ARIZONA STATE SENATE

RESEARCH STAFF

TO: MEMBERS OF THE SENATE GOVERNMENT COMMITTEE OF REFERENCE

DATE: January 19, 2024

SUBJECT: Sunset Review of the Arizona State Personnel Board

JASON THEODOROU
LEGISLATIVE RESEARCH ANALYST
GOVERNMENT COMMITTEE
Telephone: (602) 926-3171

Attached is the final report of the sunset review of the Arizona State Personnel Board, which was conducted by the Senate Government Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona The Honorable Katie Hobbs

<u>President of the Senate</u> Senator Warren Petersen Speaker of the House of Representatives Representative Ben Toma

Senate Members

Senator Jake Hoffman, Chair Senator Wendy Rogers, Vice-Chair Senator Eva Diaz Senator David C. Farnsworth Senator Juan Mendez Senator Janae Shamp Senator Priya Sundareshan Senator Justine Wadsack

Arizona State Personnel Board Office of the Auditor General Arizona State Library, Archives and Public Records

Senate Resource Center

Senate Republican Staff

Senate Democratic Staff

Senate Research Staff

Mouse Democratic Staff

House Research Staff

House Research Staff

Senate Government Committee of Reference Final Report Arizona State Personnel Board

Background

Pursuant to <u>A.R.S. § 41-2953</u>, the Joint Legislative Audit Committee assigned the sunset review of the Arizona State Personnel Board (Board) to the Senate Government Committee of Reference and the House Government Committee of Reference.

The Board was established under the Arizona Department of Administration (ADOA) in 1972 replacing the former State Personnel Commission. In 1978, the Board was separated from the ADOA to ensure Board neutrality. The five-member Board is appointed by the Governor with consent of the Senate consisting of: 1) one person who for more than five years has managed a component or unit of government or industry with more than 20 employees; 2) one person who is a professional personnel administrator; 3) one person who is a state employee; 4) one person who is a person active in business management; and 5) one public member. Appointed members serve three-year terms and may be removed by the Governor for cause. No more than three members can belong to the same political party. Persons eligible for appointment must have had a continuous recorded registration with either the same political party or as an independent for at least two years immediately preceding appointment.

The Board is responsible for hearing and reviewing: 1) appeals relating to the dismissal of a covered employee from covered service; 2) appeals relating to the suspension of a covered employee for more than 80 working hours or involuntary demotion resulting from disciplinary action; and 3) complaints relating to any personnel action taken against a current or former employee of Arizona, with exceptions. Upon a determination, the Board may modify or reverse the disciplinary action as prescribed. The agency must accept, modify or reverse the Board's decision or recommendation within 14 days of receipt of the findings or recommendation. The agency decision is final and binding. Any party may appeal the decision of the Board or the agency to the superior court.

The Board is also charged with hearing and reviewing whistleblower complaints relating to any personnel action taken against a state employee or former state employee which is believed to have been taken in reprisal for the employee's or former employee's disclosure of information to a public body. Upon a determination that a prohibited personnel practice relating to a whistleblower complaint was committed, the Board must order prescribed remedies and penalties including dismissal of a supervisor or other responsible person (A.R.S. <u>Title 38, Ch. 3, Art. 9</u> and <u>Title 41 Ch. 4, Art. 6</u>).

The Board is statutorily set to terminate on July 1, 2024, unless legislation is enacted for its continuation (A.R.S. § 41-3024.10).

Committee of Reference Sunset Review Activity

Pursuant to A.R.S. § 41-2954, the Senate Government Committee of Reference held a public meeting on Wednesday, January 17, 2024, to review and consider the Board's responses to the statutorily-outlined sunset factors and receive public testimony.

Committee of Reference Recommendations

The Senate Government Committee of Reference recommended that the Board be continued for two years, until July 1, 2026.

Appendices

- 1. Meeting Notice
- 2. Minutes of the Senate Government Committee of Reference
 - a. Attachment A: Presentation by the Board
- 3. Chairperson's letter requesting the Board's response to sunset factors
- 4. The Board's response to sunset factors

Interim agendas can be obtained via the Internet at http://www.azleg.gov/Interim-Committees

ARIZONA STATE SENATE

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

SENATE GOVERNMENT COMMITTEE OF REFERENCE

Date: Wednesday, January 17, 2024

Time: 9:00 A.M. Place: SHR 1

Members of the public may access a livestream of the meeting here: https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2024011033

AGENDA

- Call to Order
- Roll Call
- 3. Opening Remarks
- 4. Sunset Review of the Arizona Commerce Authority
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Commerce Authority
 - Public Testimony
 - Discussion and Recommendations
- 5. Sunset Review of the Arizona Department of Administration
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Department of Administration
 - Public Testimony
 - Discussion and Recommendations
- 4. Sunset Review of the Arizona Department of Homeland Security
 - Presentation by the Arizona Department of Homeland Security
 - Public Testimony
 - Discussion and Recommendations
- 5. Sunset Review of the Arizona Registrar of Contractors
 - Presentation by the Arizona Registrar of Contractors
 - Public Testimony
 - Discussion and Recommendations
- 6. Sunset Review of the Arizona State Board of Technical Registration
 - Presentation by the Arizona State Board of Technical Registration
 - Public Testimony
 - Discussion and Recommendations
- 7. Sunset Review of the Governor's Office on Tribal Relations
 - Presentation by the Governor's Office on Tribal Relations
 - Public Testimony
 - Discussion and Recommendations

