
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

SB 490 (Umberg) - Alcohol and drug programs

Version: January 5, 2026

Urgency: No

Hearing Date: January 20, 2026

Policy Vote: HEALTH 9 - 0

Mandate: No

Consultant: Agnes Lee

Bill Summary: SB 490 would require the Department of Health Care Services (DHCS) to meet specified timeframes for initiating and completing investigations for adult residential alcohol or other drug recovery or treatment facilities operating without a license in violation of existing law.

Fiscal Impact: Unknown ongoing costs, potentially hundreds of thousands to low millions, for state staffing resources for DHCS to complete investigations within the timeframes, analyze data, and develop guidelines (Residential Outpatient Licensing Fund). To the extent the Residential Outpatient Licensing Fund has insufficient funds, the DHCS may need to increase licensing fees.

Background: Adult residential alcohol or other drug recovery or treatment facilities (RTFs) provide 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. Current law grants sole authority to DHCS to license RTFs and authorizes the department to initiate a license suspension or revocation for licensing violations. If a facility is operating an RTF without a valid license, current law requires DHCS to conduct a site visit to investigate the allegation. If the department's employee or agent finds evidence that the facility is providing alcohol or other drug recovery, treatment, or detoxification services without a license, the employee or agent must take the following actions:

- Submit the findings of the investigation to the department.
- Upon departmental authorization, issue a written notice to the facility stating that the facility is operating in violation. The notice must include all of the following:
 - The date by which the facility shall cease providing services.
 - Notice that the department will assess against the facility a civil penalty of \$2,000 per day for every day the facility continues to provide services beyond the date specified in the notice.
 - Notice that the case will be referred for civil proceedings pursuant to existing law, in the event the facility continues to provide services beyond the date specified in the notice.
- Inform the facility of the licensing requirements.

In October 2024, the California State Auditor (CSA) released a report, “Drug and Alcohol Treatment Facilities: They Are Sometimes Concentrated in Residential Areas, as Allowed, but State Oversight Is Not Always Timely or Thorough.” Among the report’s findings, the CSA indicated:

“We also found that Health Care Services did not always conduct site visits when investigating unlicensed facilities and did not always follow up after completing investigations of unlicensed facilities that were unlawfully advertising or providing services to ensure that they ceased doing so. In one example, after the department had substantiated an allegation that an unlicensed facility was unlawfully providing services, we found no indication that Health Care Services conducted sufficient follow-up to verify the facility’s claim that it was not providing services, such as by performing an on-site visit to ensure it had ceased doing so.”

DHCS also has the sole authority to certify and monitor all outpatient alcohol or other drug programs, also known as substance use disorder treatment programs that offer treatment, recovery, detoxification, or Medication for Addiction Treatment (MAT) services.

Current law requires licensed and certified entities to disclose to DHCS if any of its agents, partners, directors, officers, or owners, including a sole proprietor and member, has either of the following:

- Ownership or control of, or financial interest in, a recovery residence.
- Any contractual relationship with an entity that regularly provides professional services or substance use disorder treatment or recovery services to clients of programs certified or facilities licensed by the department, if the entity is not part of the program certified or facility licensed by the department.

Current law defines “recovery residence” to mean a residential dwelling that provides primary housing for individuals who seek a cooperative living arrangement that supports personal recovery from a substance use disorder and that does not require licensure by the DHCS or does not provide licensable services. A recovery residence may include, but is not limited to, residential dwellings commonly referred to as “sober living homes,” “sober living environments,” or “unlicensed alcohol and drug free residences.”

Proposed Law: Specific provisions of the bill would:

- Require that if DHCS takes action against a recovery residence for operating without a license in violation of current law, DHCS must conduct a site visit of a certified program or licensed facility that has disclosed an interest in the recovery residence.
- Require that no later than July 15, 2026, and by July 15 of each year thereafter, all programs certified or facilities licensed by DHCS must submit to the department a report of all money transfers between the program or facility and a recovery residence during the previous fiscal year in order to detect patient brokering, illicit kickbacks, or unethical inducements that harm patients; require

DHCS to analyze transfer data for compliance trends, irregularities, or fraud indicators; and require DHCS to develop guidelines for permissible and impermissible transfers.

- Require that if an RTF is alleged to be operating without a license in violation of current law, the DHCS must do the following:
 - If the department determines that it has jurisdiction over the allegation, initiate an investigation of the allegation within 10 days of receiving the allegation and conduct a site visit as part of the investigation; and if the department receives a complaint that does not fall under its jurisdiction, the department must notify the complainant in writing, including, but not limited to, through electronic means, that it does not investigate that type of complaint.
 - Complete the investigation within 60 days of the initiation of the investigation, unless the department requires either of the following:
 - Assistance from local or other state agencies to complete the investigation.
 - Significant additional resources to complete the investigation, as determined by the department.
 - If the department is not able to complete an investigation within 60 days, the department must notify the person that submitted the allegation in writing, including, but not limited to, through electronic means, of the reason for the delay.
- Require that if DHCS's employee or agent finds evidence that the facility is providing alcohol or other drug recovery, treatment, or detoxification services without a license, the employee or agent must provide the required notice within 10 days of submitting their findings to the department and must conduct a follow-up site visit to determine whether the facility has ceased providing services.
- Provide that in a county that elects to administer the Drug Medi-Cal organized delivery system and provides optional recovery housing services, the county behavioral health agency may request approval from DHCS to conduct a site visit of a recovery residence that is alleged to be operating without a license in violation of current law; and provide that DHCS may 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 above.

Related Legislation: SB 35 (Umberg, 2025) was similar to this bill. The bill was held on the suspense file in the Assembly Appropriations Committee.