INTRODUCTION

A.R.S. § 38-610.01 authorizes and directs State agencies to pay a State employee who is a reservist or guardsman the difference by which, during his period of activation, his State compensation pay exceeds the sum of his military pay and allowances when the employee has been ordered to active duty during a state of emergency and when his military leave balance has been exhausted. This policy establishes the guidelines for paying the difference.

Forms to support the policy and procedures outlined below have been published on the GAO Website at https://gao.az.gov/publications/forms.

POLICIES

1. An eligible employee who is a reservist or guardsman and who is ordered to active duty due to an emergency shall continue to receive, during his period of activation, his State salary or compensation, computed with reference to his adjusted State hourly rate, less the sum of all military pay and allowances for the duration of his active duty.

2. An employee is to receive Differential Pay if he meets all of the following conditions:

2.1. Provides documentation of being ordered to active military duty in connection with an emergency,

2.2. Exhausts his military leave balance at the time of activation or at any time during the active military duty period,

2.3. Provides, as prescribed elsewhere herein, documentation of all military pay and allowances received (typically by filing his LESs or LES equivalents),

2.4. Within sixty (60) calendar days after the completion of the period of active military duty during which the employee received Differential Pay, provides his agency head proof of honorable service (typically by filing his DD-214, DD-220, DD-256 and/or a similar document issued by DEMA), and

2.5. Is an employee identified by A.R.S. Title 41, Chapter 4, Article 4 or who is exempt pursuant to § 41-742, subsection D, paragraph 1, 2, 3 or 5.
3. If the sum of the employee’s rate of military pay and allowances exceeds the employee’s adjusted State hourly rate, the employee is not entitled to any Differential Pay.

4. Should it be determined that the Differential Pay paid an employee was, for any reason, more than what was due or would have become due, the State may seek recovery of such excess from the employee or the employee’s heirs, successors or assigns.

5. An employee is not entitled to accrue annual leave or sick leave while drawing Differential Pay.

6. Differential Pay is taxable compensation, subject to both employee’s and employer’s shares of all payroll taxes.

7. Differential Pay is subject to creditor garnishments, Federal and State tax levies and liens, Arizona Department of Economic Security levies, court ordered spousal and child support payments, court ordered collections of spousal and child support arrearages, wage assignments, and Federal student loan collection actions.

8. Computation and payment of Differential Pay will be made in the manner specified by the employee’s most recent payroll related documents on file with the employing agency. In the case of computation of net pay, this means that the marital status and dependency exemptions claimed on the employee’s Federal Form W-4 and State of Arizona Form A-4 will be used. Direct deposits, if any, will continue to be made to the bank account specified on the Form GAO-65; paper payroll warrants will be mailed to his address of record.

9. To compute the correct amount of Differential Pay, military pay and allowances will be converted to a combined hourly rate based upon a work year of two thousand eighty (2080) hours using Form GAO-42. For purposes of computing Differential Pay:

9.1. All full-time employees, including salaried personnel, hourly personnel, public health personnel and public safety personnel are deemed to work a standard workweek.

9.2. All full-time employees, including those on flextime and those working other shifts, are deemed to work a standard workweek.

9.3. Military pay and allowances are deemed to be earned during a standard workweek. If activation or deactivation occurs on a Saturday, service is deemed to have begun or ended on the preceding Friday; if activation or deactivation occurs on a Sunday, service is deemed to have begun or ended on the following Monday.

10. For accounting purposes, Differential Pay is to be posted to object 6044.
11. If an employee receiving Differential Pay is killed in action, the Differential Pay and all other State provided benefits will terminate effective the close of business on the date of death.

12. Differential Pay due to an employee declared killed in action or missing in action may be claimed by the executor of the employee's estate or other legal representative.

13. Any proposed personnel action, including promotions, reassignments and transfers between agencies, will be taken into account as of the originally contemplated effective date in computing an employee's State adjusted State hourly rate if the corresponding authorizing paperwork (such as Form AD-100, Request for Personnel Action, Form SF-302, Classification Action Request, or a similar form initiating the personnel action under consideration) was executed before the date of the employee's activation. No other changes in an employee's grade, assignment or compensation are to be made during his period of active duty.

