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## SENATE COMMITTEE ON PUBLIC SAFETY

Senator Jesse Arreguín, Chair  
2025 - 2026 Regular

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**Bill No:** AB 380                      **Hearing Date:** July 8, 2025  
**Author:** Mark González  
**Version:** June 27, 2025  
**Urgency:** No                                      **Fiscal:** Yes  
**Consultant:** SU

**Subject:** *Price gouging*

### HISTORY

**Source:** Public Counsel; Strategic Actions for a Just Economy

**Prior Legislation:** SB 1133 (Archuleta), held in Senate Appropriations Committee, 2022  
SB 1212 (Caballero), held in Senate Judiciary Committee, 2022  
AB 1936 (Rodriguez), held in Assembly Appropriations, 2020  
AB 3023 (Gabriel), held in Assembly Public Safety Committee, 2020  
SB 1196 (Umberg), Chapter 339, Statutes of 2020  
AB 1919 (Wood), Chapter 631, Statutes of 2018

**Support:** Asian Americans Advancing Justice-Southern California; Building Decarbonization Coalition; California Housing Partnership; County of Los Angeles Board of Supervisors; Disability Rights California; Housing California

**Opposition:** Building Owners and Manager Association of California; California Association of Realtors; California Building Industry Association; California Business Properties Association; California Business Roundtable; California Chamber of Commerce; California Fuels and Convenience Alliance; California Grocers Association; California Hotel and Lodging Association; California Manufacturers & Technology Association; California Mortgage Bankers Association; California Self Storage Association; Family Business Association of California; Howard Jarvis Taxpayers Association; Huntington Beach Chamber of Commerce; ICSC; Institute of Real Estate Management; Los Angeles Area Chamber of Commerce; Los Angeles County Business Federation; NAIOP California; Orange County Business Council; Orange County Taxpayers Association; San Diego Regional Chamber of Commerce; Santa Clarita Valley Chamber of Commerce; Self Storage Association; Southern California Leadership Council; Southwest California Legislative Council; The Chamber Newport Beach; Walnut Creek Chamber of Commerce; Western Manufactured Housing Committee Association

**Assembly Floor Vote:** 49 - 9

## PURPOSE

***The purpose of this bill is to expand the crime of price gouging to include commercial real estate in the commodities covered, and to extend the duration of price gouging prohibitions.***

*Existing law* contains legislative findings that during a state of emergency or local emergency, including, resulting from natural or manmade disasters, some merchants have taken unfair advantage of consumers by greatly increasing prices for essential consumer goods and services. While the pricing of consumer goods and services is generally best left to the marketplace under ordinary conditions, when a declared state of emergency or local emergency results in abnormal disruptions of the market, the public interest requires that excessive and unjustified increases in the prices of essential consumer goods and services be prohibited. (Pen. Code, § 396, subd. (a).)

*Existing law* prohibits, for 30 days following a proclamation or declaration of emergency, the sale, or offer to sell, any consumer food items or goods, goods or services used for emergency cleanup, emergency supplies, medical supplies, home heating oil, building materials, housing, transportation, freight, and storage services, or gasoline or other motor fuels for a price of more than 10% greater than the price charged before the proclamation or declaration of emergency. (Pen. Code, § 396, subd. (b).)

*Existing law* prohibits, for 180 days following a proclamation or declaration of emergency, a contractor from selling or offering to sell any repair or reconstruction services or any services used in emergency cleanup for a price of more than 10% greater than the price charged before the proclamation or declaration of emergency. (Pen. Code, § 396, subd. (c).)

*Existing law* prohibits, for 30 days following a proclamation or declaration of emergency, an owner or operator of a hotel or motel from increasing the hotel or motel's regular rates more than 10% than the price charged before the proclamation or declaration of emergency. (Pen. Code, § 396, subd. (d).)

*Existing law* prohibits, for 30 days following an official proclamation or declaration of emergency, the increase of rental price advertised, offered, or charged for housing, to an existing or prospective tenant for more than 10% than the price charged before the proclamation or declaration of emergency. (Pen. Code, § 396, subd. (e).)

*Existing law* prohibits, for 30 days following an official proclamation or declaration of emergency, a landlord from evicting a tenant and renting or offering to rent to another person at a rental price greater than the evicted tenant could be charged, unless the eviction process began prior to the emergency proclamation or declaration. (Pen. Code, § 396, subd. (f).)

