

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 07/23)

Fiscal Year 2025-26	Business Unit Number 7350	Department Department of Industrial Relations
Hyperion Budget Request Name 7350-010-BCP-2025-BCP		Relevant Program or Subprogram 6090 - Division of Workers' Compensation

Budget Request Title
Subsequent Injuries Benefit Trust Fund Workload

Budget Request Summary

The Department of Industrial Relations (DIR) requests \$2.7 million Workers' Compensation Administration Revolving Fund (WCARF) and 15.0 permanent positions in 2025-26 and \$2.5 million WCARF in 2026-27 and ongoing to address rising workloads in the Subsequent Injuries Benefit Trust Fund program.

Requires Legislation (submit required legislation with the BCP) <input type="checkbox"/> Trailer Bill Language <input type="checkbox"/> Budget Bill Language <input checked="" type="checkbox"/> N/A	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. **Project Approval Document:**

Approval Date: **Total Project Cost:**

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No

Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Denise Vargas	Date 8/30/2024	Reviewed By Dana Xiong	Date 8/30/2024
Department Director Katrina S. Hagen	Date 8/30/2024	Agency Secretary Stewart Knox	Date 8/30/2024

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ Dept. of Technology

Assistant Program Budget Manager Andrew March	Date submitted to the Legislature 1/10/2025
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A. Problem Statement

Established in 1945, the purpose of the Subsequent Injuries Benefit Trust Fund (SIBTF) program is to encourage employment of workers with disabilities by relieving employers of liability for the greater levels of permanent disability that may result if an already-disabled worker later suffers an industrial injury.

Labor Code section 4751 provides that if an employee who is already partially disabled suffers a subsequent industrial injury that is compensable through the workers' compensation system, and if the employee's resulting total permanent disability is greater than that caused solely by the subsequent injury, the employee is entitled to additional compensation, to be paid from the SIBTF, to compensate for that degree of additional permanent disability. Rather than incurring workers' compensation liability for the entirety of the worker's resulting total permanent disability, the employer is responsible only for the disability that results from the subsequent industrial injury; the SIBTF, supported by assessments on all employers, pays the additional compensation as necessary to compensate the worker for the total resulting permanent disability.

Chapter 34, Statutes of 2004 (SB 899), among other reforms, changed the apportionment rules for "regular" workers' compensation cases. These reforms, as codified in Labor Code sections 4663 and 4664, established that apportionment of permanent disability must be based on causation of the disability, and further, that the employer is liable only for "the percentage of permanent disability directly caused by" the work injury and that workers were not entitled to compensation for aggravating a preexisting condition. In addition, changes in recent case law have also made it easier for applicants to meet threshold eligibility requirements. The combination of all these factors has led to a 1,090 percent increase in the annual liabilities of the Fund over the past 10 years, as well as increases to the number of new SIBTF cases and the average cost per SIBTF case.

The 2019 Budget included \$4.8 million WCARF and 30 positions to support the SIBTF program, much of which was limited term (LT). The 2022 Budget made the LT resources from the 2019 Budget ongoing. The 2022 Budget also included 6.0 positions for the Division of Workers' Compensation (DWC) and 2.0 positions for the Office of the Director's Legal Unit (OD-Legal) for administrative support of the SIBTF program.

Resource History¹ (Dollars in thousands)

Program Budget	2019-20	2020-21	2021-22	2022/23	2023/24	2024-25
Authorized Expenditures	\$16,339	\$16,067	\$17,202	\$18,743	\$18,618	\$18,710
Actual Expenditures	\$12,373	\$12,875	\$15,801	\$16,791	\$16,071	N/A
Authorized Positions	34.0	34.0	34.0	38.0 ²	36.0	36.0
Filled Positions	12.4	14.9	25.0	27.3	30.4	N/A ³
Vacancies	21.6	19.1	9.0	10.7	5.6	N/A

¹ The Actual Expenditures are for the Claims & Risk Management (CRM) program as a whole within DWC. The positions are for the SIBTF unit within CRM specifically.

² Of the 38 Authorized Positions in 2022-23, 2 of those positions expired on 6/30/23.

³ As of 7/11/24, the SIBTF unit had 34 filled positions and 2 vacant positions. Please note this represents a point in time, whereas the data in the chart above represents cumulative Full Time Equivalent data for the year.

