California State Assembly

Agenda

Assembly Budget Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, March 10, 2026

1:30 P.M. – State Capitol, Room 447

Items To Be Heard

		Page
0559 / 7320	**Labor and Workforce Development Agency / Public Employee Relations Board**	**3**
Issue	1. Unfair Labor Practices (AB 288)	3
7100	**Employment Development Department**	**5**
Issues	2. EDDNext Modernization 3. Paid Family Leave (SB590 Implementation)	5 8
7350	**Department of Industrial Relations**	**10**
Issues	4. Subsequent Injury Benefit Trust Fund Reform 5. Subsequent Injury Benefit Trust Fund Workload 6. California Worker Outreach Program (CWOP) – Status	10 18 19

Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.

Non-Presentation Items: Staff have suggested the following items do not receive a formal presentation from the Administration in order to focus time on the most substantial proposals. Members of the Subcommittee may ask questions or make comments on these proposals at the time designated by the Chair of the Subcommittee or request presentation by the Administration at the discretion of the Chair of the Subcommittee. Members of the public are encouraged to provide public comment on these items at the designated time.

Non-Presentation Items

0559	**Labor and Workforce Development Agency**	**22**
Issue	1. Jobs First Administrative Resources Reappropriation	22
7120	**California Workforce Development Board**	**22**
Issue	2. Additional Operation Resources	22
7300	**Agricultural Labor Relations Board**	**23**
Issue	3. Operations Resources for Information Technology and Human Resources.	23
7320	**California Public Employment Relations Board**	**23**
	4. Transportation Network Company Drivers Labor Relations Act (AB 1340)	**23**
	5. Attorney Classification Realignment and OE&E Cost Increases	**23**
7350	**Department of Industrial Relations**	**24**
Issues	6. Firefighter Protection Equipment (AB 1181)	**24**
	7. Foreign Labor Contractors Registration (AB 1362)	**24**
	8. Contracts in Restraint of Trade (AB 692)	**25**
	9. Apprentice Training Grant Augmentation	**25**
	10. Construction Trucking Employer Amnesty Program (SB 809)	**25**
	11. Payment of Wages (AB 642)	**25**
	12. Pre-Apprenticeship Support	**25**
	13. Public Works Information Technology System Enhancements	**26**
	14. The Workplace Know Your Rights Act (SB 294)	**26**
	15. Software Licensing and Support	**27**
	16. Silicosis Training Attestation and Case Report Intake (SB 20)	**28**
	17. Support for Occupational Safety and Health Workload	**28**
	18. Division of Workers' Compensation Security Services	**29**
	19. Increased Support for Judgement Enforcement	**29**
	20. Bureau of Investigation Resources	**29**
	21. Cal/OSHA Centralized Complaint and Report Intake Unit.	**30**
	22. Extreme Heat and Agricultural Enforcement Task Force and Outreach.	**30**

Items To Be Heard

0559 Labor and Workforce Development Agency
7320 Public Employee Relations Board

The Labor and Workforce Development Agency oversees seven departments, boards and panels that serve California workers and employers. The Departments include the Agricultural Labor Relations Board, the Department of Industrial Relations, the Employment Development Department, the Employment Training Panel, the Public Employment Relations Board, the Unemployment Insurance Appeals Board, and the Workforce Development Board.

The California Public Employment Relations Board (PERB) is an independent state agency within the Labor and Workforce Development Agency (LWDA) responsible for overseeing labor relations between most California's public employers and their employees. As a quasi-judicial body, PERB administers and enforces collective bargaining laws, promotes fair labor practices, and resolves disputes to support stable and harmonious labor-management relations across the public sector.

Issue 1: Unfair Labor Practices (AB 288)

This issue will discuss the implementation of AB 288.

Background. On January 27, 2025, President Trump fired National Labor Relations Board (NLRB) member Gwynne Wilcox — the first time a president ever fired an NLRB member before their term ended — leaving the board with only two of its five members, stripping it of the quorum needed to issue rulings. The board has been without a quorum for more than 350 days, essentially crippling the NLRB.

As a backstop**, the California Legislature passed AB 288,** as the NLRB was weakened, defunded, and scaled back under the current federal administration, leaving private-sector workers without a venue to file unfair labor practice claims. Rather than leave those workers unprotected, California created a state-level alternative through PERB.

AB 288 (Chapter 139, Statutes of 2025) expands PERB's jurisdiction to cover private-sector workers previously protected under the NLRA, but only when the NLRB has explicitly or implicitly ceded jurisdiction. PERB must be able to adjudicate unfair labor practice cases, process representation petitions, and order relief including civil penalties — on a defined timeline — none of which it currently has capacity to handle.

- The NLRB handles ~2,600 cases in California annually; PERB estimates **10% will migrate** to them under AB 288.

- Cases phase-in gradually; refusal-to-bargain cases (500+ employee employers) from Jan 2026, smaller employers from July 2026, all remaining cases from Jan 2027.

- The NLRB's Acting General Counsel filed a lawsuit in the U.S. District Court for the Eastern District of California, seeking invalidation of and an injunction against enforcement of the law. On December 26, 2025, a partial injunction was granted.

- Current PERB staff (77 positions) cannot absorb the workload.

The Public Employee Relations Board requests **$5.5M + 22 positions** in FY 2026-27, and **$7.04M + 31 positions** in FY 2027-28 and ongoing, from General Fund. In addition, the Labor and Workforce Development Agency (LWDA) is requesting **$1M one-time, in General Fund** in FY 2026-27 for Attorney General litigation costs.

Panel

- Susan Davey, Executive Director, Public Employee Relations Board (PERB)
- Jay Sturges, Deputy Secretary of Fiscal Policy and Administration, LWDA
- Cynthia Elmore, Finance Budget Analyst, Department of Finance
- Allison Hewitt, Principal Budget Analyst, Department of Finance
- Nick Schroeder, Legislative Analysts' Office

Staff Comments

The Subcommittee may wish to ask the following:

1. What parts of AB 288 are blocked by the partial injunction?

2. With the Injunction what can California enforce?

3. When will the lawsuit be settled?

4. How does the partial injunction and lawsuit impact the BCP?

Staff Recommendation: This item will be held open.

7100 Employment Development Department

The Employment Development Department (EDD) is the state entity responsible for administering various safety net programs in California, including Unemployment Insurance (UI), State Disability Insurance (SDI) and Paid Family Leave (PFL). The UI program issues partial income replacement for Californians who become unemployed through no fault of their own. The UI program is financed by employers, who pay unemployment taxes on wages paid to each worker. The SDI program provides partial wage replacement to eligible California workers who are unable to work due to a nonwork-related illness, injury or pregnancy. SDI is funded through employee contributions in the form of payroll taxes. Finally, the PFL program provides benefit payments to people who need to take time off work to, for example, care for a seriously ill family member or bond with a newborn child. The state's PFL program is part of the SDI program.

