FYI on Arizona Minimum Wage.

For additional resources, see page 11
I. Introduction

On November 8, 2016, Arizona voters passed Proposition 206, also known as the Fair Wages and Healthy Families Act (the “Act”). The Act requires that employers provide all employees at least 40 hours of paid sick time per year to care for themselves or a family member (24 hours if the employers have fewer than 15 employees). The paid sick time provision of the Act took effect on July 1, 2017.

In addition to the statutory requirements of the Act, the Industrial Commission of Arizona (the “Commission”) has issued FAQs, as well as, formal regulatory guidance regarding some of the Act’s provisions. Employers can find this guidance here:

https://www.azica.gov/sites/default/files/media/FREQUENTLY%20ASKED%20QUESTIONS_MasterwTOC%20FINAL%20020518.pdf

and, here:


II. Coverage

The Fair Wages and Healthy Families Act applies to all private and public employers in the state of Arizona but does not apply to the State of Arizona or the United States. Covered employees are defined as any person who is or was employed by an employer, except for those working for a parent or sibling and babysitters. Covered employees also include recipients of public benefits who are engaged in “work activity” as a condition of receiving public assistance. Under this definition, all full-time, part-time, temporary and seasonal workers are entitled to accrue paid sick leave.

The Fair Wages and Healthy Families Act also covers an employee’s time off to care for or obtain services for a “family member.” The definition of family member under the law includes:

- Regardless of age, a biological, adopted or foster child, stepchild or legal ward, a child of a domestic partner, a child to whom the employee stands in loco parentis, or an individual to whom the employee stood in loco parentis when the individual was a minor,
- A biological, foster, stepparent or adoptive parent or legal guardian of an employee or an employee’s spouse or domestic partner or a person who stood in loco parentis when the employee or employee’s spouse or domestic partner was a minor child,
- A spouse or a registered domestic partner
- A grandparent, grandchild or sibling (whether biological, foster, adoptive or step) of the employee or the employee’s spouse or domestic partner, or
- Any other individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.
III. Employer Notice Requirements

Employers must give employees written notice of their rights under the Act, including:

- Employees are entitled to earn paid sick leave and the amount of earned paid sick leave;
- The terms of its use guaranteed under the Act;
- That retaliation against employees who request or use earned paid sick leave is prohibited;
- That each employee has the right to file a complaint if earned paid sick leave is denied by the employer or the employee is subject to retaliation for requesting or taking earned paid sick leave; and
- The contact information for the Industrial Commission of Arizona.

This notice must be available in English, Spanish, and any other language that is deemed appropriate by the Commission. The Act also requires the Industrial Commission of Arizona to make available to employers model notices that contain the required information. The model notice is available here:


IV. Use

The Fair Wages and Healthy Families Act specifies a number of situations for which an employee may use paid sick time, including:

- An employee’s mental or physical illness, injury or health condition; an employee’s need for medical diagnosis, care or treatment of a mental or physical illness, injury or health condition; an employee’s need for preventive medical care.
- Care of a family member with a mental or physical illness, injury or health condition; care of a family member who needs medical diagnosis, care, or treatment of a mental or physical illness, injury or health condition; care of a family member who needs preventive care.
- Closure of the employee’s place of business by order of a public health official due to a public health emergency or the employee’s need to care for a child whose school or place of care has been closed by order of a public health official due to a public health emergency.
- Care for oneself or family member when it has been determined by health authorities or a health care provider that the employee’s or family member’s presence in the community may jeopardize the health of others because of their exposure to a communicable disease (whether or not the employee or family member has actually contracted the communicable disease).
• Absence due to domestic violence, sexual violence, abuse or stalking, provided the leave is to allow the employee to obtain for the employee or the employee's family member:
  o Medical attention needed to recover from injury or disability caused by domestic violence, sexual violence, abuse or stalking
  o Services from a domestic or sexual violence program or victim services organization
  o Psychological or other counseling
  o Relocation or taking steps to secure an existing home due to the domestic violence, sexual violence, abuse or stalking; or
  o Legal services related to the domestic violence, sexual violence, abuse or stalking.

