

Date of Hearing: July 15, 2025

ASSEMBLY COMMITTEE ON HEALTH  
Mia Bonta, Chair  
SB 35 (Umberg) – As Amended June 11, 2025

**SENATE VOTE:** 38-0

**SUBJECT:** Alcohol and drug programs.

**SUMMARY:** Requires licensed alcohol and other drug (AOD) recovery or treatment facilities (RTF) and certified AOD programs to annually report to the State Department of Health Care Services (DHCS) any money transfers they have between a recovery residence (RR). Requires DHCS to conduct a site visit for any licensed or certified facility or program affiliated with an RR that DHCS takes action against for providing services the RR is not licensed to provide, sets specific statutory timelines for the investigation of the RR by DHCS. Authorizes DHCS to permit a county participating in the Drug Medi-Cal Organized Delivery System (DMC-ODS) to conduct a site visit of an RR with a pending allegation that DHCS can substantiate, but is not able to conclude the investigation in the specified time frame, upon the request of the county. Specifically, **this bill**:

- 1) Requires DHCS to initiate an investigation within 10 days of receiving an allegation of a facility acting as an RTF without licensure if it has jurisdiction over the allegation, and if DHCS receives a complaint that does not fall under its jurisdiction, requires DHCS to notify the complainant, in writing, that it does not investigate that type of complaint.
- 2) Requires DHCS to complete the investigation within 60 days of initiation of the investigation unless DHCS requires assistance from local or other state agencies to complete the investigation or significant additional resources to complete the investigation, as determined by DHCS.
- 3) Requires DHCS to notify the person that submitted the allegation in writing, including, but not limited to, through electronic means, of the reason for the delay if DHCS is not able to complete the investigation within 60 days.
- 4) Requires that the notice that is currently provided to the subject of the investigation containing licensing requirements and a date by which the subject must cease providing services be provided within 10 days of the submission of the findings of the investigation to DHCS by the investigator.
- 5) Requires DHCS to conduct a followup site visit to determine whether the facility has ceased providing services by the date specified in the notice.
- 6) Authorizes the county behavioral health agency, in a county that elects to administer DMC-ODS and provides optional recovery housing services, to request approval from DHCS to conduct a site visit of an RR that is alleged to be providing services without a license. Permits DHCS to approve that request if it has sufficient evidence to substantiate the allegation and it fails to initiate or conclude the investigation in accordance with the time limits specified in 3) above.

- 7) Requires DHCS to conduct a site visit of a certified AOD program or licensed RTF that has disclosed an interest in a recovery residence that DHCS has taken action against for providing unlicensed services.
- 8) Requires all programs certified or RTFs licensed by DHCS to submit a report of all money transfers between the program or RTF and an RR during the previous fiscal year, no later than July 15, 2026, and annually thereafter.

**EXISTING LAW:**

- 1) Grants sole authority in the state to DHCS to certify AOD programs and to license RTFs. [Health and Safety Code (HSC) §§ 11832 and 11834.01]
- 2) Requires DHCS to conduct onsite program compliance visits for AOD programs and RTFs at least once during the certification or licensure period. Permits DHCS to conduct announced or unannounced site visits to review for compliance. [HSC §§ 11832.12 and 11834.01]
- 3) Requires all programs certified or RTFs licensed by DHCS to disclose if any of its agents, partners, directors, officers, or owners, including a sole proprietor and member, has either ownership or control of, or financial interest in, an RR or any contractual relationship with an entity that regularly provides professional services or substance use disorder (SUD) treatment or recovery services to clients of programs certified or facilities licensed by DHCS, if the entity is not part of the program certified or facility licensed. [HSC §11833.05(a)]
- 4) Requires DHCS to adopt the American Society of Addiction Medicine (ASAM) treatment criteria, or an equivalent evidence-based standard, as the minimum standard of care for licensed RTFs and requires a licensee to maintain those standards with respect to the level of care to be provided by the licensee. [HSC § 11834.015]
- 5) Defines RTF to mean a premises, place, or building that provides residential nonmedical services to adults who are recovering from problems related to alcohol, drug, or alcohol and drug misuse or addiction, and who need alcohol, drug, or alcohol and drug recovery, treatment, or detoxification services. [HSC § 11834.02]
- 6) Requires that initial licenses for a new RTF to be provisional for one year, permits DHCS to revoke the provisional license for good cause, and prohibits a licensee from reapplying for an initial license for five years following a revocation of a provisional license. Defines “good cause” to mean failure to operate in compliance with the statutes and regulations relating to treatment facilities. [HSC § 11834.09(d)]
- 7) Requires, if a facility intends to provide incidental medical services, evidence of a valid license of a physician and surgeon who will provide or oversee those services, and any other information deemed appropriate by DHCS. Defines “incidental medical services” as services that follow the community standard of practice and are not required to be performed in a licensed clinic or licensed health facility, and includes obtaining medical histories, monitoring health status, testing associated with detoxification from alcohol or drugs, and overseeing patient self-administered medications. [HSC §§ 11834.025 and 11834.026]
- 8) Authorizes DHCS to assess civil penalties on facilities that provide alcohol or drug use recovery, treatment, or detoxification services without a license. [HSC § 11834.15]

