UNFINISHED BUSINESS

Bill No: SB 490
Author: Umberg (D), et al.
Amended: 8/21/26
Vote: 21

SENATE HEALTH COMMITTEE: 9-0, 1/14/26
AYES: Menjivar, Valladares, Durazo, Gonzalez, Padilla, Richardson, Rubio, Weber Pierson, Wiener
NO VOTE RECORDED: Grove, Limón

SENATE APPROPRIATIONS COMMITTEE: 7-0, 1/22/26
AYES: Caballero, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SENATE FLOOR: 39-0, 1/26/26
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Gonzalez

ASSEMBLY FLOOR: 77-0, 8/25/26 - See last page for vote

SUBJECT: Alcohol and drug programs

SOURCE: League of California Cities

DIGEST: This bill (1) 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; and, (2) 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 (RRs).

Assembly Amendments extend the timeframe by which DHCS must complete an investigation; specify that county behavioral health agencies are permitted to visit RRs with which they contract; and, extend the date by which entities licensed or certified by DHCS must report money transfers between them and an RR.

ANALYSIS:

Existing law:

1) Grants sole authority in the state to 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 an 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. [Welfare and Institutions Code (WIC) §14184.401]

This bill:

1) Requires DHCS, if it takes action against an 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, 2027, 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, to the extent feasible, if DHCS does not have jurisdiction, that it does not investigate those types of complaints;
   c) Complete the investigation within 120 days of the initiation of the investigation, unless DHCS requires assistance from other state agencies, or additional resources to complete the investigation, as DHCS determines; and,
   d) Notify the complainant in writing, including through electronic means, of the reason for the delay if DHCS is unable to complete the investigation within 120 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, with which it contracts, 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.

Comments

According to the author of this bill:

> 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.

Background

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:

a) Provide management with information about the timeliness of compliance inspections;
b) 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;
c) Fill its vacant positions;
d) 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;
e) 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;
f) 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,
g) 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.

DHCS complaints 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) 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;
b) 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,

c) 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.

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).

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Assembly Appropriations Committee:

1) DHCS estimates costs of $1.2 million in fiscal year (FY) 2027-28, and $1.1 million in FY 2028-29 and ongoing (Residential Outpatient Program Licensing Fund); and,

2) DHCS notes it would need to increase licensing fees to implement the bill. DHCS was authorized to increase licensing fees up to 20% annually through FY 2026-27, to reach a cumulative fee increase of 75%. Additionally, DHCS states that no sooner than July 1, 2027, DHCS is authorized to increase licensing fees up to 5% annually and if DHCS proposes to increase fees beyond 5%, the increase would need to be approved by the Legislature. To support the additional staffing needed to implement this bill, DHCS states it would need to increase licensing fees by an additional 5% in FY 2027-28. DHCS states that, if the Legislature does not approve an increase in fees, DHCS will be unable to implement the requirements of this bill.

SUPPORT: (Verified 8/25/26)

League of California Cities (source)
Association of California Cities – Orange County
Association of California Life & Health Insurance Companies
California Association of Health Plans
City of Beverly Hills
City of Buena Park
City of Brea
City of Carlsbard
City of Garden Grove
City of Irvine
City of La Mesa
City of Lake Forest
City of Los Alamitos
City of Mission Viejo

City of Paramount
City of Placentia
City of Rocklin
City of Stanton
City of Thousand Oaks
City of Vacaville

OPPOSITION: (Verified 8/25/26)

California Behavioral Health Association
California Behavioral Health Planning Council
County Behavioral Health Directors Association

ARGUMENTS IN 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.

ARGUMENTS IN 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. The California Behavioral Health Association states their concern about this bill's framing risks further stigmatizing RRs that do not provide licensable services, citing state housing guidance recognizing the importance of group homes and RRs as housing options for persons with disabilities and notes that homes not providing licensable services must be allowed to operate subject to generally applicable nondiscriminatory laws. Any policy response to bad actors should be narrowly tailored to unlawful treatment activity and financial misconduct, not structured in a way that sweeps in lawful RR arrangements or creates new barriers for RRs. The California Behavioral Health Planning Council states that the outlined mandates in the bill are outside the purview of county behavioral health departments considering counties do not have authority, oversight, or code enforcement jurisdiction over unlicensed facilities. This would require counties to provide training to designated teams without sufficient funding or guidance.

ASSEMBLY FLOOR: 77-0, 8/25/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Elhawary, McKinnor

Prepared by: Reyes Diaz / HEALTH / (916) 651-4111
11/5/26 15:15:45

****** END ******