Issue 2: EDDNext Modernization

The Employment Development Department requests $145,520,000 ($60,937,000 General Fund and $84,583,000 Unemployment Compensation Disability Fund) in 2026-27 to continue the EDDNext modernization project. The resources requested in this proposal will enable the Department to continue supporting the modernization of benefits systems and services through the next phase of the EDDNext life cycle. This project is not only replacing aging benefit systems with flexible, user-friendly services, but is also aiming to change the processes and culture across Unemployment Insurance, State Disability Insurance, and Paid Family Leave benefit programs.

In addition, this request also includes reversion of $70,570,000 General Fund from previously appropriated funds for the EDDNext project. EDDNext and CDT have revised the ICMS implementation schedule to prioritize DI/PFL, then UI, a reversal of the original order. Because of the historic investments in the UI Program to date, many of the systemic issues identified by the Strike Team have been triaged. In contrast, the DI/PFL Programs now require critical investment in system infrastructure to meet service demands amid aging technology. EDD will now prioritize addressing the DI/PFL programmatic issues via ICMS implementation.

The request effectively makes the DI/PFL program the priority to migrate the system from Kobalt.

Background on EDDNext

In 2016, EDD began exploring a modernization effort to replace its legacy UI and SDI online application, as well as the PFL application system. Modernization efforts were halted during the pandemic, at the recommendation of the Governor's strike team, in order to assess options for reform. In September of 2021, the Department relaunched its modernization analysis and incorporated lessons-learned from the pandemic to develop an updated modernization roadmap. This multi-year project, which aims to improve customer service and accessibility for the UI, SDI,

and PFL programs, is now known as EDDNext.

EDDNext has 5 listed project objectives:

1) *Customer-Centered Service Design:* Ensure equity access via optimizing service channels (i.e. mobile social media, self-service website, chatbot, live chat) with multiple language access.

2) *Increase Self-Service Opportunities:* Simplify self-service functionality across all programs for claims intake and process.

3) *Mitigate Fraud:* Protect claimant identity, reduce fraudulent activities, and reduce the costly risk to the state by re-engineering claims processing and enhancing technology driven security.

4) *Improved, Consistent, Integrated Program Delivery:* Extend data analytics, improved dashboards, daily reporting on claim progress, fraud analysis, standardized user experience, and enhance EDD training to better serve claimants.

5) *Greater Adaptability for Faster Program Changes:* Integrated system that enables rapid program changes and enable scalability to meet he unusual spikes in workload demand and modifications required for compliance with the U.S. Department of Labor and California Rules and Regulations.

EDDNext Funding to Date

The Budget Act of 2022 provided $136 million, split evenly between the General Fund and EDD's Unemployment Compensation Disability Fund, to begin funding the first phase of EDDNext**.**

The Budget Act of 2023 allocated an additional $198 million in 2023, also split evenly between the General Fund and the Unemployment Compensation Disability Fund.

The Budget Act of 2024 allocated an additional $326,829,000 one-time in 2024-25, funded equally by the General Fund and the Unemployment Compensation Disability Fund to continue the EDDNext Modernization project.

The Budget Act of 2025 allocated an additional Approves $124,238,000 in 2025-26, funded equally by the General Fund and the Unemployment Compensation Disability Fund, to continue the EDDNext customer service improvement effort. In addition, approved the reappropriation of $163,415,000 Unemployment Compensation Disability Fund included in the 2024 Budget Act

for the EDDNext modernization projects to make funds available for an additional year, through June 30, 2026.

Panel

- Caleb Horel, Chief Fiscal Services, Employment Development Department
- Ajit Girn, Deputy Director of Information Technology, Employment Development Department
- Cynthia Elmore, Finance Budget Analyst, Department of Finance
- Allison Hewitt, Principal Budget Analyst, Department of Finance
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

Staff Comments

The Subcommittee may wish to ask the following questions:

1. Will prioritizing modernization to DI/PFL programs delay updates to UI?

2. Will this shift delay the overall timeline of EDDNext?

3. Will prioritizing modernization of DI/PFL programs increase response time to those cases?

4. Will there be extra cost due to the change?

Staff Recommendation: Hold Open.

Issue 3: Paid Family Leave (SB 590 Implementation)

The Employment Development Department is requesting funding to implement SB 590, which expands California's Paid Family Leave program to allow workers to care for a "designated person" — anyone related by blood or with a family-like relationship — not just the current list of specific relatives. This change takes effect July 1, 2028.

Funding Requested:

- $532,000 in FY 2026–27
- $1,483,000 in FY 2027–28
- $342,000 in FY 2028–29 and ongoing

All funding comes from the Unemployment Compensation Disability (DI) Fund — paid entirely by worker payroll contributions, not the General Fund. Money is split between staffing (temporary help across IT, Disability Insurance, Admin, and Public Affairs branches) and contract services (~$482,000 one-time for IT project management, developers, testers, and oversight).

The claim volume increase is expected to be modest — roughly 1.3% more care claims in 2028, rising to a steady 2.7% increase by 2029 and beyond (an additional ~1,400 claims per year out of ~52,000). EDD notes this is consistent with what other states like Colorado and Oregon experienced when they made similar expansions.

Background

The PFL program provides benefits to eligible employees who care for a seriously ill child, spouse, parent, parent-in-law, grandchild, grandparent, sibling, or registered domestic partner, or to bond with a new child due to birth, adoption or foster care placement, or to take time off work to participate in a qualifying exigency. Workers receive 70 to 90 percent of their wages for up to eight weeks.

The program is funded entirely through worker payroll contributions — there is no cost to employers.

For 2026, the maximum weekly benefit amount is $1,765 per week.

Panel

- Caleb Horel, Chief Fiscal Services, Employment Development Department
- Cynthia Elmore, Finance Budget Analyst, Department of Finance
- Allison Hewitt, Principal Budget Analyst, Department of Finance
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office

Staff Comments

The Subcommittee may wish to ask the following questions:

1. What will be the impact to response times for PFL?

2. Does PFL/DI need more staff then being requested?

Staff Recommendation: Hold Open.

7350 Department of Industrial Relations

The Department of Industrial Relations (DIR) administers and enforces laws governing wages, hours and breaks, overtime, retaliation, workplace safety and health, apprenticeship training programs, and medical care and other benefits for injured workers, including worker and public health safety amongst the states various Oil Refineries. Within the DIR is several divisions and boards, included in those are the Division of Occupational Safety & Health (Cal/OSHA),the Division of Workers' Compensation and the Commission on Health & Safety & Workers' Compensation.