- 9) Prohibits a person, firm, partnership, association, corporation, or local governmental entity from operating, establishing, managing, conducting, or maintaining an RTF or AOD program without first obtaining a current valid license or certification. [HSC §§ 11832.7 and 11834.30]
- 10) Requires DHCS to conduct a site visit to investigate an allegation of a facility operating without a license or certification and, if evidence is found supporting this allegation, requires the employee or agent to submit the findings to DHCS and, with DHCS authorization, send notice to the facility containing a date to cease providing services, the civil penalty that will be assessed for any days services are provided beyond that date, and that the case will be referred for civil proceedings if services continue. Requires the employee or agent to also inform the facility of state licensing and certification requirements. [HSC §§ 11823.18 and 11834.31]
- 11) Requires DHCS to charge a fee to all programs for licensure or certification and authorizes DHCS to establish fee scales using different capacity levels, categories based on measures other than program capacity, or any other category or classification that DHCS deems necessary or convenient to maintain an effective and equitable fee structure. Requires licensing and certification fees to be evaluated annually. Authorizes DHCS, no sooner than July 1, 2027, to approve a fee increase, up to and including 5% on an annual basis, as needed to address the costs of licensing and certification activities. Requires DHCS to submit any proposals for new fees or increases in excess of 5% through the finance letter process for approval by the Legislature. Requires DHCS develop a process for programs and facilities to apply for a hardship fee waiver. [HSC § 11833.02]
- 12) Requires DHCS to continue to implement the DMC-ODS program under California Advancing and Innovating Medi-Cal (CalAIM) as previously required under the Medi-Cal 2020 Demonstration. Authorizes counties to voluntarily participate in DMC-ODS. [Welfare and Institutions Code § 14184.401]

**FISCAL EFFECT:** According to the Senate Appropriations Committee, based on the March 10, 2025 version of the bill, DHCS estimates costs of \$2,532,000 in 2026-27 and \$2,388,000 in 2027-28 and ongoing thereafter for state staffing resources to be responsible for investigating and overseeing the unlicensed complaint process. DHCS indicates that in order for these costs to be funded by the Residential Outpatient Licensing Fund, licensing fees would need to be increased by an additional 30%.

**COMMENTS:**

- 1) **PURPOSE OF THIS BILL.** According to the author, the proliferation of sober living homes and SUD treatment facilities, particularly in Southern California's "Rehab Riviera," has raised concerns regarding the quality of care and regulatory oversight. These concerns were confirmed by a recent State Auditor's report, which found that DHCS does not always provide timely or thorough oversight, risking the health and safety of people in recovery. The author argues this bill will ameliorate these issues by establishing timelines for DHCS to investigate allegations of licensed treatment at unlicensed sober living homes. If DHCS cannot meet the timelines, this bill would authorize counties to request approval to conduct site visits and enforce compliance with existing state licensing requirements.