Employees may use accrued paid sick leave in the smallest increments that the employer’s payroll system uses to account for absences “or use of other time,” but in no case may the employer require the increment to be longer than one hour.

Employers may not require employees to find their replacements to cover their shift as a condition for using paid sick leave.

An employer may require an employee hired after July 1, 2017, to wait until the ninetieth (90th) calendar day after commencing employment before using accrued paid sick leave.

V. Compensation and Accrual

Paid sick time is defined as “time that is compensated at the same hourly rate and with the same benefits, including health care benefits, as the employee normally earns during hours worked.”

Employees begin to accrue paid sick leave at the commencement of employment, or on July 1, 2017, whichever is later.

GRANT METHOD

An employer may choose to grant all employees 40 hours of paid sick leave (24 hours if the employer has fewer than 15 employees) upon hire, and at the beginning of each year thereafter. The law defines a year as “a regular and consecutive 12-month period as determined by the employer.” Therefore, employers may designate a calendar year, fiscal year, or year of employment (or some other consecutive 12-month period) as an accrual or usage year.

ACCRUAL METHOD

Upon hire, all employees begin to accrue paid sick leave at the rate of at least one hour for every 30 hours worked. No employee will accrue or use more than 40 hours of paid sick leave (24 hours if the employer has fewer than 15 employees) each year, unless the employer selects a
higher limit. Under this method, the employer may designate a calendar year, fiscal year, or year of employment (or some other consecutive 12-month period) as an accrual or usage year.

In determining the number of employees the employer has for purposes of accrual, the statute provides that all employees performing work for compensation on a full-time, part-time, or temporary basis shall be counted.

Employees who are exempt from the federal Fair Labor Standards Act’s (“FSLA”) overtime requirements will be presumed to work 40 hours per work week for accrual purposes, except for weeks in which they work less than 40 hours, in which case their paid sick leave accrues based on the actual number of hours worked.

**LOANING PAID SICK LEAVE**

An employer may “loan” paid sick leave to an employee in advance of the employee’s earning it. The law is silent, however, as to how an employer may recover loaned paid sick leave upon the employee’s termination of employment.

**CARRYOVER**

Under the plain language of the Act, unused accrued paid sick leave carries over from one year to the next, but does not affect the minimum annual use caps during the following year. In other words, employers are not required to allow more annual use than the minimum 40 hours requirement (24 hours if the employer has fewer than 15 employees). However, the carryover provision of the Act is unclear as to how the carryover requirement interacts with the minimum annual accrual cap. A plain reading of the statute suggests that, while the annual accrual can be capped at 40 hours (24 hours if the employer has fewer than 15 employees), the obligation to carry over unused accrued paid sick leave into subsequent years is unlimited, creating the potential for significant paid sick leave “banks” for long-term employees.

In order to resolve this issue, the Commission has implemented regulatory guidance that allows employers who choose the “accrual” method, outlined above, to limit the carryover of unused accrued paid sick leave to 40 hours per year (24 hours if the employer has fewer than 15 employees). This regulatory guidance also provides that employers who choose the “grant” method are not required to provide carryover or additional accrual. Employers limiting carryover in accordance with the regulations are advised to consult with an Employers Council attorney to discuss the potential risk of independent legal challenges prior to making changes to their policy.

Employers using the “accrual” method may also choose to pay out unused, accrued paid sick leave in lieu of carryover to the following year, provided that the employee is given an amount of earned paid sick time at the beginning of the following year that meets or exceeds the requirements of the paid sick leave law, and that is available for the employee’s immediate use.

**PAYOUT AT SEPARATION FROM EMPLOYMENT**

Employers are not required to pay unused, accrued paid sick leave to employees whose employment terminates for any reason, including involuntary termination, voluntary
resignation, layoff, or death. However, all accrued paid sick leave must be reinstated and made available for immediate use if the employer rehires the employee within nine months.

VI. Employee Requirements

An employee’s request for paid sick leave may be made orally, in writing, by electronic means, or by any other means acceptable to the employer. When possible, the employer can require the employee’s request to include the expected duration of the absence.

FORESEEABLE LEAVE

If the need for leave is foreseeable, the employee must make a good faith effort to provide notice to the employer in advance of the leave and make a reasonable effort to schedule time off in a manner that does not unduly disrupt the operations of the employer.