Issue 4: Trailer Bill Language: SIBTF Reform

Background

In 1945, California enacted the Subsequent Injuries Benefits Trust Fund (SIBTF) (Labor Code sections 4751-4755) to offset employers' workers' compensation costs for veterans and other workers with serious pre-existing disabilities that made a new work injury more disabling and, therefore, more costly to the employer. Numerous states implemented similar programs with a particular focus on veterans who had served during World War II. Since then, the program has dramatically expanded with significant cost. The program needs comprehensive reform to ensure the long-term availability and viability of this benefit going forward and to refocus the program to the original intent of the law, which is for serious pre-existing disabilities that limit an employee's ability to work. Today, many claims cite common health issues of aging, such as hypertension, sleep apnea, arthritis, diabetes, headaches, and sexual dysfunction, as pre-existing disabilities.

According to the Administration, SIBTF lacks alignment with the state's workers' compensation system, and this has caused a disparity among injured workers, unsustainable growth in SIBTF's liabilities, severe staffing challenges, and long delays for injured workers. Other states chose to eliminate similar programs because many protections the program offers are now provided by other policies and programs that did not exist when the subsequent injury funds were established.

SIBTF is administered by the Department of Industrial Relations (DIR) and the Division of Workers' Compensation (DWC).

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 DWC and 2.0 positions for the Office of the Director's Legal Unit (OD-Legal) for administrative support of the SIBTF program.

The 2019 Budget also briefly included trailer bill language to make changes to the SIBTF that correspond to the changes that were made to the rest of the state's Workers' Compensation system over the prior 20 years. The proposed changes were rescinded before budget subcommittee hearings occurred.

The 2025-26 Budget includes $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.

In 2022, DIR contracted with RAND to conduct a study of the SIBTF program. 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 a lifetime stream of benefits is growing
- Some chronic conditions that are common attendants to normal aging but are rare in the regular workers' compensation system are common as permanent partial disabilities in SIBTF claims, including diabetes, arthritis, headaches, obesity, hypertension, sleep disorders, and sexual dysfunction.
- 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 was approximately $7.9 billion

According to the Administration, the state has been faced with these issues:

- Interpretations of SIBTF's governing statutes, which are vague on key definitions and issues concerning eligibility and compensation, and other factors have led to more claims, more claims receiving lump sum payouts or lifetime benefits, and more claims receiving the highest level of benefits.

    - The volume of annual applications **has increased sixfold since 2015.** Between 2010 and 2014, around 850 new SIBTF applications were filed per year. In FY 2020-21, DIR received 2,496 applications and, in FY 2021-22, DIR received 2,448 applications. Most recently in FY 2024-25, DIR received 5,378 applications. Between July 1, 2025, and January 13, 2026, DIR has received 3,658 applications.

- 2020's *Todd v. SIBTF* led to a surge in the number of applications and the proportion of applications receiving the highest level of benefits.

- In 2020, *Todd v. SIBTF* changed how the permanent disability rating was calculated for purposes of SIBTF claims, making it much easier to reach a 100% rating, which is rare in the regular workers' compensation system. When an applicant has a 100% rating, the amount of benefits to which a worker is entitled increases dramatically. This has resulted in a substantial increase in the benefits being paid out per case and a lack of parity between SIBTF fund recipients and applicants without a pre-existing condition.

- Increasing DIR Workload and Case Backlog:

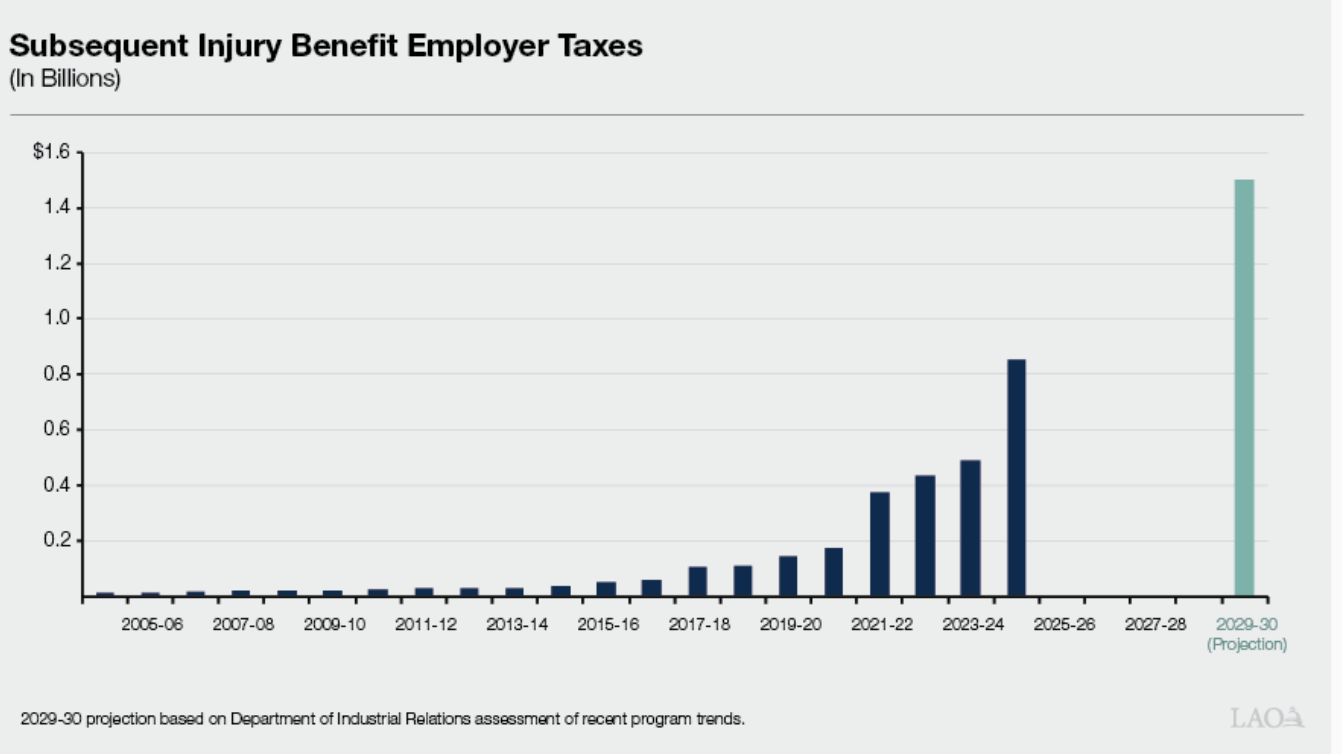
    - DIR's workload has grown exponentially alongside growth in the program – with significant budget implications. In 2023-24, there were over 15,000 pending cases. In 2025-26, that number grew to over 25,000 pending cases. By July 2026, this number is projected to rise to 30,000 pending cases.

    - Absent comprehensive reform, DIR will need significantly more resources than if the program is reformed as proposed.

