



June 9, 2026

The Honorable Lola Smallwood-Cuevas
Chair, Senate Labor, Public Employment and Retirement Committee
1021 O Street, Suite 6530
Sacramento, CA 95814

RE: AB 1576 (Ortega) – Subsequent Injuries Benefit Trust Fund OPPOSE

Dear Chair Smallwood-Cuevas,

The undersigned organizations respectfully **OPPOSE AB 1576** because it does not adequately address the myriad problems with the Subsequent Injuries Benefit Trust Fund (SIBTF). SIBTF claims have skyrocketed in recent years, creating a fiscal crisis as recognized by two recent reports from the Legislative Analyst's Office and the Department of Industrial Relations (DIR) through RAND. While AB 1576 does include some desirable shifts in policy, it leaves the job unfinished much like AB 1329 (Ortega, 2025). Governor Newsom's veto stated that AB 1329 "does not contain the comprehensive reforms necessary to save SIBTF" and called on DIR to develop a comprehensive budget proposal. Governor Newsom's SIBTF reform proposal is being considered as a budget trailer bill, and we support that proposal.

California's SIBTF was established in 1945 with the purpose of encouraging employers to hire and retain workers that suffered from pre-existing disabilities. At the time, there was concern that employers would be reluctant to hire workers with disabilities for fear that the employer would be fully liable for the combined effects of an existing disability and a new workplace injury. SIBTF was established to protect the interests of veterans returning from World War II who were seeking to return to the workforce but presented a liability risk to employers.

While both state and federal law have evolved to protect workers from discrimination, SIBTF still serves an important function for injured workers who face the unfortunate results of combined industrial and non-industrial disabilities or impairments. A series of unfortunate court decisions combined with aggressive litigation tactics have caused the SIBTF to spin wildly out of control. The volume of applicants has nearly tripled over the past decade, causing assessments on employers to rise 800% between 2011 and 2024. Total annual payments from SIBTF have grown from \$13.6 million in 2010 to \$232 million in 2022. Total fund liabilities for resolved and pending cases between 2010 and 2022 are estimated at \$7.9 billion (with some actuarial studies estimating the current cost closer to \$28 billion), which is paid by direct assessments on both public and private employers. Unfortunately, AB 1576 does nothing to address the underlying court decisions and so will not impact the root causes for the increasing costs, which continue to spiral out of control: the DWC has projected that the SIBTF call volume will increase 25% in the next year.

The precipitous increase in the number of applications and payouts from the fund are the result of several factors, only some of which are addressed by the current contents of AB 1576. Our organizations believe that the legislature should address the easily identifiable problems with SIBTF in a comprehensive manner. The Department of Industrial Relations commissioned a [study](#) of the fund and its recent explosion in applicants and payments, and made several findings that could help the legislature identify reasonable and balanced policy solutions. The Legislative Analyst's

Office (LAO) also prepared a similar [report](#) that can help guide comprehensive reform that will stabilize the fund for those who need it. There is a clear path to controlling employer SIBTF costs:

- **Establish Stricter Eligibility Criteria**
Administrative law decisions and outdated statutes have allowed aggressive attorneys to expand eligibility for SIBTF benefits beyond the original intent.
- **Require Previous Documentation of Pre-existing Conditions**
Current law allows qualifying pre-existing conditions to be established without prior documentation by worker testimony alone, and this can be after the workplace injury occurs while trying to establish justification for SIBTF benefits. The legislature should follow the RAND and LAO recommendations and require prior documentation through medical records, workplace accommodations, or worker testimony prior to the workplace injury.
- **Restore Appropriate Method of Combining Multiple Disabilities**
The 2020 decision in *Todd v. SIBTF* dramatically altered the method by which the prior disability and workplace disability are added together to determine SIBTF benefits. This decision changed longtime practices that considered the interaction between disabilities in multiple body parts and instead allows disabilities to be combined based on simple addition. Both RAND and the LAO have found that this decision made it far easier for applicants to justify the maximum SIBTF benefit. The legislature should overturn this court decision and return rationality to the method of combining multiple disabilities.
- **Applying Medical Legal Report Laws to SIBTF**
Employer and labor representatives have collaborated twice in the last 20 years to negotiate mutually agreeable reforms to the workers' compensation system. In one of those reform negotiations, the state established new rules and processes for obtaining medical-legal reports that are necessary for deciding benefit levels. Unfortunately, those processes were not applied to the SIBTF claims because the rules for SIBTF claims are in a separate Labor Code section.
- **Reinvest in Claims Administration**
SIBTF claims are administered by the Division of Workers' Compensation (DWC), which is facing significant backlogs that drive up administrative costs, delay benefits, and result in poor outcomes. The LAO report finds that SIBTF cases typically take five years to process despite the underlying workers' compensation case already being resolved, and a quarter of SIBTF claims take eight years to resolve. The state should invest in better claims handling practices and ensure that administrators are fully staffed.

While AB 1576 helps create stricter criteria for pre-existing conditions including proper documentation, it fails to make changes to the initial eligibility threshold for serious injuries, disability rating structure, stacking of disabilities, or prioritization of severe cases to address the significant case backlog.

For these reasons, our organizations respectfully oppose **AB 1576**. If you have any questions, please contact Jason Schmelzer at jason@syaslparkers.com.

Sincerely,



Jason Schmelzer
California Coalition on Workers' Compensation

ABC California
Acclamation Insurance Management Services (AIMS)
Allied Managed Care (AMC)
American Property Casualty Insurance Association (APCIA)
Associated General Contractors, California
Associated General Contractors – San Diego Chapter
Brea Chamber of Commerce
California Alliance of Self-Insured Groups, Inc.
California Association of Joint Powers Authorities
California Association of Sheet Metal and Air Conditioning Contractors National Association
California Association of Winegrape Growers
California Attractions and Parks Association (CAPA)
California Building Industry Association (CBIA)
California Chamber of Commerce
California Craft Brewers Association
California Farm Bureau
California Farm Labor Contractor Association
California Forestry Association
California Fuels and Convenience Alliance (CFCA)
California Grocers Association
California Hospital Association
California Hotel + Lodging Association
California Joint Powers Insurance Authority
California Manufacturing and Technology Association
California Restaurant Association
California Retailers Association
California Self-Insurers Association
California Self-Insurers' Security Fund
California State Association of Counties
California Trucking Association
Carlsbad Chamber of Commerce
Corona Chamber of Commerce
County of Fresno
Danville Area Chamber of Commerce
Flasher Barricade Association (FBA)
Gateway Chambers Alliance
Greater Bakersfield Chamber of Commerce
Lien On Me, Inc.
Long Beach Area Chamber of Commerce
Mission Viejo Chamber of Commerce
Murrieta/Wildomar Chamber of Commerce
NAIOP Commercial Real Estate Development Association SoCal Chapter

National Federation of Independent Business (NFIB)
Networks By Design
Nonprofits' United
Norwalk Chamber of Commerce
Oceanside Chamber of Commerce
Palm Desert Area Chamber of Commerce
Partners Personnel
Protected Insurance Program for Schools and Community Colleges JPA
Public Risk Innovation Solutions and Management (PRISM)
Reed Family Companies
Rural County Representatives of California
San Juan Capistrano Chamber of Commerce
Santa Clarita Valley Chamber of Commerce
Schools Insurance Group
Southwest California Legislative Council
Vista Chamber of Commerce

CC: The Honorable Liz Ortega, California State Assembly