- Sunset Review of the State Personnel Board
 - Presentation by the State Personnel Board
 - Public Testimony
 - Discussion and Recommendations
- 9. Sunset Review of the Industrial Commission of Arizona
 - Presentation by the Industrial Commission of Arizona
 - Public Testimony
 - Discussion and Recommendations
- 10. Sunset Review of the Boiler Advisory Board
 - Presentation by the Boiler Advisory Board
 - Public Testimony
 - Discussion and Recommendations
- 11. Sunset Review of the Occupational Safety and Health Advisory Committee
 - Presentation by the Occupational Safety and Health Advisory Committee
 - Public Testimony
 - Discussion and Recommendations
- 12. Sunset Review of the Occupational Safety and Health Review Board
 - Presentation by the Occupational Safety and Health Review Board
 - Public Testimony
 - Discussion and Recommendations
- 13. Sunset Review of the Arizona Commerce Authority
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Commerce Authority
 - Public Testimony
 - Discussion and Recommendations
- 14. Sunset Review of the Arizona Department of Administration
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Department of Administration
 - Public Testimony
 - Discussion and Recommendations
- 15. Adjourn

Members:

Senator Jake Hoffman, Chair

Senator Wendy Rogers, Vice-chair

Senator Eva Diaz

Senator David C. Farnsworth

Senator Juan Mendez

Senator Janae Shamp

Senator Priya Sundareshan

Senator Justine Wadsack

01/11/2024 01/12/2024

ARIZONA STATE SENATE

SENATE GOVERNMENT COMMITTEE OF REFERENCE

Minutes of the Meeting January 17, 2024 9:00 A.M., SHR 1

Members of the public may access a livestream of the meeting here:

https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2024011033

Members Present:

Senator Jake Hoffman, Chair Senator Wendy Rogers, Vice-Chair Senator Eva Diaz Senator David C. Farnsworth Senator Juan Mendez Senator Janae Shamp Senator Priya Sundareshan Senator Justine Wadsack

Staff:

Jason Theodorou, Government Research Analyst Alanna Bendel, Government Research Assistant Analyst Michael Ayala, Government Research Intern

Chairman Hoffman called the meeting to order at 9:09 a.m. and attendance was taken.

OPENING REMARKS

Senator Hoffman requested the staff introduce themselves as follows:

- Jason Theodorou, Government Research Analyst
- Alanna Bendel, Government Research Assistant Analyst
- Michael Ayala, Government Research Intern
- Jackson Cooper, Government Committee Secretary

SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF HOMELAND SECURITY

Presentation by the Arizona Department of Homeland Security

Kimberly O'Connor, Executive Deputy Director, Arizona Department of Homeland Security, distributed and explained a PowerPoint presentation entitled "Arizona Department of Homeland Security" (Attachment A). Ms. O'Connor also distributed a booklet entitled "Sunset Review, 2024 Report" (Attachment B).

Susan Dzbanko, Deputy Director of Grant Administration, Arizona Department of Homeland Security, continued with the PowerPoint presentation (Attachment A).

Ryan Murray, Deputy Director, Statewide Information Security and Privacy Office, and Interim Chief Information Security Officer, Arizona Department of Homeland Security, continued with the PowerPoint presentation (Attachment A) and answered questions posed by the Committee.

Ms. Dzbanko answered questions posed by members of the Committee.

Public Testimony

Gil Orrantia, Former Director, Arizona Department of Homeland Security, testified in support of the Arizona Department of Homeland Security.

Sheriff Mark Lamb, Pinal County, testified in support of the Arizona Department of Homeland Security.

Sheriff Leon Wilmot, Yuma County, testified in support of the Arizona Department of Homeland Security.

Robert Watkins, on behalf of Sheriff Mark Danells, Cochise County, testified in support of the Arizona Department of Homeland Security.

<u>Discussion and Recommendations</u>

The Committee offered comments.

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Department of Homeland Security for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 1).

Senators Shamp, Sundareshan, Wadsack, Mendez, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE ARIZONA REGISTRAR OF CONTRACTORS

Presentation by the Arizona Registrar of Contractors

Tom Cole, Executive Deputy Director, Arizona Registrar of Contractors, distributed and explained a PowerPoint presentation entitled "Arizona Registrar of Contractors" (Attachment C) and explained the function and purpose of the Arizona Registrar of Contractors. Mr. Cole answered questions posed by members of the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Registrar of Contractors for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 2).

Senator Hoffman explained his vote.

SUNSET REVIEW OF THE ARIZONA STATE BOARD OF TECHNICAL REGISTRATION

<u>Presentation by the Arizona State Board of Technical Registration</u>

Judith Stapley, Executive Director, Arizona State Board of Technical Registration, distributed and explained a PowerPoint presentation entitled "Sunset Audit Review Committee of Reference 2024" (Attachment D) and explained the function and purpose of the Arizona State Board of Technical Registration. Ms. Stapley answered questions posed by members of the Committee.

Senator Hoffman offered comments.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to convert the Occupational Licenses under the Arizona State Board of Technical Registration to a less restrictive regulation.

The Committee offered comments.

The motion CARRIED with a roll call vote of 5-3-0 (Attachment 3).

Senators Mendez, Sundareshan, Wadsack and Hoffman explained their vote.

SUNSET REVIEW OF THE GOVERNOR'S OFFICE ON TRIBAL RELATIONS

Presentation by the Governor's Office on Tribal Relations

Jason Chavez, Director of Tribal Affairs, Governor's Office on Tribal Relations, distributed and explained a PowerPoint presentation entitled "Governor's Office on Tribal Relations" (Attachment E) and a folder with documents referring to the Governor's Office on Tribal Relations (Attachment F). Mr. Chavez answered questions posed by the Committee.

Public Testimony

Senator Theresa Hatathlie, **Legislative District 6**, testified in support of the Governor's Office on Tribal Relations.

Senator Sally Gonzales, Legislative District 20, testified in support of the Governor's Office on Tribal Relations and answered questions posed by the Committee.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Governor's Office on Tribal Relations for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 4).

