
SENATE COMMITTEE ON HEALTH

Senator Caroline Menjivar, Chair

BILL NO: SB 490
AUTHOR: Umberg
VERSION: January 5, 2026
HEARING DATE: January 14, 2026
CONSULTANT: Reyes Diaz

SUBJECT: Alcohol and drug programs

SUMMARY: Requires the Department of Health Care Services (DHCS) to take specified action when it determines an entity is providing residential alcohol or other drug recovery or treatment services without a proper license, including conducting site visits, as well as initiating and completing investigations within specified timeframes. Permits county behavioral health agencies that administer the Drug Medi-Cal organized delivery system to request DHCS approval to conduct site visits to specified recovery residences.

Existing law:

- 1) Grants sole authority in the state to the Department of Health Care Services (DHCS) to certify alcohol or other drug (AOD) programs and to license adult residential alcohol or other drug recovery or treatment facilities (RTFs). [Health and Safety Code (HSC) §11832, 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, 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 of the following:
 - a) Ownership or control of, or financial interest in, a recovery residence/sober living homes (RR/SLHs); or,
 - b) 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) Permits DHCS to suspend or revoke an AOD program certification or RTF license for failing to disclose the information required in 3) above of existing law. [HSC 11833.05(c)]
- 5) Prohibits a person, firm, partnership, association, corporation, or local governmental entity from operating, establishing, managing, conducting, or maintaining a RTF to provide recovery, treatment, or detoxification services within this state without first obtaining a current valid license from DHCS. [HSC §11834.30]
- 6) Requires a laboratory or certified outpatient treatment program that leases, manages, or owns housing units that are offered to individuals who concurrently utilize laboratory or outpatient services to maintain separate contracts for the housing. Requires a RTF to only offer an individual discounted housing following discharge from the facility if certain conditions are

met, such as the RTF and the individual enter into a written contract for housing that is separate from the contract for treatment; if the individual also pursues outpatient treatment; or, the offer for housing is not dependent upon the individual's agreement to attend outpatient treatment at a program that is owned or operated by the RTF. [HSC §11831.65]

- 7) Requires DHCS to conduct a site visit to investigate an allegation of an entity operating without a valid RTF license. Requires DHCS to take the following actions if evidence substantiates that the entity is providing RTF services without a license:
 - a) Submit the findings of the investigation;
 - b) Issue a written notice to the entity stating that it is operating in violation DHCS's licensing law and inform them of the date by which it ceases providing services and notice that DHCS will assess a civil penalty of \$2,000 per day for every day they continue to provide services beyond the date specified in the notice;
 - c) Notice that the case will be referred for civil proceedings in the event the entity continues to provide services beyond the date specified in the notice; and,
 - d) Inform the entity of the licensing requirements. [HSC §11834.31]
- 8) Prohibits an entity found to be in violation of DHCS's licensing law from applying for initial RTF licensure for a period of five years from the date of the notice specified. [HSC §11834.31]
- 9) Permits DHCS's Director to suspend or revoke certification or licensure, including other AOD program certifications or RTF licenses held by the same person or entity, or to deny an application for certification or licensure; extension of the certification or license; or, modification to certification or a license, upon specified violations and circumstances. [HSC §11832.14, 11834.36]
- 10) Requires DHCS to continue to implement the Drug Medi-Cal organized delivery system (DMC-ODS) program previously authorized under the California Medi-Cal 2020 Demonstration pilot. Requires election by counties to participate in the DMC-ODS to be considered voluntary. [WIC §14184.401]

This bill:

- 1) Requires DHCS, if it takes action against a RR/SLH for providing treatment services without a valid license, to conduct a site visit of a certified AOD program or licensed RTF that has disclosed an interest in that RR/SLH.
- 2) Requires all AOD programs and RTFs, no later than July 15, 2026, and every July 15 thereafter, to report to DHCS all money transfers between them and their affiliated RR/SLHs. Requires DHCS to analyze transfer data for compliance trends, irregularities, or fraud indicators, and to develop guidelines for permissible and impermissible transfers.
- 3) Requires DHCS, if a facility is alleged to be operating as an RTF without a valid license, to conduct a site visit as follows:
 - a) Initiate an investigation of the allegation, if DHCS has jurisdiction, within 10 days of receiving the allegation and to conduct a site visit;
 - b) Notify the complainant in writing, if DHCS does not have jurisdiction, that it does not investigate those types of complaints;

- c) Complete the investigation within 60 days of the initiation of the investigation, unless DHCS requires assistance from local or other state agencies, or significant additional resources it determines it needs; and,
- d) Notify the complainant in writing of the delay if DHCS is unable to complete the investigation within 60 days.

4) Expands the required actions for DHCS to take, when it conducts a site visit to investigate allegations of operating without a valid RTF license, to provide the entity the notice within 10 days of the DHCS employee submitting their findings, and to conduct a follow-up site visit to determine whether the entity has ceased providing services by the date DHCS specified.

5) Permits county behavioral health agencies, if they elect to administer the DMC-ODS and provide optional recovery housing services, to request approval from DHCS to conduct a site visit of a RR/SLH that is alleged to be in violation of licensing law. Permits DHCS to approve the 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 imposed by this bill.

FISCAL EFFECT: This bill has not been analyzed by a fiscal committee.

COMMENTS:

- 1) *Author's statement.* According to the author, the proliferation of RR/SLHs 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. This bill will ameliorate these perpetuated issues by establishing timelines for DHCS to investigate allegations of licensed treatment being offered at unlicensed RR/SLHs. If DHCS cannot meet the timelines, SB 490 would authorize cities and counties to request approval to conduct site visits and enforce compliance with existing state licensing requirements.
- 2) *California State Auditor (CSA) report.* Issued in October 2024, the CSA Drug and Alcohol Treatment Facilities report stated complaints to DHCS may arise from various sources, including RTF residents, neighbors, staff members, or government agencies. According to internal guidelines, DHCS prioritizes death investigations over investigations into all other types of complaints. The CSA stated, in fact, DHCS aims to assign death investigations to a staff member on the day it receives the report of a death. In the course of a death investigation, it directs its staff to perform a complete review of the facility where the death occurred to determine whether the resident's death was related to deficiencies in the facility's operation. DHCS also receives and investigates complaints about facilities that operate without a license—for which generally DHCS does not have oversight. If an investigation finds, however, that an unlicensed facility is providing or advertising services that require a license, DHCS notifies the facility that it has been violating the law. If it obtains sufficient evidence the facility has not stopped providing the services in question, DHCS is authorized in current law to bring a civil action against the facility. For a licensed RTF, if during a complaint investigation or compliance inspection, DHCS finds a facility poses serious risks to the health and safety of residents, it may initiate a license suspension or revocation. Current law authorizes DHCS to immediately suspend a license when these concerns are present. A suspension stays in effect until DHCS makes a final determination, which may

include revocation, following a hearing and a proposed decision by an Administrative Law Judge.

The CSA made a series of recommendations to help DHCS improve its complaints processes—mostly through administrative means:

- Provide management with information about the timeliness of compliance inspections;
- Implement a mechanism in its licensing database that notifies staff of the dates for upcoming compliance inspections for their caseload so they can plan accordingly;
- Fill its vacant positions;
- Update its policies and staff training by April 2025 to ensure it assigns complaints to analysts for investigation within 10 days, as currently required by its regulations;
- Implement guidelines by October 2025 that specify the length of time analysts should take to complete key steps in the investigation process for different types of investigations;
- Conduct site visits beginning December 2024 in all instances in which there is an allegation that an unlicensed facility is advertising or providing treatment services without a license; and,
- Develop and implement, by April 2025, a follow-up procedure, such as performing another site visit, to confirm unlicensed facilities have ceased providing services unlawfully.

