

- 6) Prohibits a contract for health studio services from requiring payment by the person receiving the services or the use of the facilities of a total amount in excess of \$4,400, inclusive of initiation or initial membership fees and exclusive of interest or finance charges. (CIV § 1812.86)
- 7) Makes any contract for health studio services entered into in reliance upon any willful and false, fraudulent, or misleading information, representation, notice or advertisement of the seller void and unenforceable. (CIV § 1812.92)

This bill:

- 1) Exempts a contract for health studio services with a multiservice health club studio from the \$4,400 payment limit.
- 2) Defines “multiservice health club studio” as a studio that offers three or more of the following amenities:
 - a) Digital platform services, such as on-demand classes.
 - b) Individualized training programming.
 - c) Fitness instructor training or certification.
 - d) Recurring group fitness classes.
 - e) Coworking space.
 - f) Childcare.
 - g) Swimming pool or pools.
 - h) Steam room.
 - i) Laundry services.
 - j) Onsite food and beverage.
 - k) Spa treatments.
 - l) Adult or youth sports programming.
 - m) Locker rooms.

FISCAL EFFECT: Unknown. This bill is not keyed fiscal by Legislative Counsel.

COMMENTS:

1. **Purpose.** This bill is sponsored by Equinox Fitness Clubs. According to the Author, “This bill will establish a definition for a ‘multiservice health club studio’, updating a law on fees that has not been updated since 2005. The fitness and wellness industry has evolved significantly since that time. AB 2402 would remove the current cap on annual fees for health studios that go above and beyond with their

services. This would allow California consumers to engage world-class facilities with prices set by natural market competition, while remaining protected under previously established consumer protection laws and standard oversight for traditional gyms.”

2. Background.

Regulation of Health Studio Contracts. California has regulated health studio service contracts for decades to protect consumers from excessive long-term financial obligations and unfair sales practices. Historically, lawmakers were concerned that consumers were being induced to enter into expensive, prepaid memberships that could extend for years, even when circumstances such as death, disability, or relocation made it impossible or impractical to use the services purchased. As a result, existing law provides cancellation and refund rights in specified circumstances, including when a member dies, becomes disabled, or moves beyond a prescribed distance from the health studio.

California’s cap on the total financial obligation under a health studio contract was adopted to limit consumers’ exposure to substantial future payment obligations. Civil Code § 1812.86 was enacted as part of California’s Health Studio Services Contract Law to protect consumers from excessive financial commitments associated with prepaid gym memberships. Prior to 2005, the maximum contract amount had remained at \$1,000 since 1981. The cap, together with restrictions on contract duration, arose in response to concerns that consumers were purchasing costly long-term or “lifetime” memberships, sometimes costing thousands of dollars, only to have facilities close or cease operations before the promised services were delivered. In those cases, consumers were often left with little practical recourse despite having paid substantial sums in advance.

SB 581 (Figueroa, Chapter 439, Statutes of 2005) increased the allowable contract amount to \$3,000 beginning in 2006 and \$4,400 beginning in 2010 while simultaneously expanding cancellation and refund rights. The bill reflected a compromise that allowed higher-priced memberships while preserving safeguards against long-term financial exposure and high-pressure sales practices. Updates to the Health Studio Services Contract Law have typically balanced consumer protection with business flexibility by limiting the size and duration of health studio contracts while requiring cancellation rights, refund provisions, and other consumer safeguards.

SB 581 increased the allowable contract amount from the longstanding \$1,000 limit while retaining and expanding consumer protections. At the time, proponents noted that newer full-service health clubs, with amenities like pools, tennis courts, spa facilities, and longer-term memberships, were increasingly offering memberships that exceeded the existing statutory cap. The bill sought to accommodate evolving health club business models without abandoning the law’s underlying consumer-protection purpose.

Changes in the Cost of Doing Business Since 2005. Since the Legislature last adjusted the statutory contract cap through SB 581, California businesses and consumers have experienced significant increases in the cost of living and the cost

of providing goods and services. Public Policy Institute of California (PPIC) statewide surveys have consistently found that affordability, inflation, and the cost of living rank among Californians' top concerns. In its June 2025 Statewide Survey, PPIC reported that more than one-third of Californians identified the cost of living, the economy, and inflation as the most important issue facing the state, while most Californians expressed pessimistic views about the state's economy and reported financial hardships related to rising prices and housing costs.

