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DPH-SAPC Legislative Report for the Behavioral Health Commission – July 10, 2025

This report includes updates on Federal budget, legislation, and a list of newly introduced bills for the 2025-26 State legislative session. The Department will continue identifying and analyzing legislation throughout the session to develop our priority list of bills that may impact our operations, and the public substance use disorder system.

Federal

- **HR 1 - One Big Beautiful Bill Act**

House - 7/3/2025 Resolving differences, pending enrollment for Presidential action

Would reduce Medicaid and CHIP funding by \$1.02 trillion over 10 years (an additional reduction of \$156.1 billion or 18% from the House-passed version of the bill which had cut \$863.4 billion over ten years) through additional changes in Senate Reconciliation. Based on analysis by the Congressional Budget Office (CBO) it is estimated that the Senate amendments would put 9.8 million to 14.8 million people at risk of losing Medicaid coverage in 2034, (approximately 160,000 to 380,000 more people than under the House version).

In addition to provisions proposed in the House, the latest version of HR 1 adds the following:

- **Cost sharing (co-pays)** – SUD clients are still exempt, also exempts services provided by behavioral health clinics and FQHCs/RHCs
- **Work requirements** – SUD clients are exempt but anticipate indirect adverse effects. States will be required to do additional data matching to confirm eligibility for exemptions.
- **Eligibility** – Expands the definition of improper payments to include payments where there was insufficient information to confirm eligibility—likely leading to greater

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recoup of federal funds and potentially excluding payments that were otherwise eligible

- **Retroactive coverage** – Further restricts retroactive coverage to one month for expansion enrollees and two months for traditional enrollees
- **Immigrant eligibility** – Anticipate indirect adverse effects. Restricts eligibility to lawful permanent residents (LPRs) and a limited subset of immigrants, excludes refugees, asylees, and a significant portion of other immigrants with satisfactory status

State

- **AB 1037 The Substance Use Disorder (SUD) Care Modernization Act (Elhawary)**

AB 1037 seeks to change outdated requirements and policies within existing statutes to align with current evidence-based practices and increase access to SUD treatment.

DPH Analysis: The SUD Care Modernization Act would help address historical stigmas, outdated policies, and significant statutory barriers to more successfully engage and treat people with SUDs and ultimately save lives.

DPH Position: Support

County Position: Support (LA County Sponsored)

CBHDA Position: Support

- **AB 8 Cannabis: Cannabinoids: Industrial Hemp (Aguilar-Curry)** - AB 8 makes several new prohibitions regarding industrial hemp, cannabis, and cannabis products that would be effective January 1, 2028 through January 1, 2033 including changes in definitions, use of the cannabis excise tax, and new regulations and inspections, among other provisions.

DPH Analysis: This bill would expand regulations on cannabis products derived from industrial hemp (other than CBD), ensuring that these products are sold within regulated supply chains and make businesses subject to inspection and penalties. This would increase the safety and oversight of cannabis products sold, creating safer environments for the sale of cannabis products by limiting accessibility. This bill would also remove the requirement for the cannabis excise tax to increase beyond 15%, impacting youth SUD prevention efforts for programs that rely on that tax revenue for funding.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: No position taken yet.

- **AB 255 The Supportive-Recovery Residence Program (Haney)** - AB 255 would allow state departments or agencies to fund supportive-recovery residences (SRRs) that have been certified by a National Alliance for Recovery Residences (NARR) affiliated organization, comply with Housing First components as determined by DHCS, and meet other specifications. This bill would prohibit “automatic” eviction of a person on the basis of relapse would require at least 75% of program funds awarded to each jurisdiction is used

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for housing or housing-based services using a harm reduction model, specify that at least one harm-reduction housing placement option must be offered and the individual or family must be able to choose a supportive recovery residence or harm-reduction placement, and further specifies that the harm-reduction housing placement option and the supportive recovery residence do not have to be available for move-in at the same time.

DPH Analysis: While DPH-SAPC does not currently offer permanent supportive housing (PSH), this legislation could provide funding streams that expand its Supportive Recovery-Oriented Residences program for much needed recovery-oriented permanent housing. This bill would also permit counties to require their own quality and performance standards when contracting for recovery residence services, in addition to NARR standards and Housing First principles.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: Support

- **AB 302 Confidentiality of Medical Information Act (Bauer-Kahan)** - AB 302 limits circumstances where disclosure can occur under out-of-state judicial orders or warrants. The bill further eliminates previously allowed disclosures based on patient authorization, creating stricter conditions for sharing medical information and increasing penalties for violations.

