

CAPITOL UPDATE

June 30, 2026

Budget Deal Includes Needed SIBTF Reform

When Governor Newsom and legislative leaders announced a budget agreement on June 26, California employers welcomed the inclusion of a comprehensive overhaul of the state's out-of-control Subsequent Injuries Benefit Trust Fund (SIBTF).

The SIBTF was established in 1945 to provide additional workers' compensation benefits to employees with pre-existing disabilities whose overall permanent disability is substantially greater because of a subsequent work injury. The fund compensates workers for the increased disability caused by the combined effect of the two conditions while limiting an employer's liability to the disability caused at their workplace. In doing so, it protects employers from paying for disabilities they did not cause and reduces the disincentive to hiring and retaining workers with pre-existing disabilities.

Although intended to serve a relatively small number of workers with serious pre-existing disabilities, the program has expanded dramatically over the past decade due to court decisions, administrative interpretations, and statutory changes. Annual applications have increased from roughly 1,000 to approximately 3,000, while employer assessments have climbed from about \$35 million in 2014-15 to nearly \$850 million in 2024-25. The resulting surge has created a backlog of approximately 30,000 pending applications, billions of dollars in projected liabilities, and an administrative crisis that has left injured workers waiting years for their claims to be resolved.

The program's rapid growth has been examined by both the [RAND Corporation](#), at the request of the Department of Industrial Relations, and the [Legislative Analyst's Office \(LAO\)](#). Despite being conducted independently, both reviews concluded that the program has drifted from its original purpose and recommended targeted reforms to restore its intended function while preserving benefits for legitimately eligible workers.

[Assemblymember Liz Ortega \(D-San Leandro\)](#) first attempted to address the issue through [AB 1329](#) in 2025, sponsored by the California Applicant Attorneys Association (CAAA). Employer and insurer groups, led by CCWC, opposed the measure because it fell short of comprehensive reform. Governor Newsom agreed, [vetoing](#) the bill and directing the Department of Industrial Relations to develop a comprehensive proposal for inclusion in the 2026-27 budget.

Assemblymember Ortega returned this year with [AB 1576](#), which largely mirrored the earlier bill. At the same time, Governor Newsom unveiled a broader reform proposal through the budget process. CCWC and a coalition of employer organizations opposed AB 1576 and supported the Governor's proposal as both were considered over the past six months.

As legislative negotiations progressed, the primary disagreement centered on how the reforms should apply to the nearly 30,000 pending SIBTF claims. The compromise ultimately emerged in the form of [SB 171](#).

Like the Governor's proposal, SB 171 implements many of the reforms recommended by RAND and the LAO to restore the SIBTF to its original purpose. The principal distinction is its treatment of pending claims. While the Governor's proposal generally applies the new eligibility standards to all non-final claims, SB 171 broadly grandfathers older claims by preserving current law for claims filed before July 1, 2020, as well as claims that had already substantially progressed through the WCAB adjudicatory process before the bill's enactment.

Although no public analysis has quantified the effect of this grandfathering provision, SB 171 nevertheless represents a significant improvement over current law and an important step toward restoring the long-term sustainability of the SIBTF. SB 171 was passed by the legislature on June 29, 2026, and must be signed by the Governor before July 1st.



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