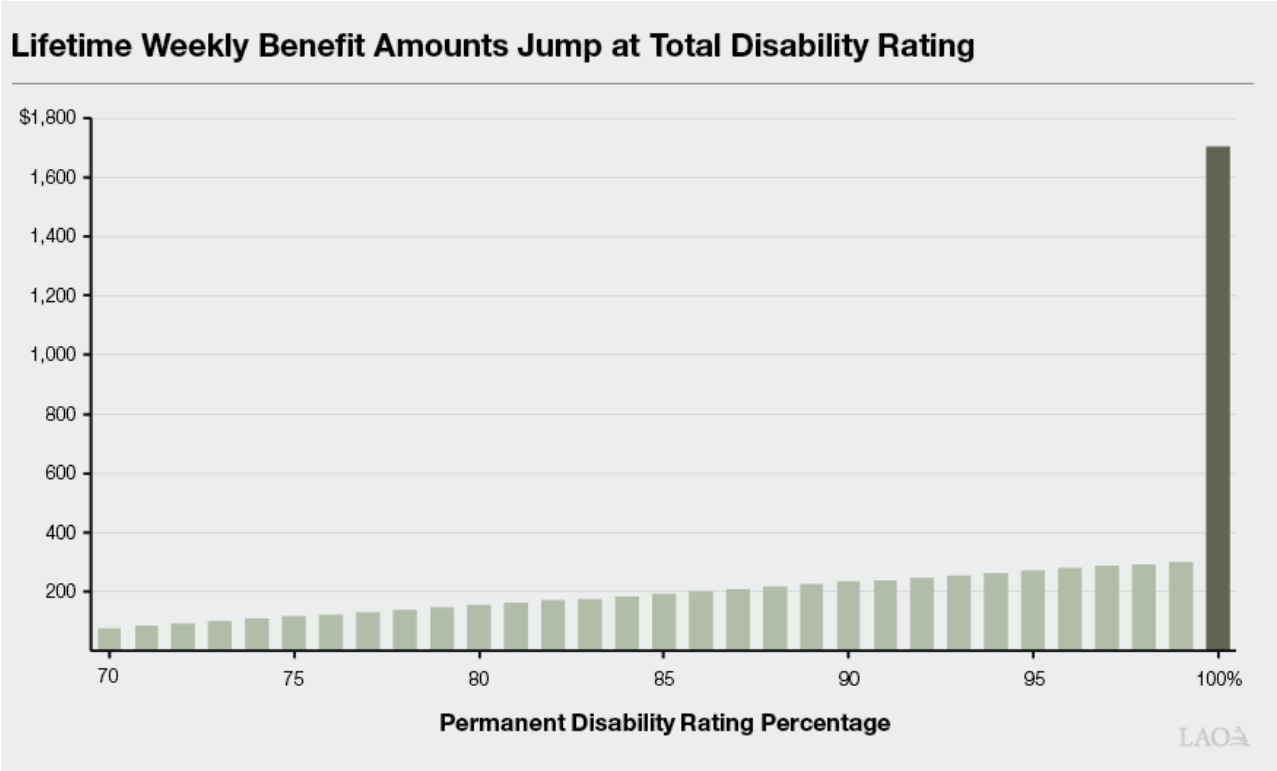
    - Aside from handling SIBTF claims, DIR's attorneys also handle claims for other benefits programs such as the Uninsured Employers Benefit Trust Fund (UEBTF). Unlike SIBTF, UEBTF often provides more urgently needed workers' compensation benefits, such as medical treatment and temporary disability payments, to workers who are injured while working for illegally uninsured employers that fail to provide benefits. Each DIR attorney can only reasonably and ethically handle a finite number of hearings for these benefits programs. For that reason, the heavy SIBTF caseloads significantly impact the ability of injured workers to get a timely hearing, as the number of available hearings for each DIR attorney is shared between SIBTF, UEBTF, and other cases.

The LAO is concerned with not only the backlog of cases but also the underlying fund exposure, as a potential symptom of something amiss in the Workers' Compensation system – overall, that is not sustainable.

The figure on the next page shows the rising SIBTF assessments paid by employers:



The figure below shows the relation between disability ratings and lifetime weekly Benefit amounts:



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

The Administration's Proposal

The Administration has proposed key changes to the SIBTF Program in the form of trailer bill language. The proposal sets out to clearly define terms of eligibility in the decades-old statute, align the Subsequent Injuries Benefits Trust Fund (SIBTF) with the robust process and controls in the state's workers' compensation system, establish clear timelines for qualification, and provide technical clarity for operating the SIBTF.

With these changes, the Administration estimates that growth of the program will return to manageable levels, ensuring claims are timely processed for workers, and avoid increasing costs to public and private sector employers by billions of dollars over the long term. Updating the statutory language as proposed will conform to the original intent of the law while ensuring the long-term viability of this benefit to low-wage workers without disability pensions and will reduce costs associated with processing claims. In addition, the Department of Industrial Relations (DIR) will be able to resolve the existing backlog of pending applications, minimize impacts on the UEBTF, and manage the program with fewer resources than would be needed absent reforms.

Specifically, the trailer bill proposes to make these changes to the SIBTF program:

1. Define key terms to clarify definitions and add parameters to align benefits with the original intent of SIBTF (proposed Labor Code section 4750).

2. Align the SIBTF medical-legal process with the qualified medical evaluator (QME) program to prevent doctor shopping, utilize a certified physician experienced with the injured worker's medical history, eliminate duplicative efforts, and dramatically cut costs (proposed Labor Code section 4754.1).

   a. Currently, SIBTF applicants can hire any doctor and SIBTF must pay for all medical reporting.

   b. Allowing the SIBTF applicant to select any doctor has resulted in doctor-shopping, including multiple doctors and specialists on each case, all of which are charged to SIBTF before a case goes to hearing. Doctors selected by applicants give on average 6 to 8 percent higher ratings than those through the objective QME process where the physician/evaluator is trained to apply the *AMA Guides to the Evaluation of Permanent Impairment*.

c. Payments to doctors and copy services are currently 24 percent of all payments from SIBTF – approximately double what is paid in the regular workers' compensation system. SIBTF evaluations currently cost two to three times more than evaluations in the regular workers compensation system because they are not subject to the fee schedule.

d. Costs to SIBTF have exploded due to the lack of a QME process unlike the regular workers' compensation system.

