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THIRD READING

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Bill No: SB 555  
Author: Caballero (D), et al.  
Amended: 1/22/26  
Vote: 21

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SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 4/9/25  
AYES: Smallwood-Cuevas, Cortese, Durazo, Laird  
NOES: Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 1/22/26  
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab  
NOES: Seyarto, Dahle

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**SUBJECT:** Workers' compensation: average annual earnings

**SOURCE:** California Applicants' Attorneys Association

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**DIGEST:** This bill requires, for injuries occurring on or after January 1, 2027, the permanent partial disability average weekly earnings to be adjusted by an unspecified amount.

**ANALYSIS:**

Existing law:

- 1) Establishes a comprehensive system of workers' compensation that provides a range of benefits for an employee who suffers from an injury or illness that arises out of and in the course of employment, regardless of fault. This system requires all employers to insure payment of benefits by either securing the consent of the Department of Industrial Relations to self-insure or by obtaining insurance from a company authorized by the state. (Labor Code §§3200-6002)
- 2) Establishes within the workers' compensation system temporary disability (TD) indemnity, permanent disability (PD) indemnity, and permanent partial disability (PPD) indemnity, which offer wage replacement of a specified injured

employee's average weekly earnings while an employee is unable to work due to a workplace illness or injury. (Labor Code §§4650-4664)

- 3) Requires, for computing average annual earnings for purposes of PPD indemnity, that average weekly earnings be taken at various amounts, including between \$240 and \$435 for injuries occurring on or after January 1, 2014, except as specified. (Labor Code §4453)

This bill requires, for computing average annual earnings for purposes of permanent partial disability indemnity, that average weekly earnings be taken at between \$\_\_\_\_\_ and \$\_\_\_\_\_ for injuries occurring on or after January 1, 2027.

## **Background**

*Workers' Compensation Permanent Partial Disability Benefits.* Most workers recover from their job injuries, although some may continue to have problems. If a treating doctor tells a worker they will never recover completely or will always be limited in the work they can do, they may have a permanent disability. This means that the worker may be eligible for permanent disability (PD) benefits. Workers do not have to lose their job to be eligible for PD benefits. However, if someone loses income because of a permanent disability, PD benefits may not cover all the income lost.

PD benefits are set by law and are based on the following:

- the date of the worker's industrial injury, and
- the worker's impairment level, which means how the injury has affected the individual's ability to work, as determined by the primary treating physician or doctor who is a qualified medical evaluation (QME)

The impairment level will be expressed as a percentage and is then used in a formula which also includes your age and occupation. For injuries on or after April 19, 2004, and prior to January 1, 2013, the formula also includes diminished future earning capacity. For dates of injury on or after January 1, 2013, PD ratings will no longer consider an injured employee's future earnings capacity.

A disability evaluator or the judge will calculate this formula and determine how much PD the worker is entitled to receive and their rating. A rating is a percentage that estimates how much the worker's disability limits the kinds of work they can do or ability to earn a living and determines the amount of their PD benefits. A

rating of 100% means a permanent total disability. Ratings of 100% are very rare. A rating between 1% and 99% means a permanent partial disability (PPD).

In 2012, SB 863 (De Leon (Chapter 363, Statutes of 2012)) was enacted as a major, bipartisan reform backed by business and labor groups. The bill made wide-ranging changes to the state's workers' compensation system, including increased benefits to injured workers and cost-saving efficiencies. SB 863 also revised the method for determining benefits for PPD for injuries occurring on or after January 1, 2014. The current minimum benefit for PPD indemnity is \$240 per week and the maximum is \$435 per week for injuries occurring on or after January 1, 2014. Individuals who have a PPD are eligible to receive the total amount of PPD benefits spread over a fixed number of weeks.

This bill, SB 555, proposes to adjust what the PPD average weekly earnings will be to compute the average annual earnings – by an unspecified amount – for injuries occurring on or after January 1, 2027. Recent amendments removed the provision that would have adjusted the PPD average weekly earnings by an amount equal to the cost-of-living adjustment (COLA) for social security benefits for that year. The bill currently in print replaced this COLA adjustment with blank spaces as a placeholder. Should this bill move forward, the author and proponents will have to fill in the blank spaces and decide what the minimum and maximum average weekly earnings will be to calculate the average annual earnings for purposes of PPD for injuries on or after January 1, 2027.