*Existing law* allows extension of price gouging prohibitions for additional periods beyond the initial 30 days or 180 days of a proclamation or declaration of emergency if deemed necessary to protect the lives, property, or welfare of citizens. (Pen. Code, § 396, subd. (g).)

*Existing law* provides that violations of the price gouging restrictions constitute unlawful business practices and potentially subject violators to injunctions and other remedies, as defined. (Pen. Code, § 396, subd. (i).)

*This bill* extends the minimum timeframes for pricing protections as follows:

- Doubles from 30 days to 60 days the prohibition applicable to contractor, business, or other entity to sell or offer to sell any consumer food items or goods, goods or services used for emergency cleanup, emergency supplies, medical supplies, home heating oil, building materials, housing, commercial real property, transportation, freight, and storage services, or gasoline or other motor fuels.
- Doubles from 30 days to 60 days the prohibition applicable to motel and hotel rates.
- Doubles from 30 days to 60 days the prohibition applicable to housing rental prices.

*This bill* removes from the definition of “housing” the requirement that rental housing have an initial lease term of no longer than one year.

*This bill* adds commercial real property to the list of commodities covered by price gouging protections.

*This bill* defines “commercial real property” as all real property in this state, except dwelling units, mobile homes, and recreational vehicles, and also except real property used primarily for transportation, freight, or storage services.

*This bill* provides that upon the proclamation of a state of emergency, or upon the declaration of a local emergency, and for a period of 60 days following that proclamation or declaration, it is unlawful for any person, business, or other entity, to increase the rental price advertised, offered, or charged for commercial real property, to an existing or prospective tenant, by more than 10%. However, a greater rental price increase is not unlawful if that person can prove that the increase is directly attributable to additional costs for repairs or additions beyond normal maintenance that were amortized over the rental term that caused the rent to be increased greater than 10%, or that an increase was contractually agreed to by the commercial tenant prior to the proclamation or declaration.

*This bill* defines “rental price” for commercial property, as specified.

*This bill* states that it is not a defense that an increase in rental price was based on the length of the rental term, the inclusion of additional goods or services, except as specified, or that the rent was offered by, or paid by, an insurance company, or other third party, on behalf of a tenant.

*This bill* states that these provisions do not authorize a landlord to charge a price for commercial real property greater than the amount authorized by a local rent control ordinance.

*This bill* makes it unlawful to evict any commercial tenant of commercial real property and to rent, or offer to rent, to another person at a rental price greater than the evicted tenant could be charged under price gouging protections after the proclamation of a state of emergency, or upon the declaration of a local emergency, and for a period of 60 days following that proclamation or declaration.

*This bill* provides that it is not unlawful to continue an eviction process against a tenant of commercial property that was lawfully begun prior to the proclamation or declaration of emergency.

*Existing law* provides that for purposes of the Penal Code, “person” includes a corporation as well as a natural person. (Pen. Code, § 7, subd. (a)(1).)

*Existing law* states that a felony is a crime that is punishable with death, by imprisonment in the state prison, or, notwithstanding any other law, by imprisonment in the county jail pursuant to realignment. Every other crime or public offense is a misdemeanor except those that are classified as infractions. (Pen. Code, § 17, subd. (a).)

*Existing law* states that, except where a different punishment is prescribed by statute, every offense declared to be a misdemeanor is punishable by imprisonment in the county jail not exceeding six months, or by a fine not exceeding \$1,000, or by both. (Pen. Code, § 19.)

*Existing law* provides that an infraction is not punishable by imprisonment. (Pen. Code, § 19.6.)

*Existing law* punishes price gouging as a misdemeanor with imprisonment in a county jail for a period not exceeding one year, by a fine of not more than \$10,000, or by both. (Pen. Code, § 396, subd. (h).)

*This bill* creates a separate punishment for the crime of price gouging when the violation is committed by an entity or person other than a natural person. Under these circumstances, the punishment is a misdemeanor punishable by fine of not more than \$25,000.

## COMMENTS

### 1. Need for This Bill

According to the author:

Residents across Los Angeles continue to suffer in the aftermath of these devastating fires. When we see rental prices skyrocketing up to 300% across the county, the State needs to step in and take immediate action. With government officials having to reissue declarations of emergencies for price gouging protections to remain in place, consumers are threatened by bad actors as they try to rebuild. AB 380 seeks to address the uncertainty in current law by extending price gouging protections for hotels, food, as well as other essential goods and services, for the full duration of an emergency declaration. This measure aligns the duration of these protections with those already in place for rental housing – ensuring Californians are safeguarded from predatory price gouging during times of crisis. Californians need to focus on healing and rebuilding – not being exploited by those seeking to take advantage of Californians in crisis.

