

ASSEMBLY THIRD READING

AB 1697 (Kalra)

As Amended April 13, 2026

2/3 vote. Urgency

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.

Major Provisions

See summary.

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% 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.

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

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://nnumagazine.uberflip.com/i/1489186-national-nurse-magazine-october-november-december-2022/19?>

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.

Arguments in Support

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.

FISCAL COMMENTS

Potential minor cost savings to the courts to the extent civil actions have already been brought on behalf of a worker for a violation of AB 692 (Kalra), Chapter 703, Statutes of 2025, and such actions would no longer be in order upon the immediate enactment of this bill.

VOTES

ASM LABOR AND EMPLOYMENT: 6-1-0

YES: Ortega, Chen, Elhawary, Kalra, Lee, Ward

NO: Lackey

ASM APPROPRIATIONS: 9-2-4

YES: Wicks, Arambula, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Solache

NO: Hoover, Dixon

ABS, ABST OR NV: Calderon, Muratsuchi, Ta, Tangipa

UPDATED

VERSION: April 13, 2026

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