3) *DHCS complaint investigations.* DHCS informally outlined its process for RTF investigations that generally mirrors the timelines stated by the author of this bill and in the CSA report. If DHCS establishes jurisdiction, the complaint is logged, assigned a complaint number, and a high-, medium-, or low-level designation. When DHCS receives a complaint that does not fall under its jurisdiction, a letter is sent to the complainant informing them of this fact. DHCS regulations define deficiencies, determined during the investigation, in the following way:

- A Class A deficiency is any presenting an imminent danger to any resident of a RTF. “Imminent danger” means that the more likely consequence of the deficiency is death or physical injury that would render a part of the body functionally useless or temporarily or permanently reduced in capacity, or inhibit any function of the body to such a degree as to shorten life or to reduce physical or mental capacity;
- A Class B deficiency is any relating to the operation or maintenance of the RTF that has a direct or immediate relationship to the physical health, mental health, or safety of RTF residents; and,
- A Class C deficiency is any relating to the operation or maintenance of the RTF that DHCS determines has only a minimal relationship to the health or safety of residents.

An investigation report is issued, outlining whether an allegation was substantiated, and if any additional findings were discovered. If any deficiencies are identified and substantiated, RTFs may be subject to a corrective action plan or verification of correction and civil penalties for failure to respond timely to a Notice of Deficiency. Deficiencies can also result in suspension or revocation of the RTF’s license. If no deficiencies are found, the complaint report is issued with allegations marked as “not substantiated.”

DHCS further noted that allegations of an entity unlawfully providing treatment services is assigned a high priority. They follow the same process for these allegations as they do for other high priority complaints against the facilities under their purview. However, when it comes to conducting a site visit, the facility can technically deny them access. In these situations, DHCS requires the assistance from the California Department of Justice in obtaining an investigation warrant but only if they have enough evidence to support the allegation. If DHCS determines the facility is in violation, they issue the notices authorized in existing law regarding the violations, penalties that can be assessed, and a date by which the facility is required to cease providing treatment services. If the facility continues to operate beyond the date, DHCS goes to the Superior Court to get an injunction.

- 4) *Recovery residences/SLHs.* A 2010 report on the National Institutes of Health (NIH) website, “Sober Living Houses for Alcohol and Drug Dependence: 18-month Outcomes,” states that SLHs are not formal treatment programs and are not obligated to comply with state or local regulations applicable to treatment. However, NIH does not provide a formal definition of an SLH. The report also mentions that it is difficult to determine how many SLHs there are in California because they are outside of the purview of state licensing authorities. The NIH report cites the protection that the federal FHA affords SLHs to be located in residentially zoned areas, personal privacy under the Fourth Amendment, and the right of people with disabilities to live together for a shared purpose, such as mutually assisted recovery and maintenance of an abstinent lifestyle.

According to DHCS’s website, some types of residences do not provide alcohol and other drug services and therefore do not require licensure by DHCS, including cooperative living arrangements with a commitment or requirement to be free from alcohol and other drugs, sometimes referred to as RRs, SLHs, transitional housing, or alcohol- and drug-free housing. DHCS states that while SLHs are not required to be licensed by DHCS, they may be subject to other types of permits, clearances, business taxes, or local fees, which may be required by the cities or counties in which they are located. If an SLH is providing licensable services to adults, then it must obtain a valid RTF license. Licensable services can include, but are not limited to, detoxification services, group sessions, individual sessions, one-on-one counseling, educational sessions, or recovery, treatment, or discharge planning. If an SLH is providing just one of the mentioned services, then it should be classified as an RTF and must obtain a license from DHCS.

DHCS’s Drug Medi-Cal Organized Delivery System waiver allows counties to use recovery SLHs in their continuum of services if they adhere to the following guidelines: do not provide SUD services that would require licensure by DHCS; all residents of an RR are actively engaged in medically necessary recovery support services to be provided off-site; and each county develops guidelines for contracted RR providers and provide monitoring and oversight.