## 2) BACKGROUND.

a) **Prevalence of SUD in California.** A 2024 publication from Health Management Associates and the California Health Care Foundation titled, “*Substance Use Disorder in California — a Focused Landscape Analysis*” reported that approximately 9% of Californians ages 12 years and older met the criteria for SUD in 2022. According to the report, the prevalence of SUD among individuals 12 years of age and older increased to 8.8% in 2022 from 8.1% in 2015. While the health care system is moving toward acknowledging SUD as a chronic illness, only 6% of Americans and 10% of Californians ages 12 and older with an SUD received treatment for their condition in 2021. More than 19,335 Californians ages 12 years and older died from the effects of alcohol from 2020 to 2021, and the total annual number of alcohol-related deaths increased by approximately 18% in the state from 2020 to 2021. Overdose deaths from both opioids and psychostimulants (such as amphetamines), are soaring. This issue, compounded by the increased availability of fentanyl, has resulted in a 10-fold increase in fentanyl related deaths between 2015 and 2019. According to the Overdose Prevention Initiative, 7,847 opioid-related overdose deaths occurred in California in 2023. In the first two quarters of 2024, 2,975 opioid-related overdose deaths were recorded in California.

b) **Alcohol and Drug Treatment Facility Licensing.** DHCS has sole authority to license RTFs in the state. Licensure is required when at least one of the following services is provided: detoxification; group sessions; individual sessions; educational sessions; or, alcoholism or other drug abuse recovery or treatment planning. Additionally, facilities may be subject to other types of permits, clearances, business taxes, or local fees that may be required by the cities or counties in which the facilities are located.

As part of their licensing function, DHCS conducts reviews of RTF operations every two years, or as necessary. DHCS's Substance Use Disorder Compliance Division checks for compliance with statute and regulations (Title 9, Chapter 5, California Code of Regulations) to ensure the health and safety of RTF residents and investigates all complaints related to RTFs, including deaths, complaints against staff, and allegations of operating without a license. DHCS has the authority to suspend or revoke a license for conduct in the operation of an RTF that is contrary to the health, morals, welfare, or safety of either an individual in, or receiving services from, the facility or to the people of the State of California.

c) **AOD Program Certification.** Prior to January 1, 2025, programs were permitted to seek certification from DHCS. Under AB 118 (Committee on Budget), Chapter 42, Statutes of 2023, certification is now a requirement for many AOD programs, with exceptions for various licensed facility types, schools, jails, and prisons. Programs were required to apply for certification no later than January 1, 2024. As of March 2025, DHCS reported that it certified 1,055 outpatient facilities and 989 licensed facilities, for a total of 2,044 certified facilities. If DHCS finds evidence that a program is providing treatment, recovery, detoxification, or medication-assisted treatment services without a certification, DHCS must issue a written notice to the program stating that it is operating in violation of the law, and any person or entity found to be operating without certification may be subject to an assessment of civil penalties of two thousand (\$2,000) dollars per day and will be barred from applying for initial certification for a period of five years from the date of the violation notice.

- d) Licensing and Certification Fees.** Existing law authorizes DHCS to increase the licensing and certification fees for AOD programs and facilities. Section 57 of SB 104 (Skinner), Chapter 104, Statutes of 2023, amended the Budget Act of 2023 and directs DHCS to increase those fees by up to 20% each fiscal year (FY) through FY 2026-27 to reach a cumulative fee increase of 75%. In a Behavioral Health Information Notice (BHIN No.: 25-017) released in April 2025, DHCS announced that current licensing and certification fees are not sufficient to support current or planned expenses incurred by DHCS for SUD licensing and certification activities, and the fees would be increasing 20%, as directed by the Legislature. Licensure and certification activities include, but are not limited to, review and processing of initial, extension, and supplemental applications; initial and biennial onsite compliance reviews; complaint investigations; administrative support; disseminating information to the public, governmental agencies, and stakeholders; updating and maintaining databases; policy, regulatory, and statutory development; provider training and technical assistance; and appeal processing for revocation or suspension of providers' licenses and/or certification.