Senators Mendez, Sundareshan, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE STATE PERSONNEL BOARD

Presentation by the State Personnel Board

Zachariah Tolliver, Executive Director, State Personnel Board, distributed and explained a PowerPoint presentation entitled "Arizona State Personnel Board" (Attachment G). Mr. Tolliver answered questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the State Personnel Board for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 6-0-2 (Attachment 5).

Senators Mendez and Sundareshan explained their vote.

SUNSET REVIEW OF THE ARIZONA COMMERCE AUTHORITY

<u>Presentation by the Arizona Office of the Auditor General</u>

Monette Kiepke, Performance Audit Manager, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Commerce Authority, Performance Audit and Sunset Review" (Attachment H) and explained the findings from the Auditor General's Sunset Review. Ms. Kiepke answered questions posed by the Committee.

Response by the Arizona Commerce Authority

Sandra Watson, President and CEO, Arizona Commerce Authority (ACA), distributed and explained a PowerPoint presentation entitled "Arizona Commerce Authority, An Overview" (Attachment I) as well as a handout entitled "Update on ACA Actions In Response to September 2023 Performance Audit" (Attachment J). Ms. Watson played a video on the ACA's role in bringing Lucid Motors to Arizona. Ms. Watson answered questions posed by the Committee.

RECESS

At 12:15 p.m. the Chairman recessed the meeting to the sound of the gavel.

RECONVENE

At 3:33 p.m. the Chairman called the meeting to order.

Response by the Arizona Commerce Authority (continued)

Ms. Watson answered additional questions posed by the Committee.

Public Testimony

Greg Blackie, Arizona Free Enterprise Club, testified against the continuation of the Arizona Commerce Authority.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to revise or consolidate the Arizona Commerce Authority. The motion CARRIED with a roll call vote of 4-3-1 (Attachment 6).

Senators Sundareshan, Mendez, Wadsack, Shamp, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE INDUSTRIAL COMMISSION OF ARIZONA

SUNSET REVIEW OF THE BOILER ADVISORY BOARD

SUNSET REVIEW OF THE OCCUPATIONAL SAFETY AND HEALTH ADVISORY COMMITTEE

SUNSET REVIEW OF THE OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD

Presentation by the Industrial Commission of Arizona

Gaetano Testini, Executive Deputy Director, Industrial Commission of Arizona, distributed and explained a PowerPoint presentation entitled "Industrial Commission of Arizona" (Attachment K) and explained the function and purpose of the Industrial

Commission of Arizona, the Occupational Safety and Health Advisory Committee, the Boiler Advisory Board, and the Occupational Safety and Health Review Board. Mr. Testini also distributed a booklet entitled "The Industrial Commission of Arizona and Related Advisory/Review Boards, Review of Sunset Factors, 2023" (Attachment L). Mr. Testini answered questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Industrial Commission of Arizona, the Boiler Advisory Board, the Occupational Safety and Health Advisory Committee and the Occupational Safety and Health Review Board for 2 years until July 1, 2026.

Senator Hoffman offered comments.

The motion CARRIED with a roll call vote of 7-0-1 (Attachment 7).

Senators Mendez, Shamp, Sundareshan and Rogers explained their vote.

SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF ADMINISTRATION

Presentation by the Arizona Office of the Auditor General

Miguel Caro Mateus, Performance Audit Manager, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Department of Administration, Performance Audit and Sunset Review" (Attachment M) and explained the findings from the Auditor General's Sunset Review. Mr. Caro Mateus answered questions posed by the Committee.

Response by the Arizona Department of Administration

Elizabeth Alvarado Thorson, Executive Deputy Director, Arizona Department of Administration, distributed and explained a PowerPoint presentation entitled "Arizona Department of Administration, Sunset Hearing Presentation" (Attachment N) and explained the purpose and function of the Arizona Department of Administration.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Department of Administration for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 7-0-1 (Attachment 8).

Senators Farnsworth, Mendez, Shamp, Sundareshan, Rogers and Hoffman explained their vote.

Attached is a list noting the individuals who registered their position on the agenda items (Attachment O).

Attached are forms noting the individuals who submitted a speaker slip on the agenda items (Attachment P).

There being no further business, the meeting was adjourned at 5:19 p.m.

Respectfully submitted,

Jackson Cooper Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at http://www.azleq.gov)



Mission Statement

The Arizona State Personnel Board is committed to the integrity, dedication, and the principles inherent in the rule of law and furthering employment law for the betterment of workplace culture, standards, and practices.

How the ASPB serves Arizona?

- * The Arizona State Personnel Board is an Administrative Court that hears and reviews appeals for covered employees in the following three disciplinary matters: Dismissals, Suspensions, and Involuntary Demotions. In addition to, whistleblower complaints for government employees serving across Arizona.
- ♦ Appeals and Whistleblower complaints are heard via an administrative hearing process under the direction of a presiding hearing officer. The proceedings are conducted on an informal basis through the taking of direct testimony, cross examination, witnesses, and the admission of evidence.

Statutory Authority – Title 38 and 41

Appeals

- ♦ A.R.S. § 41-781
- ♦ A.R.S. § 41-782
- ♦ A.R.S. § 41-783

Whistleblower Complaints

- ♦ A.R.S. § 38-531
- ♦ A.R.S. § 38-532
- ♦ A.R.S. § 38-533
- ♦ A.R.S. § 38-534

Areas of Service

APPEALS

- ♦ Who can file an appeal?
 - Appeals can be filed by employees in a covered status and/or served a probationary period.
- ♦ Appealable Actions:
 - Dismissals,
 - ♦ Suspensions
 - Involuntary Demotions

WHISTLEBLOWER COMPLAINTS

- ♦ Who can file a whistleblower complaint?
 - Whistleblower complaints can be filed by any governmental employee serving in the state of Arizona.
- The ASPB is recognized as the default forum for hearing and reviewing whistleblower complaints.