UNFORESEEABLE LEAVE

If the need for leave is unforeseeable, no prior notice is required, unless the employer has a written policy containing procedures for providing notice. Employers that do not have such a policy, and who have not provided employees with a copy the policy, may not deny employees their use of earned paid sick leave based on non-compliance with employer notice requirements.

Employers may only request verification or reasonable documentation that the leave is being used for a permissible purpose when the employee takes three or more workdays of consecutive paid sick leave. Reasonable documentation is defined in the law as a note signed by a health care professional. For paid sick leave taken for domestic violence reasons, a police report, court order, signed statement from a domestic violence services organization, signed statement from a witness advocate, signed statement from an attorney, clergy member, doctor, or even the employee’s own written statement is considered reasonable verifying documentation.

Employers may not require that such documentation explain the nature of the health condition or the details of domestic violence.

VII. Recordkeeping Requirements

Employers must track employees’ accrual and usage of paid sick leave, and must maintain payroll records showing earned paid sick time paid to all employees for a period of four (4) years. Failure to maintain such records creates a rebuttable presumption that the employer did not pay earned paid sick leave.

Employers shall permit the Industrial Commission of Arizona or a law enforcement officer to inspect and copy payroll or other business records and shall permit them to interview employees away from the work site. And, employers shall permit an employee or his or her designated representative to inspect and copy payroll records pertaining to that employee.

Employers must either record in, or attach to, employees’ paychecks the amount of paid sick leave the employee has available, the amount of paid sick leave taken by the employee to date in the year, and the amount of pay received as earned paid sick leave.
VIII. Other Requirements

EXISTING PAID TIME OFF ("PTO") POLICIES

Employers with existing PTO policies that meet or exceed the accrual requirements of the law, and allow PTO to be used for the same purposes and under the same conditions as the Act requires, are “not required to provide additional paid sick time.”\textsuperscript{xxxviii}

COLLECTIVE BARGAINING AGREEMENTS

The paid sick leave law does not apply to employers covered by a collective bargaining agreement (“CBA”) that is in effect on July 1, 2017 (the effective date) until the CBA expires. For CBAs entered into after July 1, 2017, the paid sick leave law’s requirements can be waived by the parties if the paid sick leave law is “expressly waived” by “clear and unambiguous” language in the CBA.\textsuperscript{xxxix}

TRANSFERS

If an employee is transferred to a separate division, entity or location, but remains employed by the same employer, the employee is entitled to all earned paid sick leave accrued at the prior division, entity or location. \textsuperscript{xl}

SUCCESSOR EMPLOYERS

If any employer “succeeds or takes the place of an existing employer,” the paid sick leave accrued by employees of the original employer who remain employed by the successor employer remains.\textsuperscript{xli}

CONFIDENTIALITY AND NONDISCLOSURE

Employers are prohibited from requiring employees to disclose details of the nature of the employee’s (or family member’s) health condition or details relating to domestic violence, sexual violence, abuse or stalking, as a condition of providing earned paid sick leave.\textsuperscript{xlii} Also, if employers possess such health or other paid sick leave qualifying information, they must treat it as confidential and may only disclose it to the affected employee or with the affected employee’s permission.\textsuperscript{xliii}

IX. Retaliation

No employer or other individual shall interfere with, restrain, or deny the exercise of, or the attempt to exercise, any right protected under the Act.\textsuperscript{xlv} Additionally, employers cannot engage in retaliation or discrimination against an employee or former employee because the person has exercised paid sick leave rights, including the right to request or use earned paid sick time; the right to file a complaint with the Arizona Industrial Commission or the courts, or to inform any person about an employers’ alleged violation of the Act; the right to participate in an
investigation into alleged violations of the Act; and the right to inform any person of his or her rights under the Act.\textsuperscript{xlv}

An employer cannot count absences covered by paid sick leave against the employee for attendance purposes.\textsuperscript{xlvii}

\section*{X. Penalties and Enforcement}

The Industrial Commission of Arizona enforces the Act.