14. Except for the cost of those employees normally engaged in a federally funded military capacity, none of the costs associated with an employee on military leave or leave without pay or receiving Differential Pay during an emergency activation are to be allocated to any non-State funding source or program.

15. An employee cannot receive Differential Pay while otherwise being compensated, on a full- or part-time basis, for services being rendered to the State.

16. Agencies, shall, as needed, adopt additional, agency-specific policies, procedures or amendments that may be required to fully implement the provisions and intents of this section of SAAM.

17. Payments of Differential Pay shall be treated as expenditures of the years in which payments are made.

18. An eligible employee ordered to active duty should contact the agency HRO for specific information relating to the employee's health benefits, retirement contributions, and credited service.

**PROCEDURES**

19. Procedures to be performed by the employee.


19.1.1. Exhausts all military leave.

19.2. At the time of activation.
19.2.1. As soon as practicable, provides his supervisor with a copy of orders from the competent authority that ordered him to active duty during a declared emergency.

19.3. *During his period of active duty.*

19.3.1. Provides his HRO a copy of every LES received during the period of active duty.

19.3.2. If his Modified Differential Pay is insufficient to fully fund his elective benefits, remits a payment to fully fund them. Payment should be in the form of a check or money order made payable to ADOA-HITF and should be sent to his HRO so as to arrive not later than the first day of the month to which coverage applies.

19.4. *At time of deactivation and return to work.*


19.4.2. Within sixty (60) days of his discharge from active duty, provides his HRO a copy of any LES that was not previously furnished.

19.4.3. Takes such steps as may be necessary to effect his employing agency’s payment of his retirement contributions for his period of active duty.

20. *Procedures to be performed by the employee’s representative.*

20.1. *At the time of making a claim with respect to a decedent.*


20.1.2. Within sixty (60) days of the employee’s death, provides the employee’s HRO a copy of any LES that was not previously furnished.

20.1.3. Within sixty (60) days of the employee’s death, presents documents establishing the death of the employee to the employee’s HRO.

20.1.4. Within sixty (60) days of the employee’s death, presents to the employee’s HRO the appropriate instrument for the collection of compensation due the decedent.
20.1.4.1. For claims of five thousand dollars ($5,000.00) or less made by the surviving spouse of the decedent, Form GAO-36a, *Affidavit for Collection of Compensation due Deceased Spouse*, is to be used.

20.1.4.2. For claims made by the surviving spouse of the decedent of more than five thousand dollars ($5,000.00) or claims by others than the surviving spouse of the decedent, irrespective of the amount of the claim:

20.1.4.2.1. If the decedent’s estate is valued at fifty thousand dollars ($50,000.00) or less, Form GAO-36b, *Affidavit for Collection of Compensation Due Decedent*, is to be used.

20.1.4.2.2. If the decedent’s estate is valued at more than fifty thousand dollars ($50,000.00), Form GAO-36c, *Affidavit of Personal Representative of Estate*, is to be used.

20.1.5. Takes such steps as may be necessary to effect the employing agency’s payment of the decedent’s retirement contributions for the employee’s period of active duty.

20.2. *When making a claim with respect to one living but unable to make a claim on one’s own behalf.*

20.2.1. Provides sufficient documentation (such as a power of attorney) to demonstrate a legal capacity to make claims on behalf of the employee.

20.2.2. Within the scope of the representative’s legal authority, provides such information, executes such documents or makes such elections on behalf of the employee as may be necessary under the circumstances.

21. *Procedures performed by the employee’s supervisor.*

21.1. *At the time of activation.*

21.1.1. Forwards a copy of the employee’s activation orders to the employee’s HRO.

22. *Procedures performed by the agency HRO.*

22.1. *At the time of activation.*

22.1.1. Collects and retains a copy of the orders from the competent authority that ordered the employee to active duty during a declared emergency.

22.1.2. Verifies that the employee is one identified by A.R.S. Title 41, Chapter 4, Article 4 or who is exempt pursuant to § 41-742, subsection D, paragraph 1, 2, 3 or 5.

22.1.3. Forwards a copy of the orders to the employee’s PRO.
22.2. During the period of the employee’s active duty.

22.2.1. If necessary, collects from the employee or his representative a remittance sufficient to fund the voluntary benefits selected by the employee.