3. Clarify that a SIBTF claimant's preexisting disabilities and subsequent industrial injury are combined using a Combined Values Chart (CVC) as in regular workers' compensation cases. In regular workers' compensation cases 100 percent disability is rare but has become the standard outcome in SIBTF cases – between 2020-2022, 82 percent of claims were determined to be at 100 percent disability and since then, the percentage of 100 percent disability cases has grown even higher (amended Labor Code sections 4751 and 4754).

a. The CVC avoids double payment for the overlap between the preexisting impairment and the impairment caused by the subsequent industrial injury. It does so by combining disabilities at a level lower than simple addition to avoid the duplication that occurs due to overlap of the effects of multiple disabilities on a person's activities of daily living. Applying the CVC eliminates an overlap that overstates total disability.

b. A 2020 Workers' Compensation Appeals Board decision interpreted an until-then seldom cited 1976 Court of Appeal decision as requiring that disabilities are added rather than combined for SIBTF cases, resulting in exponential growth in high-value SIBTF cases. Adding preexisting disabilities with the subsequent industrial injury disability more easily results in 100% disability determination, even when a worker continues to be fully employed.

c. The cost of 100 percent disability cases may be 3 to 4 times the cost of 99 percent disability cases.

4. The elimination of the 1.4 future earning capacity adjustment to align with the original purpose of Section 4750, which required the elimination of adjustment factors to the permanent disability rating (amended Labor Code section 4750).

5. Establish a statute of limitations, replacing the vague, judicially created 5-year period, which has proven difficult to apply, with a simple statutory 5-year period (proposed Labor Code section 4754.2).

6. Clarify that preexisting disabilities must be documented in medical evidence that existed before the occurrence of the subsequent industrial injury to prevent exaggerated claims and speculation in medical reporting (amended Labor Code section 4754 and proposed Labor Code section 4754.1).

7. Clarify that preexisting disabilities must be labor disabling at the time of the subsequent injury to eliminate applications based on asymptomatic conditions or treatable conditions that do not have demonstrable impact on the employee's ability to perform work activity (proposed Labor Code section 4750).

8. Clarify that an employee is responsible for establishing that they have not already received payment for preexisting disability to prevent double recoveries. (Amended Labor Code section 4753)

9. Additional changes for DIR operation of the program:

   a. Establishes that the provisions added in the trailer bill will apply to all open SIBTF cases that have not yet become final either through settlement or court decision (proposed Labor Code section 4757).

   b. Ensure SIBTF is not subject to penalties, aligning with the Uninsured Employers Benefits Trust Fund (see Labor Code section 3716.2). State payment processes occasionally result in delays and have resulted in penalties (proposed Labor Code section 4754.3).

   c. Identifies the DIR Director, who currently oversees the program, for purposes of operations, rather than the State Compensation Insurance Fund identified in the 1959statute (amended Labor Code section 4754 and 4755).

   d. Details a discovery process for mandatory credits against SIBTF compensation where an applicant has already been compensated for a pre-existing disability (amended Labor Code section 4753).

Panel

- Joshua Iverson, Chief Financial Officer, Department of Industrial Relations
- Jaskiran Grewal, Deputy Secretary of Legislation, LWDA
- Grace Henry, Finance Budget Analyst, Department of Finance
- Allison Hewitt, Principal Program Budget Analyst, Department of Finance
- Chas Alamo, Legislative Analysist Office

LAO Comments

Overall, Proposed TBL Aligned with LAO's Recommended Reforms.

The proposed TBL would make changes to the SIBTF program that largely align with recommendations our office put forth last year. The proposed TBL's tighter definition of "labor disabling" (described above) corresponds to our recommendation that pre-existing conditions be work-limiting to qualify for SIBTF benefits. The TBL's requirement that pre-existing conditions be medically documented prior to the subsequent injury aligns with our recommendation to limit eligibility to longstanding and documented pre-existing disabilities, rather than conditions identified retroactively to support a SIBTF claim. Finally, the proposed TBL also undoes the *Todd* decision, effectively addressing our concern about how multiple conditions are aggregated to obtain a 100 percent disability rating.

The changes put forth by the administration represent a meaningful approach to refocusing the SIBTF program so that it may remain available to injured workers with severe pre-existing conditions as it was originally intended.

Staff Comments

Staff notes that a bill with a similar intent to reform the SIBTF program has been introduced this legislative year and that the committee may want to consider referring this issue to the policy process.

1. Is there legal precedence for changing the rules while people are waiting for their cases to be decided? Would the state face lawsuits?
2. What is the number of cases per staff currently? How long does it take staff on average to finalize a case?
3. If the state were to instead make the changes prospective to 12.31.26, what would be the staff and resources needed? How long would it take to clear out the backlog?
4. Is there a need for a larger conversation on the Workers Compensation Reform in general so that programs like SIBTF are not exploited?

Staff Recommendation. Hold Open.

Issue 5: Subsequent Injuries Benefit Trust Fund (SIBTF) Workload

The Governor's budget requests $12.7 million and 57.0 positions in 2026-27, $20.1 million and 96.0 positions in 2027-28, $27.4 million and 133.0 positions in 2028-29, $32.7 million and 159.0 positions in 2029-30, and $36.5 million and 177.0 positions in 2030-31 and ongoing from the Workers' Compensation Administration Revolving Fund. These resources are necessary to address the accumulated backlog of cases resulting from years of substantial program growth. **The requested resources assumed full implementation of proposed reforms to the Subsequent Injuries Benefits Trust Fund (SIBTF) program and are substantially lower than resources that would be required absent such reforms.**

Panel

- Joshua Iverson, Chief Financial Officer, Department of Industrial Relations
- Jaskiran Grewal, Deputy Secretary of Legislation, LWDA
- Grace Henry, Finance Budget Analyst, Department of Finance
- Allison Hewitt, Principal Program Budget Analyst, Department of Finance
- Chas Alamo, Legislative Analysist Office

Staff Comments

The Subcommittee may wish to ask the following:

1. How much has backlog and liability grown since the RAND study?

2. If the legislature were to take no action, what would the impact be? How large would the backlog become? How many staff/Resources would DIR need?

Staff Recommendation: Hold Open.

Issue 6: California Workplace Outreach Program (CWOP)

This issue will look at the current state of the California Workplace Outreach Program (CWOP).

The **California Workplace Outreach Project (CWOP)** is a state-funded initiative under the Department of Industrial Relations (DIR) designed to educate workers about their rights, safety, and health in the workplace.

Originally launched in 2020 as the "COVID-19 Worker Outreach Program" to address pandemic-related safety concerns, the program has evolved into a broader effort to inform workers about labor protections, including wage theft, retaliation, and, notably, heat illness prevention.

Outreach covers paid sick leave, workers' compensation for injuries/illnesses, anti-retaliation protections, and wage and hour laws. The program serves as a critical bridge between workers and state enforcement agencies, allowing for targeted outreach in multiple languages.

SB 578 (Chapter 771, Statutes of 2025) codified and expanded the **California Workplace Outreach Program (CWOP).** This bill establishes a permanent, state-funded program (**upon appropriation**) within the Department of Industrial Relations (DIR) to educate workers on their rights, with a focus on low-wage, high-risk industries. The program is set to sunset in January 1, 2031.