Any employer who fails to pay earned paid sick leave shall be required to pay the employee the balance of the earned paid sick leave owed, including interest, and an additional amount equal to twice the underpaid earned paid sick leave.\textsuperscript{xlvii} Any employer who retaliates against an employee for exercising their sick leave rights shall face a civil penalty of not less than $150 for each day that the violation continues.

Any employer who violates recordkeeping, posting, or other requirement the Commission may establish will be subject to a civil penalty of at least $250 for a first violation, and at least $1,000 for each subsequent or willful violation, and may be subject to special monitoring and inspections.\textsuperscript{xlviii}

No verbal or written agreement or employment contract may waive any rights under the Act.\textsuperscript{xlix}

\section*{XI. Recommendations}

Employers with existing Paid Time Off policies that combine sick leave with vacation may struggle with how to comply with the Act. Employers’ existing PTO plans may already comply with the Act if they satisfy the minimum requirements. If an employer provides PTO in lieu of paid sick leave, the PTO policy should be reviewed to ensure it is compliant with the requirements of the paid sick leave law.

\section*{XII. Paid Sick Leave\textsuperscript{1} Policy (Employers with 15 or More Employees)}

\begin{itemize}
  \item[A.] \textbf{OPTION 1: “GRANT” METHOD}
  
  Upon hire, all employees (including full-time, part-time, temporary, and seasonal employees) are granted 40 hours of paid sick leave each year (Employer chooses and needs to designate between calendar, fiscal, 12 month basis, or year of employment).

  \item[B.] \textbf{OPTION 2: ACCRUAL METHOD}
  
  Upon hire, all employees (including full-time, part-time, temporary, and seasonal employees) for the Company will begin to accrue one hour of paid sick leave for every 30 hours worked. No employee will accrue more than 40 hours of paid sick leave each year (Employer chooses}
and needs to designate between calendar, fiscal, 12 month basis, or year of employment)

[The following sections apply for either the grant or accrual method selected above:]

Unused, accrued sick leave carries over from year to year. [Optional: The Company limits your use of accrued paid sick leave to 40 hours per calendar year, fiscal, 12 month basis, or year of employment.] [Optional: The Company will pay each employee for any unused, accrued sick leave at the end of the (calendar year, fiscal, 12 month basis, or year of employment). The Company will then grant 40 hours of paid sick leave at the beginning of the next (calendar year, fiscal, 12 month basis, or year of employment).]

Employees hired after July 1, 2017 are eligible to begin using their [Choose one as applicable: accrued/granted] sick leave after 90 days of employment. On the 91st day, paid sick leave may be used as it is accrued/granted. Employees hired on or before July 1, 2017 are immediately eligible to use paid sick leave as it is accrued/granted.

Employees may use sick leave for any of the following reasons:

- An employee’s mental or physical illness, injury or health condition; an employee’s need for medical diagnosis, care or treatment of a mental or physical illness, injury or health condition; an employee’s need for preventive medical care.

- Care of a family member with a mental or physical illness, injury or health condition; care of a family member who needs medical diagnosis, care, or treatment of a mental or physical illness, injury or health condition; care of a family member who needs preventive care.

- Closure of the employee’s place of business by order of a public health official or need to care for a child whose school or place of care has been closed by order of a public health official.

- Care for oneself or family member when it has been determined by health authorities or a health care provider that the employee’s or family member’s presence in the community may jeopardize the health of others because of their exposure to a communicable disease.

- Absence due to domestic violence, sexual violence, abuse or stalking, provided the leave is to allow the employee to obtain for the employee or the employee’s family member:
  - Medical attention needed to recover from injury or disability caused by domestic violence, sexual violence, abuse or stalking

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1 The plain language of the Act does not limit the amount of paid sick time an employee must be permitted to carry over from year to year. However, the Industrial Commission of Arizona has issued regulations that allow employers to limit carryover of unused, earned paid sick time to 40 hours. Employers limiting carryover in accordance with the regulations are advised to consult with an Employers Council attorney to discuss the potential risk of independent legal challenges prior to making changes to their policy.
o Services from a domestic or sexual violence program or victim services organization

o Psychological or other counseling

o Relocation or taking steps to secure an existing home due to the domestic violence, sexual violence, abuse or stalking; or

o Legal services related to the domestic violence, sexual violence, abuse or stalking.

