

Arizona's Voter-Approved Minimum Wage, Paid Sick Leave Law Constitutional, State High Court Affirms

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In a much-anticipated decision, the Arizona Supreme Court has unanimously ruled to uphold Proposition 206, the November 2016 ballot initiative that increases the Arizona minimum wage and requires employers in the state to offer paid sick leave to employees.

Chief Justice Scott Bales stated in the March 14 order that the seven-member court unanimously rejected the plaintiffs' arguments on the law's constitutionality. He further stated that a detailed explanation of the Arizona Supreme Court's reasoning will be provided later.

Prop 206 raised the minimum wage for Arizona employees to \$10.00 per hour beginning January 1, 2017, and provides for incremental increases to a minimum wage of \$12.00 per hour by 2020. Additionally, effective July 1, 2017, the law requires employers to provide paid sick leave to Arizona employees.

In December 2016, a group of business organizations led by the Arizona Chamber of Commerce and Industry filed a lawsuit challenging the law's constitutionality under two separate theories. First, they pointed to the "Separate Amendment Rule," which mandates that any proposed amendment to the Arizona constitution be limited to related matters of substance. They argued that Prop 206 addressed the two distinctly unrelated subjects of minimum wage and paid sick leave. Additionally, they claimed Prop 206 created new costs to the state's general fund without providing a new revenue source, in contravention of the Arizona Constitution's requirement that bills increasing state expenditures identify a specific revenue source. Principally, the plaintiffs argued that while the state was exempt from the minimum wage requirement, vendors providing goods and services to the state were required to pay the higher wage, thereby increasing costs to the state.

In December, a judge on the Maricopa County Superior Court denied the plaintiffs' request to enjoin the minimum wage requirements from taking effect on January 1, 2017. Following the court's denial, the plaintiffs filed a special action with the Arizona Supreme Court, which quickly agreed to hear the appeal. On March 14, the Arizona Supreme Court rejected the plaintiffs' claims without issuing an opinion.

Many Arizona employers were waiting patiently for the Supreme Court's decision before developing policies to comply with the Prop 206's new paid sick leave requirements. Following the Court's decision, employers should begin to prepare for the upcoming July 1, 2017, date for implementation of these new requirements.

While the Industrial Commission of Arizona has issued a series of updated Frequently Asked Questions ("FAQs") regarding Prop 206's requirements, questions remain. In the coming months, the Industrial Commission may promulgate regulations and additional guidance.

Jackson Lewis will continue to provide updates on these significant new requirements for Arizona employers.

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