- 5) *Housing for the disabled.* A joint statement issued in November 2016 by the federal Department of Justice (DOJ) and Department of Housing and Urban Development (HUD), which together are responsible for enforcing the FHA, declared that the term “group home” does not have a specific legal meaning, though land use and zoning officials and the courts have referred to some residences for persons with disabilities as group homes, including homes occupied by persons in recovery from alcohol or substance abuse that are commonly called SLHs. DOJ and HUD contend that persons with disabilities have the same FHA protections whether or not their housing is considered a group home, and that a household

where two or more persons with disabilities choose to live together, as a matter of association, may not be subject to requirements or conditions that are not imposed on households consisting of persons without disabilities. DOJ and HUD further state that the provision of services (medical, supervisory, supportive, etc.) is not required for a group home to be protected under the FHA. Group homes can also be opened by individuals or organizations, both for-profit (“commercially operated”) and not-for-profit, and still be protected by the FHA. Further, the FHA does not require a person who resides in an SLH to have participated in or be currently participating in a substance abuse treatment program to be considered a person with a disability. The fact that a resident of a SLH may currently be illegally using a controlled substance does not deprive the other residents of the SLH of the protection of the FHA. The DOJ and HUD statement also says that localities and states must ensure that actions to enforce criminal and other laws against SLHs are not taken to target SLHs and are applied equally, regardless of whether the residents of housing are persons with disabilities.

- 6) *Group Home Technical Advisory (GHTA).* The California Department of Housing and Community Development (HCD) Division of Housing Policy Development issued the GHTA in December 2022 and states that group homes are an especially important type of housing for persons with disabilities. By supporting their residents’ individualized needs while providing flexible and affordable housing options, group homes help persons with disabilities live in deinstitutionalized settings that facilitate their integration into local communities. HCD further states in recent years, some local governments have amended their zoning ordinances to add new regulations for group homes, particularly for SLH/RRs. These amendments have raised concerns that local governments are not complying with their affirmative obligations under state planning and zoning laws to promote more inclusive communities and affirmatively further fair housing (AFFH). These amendments have also generated disputes and confusion over whether local governments are violating fair housing laws by discriminating against persons with disabilities or other protected characteristics. Among other concerns, local land use policies and practices can block new group homes from opening, force existing ones to close, and impose costs, legal fees, and administrative burdens that make it difficult for group homes to operate. These concerns arise in the context of a shortage of adequate housing for persons with disabilities, which is a particularly acute problem within California’s broader housing crisis. HCD states that with concerns, disputes, and confusion continuing to grow, the GHTA provides guidance on how state planning, zoning, and fair housing laws apply when local governments attempt to regulate group homes through land use policies and practices. It is designed to help local governments comply with their obligations under these state laws, including, for example, the Planning and Zoning Law; Housing Element Law; AFFH provisions; Anti-Discrimination in Land Use Law; and the Fair Employment and Housing Act, collectively “state housing laws.” Taken from the GHTA, local governments can comply with state housing laws regarding group homes, including the following:
 - a) Discriminatory Purpose or Effect. Ensure that the policy or practice does not discriminate on the basis of disability or other characteristics protected by state law. Apply the GHTA’s analysis on how to determine if a policy or practice has a discriminatory purpose or effect and how to implement flexible reasonable accommodation procedures that promptly and efficiently resolve accommodation requests in compliance with state housing laws and regulations. (pp. 12-20);
 - b) Supportive and Transitional Housing. Comply with the specific protections for group homes that fall within the definitions of supportive or transitional housing (pp. 20-22);