The Process

- ♦ Appeals and Whistleblower Complaints are filed by government employees via our online submission form.
- ♦ Via an Administrative Hearing Process, Appeals and Complaints are heard before presiding hearing officer.
- The Hearing Officers provides a Recommendation regarding discipline to the State Personnel Board.
- The ASPB Board Members are subsequently provided with case information so they may determine whether the proper level of discipline has been imposed.
- ♦ The Board Members vote and enter an Order in each matter.

What makes the ASPB unique and different?

- ♦ The Arizona State Personnel Board is autonomous from the Arizona Department of Administration and the Arizona Attorney General's Office.
- ♦ As a result, the ASPB contracts and employs outside Hearing Officers for the administrative hearing process.
- In addition to retaining outside counsel to represent the agency, opposed to the Arizona Attorney General's Office.
- This affords us the ability to remain absence from any conflicts of interest, biases, or prejudices that provides us the ability to facilitate a truly impartial and integrity filled process.
- Ability to provide legal resources to those who normally would not have access due to monetary concerns.

Niche Areas of Service

- ♦ Administrative Bodies that serve in an area of employment law
 - ♦ EEOC & AZ Attorney General's Office Civil Rights Division
 - * Discrimination, Harassment, & Sexual Harassment, ADA
 - ♦ Department of Labor
 - ♦ Wage Disputes and Claims
 - ♦ Industrial Commission of AZ & OSHA
 - ♦ Work related injuries
 - ♦ The Arizona State Personnel Board
 - ♦ Terminations, Suspensions, & Demotions
 - Whistleblower Complaints

The ASPB's 5-Year Strategic Plan

⋄ Goal 1: Procedures and Website

♦ To strengthen and improve internal processes and procedures, as well as improve stakeholder service, experience, and accessibility through re-designing and improving the agency's website.

♦ Goal 2: Statewide Appeals and Complaints Program

To build and offer a statewide appeals and complaint program for those localities without an active Personnel Board or Merit Commission and/or seeking to outsource their appeal duties and responsibilities.

♦ Goal 3: Create and Generate an Outside Revenue Stream

♦ To generate an outside revenue stream for the ASPB.

♦ Goal 4: Operational Growth

♦ To identify operational growth opportunities

⋄ Goal 5: Education and Training Program

♦ To design and implement a training program for both public employees and employers.

By the Numbers

- ♦ Number of Employees in a Covered Status
 - ♦ 7,435 Employees 25% of State Employee Remain in Covered Status
- ♦ Arizona Department of Corrections, Rehabilitation and Reentry continues to supply the most employees in a covered status.
 - ♦ 5,074 Employees
- ♦ The ASPB caseload over the last five (5) years

| Year | Case Intake | Cases Accepted |
|------|----------------|----------------|
| 2019 | 27 | 19 |
| 2020 | 12 | 10 |
| 2021 | 20 | 14 |
| 2022 | 11 | 7 |
| 2023 | 20 | 16 |



Arizona State Legislature

1700 West Washington Phoenix, Arizona 85007

June 22, 2023

Director Zachariah Tolliver Arizona State Personnel Board 1740 W. Adams St., Suite 3007 Phoenix, AZ 85007

Dear Director Zachariah Tolliver:

The sunset review process prescribed in Title 41, Chapter 27, Arizona Revised Statutes, provides a system for the Legislature to evaluate the need to continue the existence of state agencies. During the sunset review process, an agency is reviewed by legislative committees of reference (CORs). On completion of the sunset review, the CORs recommend to continue, revise, consolidate or terminate the agency.

The Joint Legislative Audit Committee has assigned the sunset review of the Arizona State Personnel Board to the CORs comprised of members of the Senate Government Committee and the House of Representatives Government Committee.

Pursuant to A.R.S. § 41-2954, the COR is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. Please provide your agency's response to the factors listed below:

- 1. The key statutory objectives and purposes in establishing the agency.
- 2. The agency's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.
- 3. The extent to which the agency's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.
- 4. The extent to which rules adopted by the agency are consistent with the legislative mandate.
- 5. The extent to which the agency has provided appropriate public access to records, meetings and rulemakings, including soliciting public input in making rules and decisions.
- 6. The extent to which the agency timely investigated and resolved complaints that are within its jurisdiction.
- 7. The extent to which the level of regulation exercised by the agency is appropriate as compared to other states or best practices, or both.
- 8. The extent to which the agency has established safeguards against possible conflicts of interest.
- 9. The extent to which changes are necessary for the agency to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.
- 10. The extent to which the termination of the agency would significantly affect the public health, safety or welfare.

Additionally, please provide written responses to the following:

- 1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.
- 2. The extent to which the agency has addressed deficiencies in its enabling statutes.
- 3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.
- 4. The consequences of eliminating the agency or consolidating it with another agency.

Additionally, statute requires the COR to consider certain factors for each agency that administers an *occupational regulation*, which is defined as: 1) a statute, rule, practice, policy or other state law that allows an individual to use an occupational title or work in a lawful occupation; and 2) a government registration, government certification and occupational or professional license. An *occupational regulation* does not include a business license, facility license, building permit or zoning and land use regulation, except to the extent those state laws regulate an individual's personal qualification to perform a lawful occupation. If your agency falls under this category, please provide written responses to the following:

- 1. The extent to which the occupational regulation meets the requirements of A.R.S. § 41-3502.
- 2. The extent to which the failure to regulate a profession or occupation will result in:
 - a. the loss of insurance.
 - b. an impact to the ability to practice in other states or as required by federal law.
 - c. an impact to the required licensure or registration with the federal government.
 - d. the loss of constitutionally afforded practices.

