



OFFICE OF THE GOVERNOR

OCT 13 2025

To the Members of the California State Assembly:

I am signing AB 692, which makes it unlawful to include in any employment contract specified terms that require a worker to assume a debt if their employment concludes before the end of the contract's term. This bill also allows for limited exceptions to this prohibition.

I commend the author for advocating on behalf of workers who are trapped in employment contracts that impose significant financial repercussions for leaving their jobs. California has long been a national leader in adopting policies that promote competition for top talent. This includes the state's longstanding prohibition on noncompete clauses, a policy that has helped attract top talent. So-called "debt traps" in employment contracts appear to be a modern variation of noncompete agreements, keeping employees in their positions longer than necessary, stifling innovation, and preventing workers from reaching their full potential.

However, there is still more work to be done. I encourage the Legislature to enact follow-up legislation in 2026 to accommodate the collective bargaining process. 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.

Sincerely,

Gavin Newsom