Background

From September 2023 through September 2024, the California COVID-19 Workplace Outreach Project (CWOP) was overseen by the California Department of Industrial Relations (DIR) and administered in collaboration with four University of California programs, and led in partnership with 76 community-based organizations (CBOs) statewide.

CWOP's primary goal was to improve workplace health and safety conditions for California workers by expanding education, outreach, and awareness of the impact of COVID-19 in the workplace, labor laws related to workplace health and safety, and worker protections such as paid sick leave, anti-retaliation, and workers' compensation. Over this 12-month project period, CBOs successfully reached workers in low-wage industries who are at high-risk of experiencing unsafe working conditions and other labor violations.

CWOP is grounded in the core experience that the most effective way to reach historically underserved workers is through partnerships with local, trusted organizations that possess the language skills and cultural competence to provide support. CWOP has been uniquely successful because it provides organizations with the funding and capacity-building resources to

support workers in their communities, develop strong regional coalitions, and create a reliable network of worker support.

This iteration expanded the impact of previous years by increasing the number of participating CBOs and the capacity of CBOs through extensive, ongoing training. For the first time, CWOP provided funding for technical assistance for CBOs that wanted to support workers in resolving problems, helping to bridge the gap between education and action. As a result of these adjustments, CWOP has effectively conducted approximately 830,000 conversations with workers, reflecting a 30% increase compared to the 640,000 conversations held during the previous 12-month period.

CWOP Structure

CWOP CBOs were organized into 10 regions and special focus areas, each led by a UC Lead and supported by a Regional Lead(s). This structure allowed each regional coalition to build local capacity, share knowledge and resources, and tailor strategies to the unique demographic and industry make up of their communities.

The UC Leads, including UC Berkeley Labor Occupational Health Program (LOHP), UC Davis Western Center for Agricultural Health and Safety (WCAHS), UCLA Labor Occupational Safety and Health Program (LOSH), and UC Merced Community and Labor Center (UCM CLC), were tasked with administering the program, managing subcontracts with participating CBOs in each region, and partnering with CBOs to implement the outreach and education campaign. UC Leads collaborated closely with Regional Leads to strategize for each region, provide trainings on substantive health and safety and labor rights topics, and provide ongoing support throughout the campaign. In addition, UC Leads also conducted their own outreach directly to workers as part of the regional strategy.

Regions were each supported by 1–2 “Regional Leads” who provided local leadership and drove collaboration. They were instrumental in helping coalition members work together to solve problems, share insights, and achieve outreach goals. Regional Lead responsibilities included coordinating strategies to reach the target demographic and industries in the region, participating in monthly one-on-one check-ins with each CBO and with UC Leads to address challenges and refine approaches, facilitating regional coalition meetings to foster communication and collaboration, and providing essential training and technical assistance to strengthen the efforts of CBOs in the coalition.

The need for effective worker outreach is not confined to pandemic-related issues. Data shows that each year, California workers are robbed of nearly $2 billion through minimum wage violations alone. A survey conducted by the National Employment Law Project found 38% of California workers experience workplace violations.

The 2023-24 budget recommitted $25 million to the program through June 30, 2028 and the 2024-25 budget committed $30 million through June 30, 2029. However, unlike other programs that extend the reach of California's labor agency via the "trusted messenger" model, CWOP is not written into law.

The 2025-26 budget included $13 million one-time from the Labor Workforce Development Fund to supplement current grants.

DIR anticipates that all grant funds, including funds from the 2025-26 appropriation, will be awarded by the fall of 2026; however, the grant programs funded through these grants extend through June 2027. The 2025-26 appropriation will be used to supplement the current cohort presently scheduled to end June 2027.

Panel

- Josh Iverson, Department of Industrial Relations
- Grace Henry, Finance Budget Analyst, Department of Finance
- Teresa Calvert, Program Budget Manager, Department of Finance
- Chas Alamo, Legislative Analysist Office

Staff Comments

The Subcommittee may wish to ask the following:

1. When are the current contracts set to expire?

2. How long does it take to process CWOP grants? How much time do you need to plan before the grant money actually goes out?

3. If CWOP is not funded in this budget, does that mean there will be programmatic interruption?

4. Why was there a programmatic disruption last year? What can we do to avoid disruptions?

Staff Recommendation. This item was presented for information only.

Non-Presentation Items

Non-Presentation Items: Staff have suggested the following items do not receive a formal presentation from the Administration in order to focus time on the most substantial proposals. Members of the Subcommittee may ask questions or make comments on these proposals at the time designated by the Chair of the Subcommittee or request a presentation by the Administration at the discretion of the Chair of the Subcommittee. Members of the public are encouraged to provide public comment on these items at the designated time.

0559 Labor and Workforce Development Agency

1: Budget Change Proposal: Jobs First Administrative Resources Reappropriation

The Governor's Office of Business and Economic Development (GO-Biz), Employment Development Department (EDD) and Labor & Workforce Development Agency (LWDA) request a reappropriation from previous Budget Acts to extend the encumbrance periods from two appropriations. The extended encumbrance period will allow GO-Biz, EDD, and LWDA to expend administrative resources for Jobs First program aligning with the lifecycle of the program which is operable until June 30, 2030.

This item will be heard by the committee at a later date when the committee hears Go-Biz items.

7120 California Workforce Development Board

2: Budget Change Proposal: Additional Operational Resources

The California Workforce Development Board (CWDB) requests additional resources to support its operations starting in 2026-27 as follows: $15.1 million ($5.6 million General Fund and $9.6 million other funds) in 2026-27, $13.9 million ($3.9 million General Fund and $10 million other funds) in 2027-28, $4.9 million ($2.4 million General Fund and $2.5 million other funds) in 2028-29, $3.3 million ($755,000 General Fund and $2.6 million other funds) in 2029-30; and $1.9 million other funds ongoing.

Additionally, CWDB requests a corresponding reduction in position authority in 2026-27 and the out-years.

7300 Agricultural Labor Relations Board

3: Budget Change Proposal: Operation Resources for Information Technology and Human Resources

The Agricultural and Labor Relations Board (ALRB) is requesting $1.3 million and 4 positions in 2026-27 and $1.2 million and 4 positions in 2027-28 and ongoing from the Labor and Workforce Development Fund to dispense its Information Technology and Human Resource responsibilities, and create the essential level of service, oversight, and monitoring necessary for the organization.

7320 California Public Employment Relations Board

4: Budget Change Proposal; Transportation Network Company Drivers Labor Relations Act (AB 1340 Implementation).

The Public Employment Relations Board (PERB) requests a total of $2,245,000 General Fund and 8 positions in fiscal year 2026-27 and ongoing plus an additional $800,000 in one-time funds to implement the requirements of Chapter 335, Statutes of 2025 (AB 1340).