A sample of current fees is provided in the table below. This does not include all fees and does not include the combined residential licensure and certification fee for licensed facilities seeking optional certification by DHCS.

<b>Application Type</b>	<b>FY 2023-24 Fee</b>	<b>FY 2024-25 Fee</b>	<b>FY 2025-26 Fee</b>
Initial Residential Licensure Application Fee	\$3,660	\$4,392	\$5,270
Initial Biennial Residential Licensure Fee	\$389 (per bed)	\$467 (per bed)	\$560 (per bed)
Dependent Children Application Fee (if not requested during initial licensure application)	\$1,265	\$1,518	\$1,822
Supplemental Application Fee (Per requested amendment)	\$1,241	\$1,489	\$1,787
Initial Outpatient Certification Application Fee	\$3,517	\$4,220	\$5,064
Initial Biennial Outpatient Certification Fee	\$4,558	\$5,470	\$6,564
Supplemental Application Fee (Per requested amendment)	\$1,241	\$1,489	\$1,787

- e) RRs.** An RR is a residence for people in recovery from SUDs. It may serve as support for individuals undergoing treatment but it does not provide treatment or care, whether medical or nonmedical. The state licensing requirements that govern treatment and care

facilities do not currently include RRs. An RR may be completely self-governed or have formal onsite management. When there is onsite management, the manager's duties relate to the administration of the house rather than the tenants or their recovery. The tenants of an RR pay rent and abide by house rules, which include maintenance of sobriety and participation in a self-help program. In 2016, the California Research Bureau estimated that there were at least 12,000 sober living beds, like those offered in RRs, in the state to serve an eligible population of between 25,000 and 35,000 individuals. A 2021 article "*Estimating the Number of Substance Use Disorder Recovery Homes in the United States*" estimates 2,432 recovery homes in California. If an RR is providing any licensable services then it must obtain a valid RTF license from DHCS, and DHCS can investigate RRs alleged to be providing services without a license.

- f) **DMC-ODS.** This bill would allow counties participating in the DMC-ODS waiver to request DHCS allow the county to conduct the site visit of an RR alleged to provide services without a proper license. DMC-ODS is a voluntary "opt-in" program for counties, allowing them to provide a more robust and integrated system of care than what was available under the standard Drug Medi-Cal program. The program provides a continuum of care modeled after the ASAM Criteria for SUD treatment services. As of January 1, 2025, 40 counties participate in DMC-ODS. If counties elect to provide RR as part of DMC-ODS those RRs must not provide services that require licensure by DHCS, all RR residents must be engaged in medically necessary SUD treatment off-site, and the county should develop guidelines for contracted RR providers and provide monitoring and oversight.
- g) **State Audit.** In October 2024, the State Auditor released a report assessing the licensing of residential RTFs by DHCS. Key findings from the audit include:
  - i) Southern California contains a greater concentration of treatment facilities serving six or fewer residents (small facilities) than other parts of the state. However, state law allows facilities to be located near each other and have the same legal owners.
  - ii) DHCS consistently reviewed the 26 license applications that were assessed, and the application process is generally the same for all facilities. However, of the 26 compliance inspections of operating facilities that were reviewed, DHCS conducted only half of them on time.
  - iii) DHCS also took longer than its target of 30 to 60 days to investigate complaints against treatment facilities. For instance, it took more than a year to complete 22 of the 60 investigations reviewed in the audit. Additionally, DHCS did not always follow up on unlicensed facilities that it found were unlawfully advertising or providing services.

Based on these findings, the audit makes several operational recommendations to DHCS, including the following:

- i) Provide management with information about the timeliness of compliance inspections and implement processes for notifying responsible staff of upcoming compliance inspections.

- ii) Implement guidelines that specify the length of time analysts should take to complete key steps in the investigation process.
- iii) Develop and implement a follow-up procedure when it has substantiated allegations of an unlicensed facility providing services.