Amendments in print on May 1st remove requirements for providers to disclose medical information when mandated by California law. Instead, disclosure is required if compelled by a California court order and prohibit providers from complying to a foreign subpoena without a California court order. Amendments also include prohibiting providers from selling or using medical information for marketing while clarifying that patients may authorize disclosure of their medical information to third parties engaged in providing direct health care services.

DPH Analysis: Amendments in print on May 1st add clarity to providers, healthcare service plans, and subsidiaries regarding the management of patient data. By adding that a state court order must be issued in order to disclose medical information, a greater protection of patients' personal health information can be upheld. Additionally, the removal of authorization to disclose medical information with patient consent will stop patient data from being commodified.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: No position taken yet.

- **AB 309 Hypodermic Needles and Syringes (Zbur)** - AB 309 would extend existing law authorizing syringe services programs (SSPs).

DPH Analysis: AB 309 will extend existing law authorizing critical public health interventions that prevent the spread of HIV and viral hepatitis, preserve opportunities for health engagement, and promote proper disposal of used syringes. Thirty years of evidence has shown that SSPs are an effective public health intervention and do not increase crime or littering.

DPH Position: Support

County Position: Support

CBHDA Position: No position taken yet.

AB 339 Local public employee organizations: notice requirements (Ortega) - AB 339 modifies current laws under the Meyers-Milias-Brown Act, establishing that public agencies must provide a minimum of 120 days' written notice to recognized employee organizations before issuing requests for proposals or renewing contracts relevant to their classifications. In emergency situations, agencies must provide as much advance notice as practicable. If the organization demands to meet and confer, public agencies are required to engage in good faith discussions. No state reimbursement for mandated costs is provided, but agencies may seek other reimbursement methods. **DPH Analysis:** Considering all SUD services provided under SAPC are contracted, it would create an impractical workflow for SAPC to follow. This bill would prevent the County from remaining flexible in regard to short-term funding opportunities, prevent swift responses to emergency situations or priority issues identified in communities, and jeopardize County relationships with funders due to delays in spend down and slow progress on deliverables. Although amendments in print on May 23rd provide more flexibility for agencies to meet and discuss, the timeline expectations are still difficult to meet. Ultimately, this bill would present a significant burden that could delay or reduce access to critical services.

DPH Position: Oppose

County Position: Oppose

CBHDA Position: No position taken yet.

- **AB 416 Involuntary commitment (Krell)** - AB 416 amends the Lanterman-Petris-Short (LPS) Act to require counties to authorize emergency physicians to detain individuals for evaluation and treatment if they pose a danger to themselves or others due to mental health disorders or is gravely disabled as a result of a mental health disorder, a severe substance use disorder, or both. The bill also provides criminal and civil liability exemptions for emergency physicians who carry out these detentions, equating their authority with that of peace officers and mobile crisis team members.

DPH Analysis: The current LPS language includes peace officers, professional persons in charge of a facility designated by the county for evaluation and treatment, members of the attending staff of a facility designated by the county for evaluation and treatment, designated members of a mobile crisis team, or professional person designated by the

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county. This provision of the bill is redundant since ED physicians can already be designated by counties for LPS authority. It would provide a blanket permission for all ED physicians, which considering the time and staffing constraints typical in an ED, as well as the variation in training/readiness to evaluate for LSP by ED physicians, could be inappropriate.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: Oppose

- **AB 423 Alcoholism or drug abuse recovery or treatment programs and facilities: disclosures (Davies)** - AB 423 would require a business-operated recovery residence to register its location with the department. The bill would establish a definition for a business-operated recovery residence as a recovery residence in which a business, in exchange for compensation, provides more than one service beyond those of a typical tenancy arrangement to more than one occupant. This would include drug testing, supervision, scheduling, rule setting, rule enforcement, room assignment, entertainment, gym memberships, transportation, laundry, or meal preparation and coordination.