Your response should be received by September 1, so that we may proceed with the sunset review and schedule the required public hearing. Please submit the requested information to:

Anna Nguyen Arizona State Senate 1700 West Washington Phoenix, Arizona 85007

Thank you for your time and cooperation. If you have any questions, please feel free to contact me at (602) 926-3292 or Anna Nguyen, the Senate Government Research Analyst, at (602) 926-3171.

Sincerely,

Senator Jake Hoffman Senate Government Committee, Chair

cc: Timothy M Dunn, House Government, Chair Frank Komadina, House Government, Analyst

KATIE HOBBS, Governor Zachariah Tolliver, Executive Director

BOARD MEMBERS:

Jeanine Inman, Chair Jason Dudek, Vice Chair Mark Ziska Chad Kirkpatrick



STATE PERSONNEL BOARD

1740 West Adams Street, Suite 3007 Phoenix, Arizona 85007 Phone: (602) 542-3888

September 1, 2023

Senator Jake Hoffman Senate Government Committee, Chair Arizona State Senate 1700 W. Washington Street Phoenix, AZ 85007

Dear Senator Hoffman,

Enclosed is the Arizona State Personnel Board's response to the sunset factors as requested in your letter dated June 22nd, 2023.

This is my first time being involved in this process as I took this position in March of 2023. I look forward to hearing from you and the Government Committee regarding the enclosed submission.

If you have any questions, please do not hesitate to contact me at any time.

Sincerely,

Zachariah Tolliver Executive Director

Zachariah Tolliver

Enclosures

CC: Anna Nguyen

1. The key statutory objectives and purposes in establishing the agency?

In 1968, the Legislature enacted laws establishing a merit system for state employees and a Personnel Commission comprised of five appointees to manage that system. This merit system consists of laws and rules developed to uphold principles of fairness, equality, and open competition in all areas of public sector employment. The 1968 legislation also allocated staff to administer the Commission's day-to-day activities under a personnel director. In 1973, legislation moved the Personnel Commission to the Personnel Division within the Department of Administration (DOA), and the Personnel Commission was renamed the Personnel Board. In 1978, the Board was officially separated from DOA to ensure Board neutrality.

The Board, which consists of five governor-appointed members, hears and reviews, via an administrative hearing process, disciplinary appeals and "whistleblower" complaints filed by public service employees. Members, who serve three-year terms, include a person who for more than five years managed a component or unit of government or industry with more than 20 employees, one professional personnel administrator, one state employee, one person active in business management, and one public citizen. These Board members are responsible for providing an impartial hearing process to the State and its covered status employees with respect to three types of agency disciplinary actions: dismissals, suspensions for more than 80 working hours, and demotions. In 1989, the Board's jurisdiction was expanded to include the consideration of whistleblower complaints that involve any personnel action taken against an employee or former employee of the State, that the individual believes was taken in reprisal for his or her disclosure of information to a public body.

As of today, the Arizona State Personnel Board continues to serve over 20% of state employees who are in a covered employment status. In addition to serving as the statewide forum for whistleblower complaints, any public service employee across the state may file a whistleblower complaint before the Board. Moreover, the Board continues to serve its key statutory objectives and purposes on a lesser scale but at a significantly greater purpose be it that the limited number of employees with appealable rights increases the complexity of cases. The Board continues to serve as the lone forum that is equipped outside of the judicial system to hear and review whistleblower complaints resulting from the complexity of the claims and the inability for an entity to hear and review such a complaint on its own accord.

2. The agency's effectiveness and efficiency in fulfilling its key statutory objectives and purposes?

The Arizona State Personnel Board continues to provide an effective and efficient process for executing its statutory objectives and purposes. In doing so, we've remain committed to the speedy process mandated legislatively as we are statutorily required to have filed matters heard, reviewed, and closed within 135 days from the date filed. Appropriately, the average time for appeals to be heard and closed is within 90-days. Likewise, whistleblower complaints have an average turnaround time from filing to close of 105-days. Keeping consistent with our mission and vision, the Board is committed to hearing and reviewing matters in a fair and impartial manner that carries an integrity-driven due process for every matter. We continue to contract with outside hearing officers opposed to state employed hearing officers. In addition to an aggressive case management system that provides procedural assistance, pertinent information, and dedicated resources that ensure each matter does not linger through the

process and continues until a resolution. With our dedicated agency, staff, and resources, we are empowered to seamlessly serve our statutory objectives and purposes ensuring the process is flawless and conducive to the success of due process being carried out at a high level.

- §A.R.S. 41-783 prescribes, The appeal shall be filed not later than ten working days after
 the effective date of such action
- §A.R.S. 41-783 prescribes, Such appeal shall be in writing and must state specific facts
 relating directly to the charges on which the appeal is based and shall be heard by the
 state personnel board within sixty days after its receipt
- R2-5.1-103(U), The hearing officer shall submit written proposed findings of fact,
 conclusions of law, and a recommendation, including a brief statement of reasons for
 the hearing officer's findings and conclusions, within 30 days after the last date of the
 hearing
- §A.R.S. 41-783 prescribes, Within forty-five days after the conclusion of the hearing, the state personnel board shall enter its decision or recommendation and shall at the same time send a copy of the decision or recommendation by certified mail to the employing agency and to the covered employee at the employee's address as given at the hearing or to a representative designated by the covered employee to receive a copy of the decision or recommendation.
- The Personnel Board has accepted 16 appeals and/or complaints for FY2023, thus far.

