Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 490 (Umberg) – As Amended July 2, 2026

Policy Committee: Health Vote: 16 - 0

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

SUMMARY:

This bill establishes timelines and notice requirements for Department of Health Care Services (DHCS) investigations of recovery residences, requires a certified alcohol and other drug (AOD) program and a licensed recovery or treatment facility (RTF) report to DHCS any money transfers between the AOD program or RTF and a recovery residence, and authorizes DHCS, under specified circumstances, to allow a county participating in the Drug Medi-Cal Organized Delivery System (DMC-ODS) to conduct a site visit of a recovery residence that is allegedly operating as an RTF.

Specifically, this bill:

1) Requires DHCS, if it takes action against a recovery residence for operating without a license, conduct a site visit of a certified AOD program or licensed RTF that has disclosed a financial or contractual interest in that recovery residence.

2) Requires, by July 15 of every year beginning in 2027, every certified AOD program or licensed RTF submit to DHCS a report of all money transfers between the program or facility and a recovery residence during the previous fiscal year.

3) Requires DHCS analyze the data reported pursuant to item 2, above, for compliance trends, irregularities, or fraud indicators.

4) Requires DHCS develop guidelines for permissible and impermissible money transfers.

5) Requires DHCS, within 10 days of receiving an allegation of a facility acting as an RTF without a license, assign a complaint to an analyst if it has jurisdiction over the allegation; if DHCS does not have jurisdiction, requires DHCS notify the complainant, in writing, that it does not investigate that type of complaint.

6) Requires DHCS complete an investigation pursuant to item 5, above, within 120 days of initiation of the investigation unless DHCS requires assistance from other state agencies or significant additional resources to complete the investigation.

7) Requires DHCS notify, in writing, the person who submitted the allegation of the reason for the delay if DHCS is not able to complete the investigation within 120 days.

8) Requires the DHCS investigator provide the notice containing licensing requirements and a date by which the subject must cease providing services to the subject of the investigation within 10 days of the submission of the findings of the investigation to DHCS.

9) Requires DHCS conduct a follow-up site visit to determine whether the facility has ceased providing services by the date specified in the notice.

10) Authorizes the county behavioral health agency, in a county that elects to administer the DMC-ODS and provides optional recovery housing services, to request approval from DHCS to conduct a site visit of a recovery residence that the county contracts with and is alleged to be providing services without a license; and allows DHCS to approve that request if DHCS has sufficient evidence to substantiate the allegation and it fails to initiate or conclude the investigation in accordance with the time limits specified in items 5 and 6, above.

FISCAL EFFECT:

Based on the Department of Finance's analysis of a similar bill, costs to DHCS of approximately $2.5 million in 2026-27 and ongoing for 16 positions to support investigations and oversee the new complaint process (Residential and Outpatient Program Licensing Fund).

COMMENTS:

1) **Purpose.** This bill is sponsored by the League of California Cities. According to the author:

   > [This bill] would establish 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.** ***AOD RTFs***. 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. DHCS conducts reviews of RTF operations every two years, or as necessary. DHCS reported it had licensed 989 RTFs by March 2025.

   Certified AOD Programs. Under AB 118 (Committee on Budget), Chapter 42, Statutes of 2023, beginning January 1, 2025, AOD programs must be certified, with exceptions for various licensed facility types, schools, jails, and prisons. AOD programs had to apply for certification no later than January 1, 2024. DHCS reported it had certified 1,055 outpatient AOD facilities by March 2025.

   RRs. An RR is a residence for people in recovery from substance use disorders. An RR may serve as support for individuals undergoing treatment, but it does not provide medical or nonmedical treatment or care, and the state does not license or certify RRs. 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 there were at least 12,000 sober living beds, like those offered in RRs, to serve an eligible population of 25,000 to 35,000 individuals in the state.

State Audit. In October 2024, the California State Auditor (CSA) released a report on AOD facilities. The CSA reported that DHCS did not always conduct site visits when investigating unlicensed facilities and did not always follow up after completing investigations of unlicensed facilities to ensure they ceased unlawfully advertising or providing services, and DHCS frequently did not complete investigations within its target timelines. According to the CSA website, DHCS will create and implement new protocols and processes and provide trainings to ensure supervisors are closely tracking the programs in need of inspections within their two-year windows, among other reforms.

3) **Opposition.** The County Behavioral Health Directors Association (CBHDA) states this bill stems from continued negative stigma around supportive recovery residences. CBHDA contends the timelines proposed in this bill would lead to DHCS potentially exceeding its bandwidth. CBHDA is also concerned that delegating DHCS's investigative responsibility to counties represents a significant liability risk.

   The California Behavioral Health Planning Council (CBHPC) also argues the compressed timelines could limit DHCS' capacity to thoroughly complete investigations within the specified timeframes and potentially shift this responsibility to the county where the alleged unlicensed facility is located. CBHPC state this bill lacks funding provisions and inadequate guidelines regarding county reimbursement for work performed under the bill. Furthermore, counties do not have authority, oversight, or code enforcement jurisdiction over unlicensed facilities.

4) **Prior and Related Legislation.** AB 2574 (Valencia), Chapter 410, Statutes of 2024, requires a licensed RTF and certified AOD program to disclose to DHCS if any of its agents, partners, directors, officers, or owners own or have a financial interest in an RR, and, if the entity is not a part of a certified program or a licensed facility, whether it has contractual relationships with entities that provide recovery services to clients of certified programs or licensed RTFs.

   SB 35 (Umberg), of the current legislative session, was nearly identical to this bill and was held in this committee.

   SB 329 (Blakespear), of the current legislative session, requires DHCS to meet specified timeframes for assigning complaints against, and completing investigations for, licensed adult RTFs. SB 329 is pending in this committee.

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