

****REVISED****

BILL # SB 1356

TITLE: state employees; military differential pay

SPONSOR: Bee

STATUS: Senate Engrossed

REQUESTED BY: Senate

PREPARED BY: Shelli Carol

FISCAL ANALYSIS

Description

This bill would provide a supplemental salary to any state employee who was a member of a branch of the National Guard or Armed Forces Reserve ordered to active military service and who had exhausted all paid military leave. The additional wages would increase service members' military salaries to the level of their state salaries. This bill would not apply to temporary state employees.

Estimated Impact

The JLBC Staff estimates that, at current levels of deployment, this bill would lead to at least \$832,000 additional annual expenditures from all funds. Should a full deployment occur, the annual estimated impact to all funds would be \$4.2 million. These estimates are speculative and information is not available to derive separate costs by fund type. The General Fund would typically pay about 46% of these eligible personnel costs.

Supplemental wages paid under this bill would flow, almost exclusively, to members of the Armed Forces Reserve. The Department of Emergency and Military Affairs (DEMA), which operates the Arizona National Guard, has estimated a negligible fiscal impact to the state, since National Guard active duty pay is higher, on average, than a state salary. The Arizona Department of Administration (ADOA) was unable to provide an assessment.

Analysis

The average annual state employee salary is \$37,800. DEMAs states that the average annual salary of a single member of the Arizona National Guard is around \$42,900, with higher salaries for those personnel with spouses and/or dependents. Meanwhile, reservists receive the same active duty pay as regular members of the Armed Forces. The Pentagon Defense Manpower Data Center reports that average annual basic pay in Arizona is \$21,800. Therefore, on an aggregate basis, this bill would not provide additional wages for members of the National Guard, but would offer an average of \$16,000 per year in supplemental salaries to reservists.

A.R.S. § 26-168 entitles National Guard members up to 30 days (6 weeks) of paid military leave over any period of two consecutive years. A.R.S. § 38-610 provides the same guarantee to members of the Armed Forces. Even without active duty, service members use paid military leave to meet annual training requirements and other individualized training needs. DEMAs states that tours of active duty range between 12 and 24 months, with an average of 14 months.

Currently, upon exhaustion of the 30 days, a state employee may choose to use other paid annual leave or to take leave without pay. Employees without further leave balances must take leave without pay. Under this bill, such employees would be eligible for supplemental compensation to bring their military salaries to the level of their state salaries.

ADOA does not track the military status of state employees; neither does it possess information on mobilizations of state personnel. The department keeps records of paid military leave, as well as leave without pay. However, the latter category does not distinguish between extended military leave and other kinds of leave without pay, such as family leave. Therefore, the only statistic available from ADOA on the military involvement of state employees is the number who took paid military leave. In calendar year 2004, the department reports that 602 state employees used paid military leave.

Meanwhile, state universities maintain an independent personnel system. The universities are aware of currently and previously deployed state employees, but do not consistently collect information on military status or military leave. The universities report that 8 employees are currently on active duty and 13 additional employees returned from deployment in the recent past. While these statistics reflect recent military involvement of university personnel, there are likely more than 21 state employees in the university system that would be eligible for differential pay under this bill.

The sum of state employees of known military involvement is 623. On the assumptions that all deployable service members have some annual duty requirement, that all state employees use paid military leave for these requirements, and that only 21 eligible university employees exist, we count 623 employees as eligible for supplemental wages under this bill.

While ADOA and the universities do not collect data on the division of these 623 employees between the National Guard and the Armed Forces Reserve, statewide membership and deployment levels are available. DEMA reports that approximately 7,000 Arizona citizens are members of the branches of the National Guard. Of these citizens, roughly 5,000 are deployable, while many of the rest run an aviation school in southern Arizona. Meanwhile, around 950 members of the Arizona National Guard are currently on active duty.

Turning to the branches of the Armed Forces Reserve, the Reserve Officers Association identifies approximately 18,800 reservists in Arizona, of whom 10,700 are deployable. The United States Department of Defense reports that roughly 700 Arizona reservists are currently on active duty. Overall, Arizona claims around 1,650, or 10.5%, deployed service members, out of a combined eligible 15,700 Arizona National Guard and Armed Forces Reserve. Of these active duty personnel, 700, or 42%, are reservists and 950, or 58%, are members of the Arizona National Guard.

If Arizona's overall deployment and distribution ratios applied to the subset of Arizona state employees, then 65 employees, 10.5% of 623, would currently be on deployment. Of those personnel, 27 would be reservists and 38 would be members of the Arizona National Guard. However, DEMA currently reports 35 of its employees on active National Guard duty and the Department of Corrections (DOC) reports 116 deployed employees. Combined with the university known deployment of 8, this 159-service-member total from just a few agencies suggests that the deployment level of eligible Arizona state employees is above 25% and calls into question the validity of the statewide ratio of Armed Forces Reserve to Arizona National Guard as a tool in determining the Arizona state government employee ratio.

Nevertheless, assuming that the above-stated percentages of Armed Forces Reserve and Arizona National Guard hold, then around 42% of the 116 active duty DOC personnel and the 8 active duty university personnel, or 52 employees, are the minimum number of deployed reservists. Furthermore, the 35 active duty DEMA personnel, in addition to the remaining 72 DOC and university personnel, for 107 total employees, are the minimum number of deployed National Guard. Under a full deployment scenario, the 623 total eligible state employees under this bill would be deployed 42%, or 262, to the Armed Forces Reserve, and 58%, or 361, to the National Guard.

If these estimates are reliable and current deployment levels are maintained, then under this bill, the state would be paying annually an additional \$16,000 for a minimum 52 employees, or at least \$832,000 from all funds. If all eligible Arizona state employees were mobilized, this bill would oblige the state to compensate around 262 employees with an additional \$16,000 each, for a total of \$4.2 million from all funds annually.

Lastly, numbers of future state employees in military service, as well as relative changes between the three salary categories (state pay, National Guard pay, and Armed Forces Reserve pay) can neither be anticipated nor estimated, but could have an effect on these calculations.

Local Government Impact

None.