5: Budget Change Proposal: Attorney Classification Realignment and OE&E Cost Increase.

The Public Employment Relations Board (PERB) requests $378,000 General Fund in fiscal year (FY) 2026-27 and ongoing to align operating expenditures with current costs.

The Board cites the following as specific cost drivers:

1. **Rent Increases ($159,260)** PERB's three offices (Sacramento HQ, Oakland, and Glendale) all have leases with built-in annual rent increases of 3–5% per year. Total rent has grown from $861,485 in FY 2019–20 to $1,020,745 in FY 2025–26. They simply can no longer absorb the difference.

2. **Software & Contract Cost Increases ($43,031)** Three essential contracts — Microsoft Office 365, Westlaw (legal research), and their website maintenance — have risen from $193,914 to $257,557 since 2019–20. They did receive a partial allocation of $20,612 in 2022–23 but still have a remaining gap.

3. **Case Management & Compliance System ($60,786)** Their eCourt filing system and document accessibility compliance system (required by AB 434) have skyrocketed from $52,269 to $250,055. Again, they received a partial allocation of $137,000 in 2022–23 but still have an unfunded gap.

4. **Attorney Supervisor Reclassification ($115,000)** Three Supervising Attorneys were reclassified to "Attorney Supervisors" following a State Personnel Board classification consolidation that took effect June 1, 2023. The new classification comes with higher pay, but PERB was never given additional funding to cover the difference.

PERB has historically covered these gaps using salary savings from vacant positions, but with staffing levels increasing they no longer have enough vacancy savings to absorb the shortfall.

7350 Department of Industrial Relations

6: Budget Change Proposal: Firefighter Protection Equipment (AB 1181)

The Department of Industrial Relations (DIR) requests $530,000 in 2026-27, $504,000 in 2027-28, and $454,00 in 2028-29 from the Occupational Safety and Health Fund to conduct rulemaking related to Chapter 392, Statutes of 2025 (AB 1181), and 1.0 position and $296,000 in 2029-30 and $278,000 ongoing from the Occupational Safety and Health Fund for enforcement of the new standards.

7: Budget Change Proposal: Foreign Labor Contractors Registration (AB 1362)

The Department of Industrial Relations (DIR) requests 2.0 positions and $1.1 million in 2026-27, 4.0 positions and $1.9 million in 2027-28, with a total of 4.0 positions and $859,000 ongoing from the Labor Enforcement and Compliance Fund to meet the requirements of Chapter 190, Statutes of 2025 (AB 1362).

8: Budget Change Proposal: Contracts in Restraint of Trade (AB 692)

The Department of Industrial Relations (DIR) requests 1.0 position and $335,000 in 2026-27 and 1.0 position and $317,000 ongoing from the Labor Enforcement and Compliance Fund to meet the requirements of Chapter 703, Statutes of 2025 (AB 692).

9: Budget Change Proposal: Apprentice Training Grant Augmentation

The Department of Industrial Relations (DIR) requests $18.2 million in 2026-27, $18.1 million in 2027-28, and $17.8 million in 2028-29 and 2029-30 from the Apprenticeship Training Contribution Fund to increase grant distributions to approved apprenticeship programs in the building and construction trades by $17 million annually from 2026-27 to 2029-30 and support related operational costs.

10: Budget Change Proposal: Construction Trucking Employer Amnesty Program (SB 509)

The Department of Industrial Relations (DIR) requests $195,000 in 2026-27, $177,000 in 2027-28 and 2028-29, and 0.5 position and $98,000 in 2029-30 and ongoing from the Labor Enforcement and Compliance Fund to meet the statutory requirements of Chapter 659, Statutes of 2025 (SB 809).

11: Budget Change Proposal: Payment of Wages (AB 642)

The Department of Industrial Relations (DIR) requests 1.0 position and $195,000 in 2026-27 and $177,000 in 2027-28 and ongoing from the Labor Enforcement and Compliance Fund to implement the requirements of Chapter 468, Statutes of 2025 (SB 642).

12: Budget Change Proposal: Pre-Apprenticeship Support

The Department of Industrial Relations (DIR) is requesting 2.0 positions and $336,000 in 2026-27 and 2.0 positions and $300,000 in 2027-28 and ongoing from the Apprenticeship Training Contribution Fund to support pre-apprenticeship programs for the building trades sectors, helping drive a more career-connected education system.

To enable the creation of support services needed for registration and sustainability of these growing programs, DAS recognizes the need for additional permanent staffing to evaluate and review CAC pre-apprenticeship programs in the building trades. This support will better allow DAS to oversee the pre-apprenticeship registration process. The positions needed to create this ongoing team to support these CAC programs includes:

Evaluation: Review and regulate operating registered pre-apprenticeships

1 Analyst I – This analyst is needed to ensure that pre-apprenticeship programs are adhering to their program standards and agreements and validate pre-apprenticeship renewals.

Program Planning and Review: Review and process program registration

1 Analyst II – This analyst will review all proposed pre-apprenticeship program registrations to ensure compliance with the Labor Code, providing feedback to program staff to ensure program adherence to the Labor Code.

13: Budget Change Proposal: Public Works Information Technology System Enhancements

The Department of Industrial Relations (DIR) requests $8.9 million in 2026-27 from the Labor and Workforce Development Fund to provide system maintenance and operations to DIR's public works data systems as well as to support and educate the public on new prevailing wage portal features and manage the increased volume of wage data.

14: Budget Change Proposal: The Workplace Know Your Rights Act (SB 294).

The Department of Industrial Relations (DIR) requests 2.0 positions and $390,000 in 2026-27 with $354,000 in 2027-28 and ongoing from the Labor Enforcement and Compliance Fund to meet the requirements of Chapter 667, Statutes of 2025 (SB 294).

SB 294 enacts the "Workplace Know Your Rights Act." The bill requires employers to provide their employees, upon hire and annually thereafter, with a written notice of workplace rights. The notice will include information on workers' compensation, immigration inspection and unfair immigration-related practices, union organization and concerted activity, constitutional rights when interacting with law enforcement in the workplace, recent legal developments deemed necessary and material by the Labor Commissioner, and agencies that can enforce the rights described in the notice. The bill also requires LCO to develop a template notice on or before

January 1, 2026, in English, Spanish, Chinese, Tagalog, Vietnamese, Korean, Hindi, Urdu, and Punjabi, and post it to LCO's website. LCO is required to update the template notice annually. SB 294 also requires LCO to develop two videos on these topics by July 1, 2026, one for employees and another for employers.