- c) State and Federal Law Distinctions. Confirm that a policy or practice complies with state housing laws even if it complies with federal law, because California law provides broader and different protections than federal law (pp. 22-23);
- d) Definition of Single-Family Residence. Avoid restrictive definitions of single housekeeping units or single-family homes that impermissibly constrain group homes from locating in single-family zones. This includes, for example, avoiding definitions that equate group homes with boardinghouses, require all residents to share a common deed or lease, overly scrutinize residents' living arrangements, or automatically exclude group homes that are owned by for-profit businesses or pay staff to help manage a home's operations (pp. 24-25);
- e) Group Homes that Do Not Provide Licensable Services. Allow group homes that operate as single-family residences and that do not provide licensable services to locate in single-family neighborhoods, subject only to the generally applicable, nondiscriminatory health, safety, and zoning laws *that apply to all single-family residences* (pp. 25-26) (emphasis added); and,
- f) Other Requirements for Group Home Operators and Residents. Avoid the other examples of special requirements for operators and residents discussed that can overly constrain group homes, conflict with the duty to affirmatively support this housing, and discriminate on the basis of disability and other protected characteristics. Examples discussed include, among other things, parking requirements, restrictions on residents or staff, neighborhood notice requirements, and local law enforcement registration requirements (pp. 30-33).

7) *Related legislation.* SB 329 (Blakespear and Umberg) requires DHCS to meet specified timeframes for assigning complaints against, and completing investigations for, licensed RTFs. *SB 329 is pending in the Assembly Appropriations Committee.*

8) *Prior legislation.* SB 35 (Umberg of 2025) was identical to this bill. *SB 35 was held on the Assembly Appropriations Committee suspense file.*

SB 83 (Umberg, Chapter 402, Statutes of 2025) requires 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.

AB 424 (Davies, Chapter 261, Statutes of 2025) requires 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; provide them notice that the complaint has been closed; and, whether DHCS found the facility to be in violation.

AB 492 (Valencia, Chapter 368, Statutes of 2025) requires DHCS, when it issues an RTF license, to concurrently notify the city or county in which the RTF is located, including the name and mailing address of the licensee and the location of the RTF.

AB 1356 (Dixon, Chapter 189, Statutes of 2025) requires RTFs to submit a subsequent report within 30 days of a resident's death and the required initial report that contains any relevant information that was not known at the time of the initial incident.

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 conduct announced or unannounced site visits and to enforce specified “anti-kickback” laws related to RTFs. *SB 913 was held on the Senate Appropriations Committee suspense file.*

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.

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.

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.

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”).

- 9) *Support.* The League of California Cities (Cal Cities), as sponsor, argues a recent state audit revealed DHCS has not consistently investigated allegations of unlicensed facilities providing or advertising treatment services. DHCS has often failed to conduct site visits and follow-ups to ensure illegal operations have stopped. In one example highlighted in the audit, DHCS substantiated an allegation that an unlicensed facility was unlawfully providing services but there was no indication DHCS followed up to verify the facility’s claims it ceased operations, nor did it conduct a site visit to confirm compliance. Cal Cities argues the auditor recommended that DHCS improve the timeliness of inspections and complaint investigations; conduct more site visits; and establish follow-up procedures to ensure unlicensed facilities cease unlawful operations. Cal Cities states this bill empowers local governments to partner with the state to conduct site inspections and enforce licensing laws. This collaboration allows the state to leverage local capacity to respond swiftly to violations, ensure compliance, and better protect public health and safety.
- 10) *Opposition.* The County Behavioral Health Directors Association (CBHDA) states that as part of their core functions they provide an array of Medi-Cal SUD treatment services, including supportive RR/SLHs, which are non-medical housing settings designed to support recovery and foster community, as a component of the SUD continuum of care. CBHDA argues this bill stems from continued negative stigma around RR/SLHs, and at its core contains a fundamental framing issue as it relates to RR/SLHs and SUD treatment. CBHDA further argues while DHCS is already tasked with these investigations, the timelines proposed in this bill would lead to DHCS potentially exceeding its bandwidth and then

delegating this function to counties, which would include conducting investigations into private entities that counties do not contract with, nor have jurisdiction over. Delegating this responsibility to counties represents a significant liability risk, and a potential unfunded workload increase for county behavioral health agencies.

SUPPORT AND OPPOSITION:

Support: League of California Cities (sponsor)

Oppose: County Behavioral Health Directors Association

-- END --