

CONCURRENCE IN SENATE AMENDMENTS

AB 1697 (Kalra)

As Amended August 21, 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), exempts additional types of contracts from the law's provisions, and adds an urgency clause.

Senate Amendments

- 1) Exempt from the prohibition on an employment contract 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:
 - a) Contracts entered into pursuant to a recruitment and retention program funded by a federal, state, or local government agency grant that offers recruitment or retention bonuses, if specified conditions are met.
 - b) Repayment obligations arising from advanced paid time off upon voluntary separation, as prescribed.
 - c) Certain affiliation contracts between a securities broker-dealer, insurance producer, or investment adviser, including their affiliates, and its agents or representatives that are registered and licensed, as specified, if the contract satisfies certain conditions.
- 2) Revise, by removing the requirement that the contract be at the outset of employment, the existing exemption from AB 692's provisions for 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 certain conditions are met.
- 3) Specify that the provisions of AB 692, as they existed on January 1, 2026, shall be inoperative from January 1, 2026 to December 31, 2026.
- 4) Make related findings and declarations.

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."

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."

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."

Arguments in Opposition

None on file.

FISCAL COMMENTS

None.

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?>

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**ASSEMBLY FLOOR: 61-5-14****YES:** Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Caloza, Carrillo, Connolly, Davies, Elhawary, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas**NO:** DeMaio, Hadwick, Hoover, Macedo, Sanchez**ABS, ABST OR NV:** Calderon, Castillo, Chen, Dixon, Ellis, Gallagher, Johnson, Lackey, Lee, Quirk-Silva, Celeste Rodriguez, Stefani, Ta, Tangipa**UPDATED**

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