Separate from the notice requirement, SB 294, requires an employer to notify an employee's designated emergency contact, if one has been provided, when the employee is arrested or detained at the employer's worksite, provided the employee has previously requested that their emergency contact be notified in such situations. The bill prevents an employer from discharging or taking adverse action against an employee for exercising their rights under the Act. SB 294 also requires LCO to enforce the Act, including collection of a penalty, through multiple mechanisms: adjudicating individual wage claims, lawsuit, BOFE citation, and its RCI procedures.

The 2 Positions requested are:

- **Deputy Labor Commissioner I (DLC I)**

  SB 294 includes protections against retaliation for employees who assert their rights under the Workplace Know Your Rights Act. This is a new area of enforcement for LCO; however, RCI currently receives an average of 2,272 filings related to Labor Code section 98.65 annually and estimates a five percent increase in workload (or 114 claims filed) alleging violations of SB 294. As such, LCO requests 1.0 Deputy Labor Commissioner I to handle the anticipated increase in workload.

- **Deputy Labor Commissioner I (DLC I)**

  LCO anticipates receiving reports of labor law violations under SB 294. Reports could involve an employer's failure to provide the required notice or failure to notify the employee's designated emergency contact in the event of an employee's arrest or detention. LCO anticipates conducting approximately 30 investigations per year. These are expected to be non-complex investigations requiring, on average, 60 hours of DLC I time to complete from inception through issuance of a citation for the prescribed penalty.

15: Budget Change Proposal: Software Licensing Support

The Department of Industrial Relations (DIR) is requesting $5 million in 2026-27 and ongoing from various special funds to support increased licensing and network upgrade costs related to automation and infrastructure.

The requested funding will be used to cover licensing costs associated with ServiceNow and GCP Platforms and to support DIR network bandwidth upgrades.

16: Budget Change Request: Silicosis Training Attestation and Case Report Intake (SB 20)

The Department of Industrial Relations (DIR) requests 3.0 positions and $470,000 in 2026-27 and 3.0 positions and $416,000 in 2027-28 and ongoing from the Occupational Safety and Health Fund to provide resources for the Division of Occupational Safety and Health to implement requirements of Chapter 734, Statutes of 2025 (SB 20).

Silicosis is an incurable, progressive lung disease that often leads to pulmonary fibrosis, respiratory failure, and eventually death. Its primary cause is occupational exposure to RCS. RCS exposure is also associated with other diseases, including autoimmune disorders, chronic renal disease, lung cancer, pulmonary tuberculosis, and chronic obstructive pulmonary disease.

SB 20 creates additional workload by requiring employers to annually submit to Cal/OSHA an electronic attestation that each employee has received required training. Based on the 2023 data provided by CDPH, Cal/OSHA estimates at least 808 attestations each year (and possibly more as the industry grows).

The new attestation requirement necessitates 2.0 Analyst II to collect, review, and analyze the attestations, as well as field questions from employers seeking to submit attestations. The analysts requested will use the attestations to assess compliance with the training required by section 5204 of title 8 of the California Code of Regulations and identify noncompliant artificial stonework shops. The analysts will also receive reports from CDPH and track the data, create reports that will inform enforcement and outreach efforts, and review and process paperwork and forms. Cal/OSHA also requires 1.0 Office Assistant (OA) to support the work of the analysts. The OA will track submissions, direct calls from employers and employees, guide employers to resources, help employers attempting to file attestations, and answer questions from the Cal/OSHA Enforcement and Legal units.

17: Budget Change Proposal: Support for Occupational Safety and Health Workload

The Department of Industrial Relations (DIR) requests 8.0 positions and $1.6 million for 2026-27 and 8.0 positions and $1.5 million ongoing from the Occupational Safety and Health Fund to address increased workload and mandated activities within the Division of Occupational Safety and Health (also known as Cal/OSHA).

18: Budget Change Proposal: Division of Workers' Compensation Security Services

The Department of Industrial Relations (DIR) requests $6.5 million in 2026-27 and ongoing from the Workers' Compensation Administration Revolving Fund to pay for increased costs for security services provided by the California Highway Patrol.

The requested resources will fully fund the CHP contract for security services, which is critical to ensure the continuity of security coverage and to fulfill DIR's obligation to provide a safe and secure environment for employees and the public.

19: Budget Change Proposal: Increased Support for Judgement Enforcement

The Department of Industrial Relations (DIR) requests 7.0 positions and $1.3 million in 2026-27, 14.0 positions and $2.3 million in 2027-28, and 14.0 positions and $2.2 million in 2028-29 and ongoing from the Labor Enforcement and Compliance Fund to increase the number of judgment referrals enforced by the Labor Commissioner's Office.

20: Budget Change Proposal: Bureau of Investigation Resources

The Department of Industrial Relations (DIR) requests 14.0 positions and $2.3 million in 2026-27 and $2 million in 2027-28 and ongoing from the Occupational Safety and Health Fund to address case backlog and statutory compliance within the Division of Occupational Safety and Health, Bureau of Investigation.

The requested resources will enable BOI to more effectively fulfill the duties required under Labor Code section 6315, providing increased capacity in investigations of serious injury and fatality cases. In cases where sufficient evidence exists to show alleged criminal negligence and/or felony violations of Cal/OSHA standards, increased staffing will expand BOI's ability to file criminal cases with local District Attorney's Offices and continue to participate in the case through its adjudication by appearing in preliminary hearings and testifying in court.

With an increase in BOI staffing, there will be increased demand on DIR's essential administrative support services, requiring two Analyst I positions.

21: Budget Change Proposals: Cal/OSHA Centralized Complaint and Report Intake Unit

The Department of Industrial Relations (DIR) is requesting 35.0 positions and $5.9 million in 2026-27 and 35.0 positions and $5.3 million ongoing from the Occupational Safety and Health Fund to create a centralized complaint and report intake unit to help address the number of complaints, accidents, fatalities, and referrals the Division of Occupational Safety and Health receives.

According to the Department the resources requested in this proposal will help enable Cal/OSHA to process the high volume of complaint and accident reports of unsafe working practices and/or conditions within state and/or Federal OSHA mandated timeframes and workplace safety inquiries from employers, workers and the public. Additionally, current staff will be able to focus on their designated responsibilities to conduct onsite inspections of worksites to prevent worker exposure to occupational safety and health hazards and death.

22: Budget Change Proposal: Extreme Heat and Agricultural Enforcement Task Force and Outreach

The Department of Industrial Relations (DIR) requests 34.0 positions and $7.7 million in 2026-27, and 34.0 positions and $7.1 million in 2027-28 and ongoing, from the Occupational Safety and Health Fund to continue addressing extreme heat workload and agricultural enforcement and outreach efforts.

This agenda and other publications are available on the Assembly Budget Committee's website at: Sub 5 Hearing Agendas | California State Assembly. You may contact the Committee at (916) 319-2099. This agenda was prepared by Guy Strahl.