Workload History

Workload Measure	2019-20	2020-21	2021-22	2022-23	2023-24
Beginning Case Load	12,026	13,839	15,810	17,668	19,524
New Cases	2,226	2,496	2,448 ⁴	2,573 ²	3,132
Cases Closed	475	540	630	736	631
Ending Case Load ⁵	13,777	15,795	17,628	19,505	22,025
Annual Case Load Change	+1,813	+1,971	+1,858	+1,856	N/A

B. Justification

In recent years, the number of new SIBTF cases, the average cost per SIBTF case, and the total annual liabilities of the Fund have all increased exponentially. The SIBTF unit currently has 22.0 Workers' Compensation Consultants (WCCs, also referred to as claims examiners). WCCs are responsible for the calendaring, preparation, medical referral, investigation, liability analysis, and settlement negotiation of all SIBTF claims. The preparation of each case requires the claims examiner to obtain the entire court file, review that file, determine the relevant medical and factual issues, arrange appropriate medical examination investigative services, analyze all investigative and medical reports, and determine the extent of SIBTF liability. In addition, WCCs investigate and calculate available statutory credits to the state and conduct settlement negotiations with applicant attorneys. The average caseload is currently at approximately 887 cases per claims examiner. The industry standard of a manageable caseload for SIBTF cases is between 475-500 cases per examiner. The high caseload for SIBTF claims examiners is problematic for injured workers and other stakeholders because it does not allow for the proper allocation of time and resources to dedicate to processing claims as expeditiously as desired. The requested resources are necessary to continue to reduce caseloads per SIBTF claims examiners to a manageable level in order to administer the SIBTF program prudently and effectively.

In 2022, DIR contracted with RAND to conduct a study of the SIBTF program⁶. The key findings from the report are:

- The volume of applications for SIBTF benefits is growing
- The number of SIBTF cases resolved with benefits, including lifetime stream of benefits is growing
- Some chronic conditions that are rare in the regular workers' compensation system are common as permanent partial disabilities in SIBTF
- An increase in claimants with a 100-percent Permanent Disability rating increases SIBTF liabilities
- Payments from SIBTF rose moderately until 2020, when they accelerated quickly
- The total estimated SIBTF liability of resolved and pending cases in system between 2010 and 2022 is approximately \$7.9 billion

As documented in RAND's report, there is a substantial backlog of cases already in the system. As of June 2023, there were approximately 15,000 pending and unresolved cases. DIR is requesting to increase the size of the SIBTF Claims Unit by adding 12.0 positions to the Unit. In addition, DIR requests 2.0 Associate Governmental Program Analysts for DWC to support the SIBTF program, and 1.0 Staff Services Analyst for DIR to provide general administrative support in areas such as Human Resources and Business Services. Additional staffing may be required in the future for OD-

⁴ DWC does not characterize this as a decline for 2023 but rather a bump up in 2022 due to an increase in post-COVID filings. DWC's estimation is that the new cases will continue to increase.

⁵ During the year, some cases are re-opened and/or re-closed. The ending case load accounts for these re-opened and/or re-closed cases.

⁶ [SIBTF-Report.pdf \(ca.gov\)](#)

Legal to assist in the processing and resolution of pending SIBTF cases and workers' compensation administrative law judges who oversee the adjudication of SIBTF cases.

The backlog of SIBTF claims and the number of claims-per-examiner continue to be extremely high, and the number of new cases continue to increase sharply. The current volume of work is such that it cannot be accomplished with existing staff levels.

C. Departmentwide and Statewide Considerations

This proposal supports DIR's Strategic Plan to ensure workers' health, safety, and rights are safeguarded, as well as supporting one of DIR's core principles that all occupational injuries are resolved equitably and efficiently. Approval of this proposal would advance the Administration's equity agenda by increasing DWC's ability to minimize the adverse impact of work-related injuries on California employees and employers.

D. Outcomes and Accountability

Approval of this request would provide:

- Claims examiners with the ability to shift from a reactive to a proactive approach and be able to perform their due diligence in reviewing SIBTF cases;
- Accelerated resolution of cases, reducing the number of days from the opening of a case to its settlement;
- Reduced Declarations of Readiness filed for SIBTF cases, meaning there would be a higher frequency of cases settling before going to hearings at the Workers' Compensation Appeals Board;
- Increased capacity for claims examiners to put more effort into developing defenses for all cases;
- Increased potential for stipulated cases to be resolved with a disability rating less than 100%; and
- Enhanced customer service and faster response times to applicants, applicant attorneys, including but not limited to inquiries regarding the minimum disability rating required to qualify for benefits, medical and other services providers, and constituents.

Projected Outcomes

Workload Measure*	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
New Cases	3,713	4,122	4,575	5,078	5,632	6,245
Total Caseload counts ⁷	21,230	21,654	22,088	22,530	22,981	23,440
Call Volume ⁸	6,094	7,617	9,522	11,902	14,866	18,567

* Based on the annual growth since 2012.