3. The extent to which the agency's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises?

The key statutory objective and purpose for the State Personnel Board is duplicated by two governmental agencies the judicial system and the Law Enforcement Merit System Council. Beyond the two governmental agencies, the Arizona State Personnel Board serves as the lone forum for hearing and reviewing administrative appeals and whistleblower complaints. While other counties, municipalities and other localities are employed to have their own Personnel Board or Merit Commission. In March 2023, the ASPB performed a review of the statewide personnel system for administering covered and probationary status employee appeals and whistleblower complaints for distinct three causes. First, an increase in non-state of Arizona covered status employees filing appeals with the State Personnel Board. Second, the continued rise in calls the ASPB fielded from public entities seeking assistance with administering their appeals programs such as procedural assistance, seeking/obtaining hearing officers, and rules. Most significantly, the ASPB performed a review of active Personnel Board's and Merit Commissions and identified that, of the 15 counties and 98 cities and towns, 91 do not have an active Board or Merit Commission. Of the remaining 22 with an active Personnel Board or Merit Commission, only the City of Phoenix, Civil Service Board, has a dedicated staffer for the sole administration of its appeals program. Otherwise, appeals are administered by human resource departments, with most subscribing to a "hearing officer" model. That model consists of hiring a hearing officer who supervises and manages the matter before ultimately presiding over and rendering a recommendation on the matter.

With respect to our counterparts such as; EEOC, Department of Labor, and the Industrial Commission of Arizona, the State Personnel Board is the only forum serving the specific areas of; dismissals, involuntary demotions, suspensions, and prohibited personnel practices outside of the judicial system and the Law Enforcement System Council, which only serves the Department of Public Safety.

4. The extent to which rules adopted by the agency are consistent with the legislative mandate?

The Arizona State Personnel Board rules prescribed in the Arizona Administrative Code, Title 2, Ch. 5.1 State Personnel Board, adhere and are consistent with our legislative mandate. All rules outlined in the administrative code reflect statutes, in addition to timelines and time frames as outlined in statute.

In 2018, the Arizona State Personnel Board entered the rulemaking process with the Government Rules and Regulations Council to update legislative changes for time periods pertaining to the process. Prior, reviews and hearings were required to take place within 30-days from the date of file, however, it has since updated to 60-days to allow for more time. Previously, the Board was experiencing continuations filed for most matters because the time from the filing date to conducting the hearing was a prompt turnaround. With 60-days now allotted for the review and hearing to take place ensuring all parties involved have ample time to prepare.

In addition, the Board recently submitted its 5-Year Rule Review to the Government Rules and Regulations Council that it has yet to hear feedback on but, we are expected to hear feedback regarding our submission of the 5-Year Rule Review. Also, the Board will enter into the

rulemaking process in early to mid-2024, the reason for this is solidify several fronts with respect to our administrative rules. As a result, we intend to make minor changes, but significant nonetheless, such as addressing motions and kinds of motions to be filed. Albeit, our current rules adopted satisfy and meet the standards for our process but as previously stated we have the ability to make those rules stronger as related to the process.

The extent to which the agency has provided appropriate public access to records, meetings and rulemakings, including soliciting public input in making rules and decisions.

The State Personnel Board continues to be transparent in every aspect including public records requests. Through our online public records request form, individuals requesting public information, records, and case materials, are able to do so through the method of our website. Moreover, most agencies are paperless, staying consistent with other state agencies, the ASPB has also adopted the paperless model. Opposed to paper submissions we're able to receive electronic request and respond in a timely manner as well as seek any guidance from counsel if required prior to supplying the requester with the public records. Also, response time frames continue to be within 24 to 48 hour time period. This increases response times for public records request as we've streamlined the process through the website automation features to ensure we exhaust every effort in ensuring the agencies transparency.

As part of the Governor's Rules Review Council, any time we enter into the rule making process the public is solicited for input. In part of the rule making process, agencies are required to post rule changes on their website as well as enter into a 30-day public comment period that begins on the date that the Notice of Proposed Rules are posted on the agency website. This affords

the public the opportunity to comment on any changes to rules that may cause concern to the public or burden the process, in addition to providing feedback on the rule changes sought.

Albeit, outside of two aforementioned avenues, the Board solicits input from employees entering into the process. As such, at the completion of each matter we survey appellants and complainants regarding their experience with the process which includes a portion for feedback regarding rules. So far, the Board continues to maintain an excellent rating from employees who've submitted feedback regarding the rules for the process, particularly, Administrative Code, Title 2, Chapter 5.1 State Personnel Board. For all purposes of intent, the Board will continue to maintain its transparency with the public, clients, customers, stakeholders, and other individuals.

6. The extent to which the agency timely investigated and resolved complaints that are within its jurisdiction.

The Arizona State Personnel Board is not a regulatory, compliance, or enforcement agency. As a result, we do not investigate matters before the State Personnel Board. In addition, the Board does not handle traditional complaints in line with unsatisfactory or unacceptable situations that warrant some kind of statement and thereafter, an investigation. As complaints relate to the State Personnel Board, individuals filing such a complaint are subsequently filing a whistleblower complaints. Whistleblower complaints are prohibited personnel practices that occurred from disclosure of information of public concern. Moreover, whistleblower complaints proceed through an administrative review and hearing process that affords the complainant due process.

However, every matter that comes before the Board is vetted through our intake process. During the intake process we check the validity of the claim ensuring such a complaint or appeal qualifies under statute to be filed before the Board. We also check for jurisdiction in every matter, again, there are 22 active Personnel Boards or Merit Commission. For appeals it is imperative to ensure the public employee if employed outside of state service has the right to file before the Board. Resultantly, we perform our due diligence to establish if the public entity does not have a Personnel Board or Merit Commission before accepting matters from public employees outside of state service. Correspondingly, the Board serves as the lone forum for whistleblower complaints, meaning any prohibited personnel practice that includes disclosure of information of public concern and reprisal is within our jurisdiction to hear. This results from the autonomy and independence the Board possesses and beyond the judicial system we are the only agency with the capacity to hear whistleblower complaint matters in a fair and impartial way.

