

Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 1365 (Allen) – As Amended May 18, 2026

|                   |               |       |       |
|-------------------|---------------|-------|-------|
| Policy Committee: | Judiciary     | Vote: | 8 - 3 |
|                   | Public Safety |       | 5 - 1 |

Urgency: No      State Mandated Local Program: Yes      Reimbursable: No

**SUMMARY:**

This bill authorizes city attorneys of cities with populations over 900,000 to enforce the Cartwright Act, California's principal antitrust statute, and amends exemptions to the prohibition on rental housing price gouging during a declared emergency.

More specifically, this bill:

- 1) Authorizes the city attorney of any city with a population in excess of 900,000 (currently Los Angeles, San Diego, and San Jose) to prosecute civil and criminal actions under the Cartwright Act, subject to 30-day advance notice to the Attorney General (AG) and the county district attorney of proposed complaints and settlements, and subject to the AG's authority to take full charge of any investigation or prosecution.
- 2) Grants those city attorneys the AG's investigative powers when the city attorney reasonably believes a Cartwright Act violation has occurred, and authorizes recovery of civil penalties of up to \$1 million per violation, with proceeds directed to the city treasurer, as specified.
- 3) Expands the definition of "housing" in the price gouging statute (Penal Code section 396) to cover rental housing regardless of initial lease term.
- 4) Narrows the repairs-and-improvements exemption to the 10% rental price cap, requiring that qualifying costs were incurred within the year before the emergency declaration and that the housing was rented or offered for rent at that time, or that intent to offer the housing for rent within six months already existed.
- 5) Caps the price of housing newly converted to a daily rate after an emergency declaration at one-thirtieth of the rental price applicable to new rentals (160% of HUD fair market rent).

**FISCAL EFFECT:**

- 1) Costs of an unknown, but potentially significant amount (General Fund), to the Department of Justice (DOJ) to review proposed complaints and settlements submitted by city attorneys under the bill's notice requirements, and to exercise the AG's discretionary authority to take charge of a city attorney investigation or prosecution. DOJ reports the workload would fall on the Healthcare Rights Section and the Antitrust Section within the Public Rights Division, that these are matters the AG would not otherwise review, and that assuming responsibility for a Cartwright Act action initiated by a city could involve a significant expenditure of resources. The magnitude of these costs turns on two variables neither the bill nor the

estimate resolves: how many Cartwright Act actions the three eligible city attorneys elect to bring, and how often the AG exercises takeover authority. The notice-review duty is mandatory and scales with filing volume; the takeover cost is discretionary and would be incurred only where the AG affirmatively determines assumption of a case is necessary and in the public interest.

- 2) Potential court cost pressures of an unknown, but potentially significant amount (Trial Court Trust Fund (TCTF), General Fund). By adding a class of public enforcers for Cartwright Act civil and criminal actions and by narrowing exemptions to the rental price gouging misdemeanor, this bill could increase the number and complexity of proceedings in the trial courts. Antitrust actions in particular are resource-intensive. It generally costs approximately \$1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund. The state budget provides annual General Fund backfills to the Trial Court Trust Fund to offset revenue reductions, totaling approximately \$117.3 million in 2025-26.

## COMMENTS:

- 1) **Purpose.** According to the author:

In January of 2025, Pacific Palisades and Altadena experienced fires that killed 31 people and destroyed thousands of homes. Existing California law provides people who are affected by a state of emergency protections against price gouging. However, some have attempted to circumvent these protections through longer lease lengths or with rents charged at daily rates. SB 1365 improves enforcement of anti-competitive business practice restrictions to protect vulnerable disaster victims.

- 2) **Background. *Cartwright Act Enforcement.*** The Cartwright Act prohibits price fixing, bid rigging, and other anticompetitive conduct. It reaches combinations of two or more persons acting in concert; it does not reach unilateral conduct, as California has no state-law analogue to Section 2 of the federal Sherman Act. Existing law authorizes the AG and county district attorneys to enforce the act through civil and criminal actions, with civil penalties of up to \$1 million per violation. This bill extends that authority to the city attorney of any city with a population over 900,000, subject to the same coordination requirements that apply to district attorneys: 30 days' notice to the AG before filing and again before settlement, and AG authority to assume full control of any investigation or prosecution.

***Price Gouging During Declared Emergencies.*** Existing law separately prohibits, during and for 30 days following a declared emergency, increasing the rental price of housing by more than 10%. A violation is a misdemeanor punishable by up to one year in county jail and a fine of up to \$10,000, and also constitutes an unlawful business practice under the Unfair Competition Law. The sponsor, the Los Angeles City Attorney, reports that enforcement following the January 2025 fires encountered landlords evading the cap through three practices: offering leases longer than one year, which fall outside the current statutory definition of "housing"; converting monthly rentals to daily rates; and invoking the exemption for costs attributable to repairs. Executive Order N-17-25 temporarily suspended the lease-length limitation. This bill codifies that change and addresses the other two

practices, capping the rate for housing newly offered at a daily rate at one-thirtieth of the applicable monthly rental price and narrowing the repairs exemption to costs incurred within the year before the emergency where the housing was on the rental market or intended for rent.

The two components of this bill operate independently. A violation of the price gouging statute is not a Cartwright Act predicate; it is enforceable under the Unfair Competition Law, a separate chapter of the Business and Professions Code. The Cartwright Act amendments would reach coordinated pricing conduct that the price gouging statute, which addresses unilateral pricing decisions, cannot.

- 3) **Related Legislation.** AB 380 (Mark Gonzalez), of this legislative session, expands the definition of “housing” without regard to lease term and extended protections to commercial real property. AB 380 was held in the Senate Appropriations Committee.

AB 1776 (Aguiar-Curry), of this legislative session, expands the substantive scope of the Cartwright Act to prohibit single-firm monopolization and monopsonization and single-firm restraints of trade. AB 1776 is pending in Senate Appropriations.

SB 36 (Umberg), of this legislative session, would have required housing listing platforms to remove listings violating price gouging provisions upon law enforcement notice. SB 36 was vetoed by the Governor.

SB 493 (Becker), of this legislative session, adds “war,” as defined, to the disasters covered by the price gouging statute. SB 493 is pending in this committee.

SB 368 (Smallwood-Cuevas), of this legislative session, requires the DOJ and district attorney partnerships to enforce price gouging prohibitions. SB 368 was held in the Senate Appropriations Committee.

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