



March 26, 2025

The Honorable Ash Kalra
California State Assembly
1021 O Street, Suite 4610
Sacramento, CA 95814

**SUBJECT: AB 692 (KALRA) EMPLOYMENT:CONTRACTS IN RESTRAINT OF TRADE
OPPOSE – AS AMENDED MARCH 10, 2025**

Dear Assemblymember Kalra:

The California Chamber of Commerce and the organizations listed below respectfully **OPPOSE** your **AB 692 (Kalra)**. **AB 692** will disincentivize voluntary benefits programs for employees and is duplicative of existing law regarding reimbursements and trainings. It imposes significant penalties for any good faith error and improperly sweeps in independent contractors in a way that is at odds with the legal definition of an independent contractor.

AB 692 Disincentivize Voluntary Benefits Programs for Employees

Many California employers presently offer monetary bonuses or educational opportunities to their employees. For example, employers may pay a worker's tuition to get an advanced degree or additional certification or pay a signing bonus at the outset of employment. These mutually beneficial programs give the employee an opportunity to improve their resume/skills or receive additional money up front while the employer simultaneously makes an investment in its workforce. Understandably, employers are more motivated to invest in these types of voluntary benefits if they know the worker will be at the company for a longer period of time. It is therefore common for employers to offer more benefits if the worker agrees to remain at the company for a certain amount of time afterwards. Conversely, it does not make sense to offer an employee a signing bonus only to have them quit two weeks later.

AB 692 jeopardizes these benefits because it would classify them as a "debt" if the employer placed conditions on the bonus or education. In other words, **AB 692** would prohibit an employer from requiring that the worker remain at the company for a certain amount of time after receiving a benefit. Any requirement that the worker pay back the signing bonus would be considered unlawful, subjecting the employer to penalties and a private right of action. The unintended consequence of this bill is that it removes

the incentive for employers to offer these benefits programs. That is especially true for small and medium-sized businesses in light of the *mandatory* minimum \$5,000 penalty.¹

In effect, **AB 692** does not help workers – it hurts them.

Existing Labor Law Already Requires Employers to Pay for Employer Required Trainings or Any Other Expense

The intent behind **AB 692** appears to be aimed at prohibiting employers from requiring specific training and then saddling employees with a bill for that training upon termination of employment. That scenario is already addressed under Labor Code section 2802. Under section 2802, employers must reimburse employees for all necessary expenses and/or losses incurred in the course and scope of their employment. Courts have interpreted this provision quite broadly in favor of the employee. For example, if an employee makes a mistake at work that costs the employer money – such as damaging valuable equipment – the employee cannot be required to reimburse the employer. Or if the employer requires the employee to use their cell phone to conduct work, the employer must provide reimbursement, even if the employee is not incurring any additional cost because they have an unlimited data plan.

Regarding training, section 2802 requires reimbursement for required training as well as payment for time spent in training. DLSE guidance provides:

- There's generally no requirement that an employer pay for training leading to licensure or the cost of licensure for an employee.
- If the license is required by the state or locality as a result of public policy, the employee bears the cost of licensing.
- If the license isn't actually required by statute or ordinance but the employer requires the training and/or licensing simply as a requirement of employment, the employer must reimburse for the cost.

DLSE Opinion Letter No. 1994.11.17; DLSE *Enforcement Manual* section 29.2.3.4

In Re Acknowledgment Cases, 239 Cal.App.4th 1498 (2015) is illustrative of how section 2802 operates regarding training. A police department required all newly hired police officers to attend and graduate from a department-specific program. If the officers did not stay for at least five years, they were required to reimburse the department for the training costs. The court held that this violated section 2802. The department could require officers to pay for state-mandated training, but not the training that was specific to that department.

Further, Labor Code section 2802.1 specifically addresses the requirement for employers to pay education and training costs for employees who provide direct patient care. That statute was added just a few years ago based on the concern that some healthcare facilities were not correctly complying with section 2801.

AB 692's purported intent regarding training is therefore already addressed under sections 2802 and 2802.1. **AB 692** is not adding anything of substance here. Rather, its broad provisions will unintentionally deter employers from offering employee benefits like those discussed above.

AB 692's Application to Independent Contractors is At Odds with the Concept of an Independent Contractor

None of **AB 692's** provisions should apply to independent contractors. For example, Labor Code 2802's requirements apply to employees, not independent contractors. This makes sense given the concept of an independent contractor – someone who performs work outside of the company's usual course of business, is free from control of the company regarding the performance of the work, and is customarily engaged in an independent trade or business. Independent contractors often work for many different companies. Anything specific to the needs of a specific company would be negotiated for in the terms and price of the contract between the contractor and that company.

¹ The bill states that any violation "shall" result in a minimum penalty of \$5,000 or actual damages, whichever is greater.

In summary, **AB 692** will disincentivize employers investing in their own workforce by paying for additional certifications or degrees, and will make routine practices such as signing bonuses impossible to offer.

For these and other reasons, we respectfully **OPPOSE AB 692**.

Sincerely,



Ashley Hoffman
Senior Policy Advocate
California Chamber of Commerce

Acclamation Insurance Management Services (AIMS)
Allied Managed Care (AMC)
California Association for Health Services at Home
California Hospital Association
California Hotel and Lodging Association
California League of Food Producers
California Retailers Association
California State Association of Counties
California Trucking Association
Coalition of Small and Disabled Veteran Businesses
Flasher Barricade Association (FBA)
National Federation of Independent Business
Rural County Representatives of California
Society for Human Resource Management (SHRM)
Urban Counties of California

cc: Legislative Affairs, Office of the Governor

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