

Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON LABOR AND EMPLOYMENT

Liz Ortega, Chair

AB 1697 (Kalra) – As Amended March 16, 2026

AS PROPOSED TO BE AMENDED

SUBJECT: Employment contracts: stay-or-pay provisions: contract date

SUMMARY: Delays for one year, until January 1, 2027, the effective date of AB 692 (Kalra, Chapter 703, Statutes of 2025), and adds an urgency clause.

EXISTING LAW:

- 1) Prohibits an employment contract from requiring a worker to pay certain penalties, fees, costs, or debts related to employment or education if the worker’s employment or work relationship terminates, as provided. Business and Professions Code § 16608(b)(1).
- 2) Exempts certain types of contracts from the above prohibition, including:
 - a) A contract entered into under any loan repayment assistance program or loan forgiveness program provided by a federal, state, or local governmental agency.
 - b) A contract related to the repayment of the cost of tuition for a transferable credential, provided that specified conditions are met.
 - c) A contract related to enrollment in an apprenticeship program approved by the Division of Apprenticeship Standards.
 - d) A contract for the receipt of a discretionary or unearned monetary payment, including a financial bonus, at the outset of employment that is not tied to specific job performance, provided that specified conditions are met.
 - e) A contract related to the lease, financing, or purchase of residential property, as specified. Business and Professions Code § 16608(b)(2).
- 3) Provides that a contract that is unlawful under the above prohibition is void and contrary to public policy as a restraint of engaging in a lawful profession, trade, or business. Business and Professions Code § 16608(c) and Labor Code § 926(a).
- 4) Authorizes a worker, among other persons, to bring a civil action for specified civil penalties and relief for a violation of these provisions. Labor Code § 926(b) and (c).

FISCAL EFFECT: Unknown

COMMENTS: Training repayment agreement provisions, known as “TRAPs,” refer to clauses in employment contracts that require the worker to pay for training programs if the worker leaves their job within a certain amount of time. These provisions are gaining popularity especially in light of many state and federal proposals to ban noncompete agreements that temporarily prohibit departing employees from joining or starting competing enterprises.

A report by the Student Borrower Protection Center in 2022 estimated that three industries heavily reliant on the clauses – healthcare, trucking, and retail – employ one third of US workers.¹ A 2022 survey of registered nurses (RNs) found that nearly 40 percent of RNs who started their career in the past decade were subject to a TRAP for new graduate residency programs.²

Proponents of these “stay-or-pay” provisions argue that they are necessary to lessen the costs of turnover and are a more narrowly tailored and fairer substitute for noncompete clauses, given that TRAPs only apply if the worker leaves before the employer’s investment has been recouped. However, opponents argue that these programs shift onto workers the costs of basic on-the-job training and limit their mobility and bargaining power.

Last session the Legislature passed AB 692 (Kalra), Chapter 703, Statutes of 2025, which generally banned these types of agreements, with certain exceptions. In his signing message for AB 692, Governor Newsom encouraged the Legislature to enact follow-up legislation in 2026 to accommodate the collective bargaining process. According to the governor, “Allowing these issues to be resolved through the collective bargaining process is appropriate because those agreements are tailored to the unique needs of workers and their employers.”

Author’s Statements:

According to the author, “Last year, the Legislature passed AB 692 (Kalra, Chapter 703, Statutes of 2025), which prohibits employment contracts that require workers to pay their employers a debt if they leave their job, regardless of whether that worker was fired, laid off, or quit. However, as stated in the Governor’s signing letter, more time is needed to resolve concerns around ongoing collective bargaining to ensure the agreements are carefully crafted to meet the needs of the workers and employers. AB 1697 would delay the implementation of AB 692 by one year, which will allow the appropriate amount of time to accommodate for the collective bargaining process.”

The author adds that the measure supports underserved populations in that “people of color, and particularly women of color, are overrepresented in lower-wage work where stay-or-pay contracts are common, such as jobs offered to immigrant nurses by staffing companies that work with international recruiters.”

Committee Comments:

The Assembly Rules Committee has approved the author’s request to add an urgency clause to this measure, pursuant to Joint Rule 58. The urgency clause will be added upon passage out of this Committee.

Arguments in Support:

¹ Student Borrower Protection Center (July 2022), “Trapped at Work.” https://protectborrowers.org/wp-content/uploads/2023/12/stay-or-pay-compendium_12-2023_FINAL.pdf

² National Nurses United (Dec. 2022), “Caught in a TRAP,” National Nurse Magazine. <https://numagazine.uberflip.com/i/1489186-national-nurse-magazine-october-november-december-2022/19?>

The National Football League states in support that "...as the Governor acknowledged in his signing message, there is "more work to be done" to accommodate the collective bargaining process, and he encouraged follow-up legislation in 2026 to allow these issues to be resolved through collective bargaining.

Professional sports operate under comprehensive Collective Bargaining Agreements (CBAs) negotiated in good faith between leagues and players' associations. Certain provisions implicated by AB 692 may be interpreted to intersect with these collectively bargained agreements in ways that were not intended by the author.

AB 1697 is an urgency measure that simply provides an implementation delay until January 1, 2027, allowing the Legislature, professional sports, and the Administration time to address these unintended impacts."

Arguments in Opposition:

None on File.

Prior Legislation:

AB 692 (Kalra), Chapter 703, Statutes of 2025, makes it unlawful to include in any employment contract, or to require a worker to execute as a condition of employment or a work relationship a contract that includes, specified contract terms that require a worker to assume a debt if the employment is terminated, except as provided; provides that the unlawful contract is a contract in restraint of trade and is void; and provides for a private right of action.

AB 747 (McCarty) of 2023 would have prohibited an employer from entering into, presenting an employee or prospective employee as a term of employment, or attempting to enforce any contract in restraint of trade that is void, as specified, as well as provided that an employer that violates this prohibition is liable for actual damages and an additional penalty per employee. Died on Assembly Third Reading.

AB 1076 (Bauer-Kahan), Chapter 828, Statutes of 2023 codified existing case law by specifying that the prohibition on noncompete agreements is to be broadly construed to void noncompete agreements or clauses in the employment context that do not satisfy specified exceptions. Additionally provided that a violation of the prohibition on noncompete agreements in employment constitutes unfair competition.

SB 699 (Caballero) Chapter 157, Statutes of 2023, strengthened California's restraint of trade prohibitions by clarifying, among other things, that any contract that is void under California's restraint of trade law is unenforceable regardless of where and when the contract was signed.

AB 2588 (Kalra), Chapter 351, Statutes of 2020, requires an employer to reimburse an employee providing direct patient care or an applicant for direct patient care employment for the costs of any employer-provided or employer-required educational program or training, as defined.

SB 1241 (Wieckowski) Chapter 632, Statutes of 2016, prohibits an employer from requiring an employee who primarily resides and works in California, as a condition of employment, to agree to a provision that would require the employee to adjudicate outside of California a claim arising

in California or deprive the employee of the substantive protection of California law with respect to a controversy arising in California.

REGISTERED SUPPORT / OPPOSITION:

Support

National Football League

Opposition

None on File.

Analysis Prepared by: Erin Hickey / L. & E. /