DPH Analysis: This bill was amended significantly on April 2. The previous version of the bill would have directed DHCS to adopt regulations specifying requirements for discharge and continuing care planning for Alcohol and Other Drug licensees (residential SUD facilities). AB 423 is now focused on recovery residences.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: Watch

- **SB 35 Alcohol and drug programs (Umberg)** - SB 35 would establish a timeline for the Department of Health Care Services DHCS to initiate an investigation within 10 days of receiving an allegation and complete the investigation within 60 days of the initiation of the investigation for adult alcohol and drug (AOD) recovery or treatment facilities that are alleged to be operating without a current valid license.

DPH Analysis: The provision of adding additional site visits is problematic as it will come in conflict with the Fair Employment and Housing Act (FEHA) (Article 2 Housing Discrimination commencing with GOV § 12955) and stigmatizes recovery residences as a type of housing. There have not been substantial findings of AOD licensees risking their licenses over lower level of care environments. The state is currently struggling with a shortage of providers for SUD treatment, and this additional oversight may deter instead of growing the number of providers. This type of oversight extrapolated from a violation by a separate entity does not exist for healthcare facilities or housing.

Amendments in print on May 1st would place greater responsibility on DPH-SAPC to assist in investigations through site visits. The timeline to complete investigations is unclear, though

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may extend beyond 60 days in cases when conducted by local and state agencies. DHCS must notify the person that submitted the allegation of any delay.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: Watch

- **SB 38 Second Chance Program (Umberg)** - SB 38 modifies the Second Chance Program by allowing proposals offering mental health or behavioral health services, including drug court programs. This change aims to support better treatment options for people with mental health and substance use issues within the criminal justice system.

DPH Analysis: As currently written, the bill is formatted as a grant and is therefore permissive with limited impacts to County SUD treatment and prevention operations or the provider network. The changes to current law would direct the Board of State and Community Corrections, which administers the grant, to prioritize proposals that utilize a drug court or collaborative court model.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: Watch

- **SB 329 Alcohol and drug recovery or treatment facilities: investigations (Blakespear)** SB 329 mandates that DHCS assign and complete investigations into complaints regarding alcohol and drug recovery or treatment facilities within specified time frames. Complaints will be assigned to an analyst within 10 days, and investigations must be completed within 60 days.

DPH Analysis: Complaints are often sent to DHCS before DHCS forwards complaints to DPH-SAPC. This bill would give DHCS greater responsibility in responding to complaints. At this stage, it is unclear whether DHCS has the capacity to handle these investigations fully or if the intention is to delegate work to counties.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: Watch

- **SB 378 Online marketplaces: illicit cannabis: reporting and liability (Wiener)** - SB 378 would require online cannabis marketplaces to specify in their terms of service whether they allow Californians to view advertisements, the business information of unlicensed sellers of cannabis/cannabis products, and whether the marketplace verifies the licenses of sellers. If they do not verify licenses, a warning graphic must be shown to consumers. Additionally, online cannabis marketplaces must provide a reporting mechanism for unlicensed advertisements, ensuring that reports receive confirmation and updates. The bill would impose civil penalties for violations and allows for civil enforcement actions by

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specified parties. SB 378 would also establish an analogous mechanism for online hemp marketplaces regarding intoxicating hemp products.

DPH Analysis: Illicit cannabis and intoxicating hemp businesses have continued to operate in California in spite of legalization, sidestepping safety standards and regulations and putting consumers at risk, in violation of California regulations. The federal 2018 Farm Bill (Agriculture Improvement Act of 2018) reclassified hemp products as agricultural products, creating a loophole nationally that has led to the proliferation of hemp products augmented (often with synthetic cannabinoids) to be intoxicating, but without being subject to the age restrictions, health and safety, and advertising regulations that California places on legal cannabis products. California has had emergency regulations in place since September 2024 requiring hemp products to have no detectable THC per serving, thereby banning intoxicating hemp products. This emergency regulation was readopted on March 24, 2025, and remains in effect through September 23, 2025. Enforcement has remained a challenge, and the growth of online marketplaces along with the national intoxicating hemp loophole has further compounded these enforcement challenges. Additional data and regulation would assist in enforcement and consumer protection.

DPH Position: Watch

County Position: No position taken yet.

CBHDA Position: No position taken yet.