7. The extent to which the level of regulation exercised by the agency is appropriate as compared to other states or best practices, or both.

The Arizona State Personnel Board is not a regulatory agency. However, 33 states have similar practices to that of the Arizona State Personnel Board, of those 33 states, 18 have the same structure as the State Personnel Board. Despite, some states empower their State Personnel Board with additional authority such as; state retirement benefit appeals, grievances and mediation.

8. The extent to which the agency has established safeguards against possible conflicts of interest.

The Arizona State Personnel Board has implemented substantial safeguards to prevent conflicts of interest, in addition to the structure of the agency. First, the ASPB continues to sustain its autonomy from the Arizona Department of Administration and the Arizona Attorney General's Office. In addition to utilizing outside hearing officers to preside over matters. Albeit, the Arizona State Personnel Board remains independent and autonomous to ensure we carry out our responsibilities and duties through an integrity-driven due process that results in a fair and impartial proceedings and order in every matter before the Arizona State Personnel Board.

- The Arizona State Personnel Board is autonomous from the Arizona Department of Administration and the Arizona Attorney General's Office. This affords us independence from the Human Resources department who handles the processing of dismissals, suspensions, and involuntary demotions. In addition to our autonomy from the Attorney General's Office that affords us separation so they may represent state agencies in proceedings when an appeal or complaint arises before the Board.
- The Arizona State Personnel Board employs outside counsel for legal guidance
 opposed to having an Assistant Attorney General assigned to the Board. This permits
 us to retain and use of outside counsel for the agencies legal matters, again, this
 stems from the Attorney General's Office representing the other agencies in matters
 reviewed and heard before the Board.

- officers opposed to State employed hearing officers. This ensures every matter is heard before a fair and impartial hearing officer with no direct employment ties to the State of Arizona. Appropriately, it would be a conflict of interest to have hearing officer employed by the State of Arizona to then proceed with matters involving a state employee. In addition to confirming with hearing officers they have no affiliation or prior history with the filer prior to appointing the matter.
- The extent to which changes are necessary for the agency to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.

Since the 2012 Personnel Reform that vastly altered public employment as it related to covered status employees, from the reform the Personnel Board continues to advocate for amending several statutes that adversely affect the Board in carrying out its mandated purpose. First, additional legislation from the 2012 legislature changed the appealable length of suspension from 40 to 80 hours, essentially eliminating the Personnel Board's ability to hear suspensions altogether. As most employers do not provide disciplinary suspensions beyond 80 hours as most agencies would likely dismiss that employee instead. Ultimately, this does away with the Personnel Boards ability to hear and review suspensions and this is shown as we've not had an appeal for a suspension since 2018.

In addition, current legislation grants the agency's director or designee the final binding decision for all matters heard before the Personnel Board. After the Board has rendered a decision on the matter it reverts back to the agency director who ultimately has the final say on

the personnel matter. This alone undermines the process and purpose of the State Personnel Board. As we engage in the administrative hearing process for a fair and impartial decision that is then carried out by the Boards decision. The ability to stray away from that process and make an independent decision thereafter is counterproductive to the process. Moreover, opposing a Board decision will likely result in the matter being appealed to Superior Court, which starts the process over again.

10. The extent to which the termination of the agency would significantly affect the public health, safety or welfare.

The termination of the agency would significantly affect the welfare of covered and probationary status employees, as well as, individuals who experience a prohibited personnel practice resulting from a disclosure of information to a public body resulting in a whistleblower complaint. Resulting from the structure of the agency, we are the only administrative forum that maintains its autonomy and independence from agency counterparts, specifically, the Department of Administration which oversees human resources. In addition to the Arizona Attorney General's Office who represents agencies in these scope of matters before the Board. Individuals outlined above will no longer have a forum to have their matter heard in a fair and impartial way, which further impact State of Arizona agencies. Without an independent forum to hear these matters, the only other option is Superior Court, which would carry a substantial amount of risk and increase costs for the agency. With regard to the employee, opposed to having this forum the only other recourse would be Superior Court as well. Essentially, this would affect many employees as entering into this process costs nothing but filing a matter before Superior Court incurs a cost burden that most employees cannot afford. Altogether, the

termination of the agency presents significant burdens and hardship on both agencies and individuals who would utilize this forum.

11. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.

Contrary, the Arizona State Personnel Board does not create a negative consequence, alternatively, the agencies scope of responsibilities reinforces a positive consequence. Be it that the State Personnel Board serves as an administrative employment law court we have the ability to hear and review qualifying employment law matters that would otherwise be heard before Superior Court. In that instance, the chances of mitigating any cost or risk are limited. The Arizona State Personnel Board presents a formidable forum where matters are able to be heard in a fair and impartial way and most importantly, are cost effective for all parties involved.

12. The extent to which the agency has addressed deficiencies in its enabling statutes.

The Arizona State Personnel Board has addressed deficiencies in its enabling statutes in several instances. Most recently, in 2018 legislative changes were made to the allotted time to hear and review an appeal or complaint that was previously 30-days. Since it was increased to 60-days, this affords the parties as well as the State Personnel Board the time needed to ensure hearings are conducted in a fair and impartial way. Under the 30-day period for hearings, we experienced vast amounts of continuations filed by the appellant, complainant, and respondent. Given the 30-day time period was very close and did not allow for pre-hearing conferences, motions, or requests to be filed. Moreover, with the 60-day time period each

party is provided enough time to ensure they can take any necessary measures needed prior to the hearing and can properly prepare for the hearing opposed to scrambling for items and preparation.