22.2.2. Completes the HITF Personal Payments Form and forwards it, together with the appropriate remittance, to the ADOA-HITF.

22.2.3. Collects and retains a copy of each LES received from the employee on active duty.

22.2.4. Forwards to the employee’s PRO a copy of each LES received from the employee on active duty.

22.3. Upon the employee’s deactivation and return to work

22.3.1. Uses the employee’s Form DD-214, Military Service Record, Form DD-220, Active Duty Report, DD-256, Military Discharge Certificate, and/or equivalent documentation issued by DEMA or another competent authority to validate the employee’s length of service and that he was honorably separated from service.

22.3.2. Verifies that all LESs have been collected and/or collects any outstanding LESs for the period of active duty.

22.3.3. Executes the top portion of the GAO Form-43, Reconciliation of Military Emergency Activation Pay upon Discharge or Death, and forwards it to the PRO.

22.4. Upon a claim made by an employee’s representative in respect of a decedent.

22.4.1. Validates the legal status of the employee’s representative (powers of appointment, letters testamentary, etc.) and the representative’s capacity to act on behalf of the decedent under the circumstances.

22.4.2. Validates the decedent’s date of death.

22.4.3. Uses the decedent’s Form DD-214, Military Service Record, DD-220, Active Duty Report, DD-256, Military Discharge Certificate, and/or equivalent documentation issued by DEMA or another competent authority to validate the employee’s length of service and that he was honorably separated from service.

22.4.4. Verifies that all LESs have been collected and/or collects any outstanding LESs for the period of active duty.

22.4.5. Collects the appropriate instrument for the collection of compensation due a decedent.

22.4.6. Executes the top portion of the GAO Form-43, Reconciliation of Military Emergency Activation Pay upon Discharge or Death, and forwards it to the PRO.
23. **Procedures performed by the agency payroll office (PRO).**

23.1. **Before paying differential pay.**

23.1.1. Verifies that the employee’s military leave balance has been exhausted.

23.2. **At the time of activation.**

23.2.1. From the HRO, receives and retains one copy of the employee’s activation orders.

23.2.2. Using Form GAO-42, *Military Emergency Activation Differential Pay Computation Worksheet*, makes an initial determination of whether it appears that the employee will qualify for Differential Pay. If the employee’s adjusted military pay rate is greater than his adjusted State pay rate, it is unlikely that he will qualify for Differential Pay and no further actions will need to be taken until the employee’s discharge from active duty.

23.2.3. In computing an employee’s military pay and allowances, his LES should generally be used. If an LES for the period under consideration is not available, an estimate may be used and later corrected. Differences arising from such estimates should be corrected at the earliest opportunity. Current military pay and allowance rates may, at the time of this publication, be found at: [http://www.dfas.mil/militarymembers/payentitlements/militarypaytables.html](http://www.dfas.mil/militarymembers/payentitlements/militarypaytables.html).

DEMA should be contacted for assistance in estimating an employee’s likely military pay and allowances.

23.3. **Each pay period.**

23.3.1. Determines that the contemplated payment of Differential Pay will fall within the qualifying period.

23.3.2. Not later than the payroll deadline, using Form GAO-42, *Military Emergency Activation Differential Pay Computation Worksheet*, computes the amount of Differential Pay to be paid to the employee. This form is to be retained by the PRO.

23.3.2.1. In computing the amount of Differential Pay to which an employee may be entitled for a given pay period, it is important to use the correct hourly rate or rates and the correct number of hours within each period to which a given rate applies. Military pay and pay periods are not the same as State pay and pay periods. The former includes a number of special allowances; it is computed daily, paid semi-monthly and reported upon monthly. The latter is the adjusted State hourly rate; it is computed hourly and paid and reported upon every two weeks. The Form GAO-42 is to be used to convert monthly military pay and allowances into an hourly rate that can be compared to the adjusted State
hourly rate so that the amount of Differential Pay that may be owed an employee can be computed.

23.3.2.2. Certain full-time State workers—such as those employed in various public safety activities—are on duty more than eighty (80) hours each pay period and their basic State pay rate reflects such a schedule. The compensation for such workers must be converted to their adjusted State hourly rate for purposes of computing Differential Pay. This is accomplished by dividing an employee’s basic gross compensation by eighty (80), the typical number of hours in a State pay period.