E. Implementation Plan

The SIBTF program has already moved into an office space that can accommodate the additional positions requested in this proposal. DWC will begin to recruit, hire, and train new staff as soon as the requested positions are authorized.

⁷ Total Caseload counts show the estimated number of cases that will be assigned to the examiners, which accounts for new and closed cases.

⁸ The call volume increases as the number of new cases received increases. SIBTF claimants and/or their attorneys, vendors, copy services, etc. call regarding the status of their cases, payment, etc. SIBTF has become unable to keep up with the increased volume of calls they receive, which the requested four new Office Assistants will help with.

F. Supplemental Information (If Applicable)

Rand Report: [SIBTF-Report.pdf \(ca.gov\)](#)

BCP Fiscal Detail Sheet

BCP Title: Subsequent Injuries Benefits Trust Fund Workload

BR Name: 7350-010-BCP-2025-GB

Budget Request Summary

Personal Services

Personal Services	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Positions - Permanent	0.0	15.0	15.0	15.0	15.0	15.0
Total Positions	0.0	15.0	15.0	15.0	15.0	15.0
Salaries and Wages	0	1,191	1,191	1,191	1,191	1,191
Earnings - Permanent						
Total Salaries and Wages	\$0	\$1,191	\$1,191	\$1,191	\$1,191	\$1,191
Total Staff Benefits	0	725	725	725	725	725
Total Personal Services	\$0	\$1,916	\$1,916	\$1,916	\$1,916	\$1,916

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5301 - General Expense	0	26	26	26	26	26
5302 - Printing	0	22	22	22	22	22
5304 - Communications	0	70	70	70	70	70
5306 - Postage	0	3	3	3	3	3
5320 - Travel: In-State	0	15	15	15	15	15
5322 - Training	0	7	7	7	7	7
5324 - Facilities Operation	0	320	245	245	245	245
5344 - Consolidated Data Centers	0	50	50	50	50	50
5346 - Information Technology	0	94	94	94	94	94
5368 - Non-Capital Asset Purchases - Equipment	0	199	18	18	18	18
Total Operating Expenses and Equipment	\$0	\$806	\$550	\$550	\$550	\$550

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Total Budget Request	\$0	\$2,722	\$2,466	\$2,466	\$2,466	\$2,466

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0223 - Workers Compensation Administration Revolving Fund	0	2,722	2,466	2,466	2,466	2,466
Total State Operations Expenditures	\$0	\$2,722	\$2,466	\$2,466	\$2,466	\$2,466
Total All Funds	\$0	\$2,722	\$2,466	\$2,466	\$2,466	\$2,466

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
6090 - Division of Workers' Compensation	0	2,722	2,466	2,466	2,466	2,466
Total All Programs	\$0	\$2,722	\$2,466	\$2,466	\$2,466	\$2,466

Personal Services Details

Positions

Positions	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
1379 - Office Asst (Typing) (Eff. 07-01-2025)	0.0	1.0	1.0	1.0	1.0	1.0
5157 - Staff Svcs Analyst (Gen) (Eff. 07-01-2025)	0.0	1.0	1.0	1.0	1.0	1.0
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2025)	0.0	2.0	2.0	2.0	2.0	2.0
9210 - Workers' Comp Consultant (Eff. 07-01-2025)	0.0	10.0	10.0	10.0	10.0	10.0
9212 - Supvng Workers' Comp Consultant (Eff. 07-01-2025)	0.0	1.0	1.0	1.0	1.0	1.0
Total Positions	0.0	15.0	15.0	15.0	15.0	15.0

Salaries and Wages

Salaries and Wages	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
1379 - Office Asst (Typing) (Eff. 07-01-2025)	0	44	44	44	44	44
5157 - Staff Svcs Analyst (Gen) (Eff. 07-01-2025)	0	57	57	57	57	57
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2025)	0	153	153	153	153	153
9210 - Workers' Comp Consultant (Eff. 07-01-2025)	0	847	847	847	847	847
9212 - Supvng Workers' Comp Consultant (Eff. 07-01-2025)	0	90	90	90	90	90
Total Salaries and Wages	\$0	\$1,191	\$1,191	\$1,191	\$1,191	\$1,191

Staff Benefits

Staff Benefits	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5150350 - Health Insurance	0	111	111	111	111	111
5150600 - Retirement - General	0	381	381	381	381	381
5150900 - Staff Benefits - Other	0	233	233	233	233	233
Total Staff Benefits	\$0	\$725	\$725	\$725	\$725	\$725

Total Personal Services

Total Personal Services	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Total Personal Services	\$0	\$1,916	\$1,916	\$1,916	\$1,916	\$1,916