In response to the audit, DHCS has made several operational changes. According to the State Auditor's website, DHCS will create and implement new protocols and processes as well as schedule and conduct the appropriate trainings to ensure supervisors are closely tracking the programs in need of inspections within their two-year windows. DHCS will also begin using a new digital platform to complete onsite inspection reports, which will aid DHCS in sending providers reports more quickly, thereby improving the rate at which assignments are completed. In addition, in August 2024, DHCS revised its Complaints Operations Manual to clarify the requirement for case assignment within 10 days and updated the complaint intake process.

- 3) **SUPPORT.** The League of California Cities (CalCities) is sponsoring this bill and states in support that the recent state audit revealed that DHCS has not consistently investigated allegations of unlicensed facilities providing or advertising treatment services. In one example highlighted in the audit, DHCS substantiated an allegation that an unlicensed facility was unlawfully providing services. However, the audit found no indication that DHCS followed up to verify the facility's claim that it had ceased operations, nor did it conduct a site visit to confirm compliance. CalCities notes that this bill would implement recommendations from the audit by requiring DHCS to meet specific timelines for investigating allegations of unlicensed treatment services and if DHCS fails to meet these deadlines, counties could work with the department to conduct site visits and enforce licensure laws themselves.

Advocates for Responsible Treatment (ART) supports this bill stating that RRs are often owned or controlled by treatment centers and, while operated as businesses serving a vulnerable population, are intentionally flying under the radar to evade state oversight. ART indicates that the City of Dana Point investigated more than a dozen RRs within the city and learned that all were businesses illegally providing services that required licensure by DHCS. ART concludes that this bill addresses several inadequacies in DHCS' handling of RRs.

The City of Beverly Hills supports this bill stating that it strengthens enforcement mechanisms related to unlicensed adult alcoholism and drug abuse recovery or treatment facilities and ensures timely action by DHCS. Beverly Hills says that this bill provides critical tools to protect vulnerable residents, maintain public trust, and ensure quality standards across recovery housing programs. Unlicensed operations not only jeopardize the well-being of vulnerable individuals but also threaten neighborhood integrity, create confusion for families seeking help, and diminish the effectiveness of legitimate recovery programs. Beverly Hills concludes that this bill ensures no community is left without a mechanism to address unlicensed or non-compliant treatment operations.

#### 4) **RELATED LEGISLATION.**

- a) AB 255 (Haney) would establish Supportive-Recovery Residences, abstinence-based housing for people experiencing homelessness, to comply with the Core Components of Housing First and receive up to 10% of state homelessness funding. Would require the

Department of Housing and Community Development to adopt a minimum standard for facilities receiving this funding. AB 255 is pending in the Senate Appropriations Committee.

- b)** AB 424 (Davies) would require DHCS to provide, within 10 days of the receipt of a complaint from a member of the public against an RTF, or a complaint alleging that a facility is unlawfully operating without a license, notice to the person filing the complaint that the it has been received and to provide them notice that the complaint has been closed and whether DHCS found the facility to be in violation. AB 424 is pending in the Senate Appropriations Committee.
- c)** AB 492 (Valencia) would require DHCS, when it issues an RTF license, to concurrently notify the city or county in which the RTF is located; and, would require the notice to include the name and mailing address of the licensee and the location of the RTF. AB 492 is pending on the Senate Floor.
- d)** AB 1356 (Dixon) would require RTFs to submit a subsequent report within 60 days of a resident's death and the required initial report containing the corrective actions and other specified information. AB 1356 is pending in the Senate Appropriations Committee.
- e)** SB 83 (Umberg) would require DHCS to post on its website an identification and summary of each violation issued for licensed RTFs and certified AOD programs included on the Probationary Status, Temporary Suspension Order, Revoked and Notice of Operation in Violation of Law Program List. SB 83 is pending in the Assembly Appropriations Committee.
- f)** SB 329 (Blakespear) would require DHCS to meet specified timeframes for assigning complaints against, and completing investigations for, licensed adult residential alcohol or other drug RTFs. SB 329 is pending in the Assembly Appropriations Committee.