In continuing to address the deficiencies, the Arizona State Personnel Board will lobby in the upcoming 57th Legislature for the statutory amendments to be enacted. In advocating for the amendments, we are hopeful to find Senate and House members to sponsor a Bill that would mandate the reversion of the suspension from 80-hours back to 40-hours. As well as, strike the binding decision of the agency director in matters before the Board. In addition, the State Personnel Board remains committed to working with agency stakeholders such as the Arizona Department of Corrections, Rehabilitation and Reentry, who supply the most covered status employees that are eligible to file an appeal before the Board.

13. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.

The State Personnel Boards forum does not permit a state agency or the Attorney General to initiate any action, the State Personnel Board serves as an independent forum for covered status employees with appeal rights and statewide whistleblower complaints. As a result, the Attorney General's Office authority in relation to the Personnel Board is one that acts in defense of state agencies when public employees file before the Board. The Attorney General's Office and other local public attorneys are unable to initiate legal action, moreover, the State Personnel Board process is initiated when an employee files an appeal or complaint.

With respect to the construction of the State Personnel Board, it employs and empowers an outside counsel to represent the Board in all legal aspects through the outside counsel

appointment process by the Attorney General's Office. In doing so, this affords the State

Personnel Board autonomy from the AG's office and permits us to hear matters in a fair and impartially. Moreover, any cohort with the Attorney General's Office would present a considerable conflict of interest given the Attorney General's office advocates against employees in the State Personnel Board forum. Appropriately, this admission is also shared by the Attorney General's office, through a letter dated June 10th, 1980 from then Attorney General Robert K. Corbin. "The Attorney General's Office is unable to provide the Personnel Board any legal assistance or advice on employee hearings because the Attorney General's Office is representing another state agency at the hearing(s)."

14. The consequences of eliminating the agency or consolidating it with another agency. Addressing this in two parts, the elimination of the Board would increase cost and risk for both public employees and employers. The State Personnel Board acts as an administrative court for employment law matters, in following our statutory mandate we serve a niche of employment law matters that would otherwise be heard before Superior Court. The Board is similar to other employment law agencies such as the EEOC and Industrial Commission of Arizona, while the Board may not share the same responsibilities and duties as those agencies, it serves a specific purpose and focus to that of the above referenced agencies. In serving the niche scope of duties we're one of the only forums that affords such a process to public employees who would otherwise bear the burden of cost going through Superior Court. That creates a prohibitive cost burden on employees. In the same instance, mitigating risk and cost for public employers by exhausting the administrative process of the State Personnel Board ensures them the ability to

contain costs and use applicable resources already at their disposal such as the Attorney General's Office.

All things considered, the State Personnel Board serves a specific and important purpose in carry out its independent and autonomously nature by preserving and offering due process to both public employees and employers. Absent of this forum, the ability to hear appeals and whistleblower complaint matters at an administrative level will be obsolete. The check and balances the State Personnel Board provides in the oversight of agency disciplinary actions and prohibiting personnel actions from disclosure would only lead to a prolonged process that carries substantial risk factors and cost to Superior Court.

In part, the consolidation of the Board with another agency would also present considerable consequences and jeopardize the sole purpose of the State Personnel Board's mandated responsibility. Moreover, the only agency the Personnel Board could consolidate with is the Office of Administrative Hearings (OAH), despite, history serves to show why this never came to fruition. In 1998 the legislature passed a bill that would bring a number of agency hearing officers under the OAH, however, at the time legislative hearings were held to determine who would remain exempt and who would consolidate with OAH. It was concluded by the legislature that the State Personnel Board should and will remain exempt from the OAH and the Uniform Administrative Appeals Process. Additional factors would prevent the OAH from inheriting the agency, mainly the structure of the Board.

The Board serves independently and autonomous from the Arizona Department of

Administration and Attorney General's Office, maintaining the current structure is pivotal in

employing an integrity-driven due process. On the other hand, the OAH does not share this same construct and is not autonomous from the two agencies. In addition to the different relationship our two agencies share with our hearing officers, moreover, the OAH administrative law judges are employees of the State of Arizona and of OAH. On the other hand, the State Personnel Board employs outside services for securing and obtaining hearing officers who preside over matters heard before the Board. As a result, this alone presents a considerable conflict of interest, if OAH absorbed the Board it would lead to a state employed hearing officer presiding over state employee personnel matter. In continuing a fair and impartial process the ability to appoint an outside hearing officer suffices to better serve the process without conflicts of interest. Additionally, the scope of the Board is not only serving the administrative hearing but also having an independent body in the form of our Board members make the final decision on the matter. Absent of a Board, this is only an administrative hearing process that would render a decision and subsequently, send back to the agency director for final decision. This undermines the process and does not permit the construct needed for such an administrative hearing and body to hear and review the matter at a compelling rate that is conducive to due process.

Albeit, consolidating the State Personnel Board serves no purpose in aiding anyone who participates in the process or the scope of services offered by the Board. This undermines the process and presents considerable conflict of interest and muddies the water in a process that needs to be integrity-driven and absent of any perceived state influences. By choice, public employees want fair and impartial due process, having a forum such as the State Personnel Boards permits that for those employees.

15. The extent to which the occupational regulation meets the requirements of A.R.S. § 41-3502.

This does not apply as the State Personnel Board is not a regulatory agency.

- 16. The extent to which the failure to regulate a profession or occupation will result in:
 - a. the loss of insurance.
 - b. an impact to the ability to practice in other states or as required by federal law.
 - c. an impact to the required licensure or registration with the federal government.
 - d. the loss of constitutionally afforded practices.

This does not apply as the State Personnel Board is not a regulatory agency.