

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1576 (Ortega) – As Amended April 20, 2026

Policy Committee: Insurance

Vote: 13 - 3

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill updates the administration of workers' compensation claims from the Subsequent Injuries Benefits Trust Fund (SIBTF).

Specifically, this bill:

- 1) Revises how a permanent disability resulting from a subsequent industrial injury (SII) is measured, depending on when the injury occurred, and provides that such provisions are declarative of existing law.
- 2) Requires, for a compensable SII occurring on or after January 1, 2027, the existence of a prior permanent partial disability (PPD) at the time of the SII, as determined by substantial evidence that the prior PPD predated the SII and resulted in a loss of earnings, interfered with work activities, or otherwise impacted the ability of the employee to perform work activities or activities of daily living.
- 3) Provides that medical-legal evidence for a SIBTF claim may only be obtained pursuant to the existing qualified medical evaluator (QME) process under workers' compensation law and requires the Division of Workers' Compensation (DWC) administrative director to create and maintain a QME database to perform evaluations for SII claims.
- 4) Provides that the Department of Industrial Relations (DIR) director is the SIBTF trustee, instead of the State Compensation Insurance Fund (SCIF), and thus the entity to administer SIBTF payments awarded by the Workers' Compensation Appeals Board (WCAB).
- 5) Provides that DIR has authority to issue regulations to administer these provisions.

FISCAL EFFECT:

- 1) Costs of an unknown, but potentially significant amount, in excess of \$150,000, to DWC to create and maintain a QME database for SII claims and revise the criteria and procedures for administering a SIBTF claim and benefit payment (Workers' Compensation Administration Revolving Fund).
- 2) Potential cost savings of an unknown amount to the state as an employer, to the extent this bill results in a lower payroll surcharge for employers generally (General Fund or special fund).

COMMENTS:1) **Purpose.** According to the author:

The fund was first created because a soldier who had a disabling injury is more prone to a subsequent injury. The fund spreads the risk so patriotic employers don't carry the burden. AB 1576 will lower assessments paid by all employers into the [SIBTF] by 20-25% while continuing to reduce the financial risk to employers who hire a previously disabled worker.

2) **Background. SIBTF.** If a worker has a pre-existing permanent disability, a new injury suffered by that worker on the job can exacerbate or combine with the pre-existing disability to more significantly limit the ability of the worker to perform work activities and increase an employer's liabilities under the traditional workers' compensation system. Following the return home of World War II veterans with high rates of pre-existing permanent disabilities, the Legislature established the SIBTF in 1945 to encourage employers to hire such workers without being fully liable for the combined effects of a pre-existing disability and a new workplace injury. SIBTF is funded through a payroll surcharge levied on all employers, based on a percentage of the premium paid by insured employers or a percentage of indemnity paid during the most recent year for self-insured employers. In the event a worker with a prior PPD suffers an SII, compensation for the disability attributable to the new injury is provided by the employer, while compensation for the additional disability resulting from the combination of injuries is provided by SIBTF.

Rand Report. In light of rapid increases in the volume of applications and payments for SIBTF benefits, DIR contracted with the RAND Corporation in 2023 to conduct a comprehensive SIBTF study. The ensuing June 2024 report identified startling trends concerning SIBTF's long-term liabilities and financial instability:

The recent surge in current and future liabilities can in part be attributed to interpretations of SIBTF's governing statutes, which are vague on key issues concerning eligibility and compensation, and which are decades old. More recently, the wide parameters of the governing statutes and SIBTF rules have motivated claimants, their representatives, and vendors to make more frequent claims for injuries which in past decades might have yielded smaller benefits or might not have led to any benefits at all. In the absence of policy changes to ensure the SIBTF is implemented in a sustainable and fair way, decisionmakers can reasonably expect that funding demands will exceed the currently available resources and assessments on workers' compensation premiums...will have to continue to rise to cover the Fund's growing liabilities.

The author of this bill seeks to implement some RAND report recommendations. Under existing law, injured workers filing SIBTF claims are not subject to the QME process applicable to traditional workers' compensation claims for the collection of medical-legal evidence. Instead, workers filing SIBTF claims may select their own medical evaluators. The RAND report identified fraud and abuse resulting from such "doctor shopping" as a

possible contributor to SIBTF insolvency. This bill specifies that medical-legal evidence in a SIBTF claim proceeding may only be obtained through the QME process and requires the DWC administrative director to create and maintain a database of QME physicians with the necessary training and expertise to evaluate SIBTF claims.

Additionally, pursuant to a 1958 California Supreme Court ruling, a PPD must be “labor disabling” to qualify for SIBTF benefits. However, the RAND report found that a “growing number of SIBTF cases allege PPDs that are common health conditions and/or chronic diseases frequently found in an aging population” and case law offers little guidance on how to apply the “actually labor disabling” principle. This bill provides a more specific definition of what constitutes a PPD for SIBTF eligibility, based on substantial evidence that the PPD predated the SII and resulted in a loss of earnings, interfered with work activities of the employee, or otherwise impacted the ability of the employee to perform work or daily living activities.

SIBTF Payment Process. Existing law requires SIBTF benefits be paid to injured workers by SCIF, at the direction of the WCAB. SCIF may draw funds directly from SIBTF to make award payments up to \$50,000, and is authorized to reimburse itself from the Workers’ Compensation Administration Revolving Fund for the cost of providing this service. This bill shifts the responsibility of administering SIBTF benefits from this complicated State Fund reimbursement scheme to direct payments made by DIR.

- 3) **Support and Opposition.** This bill is supported by the California Applicant Attorneys’ Association, which argues, “Since the Legislature has plenary power over workers’ compensation, we believe the appropriate vehicle for changes to SIBTF is properly vested in the legislative process, and not a budget trailer bill.”

This bill is opposed by a large coalition of employer groups, led by the California Coalition on Workers’ Compensation, which notes that the coalition supports the Governor’s SIBTF reform proposal being considered as a budget trailer bill and argues, “SIBTF claims have skyrocketed in recent years, creating a fiscal crisis as recognized by two recent reports from the Legislative Analyst’s Office and [DIR] through RAND.”

- 4) **Related Legislation.** AB 1329 (Ortega) is substantially similar to this bill. AB 1329 was vetoed by Governor Newsom, who stated:

Unfortunately, AB 1329 does not contain the comprehensive reforms necessary to save SIBTF. While some of the changes, such as the proposed QME process and the statute of limitations, are important, other changes take the program in the wrong direction. For example, including the impact on the “activities of daily living” in the determination of a prior disability contradicts the concept that the prior disability must be labor-disabling. This change would increase SIBTF claims and liabilities.

To ensure this program continues to serve workers as intended, comprehensive SIBTF reform must be pursued next year. I am directing the Department of Industrial Relations and its Division of

Workers' Compensation to develop a proposal for comprehensive reform to include in January's 2026-27 budget proposal.

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