## 2. Price Gouging

Price gouging occurs when person selling retail goods or services increases prices significantly after a natural disaster or other state of emergency. Existing law prohibits a selling or offering to sell certain goods or services for a price more than 10% greater than the price charged immediately prior to a declared state of emergency. Specifically, this prohibition applies when the president of the United States or the governor proclaims a state of emergency or when the executive officer of a county or city declares a local emergency. Currently, price gouging is prohibited for 30 or 180 days after an emergency is declared, depending on the goods or services at issue, but an extension of the price gouging protections can be declared by executive order. A violation of the prohibition is punishable as a misdemeanor by up to one year in county jail or a fine of \$10,000, or by both. Price gouging is also an unlawful business practice that can be civilly enforced by specified public prosecutors or through a private right of action.

As noted above, price gouging protections usually last for a specified period of days, depending on the goods or services sold. However, price gouging protections can be extended by executive order. For example, on March 7, 2025, Governor Newsom extended price gouging protections in response to the fires in Los Angeles. (<https://www.gov.ca.gov/2025/03/07/governor-newsom-extends-protections-for-la-firestorm-survivors/> [as of April 9, 2025].)

This bill extends those price-gouging protections that currently last for 30 days to 60 days. The necessity for the extension is not obvious, since as noted above, the duration can already be extended by executive order.

On the other hand, lengthening the time at the outset may adversely affect some small businesses. While the statute allows a provider of good and service to defend against a price gouging allegation by proving that the increase in price was directly attributable to additional costs imposed on it by the supplier of the goods, or directly attributable to additional costs for labor or materials used to provide the services (See Pen. Code, § 396, subd. (c), this might prove more challenging for some small businesses depending on the commodity or service. For example, the California Fuels and Convenience Alliance notes:

Fuel prices fluctuate constantly, often rising or falling significantly within a matter of days due to global oil markets, regional supply disruptions, or refinery outages. Retailers must regularly adjust pump prices not just in response to their most recent delivery, but based on anticipated replacement costs. The current 30-day limitation on price increases already challenges operators who must react quickly to maintain supply and solvency. Extending that window to 60 days significantly increases the likelihood that lawful and necessary pricing changes will be mischaracterized as violations.

## 3. Inclusion of Commercial Real Estate

This bill includes commercial real estate leases within the commodities covered by price gouging protections.

There are some important distinctions between a residential lease and a business lease and California law treats residential and commercial leases differently. A commercial tenant, usually a business entity, is presumed to be on equal footing with the landlord in negotiating a commercial contract, which means that there are fewer laws that specifically protect commercial

tenants. For example, with residential leases, there are usually state and local tenant protections to ensure safe and habitable housing, and residential landlords must follow detailed procedures to lawfully evict the tenant. Reduced protections and oversight allows for more freedom in drafting lease agreements that meet the specific needs of the landlord and tenant.<sup>1</sup>

While a residential lease is usually for a term of one year, commercial leases typically are longer in duration, lasting several years and sometimes decades. Renewal options and rent escalations are negotiated based on the business's needs and market conditions. And unlike habitability standards, in commercial leases, the condition and maintenance of the property are often negotiable and defined in the lease terms. Many commercial spaces have common areas, and commercial tenants may be responsible to pay part of the costs for common area maintenance and operating expenses. In some commercial leases, the tenant can be responsible for property taxes, insurance, and maintenance, in addition to base rent. Leases for retail space may also include percentage rent, where the landlord receives a part of the tenant's receipts.

Is commercial property an “essential consumer good” like the other goods and services contemplated in the legislative findings of the price gouging statute? (See Pen. Code, § 396, subd. (a).) If so, given the differences between residential leases and commercial leases, should there be additional distinctions made in how commercial real estate is treated under the price gouging protections? For example, should there be an exception for leases that are longer than a certain length of term, such as three or five years? Should it matter what type of commercial property is affected? Should it matter that the lease includes percentage rent?

It should be noted that the most recent amendments to this bill exempted three types of commercial properties from its application, those used for transportation, freight, and storage services. The reason for those three specific carve outs is not clear. Arguably, storage services would be in higher demand after a natural disaster than a shopping center. Does this raise the possibility that other types of commercial property should also be exempted?