Family member means the following for purposes of this policy:

- Biological, adopted or foster child, stepchild or legal ward, a child of domestic partner, a child to whom the employee stands in loco parentis, or an individual to whom the employee stood in loco parentis when the individual was a minor,

- Biological, foster, stepparent or adoptive parent or legal guardian of an employee or an employee’s spouse or domestic partner or a person who stood in loco parentis when the employee or employee’s spouse or domestic partner was a minor child,

- Spouse or a registered domestic partner

- Grandparent, grandchild or sibling (whether biological, foster, adoptive or step) of the employee or the employee’s spouse or domestic partner, or

- Any other individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

Employees must use paid sick leave in (insert the smallest increment used to account for absences or other time but no more than one hour) increments.

When unable to report to work due to illness or for one of the reasons listed above, employees must give their supervisor reasonable advance notice of the need to use paid sick leave and shall make a reasonable effort to schedule the use of the paid sick leave in a manner that does not unduly disrupt the Company’s operations. If reasonable advance notice is not possible, contact your supervisor as soon as practically possible and prior to the beginning of your shift, if possible. Notification should include the expected duration of your absence, if known.

Your supervisor may require reasonable documentation that the earned paid sick time has been used for the purposes outlined above if you use paid sick leave for three or more consecutive days.

Paid sick leave will not be used in the calculation of overtime. Accrued, unused paid sick leave is not paid upon separation of employment. If you separate from the Company and are rehired within 9 months, your previously accrued, unused paid sick leave will be reinstated and you will be able to use it immediately upon rehire.

[If Employer is covered by FMLA use this paragraph] Paid sick leave under this policy may run concurrently with leave taken under other applicable policies, including leave taken under the Family and Medical Leave Act (FMLA).

Employees who are denied needed paid sick leave for one of the purposes listed in this section should contact Human Resources for an individualized review.
XIII. Paid Sick Leave Policy (Employers with Fewer than 15 Employees)

A. OPTION 1: "GRANT" METHOD

Upon hire, all employees (including full-time, part-time, temporary, and seasonal employees) are granted 24 hours of paid sick leave each year (Employer chooses and needs to designate between calendar, fiscal, 12 month basis, or year of employment).

B. OPTION 2: ACCRUAL METHOD

Upon hire, all employees (including full-time, part-time, temporary, and seasonal employees) for the Company will begin to accrue one hour of paid sick leave for every 30 hours worked. No employee will accrue more than 24 hours of paid sick leave each year (Employer chooses and needs to designate between calendar, fiscal, 12 month basis, or year of employment)

[The following sections apply for either the grant or accrual method selected above:]

Unused, accrued sick leave carries over from year to year.* [Optional: The Company limits your use of accrued paid sick leave to 24 hours per calendar year, fiscal, 12 month basis, or year of employment.] [Optional: The Company will pay each employee for any unused, accrued sick leave at the end of the (calendar year, fiscal, 12 month basis, or year of employment). The Company will then grant 24 hours of paid sick leave at the beginning of the next (calendar year, fiscal, 12 month basis, or year of employment).]

Employees hired after July 1, 2017 are eligible to begin using their [Choose one as applicable: accrued/granted] sick leave after 90 days of employment. On the 91st day, paid sick leave may be used as it is accrued/granted. Employees hired on or before July 1, 2017 are immediately eligible to use paid sick leave as it is accrued/granted.

Employees may use sick leave for any of the following reasons:

- An employee’s mental or physical illness, injury or health condition; an employee’s need for medical diagnosis, care or treatment of a mental or physical illness, injury or health condition; an employee’s need for preventive medical care.

- Care of a family member with a mental or physical illness, injury or health condition; care of a family member who needs medical diagnosis, care, or treatment of a mental or physical illness, injury or health condition; care of a family member who needs preventive care.

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* The plain language of the Act does not limit the amount of paid sick time an employee must be permitted to carry over from year to year. However, the Industrial Commission of Arizona has issued regulations that allow employers to limit carryover of unused, earned paid sick time to 24 hours. Employers limiting carryover in accordance with the regulations are advised to consult with an Employers Council attorney to discuss the potential risk of independent legal challenges prior to making changes to their policy.
• Closure of the employee’s place of business by order of a public health official or need to care for a child whose school or place of care has been closed by order of a public health official.