### **Related/Prior Legislation**

SB 863 (De Leon, Chapter 363, Statutes of 2012) enacted major reforms to the workers' compensation system, including revising the method for determining benefits for purposes of permanent partial disability for injuries occurring on or after January 1, 2013, and on or after January 1, 2014.

SB 773 (Florez, 2009) would have, effective on January 1, 2010, increased the maximum average weekly wage that is allowed to be used for the purpose of calculating weekly disability benefit payments. Also, for injuries occurring on or after January 1, 2010, increased the number of weeks of benefit payments to permanently disabled workers for specified percentages of permanent disability. This bill was held in Senate Appropriations Committee.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- Costs to the Department of Industrial Relations would likely be minor and absorbable.
- This bill would result in increased permanent partial disability payment amounts (relative to current law) to the State as a direct employer beginning in 2026-27. The magnitude is currently unknown and would depend on (1) the dollar thresholds ultimately included in the bill, and (2) the future number of new state employees receiving such payments.

**SUPPORT:** (Verified 1/22/26)

California Applicants' Attorneys Association (Source)  
American Federation of State, County and Municipal Employees  
California Association of Psychiatric Technicians  
California Federation of Labor Unions  
California Professional Firefighters  
California School Employees Association

**OPPOSITION:** (Verified 1/22/26)

Acclamation Insurance Management Services  
Allied Managed Care  
American Property Casualty Insurance Association  
Brea Chamber of Commerce  
California Alliance of Family Owned Businesses  
California Association of Joint Powers Authorities  
California Association of Winegrape Growers  
California Chamber of Commerce  
California Coalition on Workers Compensation  
California Grocers Association  
California League of Food Producers  
Carlsbad Chamber of Commerce  
Coalition of Small and Disabled Veteran Businesses  
Corona Chamber of Commerce  
Flasher Barricade Association  
Gilroy Chamber of Commerce  
Greater Coachella Valley Chamber of Commerce  
Greater Conejo Valley Chamber of Commerce  
Greater High Desert Chamber of Commerce  
Lake Elsinore Valley Chamber of Commerce  
Long Beach Area Chamber of Commerce

Mission Viejo Chamber of Commerce  
Murrieta Wildomar Chamber of Commerce  
National Federation of Independent Business  
Orange County Business Council  
Public Risk Innovation, Solutions, and Management  
Rancho Cucamonga Chamber of Commerce  
Roseville Area Chamber of Commerce  
Rural County Representatives of California  
Santa Ana Chamber of Commerce  
Santa Clarita Valley Chamber of Commerce  
Santee Chamber of Commerce  
Southwest California Legislative Council  
Torrance Area Chamber of Commerce  
Valley Industry and Commerce Association

**ARGUMENTS IN SUPPORT:** According to the California Federation of Labor Unions: “Workers’ compensation insurance is intended to provide a safety net for workers who sustain a debilitating injury on the jobsite, and to ensure that those workers receive some minimum benefits as they deal with the economic, physical, and emotional toll from the injury. Currently, workers’ compensation PPD benefits are based on outdated wage ranges set in 2014, despite California’s average weekly wage increasing by nearly 60% since then. In 2014, the last time PPD benefits were adjusted, the average Social Security monthly benefit was \$1,294, and as of 2023, those benefits have increased to an average of \$1,825.”

**ARGUMENTS IN OPPOSITION:** According to the opposition, which includes a coalition of business and insurer groups, including the California Chamber of Commerce: “SB 555 misidentifies permanent disability as wage replacement when a closer look at the complexities of the Workers’ Compensation system in California clarifies that permanent disability is not intended to replace wages and therefore annual increases as proposed are not appropriate. [...] Any discussion of increased benefits is better suited for a larger discussion about system reform as was done in prior legislation. [...] As a vital element of the Grand Bargain, a reconsideration of the purpose of any individual indemnity benefit or any increase should be part of a larger discussion about broader reform of the Workers’ Compensation System. Substantive changes to the nature of PD benefits must be

balanced by efforts to reduce costs elsewhere within the system. The last major reform (SB 863 in 2012) increased PD benefits and paid for them by reducing frictional costs elsewhere.”

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