Example: Abel Baker, a State firefighter, is on duty 106 hours each State pay period. His basic State pay rate is $10.00 per hour and his gross pay, including all his compensation except overtime pay, each State pay period is $1060.00. His adjusted State hourly rate is $13.25 ($1060.00 divided by 80) and is the rate that should be used when computing his Differential Pay.

23.3.2.3. It is almost certain that there will be differences in the periods covered by State pay and that covered by military pay. For military purposes, for example, weekends are days for which compensation is earned. For State purposes, this is generally not the case. Moreover, military promotions, longevity increases, changes in military assignments and, hence, changes in allowances, incentives or specialty pays are not likely to coincide with the employee’s normal State payroll cycle.

23.3.2.4. Appropriate adjustments must be made to treat military pay as if it were computed and earned using the employee’s customary State payroll periods.

23.3.2.5. If changes to military pay for a State employee who normally worked Monday through Friday go into effect on Sunday, such changes are to be treated as having occurred on the following Monday; if the changes take effect on a Saturday, they are to be treated as if they had occurred on the preceding Friday. Comparable adjustments must be made for employees whose normal workweeks did not begin on Monday and end on Friday.

23.3.2.6. If applicable, on the Form GAO-42, the Number of Equivalent Hours in Period must be limited by those hours that fall within the qualifying period; any such limitation should be noted in the Comments box of the Form GAO-42.

23.3.3. Enters the amount of Differential Pay, as appropriate, on HRIS Screen 35.2 or Screen ZR80, using Pay Code 385.

23.3.4. If the employee’s Modified Differential Pay is not sufficient to fully fund the elective benefits programs that were in effect at the time of activation, a documented attempt should be made to notify the employee or his representative, informing him of the monthly amount that should be remitted to ADOA-HITF to keep such benefits in effect.
23.4. **Upon the employee’s deactivation and return to work.**

23.4.1. Using the Form GAO-43, Reconciliation of Military Emergency Activation Pay upon Discharge or Death, with reference to the employee’s LESs and Form GAO-42, Military Activation Pay Computation Worksheet, for the period of active duty, determines whether the total amount of Differential Pay paid to the employee is correct.

23.4.1.1. Using Pay Code 385, entered by way of HRIS Screen 35.2 or Screen ZR80, pays the employee any balance due or collects any overpayment from the employee’s next State paycheck (whether paper or electronic).

23.4.2. Prepares and effects payment of a Form GAO-504, Claim, paying the employee’s and employer’s share of retirement contributions for the amount of military pay and allowances received by the employee during his period of active duty.

23.4.2.1. The period for which retirement contributions should be paid is not to exceed forty-eight (48) consecutive months.

23.5. **Upon a claim made by an employee’s representative in respect of a decedent.**

23.5.1. Using the Form GAO-43, Reconciliation of Military Emergency Activation Pay upon Discharge or Death, with reference to the decedent’s LESs and Forms GAO-42, Military Activation Differential Pay Computation Worksheet, for the period of active duty, determines whether the amount of Differential Pay paid to the decedent, his estate or heirs is correct.

23.5.1.1. Using Pay Code 385, entered by way of HRIS Screen 35.2 or Screen ZR80, pays the decedent’s estate or heirs any unpaid Differential Pay.

23.5.1.2. Makes and documents a reasonable attempt to collect the amount of any excess Differential Pay paid to the decedent or his estate or heirs.

23.5.1.2.1. If the overpayment is not collected within thirty (30) days of notifying the decedent’s estate or heirs, the matter is to be referred to the Attorney General of the State of Arizona for collection.

23.5.2. Prepares and effects payment of a Form GAO-504, Claim, paying the employee’s and employer’s share of retirement contributions for the amount of military pay and allowances received by the employee during his period of active duty.

23.5.2.1. The period for which retirement contributions should be paid is not to exceed forty-eight (48) calendar months.

24. **Procedures to be followed by ADOA-HITF.**
24.1. Processes the HITF *Personal Payments* Form and any checks or money orders it receives in connection with such forms, crediting payments on behalf of the appropriate employee.