• Care for oneself or family member when it has been determined by health authorities or a health care provider that the employee’s or family member’s presence in the community may jeopardize the health of others because of their exposure to a communicable disease.

• Absence due to domestic violence, sexual violence, abuse or stalking, provided the leave is to allow the employee to obtain for the employee or the employee’s family member:
  o Medical attention needed to recover from injury or disability caused by domestic violence, sexual violence, abuse or stalking
  o Services from a domestic or sexual violence program or victim services organization
  o Psychological or other counseling
  o Relocation or taking steps to secure an existing home due to the domestic violence, sexual violence, abuse or stalking; or
  o Legal services related to the domestic violence, sexual violence, abuse or stalking.

Family member means the following for purposes of this policy:

• Biological, adopted or foster child, stepchild or legal ward, a child of domestic partner, a child to whom the employee stands in loco parentis, or an individual to whom the employee stood in loco parentis when the individual was a minor,

• Biological, foster, stepparent or adoptive parent or legal guardian of an employee or an employee’s spouse or domestic partner or a person who stood in loco parentis when the employee or employee’s spouse or domestic partner was a minor child,

• Spouse or a registered domestic partner

• Grandparent, grandchild or sibling (whether biological, foster, adoptive or step) of the employee or the employee’s spouse or domestic partner, or

• Any other individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

Employees must use paid sick leave in (insert the smallest increment used to account for absences or other time but no more than one hour) increments.

When unable to report to work due to illness or for one of the reasons listed above, employees must give their supervisor reasonable advance notice of the need to use paid sick leave and shall make a reasonable effort to schedule the use of the paid sick leave in a manner that does not unduly disrupt the Company’s operations. If reasonable advance notice is not possible, contact your supervisor as soon as practically possible and prior to the beginning of your shift, if possible. Notification should include the expected duration of your absence, if known.
Your supervisor may require reasonable documentation that the earned paid sick time has been used for the purposes outlined above if you use paid sick leave for three or more consecutive days.

Paid sick leave will not be used in the calculation of overtime. Accrued, unused paid sick leave is not paid upon separation of employment. If you separate from the Company and are rehired within 9 months, your previously accrued, unused paid sick leave will be reinstated and you will be able to use it immediately upon rehire.

Employees who are denied needed paid sick leave for one of the purposes listed in this section should contact Human Resources for an individualized review.

**XV. Additional Resources on this Subject**

**A. SEMINARS**

| Webinars                      | Arizona Paid Sick Leave: What You Need to Know |

**B. PUBLICATIONS**

| FYI                           | Arizona Minimum Wage |

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^1 Arizona Revised Statutes (ARS) §23-371(G)

^2ARS §23-362(A)

^3ARS § 23-373(F)

^4ARS §23-371(H)

^5ARS §23-375(A)

^6ARS §23-375(B)

^7ARS §23-375(D)

^8ARS §23-371(A)(1)

^9ARS §23-373(A)(2)

^10ARS §23-375(A)(3)

^11ARS §23-375(A)(5)

^12ARS §23-375(A)(4)

^13ARS §23-373(F)

^14ARS §23-373(E)

^15ARS §23-373(D)(2)

^16ARS §23-371(D)

^17ARS §23-372(D)(1)

^18ARS §23-372(B)(1)

^19ARS §23-371(L)

^20ARS §23-372(A) and (B)

^21ARS §23-372(C)

^22ARS §23-371(D)(3)

^23ARS §23-372(D)(7)

^24ARS §23-372(D)(4)

^25ARS §23-373(B)

^26ARS §23-373(C)

^27Arizona Administrative Code (ACC) R20-5-1206 (i)

^28(ACC) R20-5-1206(G) and (H)

^29ARS §23-372(D)(4)

^30ARS §23-372(F)

^31ARS §23-372(D)(5)

^32ARS §23-373(B)

^33ARS §23-373(C)
The following allotments of paid sick leave are the bare minimum requirements to comply with the Arizona Paid Sick Leave law; employers may choose to be more generous.