#### **4. Differing Punishment for Different “Persons”**

Under existing law, a price gouging violation is punishable as a misdemeanor with imprisonment in a county jail for a period not exceeding one year, by a fine of not more than \$10,000, or by both. (Pen. Code, § 396, subd. (h).)

This bill applies different punishments based on whether the crime is committed by a “natural person” or by an entity which is not a natural person. If committed by a natural person, the punishment remains the same. However, when committed by an “entity or by a person other than a natural person,” the punishment is a misdemeanor punishable by fine of not more than \$25,000, but no potential period of incarceration.

For purposes of application of the Penal Code, a “person” includes both a corporation and a natural person. (Pen. Code, § 7, subd. (a)(1).) As respects liability of private corporations for misdemeanors, they stand on the same footing as individuals, since Penal Code section 7 provides that “person” includes corporation. (*People v. Palermo Land & Water Co.* (1907), 4 Cal.App. 717, 721.)

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<sup>1</sup> SB 1103 (Menjivar), Chapter 1015, Statutes of 2024, recently extend various protections and notice requirements for lease terminations or rent increases to “qualified” commercial tenants, and placed transparency and proportionality requirements for fees a landlord may charge a qualified commercial tenant to recover building operating costs.

Presumably, the intent behind the distinct punishment for corporations is to elevate the fine because a corporate entity cannot be incarcerated. However, while a corporation cannot be imprisoned, its officers and agents -- through whose efforts the commission of the criminal act has been accomplished -- may be held criminally responsible as co-principals with the corporation, and if convicted may be subject to the same penalty as other individuals. (*People v. Schomig* (1925) 74 Cal.App. 109, 112.) Further, California law provides that one or more natural persons may form a corporation. (See e.g. Corp. Code, § 200, subd. (a) [One or more natural persons, partnerships, associations or corporations, domestic or foreign, may form a corporation under this division by executing and filing articles of incorporation].) In such an instance, if there are two punishments, which would apply?

## 5. Argument in Support

According to the Los Angeles County Board of Supervisors:

In the wake of the devastation brought on by January's firestorms, tens of thousands of residents were left to seek shelter, further straining an already expensive housing market and exacerbating the region's housing crisis.

State price gouging protections were immediately activated shortly after the start of the fires on January 7th, yet reports indicate that some landlords and corporate rental firms have potentially engaged in price gouging.

Investigations revealed that short-term rental companies have listed units at significantly inflated prices, with some rates increasing by over 50 percent compared to pre-disaster levels. Additionally, the California Department of Justice has issued warnings to more than 200 hotels and landlords for alleged violations, as tenants and housing advocates document widespread rent hikes beyond the legal threshold.

Upon the declaration of an emergency, current law requires a renewal of a 30-day cap on price gouging protections for hotels, food and other emergency services every 30 days, which fails to account for the prolonged recovery periods following large-scale disasters.

The recent wildfires highlight the urgent need to strengthen consumer protection laws and ensure these safeguards remain in place for an extended period of time following an emergency declaration. In some cases, landlords have exploited enforcement loopholes by relisting units under new terms to bypass price caps—further emphasizing the need for reform.

## 6. Argument in Opposition

According to the Southwest California Legislative Council:

This bill significantly expands California's price gouging law during states of emergency in ways that would burden local businesses and impose ambiguous and excessive penalties.

AB 380 ... also expands the scope of enforcement and penalties, raises fines for businesses to \$25,000 per violation, and broadens application to commercial properties and long-term housing rentals. These changes dramatically increase legal exposure and compliance burdens on small and mid-sized businesses struggling to recover after a disaster.

Additionally, the bill eliminates reasonable exemptions that currently allow landlords to raise rents to cover repair costs—creating uncertainty and disincentivizing property owners from investing in needed repairs. AB 380 also extends eviction restrictions and applies price caps even to commercial real estate, which has not historically been subject to these rules. These provisions collectively represent an overreach of regulatory authority and create a chilling effect on investment in rental and commercial properties.

We oppose AB 380 because it imposes rigid, punitive restrictions on the business community in a time when flexibility and recovery are critical. By applying sweeping criminal penalties and expanding regulatory control far beyond existing precedent, the bill risks deterring necessary recovery activity and placing undue burdens on businesses that are vital to community recovery after an emergency.

**– END –**