## **5) PREVIOUS LEGISLATION.**

- a)** AB 2574 (Valencia), Chapter 410, Statutes of 2024, requires licensed RTFs and certified AOD programs to disclose to DHCS if any of its agents, partners, directors, officers, or owners own or have a financial interest in an RR and whether it has contractual relationships with entities that provide recovery services to clients of certified programs or licensed facilities if the entity is not a part of a certified program or a licensed facility.
- b)** SB 913 (Umberg) of 2024 would have permitted a city attorney of a city in which the housing units are located, or a county counsel or county behavioral health agency if the housing units are located in the unincorporated area of the county, with the consent or approval from DHCS, to enforce specified "anti-kickback" laws related to, and to conduct an announced or unannounced site visit to, RTFs. SB 913 was held on the Senate Appropriations Committee suspense file.
- c)** AB 2081 (Davies), Chapter 376, Statutes of 2024, requires AOD programs and RTFs to disclose to the public and provide a link to DHCS's website containing information about the status of certification or licensure and of the AOD program or RTF's current standing.



- d) SB 992 (Hernández), Chapter 784, Statutes of 2018, among other things, prohibits RTFs from denying admission to individuals solely for having valid medications to aid in their recovery; permits DHCS to take action against an entity with multiple DHCS licenses when of the licensed RTF violates RTF law; and, prohibits an entity from seeking licensure within five years of having a previous license revoked for violating RTF law.
- e) SB 1228 (Lara) Chapter 792, Statutes of 2018, prohibits specified persons, programs, or entities under DHCS's purview from giving or receiving remuneration or anything of value for the referral of a person who is seeking recovery and treatment services (known as "patient brokering").

**6) POLICY COMMENTS.**

- a) **Fee increases.** This bill will be referred to a fiscal committee for analysis, however, the extent to which increased licensing and certification fees become a barrier to establishing and maintaining AOD treatment is a significant policy question. As noted on page 5 of this analysis, fees have increased significantly in recent years and are continuing to increase. Should this bill move forward, the author may wish to continue working with DHCS to identify the potentially significant cost drivers contained in this bill in order to balance the need for increased oversight and enforcement with the ability of treatment programs to continue providing services.
- b) **Money Transfers.** While the reporting of money transfers between an RR and a certified AOD program or licensed RTF is intended to increase transparency, the bill currently lacks detail on what DHCS is expected to do with the information reported, what kinds of transactions they may be intended to identify, or what enforcement authority they have. Without additional direction to DHCS, providing information about money transfers with RRs may increase reporting burden on certified programs and licensed facilities and further exacerbate the fee increases on these programs to fund staff at DHCS to collect the data and track which programs are not reporting in order to solicit that information.
- c) **County department.** Current Drug Medi-Cal regulations define "county" to mean "the department authorized by the county board of supervisors to administer alcohol and substance use disorder programs, including Drug Medi-Cal substance use disorder services." The author may wish to consult further with counties and DHCS clarify whether the county behavioral health agency, as currently stated in the bill, is the appropriate entity to request permission from DHCS to conduct a site visit, or whether the bill should align with regulations.

**7) COMMITTEE AMENDMENT.** As currently drafted, this bill requires DHCS to conduct a site visit as part of an investigation and to notify a complainant if a complaint does not fall under its jurisdiction. The committee may wish to clarify that DHCS shall determine it has jurisdiction over an allegation prior to conducting a site visit.

**8) AUTHOR AMENDMENT.** In order to provide additional direction to DHCS, the author proposes adding language specifying DHCS shall collect money transfer data in order to detect patient brokering, illicit kickbacks, or unethical inducements that harm patients, and directing DHCS to analyze the data for compliance trends, irregularities, or fraud indicators. The author also proposes directing DHCS to develop guidelines for facilities on permissible versus impermissible money transfers.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

League of California Cities (sponsor)  
Advocates for Responsible Treatment  
City of Beverly Hills  
City of Buena Park  
City of Camarillo  
City of Carlsbad  
City of Fountain Valley  
City of Huntington Beach  
City of La Habra  
City of La Mesa  
City of Laguna Niguel  
City of Lake Forest  
City of Los Alamitos  
City of Mission Viejo  
City of Norwalk  
City of Stanton  
City of Thousand Oaks  
Two individuals

**Opposition**

None on file

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