

GOVERNOR KATIE HOBBS

STATE OF ARIZONA

EXECUTIVE ORDER

Executive Order 2026-01 Protecting Paychecks for Hard-Working Arizonans

WHEREAS, creating good-paying jobs and increasing Arizonans' take-home pay has been a top priority of my administration, resulting in more than 100,000 new jobs for Arizonans, the country's most highly-skilled workforce as cultivated by our Talent Ready AZ workforce initiative, historic private investment coming to the state, a growing world-class high-tech economy, and record export growth for Arizona businesses; and

WHEREAS, as Governor, I have signed bipartisan legislation that strengthens worker protections, such as increasing the ability for Arizonans to fight wage theft and receive the wages they are owed, returning millions of dollars to thousands of Arizona workers, while also taking executive action on heat, to help ensure all Arizonans return home safely despite rising temperatures; and

WHEREAS, while most companies play by the rules, some improperly classify workers as contractors when they should be considered full-time employees and receive corresponding benefits; when businesses cut corners and misclassify employees in violation of the requirements outlined in A.R.S. Title 23, Chapters 2, 6, and 10, and employment classification standards established in the federal Fair Labor Standards Act, essential protections are lost for Arizona workers;

WHEREAS, when businesses misclassify workers, they fail to provide Arizonans with workers' compensation coverage, do not pay their fair share into the State's unemployment insurance system, unfairly underbid honest businesses in competing for contracts, are not properly licensed for their work, and do not pay taxes they owe that support important services for the state; and

WHEREAS, research shows that misclassification is most common in construction, janitorial work, other service sectors, and many low-wage occupations – often in areas where workers are more vulnerable to exploitation and less able to pursue legal remedies;

WHEREAS, within construction, experts estimate that 13 percent of all construction workers in Arizona – more than 30,000 in total – are misclassified; this costs the state between \$5 and \$10M annually in lost tax revenue and more than \$30,000 per worker in annual compensation and benefits compared to if workers had been correctly classified as employees; and

WHEREAS, Arizona can take simple steps to encourage compliance, bring fairness to Arizona workplaces, protect Arizonans' paychecks, and ensure all employers are playing by the same rules by enacting transparency measures, worker protections, and supporting employee retention policies; and

WHEREAS, through the State of Arizona's contracting authority outlined in A.R.S. § 41-2585, the State can help ensure that its contractors follow all relevant federal, state, and local labor laws while also supporting worker retention and preventing turnover and absenteeism, decreasing state costs; and

WHEREAS, continuity in the state’s workforce, especially in rural communities, creates opportunities for stability, gainful employment, and upward mobility for Arizonans, supported by potential workforce retention policies and incentives in state contracts; and

NOW, THEREFORE, I, Katie Hobbs, Governor of the State of Arizona, by virtue of the powers vested in me by the Arizona Constitution and laws of this state, hereby order and direct as follows:

1. The Department of Economic Security (DES), Department of Revenue (DOR), Industrial Commission of Arizona (ICA), and Registrar of Contractors (ROC) shall share non-confidential information and evidence with one another as permitted by law in relation to compliance with A.R.S. Title 23, Chapters 2, 6, and 10 and specifically the proper classification of workers with regard to contracting versus full-time employment, including final administrative decisions finding that a business or licensee misclassified workers, and shall use this information to cooperatively enforce all State laws within the authority of their respective agencies.
2. The Arizona Department of Administration (ADOA) shall review current contract clauses, explore new policies and procedures such as payroll certification, consult with stakeholders, and report findings to the Governor’s Office by October 1, 2026, to better ensure that state contractors follow all relevant federal, state, and local labor laws.
3. The ADOA shall review current policies, consult with stakeholders, and report to the Governor’s Office by October 1, 2026, economically and operationally viable ways of encouraging state contractors to retain existing workforces when undertaking new contracts with the state.
4. The agencies named in this Executive Order shall meet and report on October 1, 2026, or shortly thereafter, their recommendations to the Governor’s Office, including methods to regularly compile and report data across agencies on employee misclassification in the State of Arizona and opportunities to increase education, awareness, and compliance regarding this topic.
5. ROC shall convene an Industry Advisory Council on Paycheck Protection (Council), comprised of businesses, workers, and other relevant representatives, to help inform interagency work combating employee misclassification and the agencies’ findings to be delivered to the Governor’s Office per Directive 4; the Council shall meet at least three times before the findings in Directive 4 are reported to the Governor’s Office and include designated points of contact from all relevant agencies in its meetings.
6. This Executive Order shall not confer any legal rights or remedies upon any person and shall not be used as a basis for legal challenges to any action or inaction of a State agency, officer, employee, or agent thereof.

This Executive Order shall take effect immediately upon signature.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona.

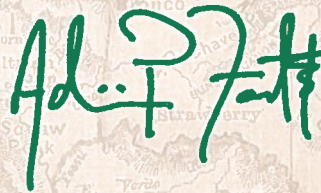


GOVERNOR

DONE at the Capitol in Phoenix on this Twentieth day of May in the year Two Thousand Twenty-Six and of the Independence of the United States of America the Two Hundred and Fiftieth.



ATTEST:



Secretary of State