PPIC has also found that concerns about household finances remain widespread. In its surveys examining Californians' economic well-being, respondents have reported difficulties keeping up with rising costs for necessities and have expressed concern about their financial outlook amid continuing inflationary pressures. More broadly, these findings suggest that the economic environment facing both consumers and businesses today differs substantially from the environment that existed when the Legislature last revised the statutory contract cap in 2005.

Businesses operating in California have likewise faced increasing operating expenses. In a 2025 report examining electricity affordability, the Legislative Analyst's Office (LAO) reported that California electricity rates are among the highest in the nation, approximately double those in many other states, and have increased faster than inflation in recent years. The LAO further projected that electricity rates are likely to continue increasing faster than inflation in the coming years. These trends, together with increases in labor, occupancy, insurance, and regulatory compliance costs, have contributed to a substantially different economic landscape than the one that existed when the current statutory cap was established.

Evolution of the Fitness and Wellness Marketplace. The health and fitness marketplace has changed substantially since the passage of 581. Over the past two decades, consumers have increasingly focused on physical fitness, preventive health, and overall wellness. The Centers for Disease Control and Prevention (CDC) continues to identify regular physical activity as an important factor in reducing the risk of chronic disease and improving overall health outcomes, while California's "Let's Get Healthy California" initiative identifies increased physical activity as a statewide public-health priority. In a 2022 report prepared for the California 100 initiative, researchers at the UCLA Center for Health Policy Research noted that the state's approach to health increasingly encompasses broader concepts of wellness, prevention, and population health rather than focusing solely on the delivery of medical services.

Independent research similarly suggests that consumer spending on wellness-related products and services has grown substantially in recent years. In its 2025 report, *The Future of Wellness Trends Survey*, McKinsey & Company found that wellness has become a daily priority for many consumers and that demand continues to grow across multiple wellness categories, including fitness, nutrition, sleep, and preventive health services. Likewise, the nonprofit Global Wellness Institute reported in its 2025 *Global Wellness Economy Monitor* that the global wellness economy grew from approximately \$4.6 trillion in 2020 to \$6.3 trillion in 2023 and projected continued growth through 2028. The report identified physical activity, fitness, wellness tourism, mental wellness, and related services as significant components of the broader wellness economy.

As consumer preferences have evolved, many fitness businesses have expanded beyond the traditional health club model. In addition to providing access to exercise equipment and fitness facilities, many operators now offer group fitness programming, personal training, individualized coaching, digital fitness platforms, recovery and mobility services, nutritional support, and other wellness-related services. Industry observers have noted that these expanded offerings increasingly reflect consumer demand for more comprehensive health and wellness experiences. As a result, the marketplace served by health studios and fitness facilities today encompasses a broader range of services and business models.

- 3. Arguments in Support.** Equinox writes that “members are not looking for a traditional gym; rather, they prefer a comprehensive lifestyle experience and are willing to pay a premium for it... AB 2402 appropriately recognizes that today’s health club market serves a wide range of customers, and that an outdated statutory cap that was designed for a very different era should not apply to modern, multi-service, luxury health clubs. This bill is about respecting consumer choice and allowing the market to meet those diversified needs. In this context, rigid “one-size fits all” fee caps are no longer necessary to protect consumers. Moreover, the original consumer protection intent of the law is currently reinforced by modern safeguards. California maintains some of the strongest auto-renewal and consumer transparency laws in the nation, and today’s consumers are more empowered than ever to manage subscriptions and make informed purchasing decisions. Nothing about AB 2402 changes this. By allowing pricing to be guided by market competition and consumer choice, AB 2402 will support continued substantial investment in comprehensive health and wellness facilities that meet the diverse needs of Californians. These spaces increasingly serve as hubs for health and wellness, productivity, and community, and offer individuals the ability to exercise, work, access childcare, and engage in wellness services all in one location.”

According to the Health and Fitness Association, “California has approximately 12,400 gyms and health clubs currently operating across the state, significantly more than were operating when California’s Health Studio Services law was established. Section 1812.86 of the Civil Code enforces a cap on the annual fees a health club can charge. This provision of California law has not been updated since 2005, over twenty years ago, while the fitness and wellness industry has evolved significantly since that time. Since those provisions were written, California has codified the strongest and most comprehensive auto-renewal laws in the United States to protect consumers from unwanted subscriptions. In today’s highly competitive marketplace, consumers have a wide range of choices, and pricing should be shaped by natural market competition and consumer demand. The Health & Fitness Association believes lifting these caps would empower a “multiservice health club studio” to better deliver the world-class facilities that Californians deserve.

SUPPORT AND OPPOSITION:

Support:

Equinox (sponsor)
Health and Fitness Association

Opposition:

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