

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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ORIGINAL

Bill Number: HB931s2

Patron: Simon

Bill Title: Recovery residences; regulations.

Bill Summary: The substitute bill establishes certain requirements for recovery residences and directs the State Board of Behavioral Health and Developmental Services (DBHDS) to establish minimum certification standards for recovery residences. The bill directs DBHDS to (i) adopt regulations prohibiting recovery residences, their operators, employees, and agents from requiring a resident to participate in medical or psychological services that such recovery residence receives financial benefit from as a condition of entering or continuing residence at a recovery residence and (ii) monitor credentialing agencies for compliance with Department regulations. Under the bill, referrals to recovery residences made by the Department or any agency of the Commonwealth shall only be made to such recovery residences that are certified by the Department.

The substitute bill also directs the Board to establish minimum certification standards for recovery residences, including (a) Department protocols for recovery residences; (b) requirements for renewal of certification; (c) a process for submission and investigation of complaints; (d) a prohibition on the use of certain non-disclosure agreements; and (e) protocols for prohibiting the consumption or possession of any marijuana or marijuana products by residents of recovery residences.

The legislation directs the Board to promulgate regulations to authorize the Department to expand data reporting requirements for certified and conditionally certified recovery residences and directs the Department to promulgate regulations regarding sharing of data related to recovery residences with the public.

Additionally, the Department and the Virginia Housing Commission are directed to study and make recommendations for establishing regulations for licensed providers of clinical substance use treatment services that offer housing as a benefit for individuals participating in treatment services but are not licensed or certified as a recovery residence.

Finally, the legislation requires the continuation of a workgroup to be convened by the Secretary of Health and Human Services to make recommendations regarding oversight and transparency for recovery residences.

The substitute legislation delays the first through fourth enactments until July 2027.

Budget Amendment Necessary: Yes

Items Impacted: 299

Explanation: This legislation will require additional resources at the Department of Behavioral Health and Developmental Services (DBHDS) in their administrative service area (49901). The delay in enactment will also delay the fiscal impact of the legislation until FY 2028.

Department of Planning and Budget
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Fiscal Summary: Many of the requirements of the proposed legislation can be absorbed by existing resources, including the promulgation of regulations for recovery home credentialing, collaboration with the Virginia Housing Commission, and the continued meeting of a workgroup related to oversight of recovery residences. The requirement to expand monitoring of credentialing entities and increased data collection, however, will likely have a fiscal impact and require additional resources for both personnel and information technology.

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DBHDS (720)		\$0	\$455,000	\$450,000	\$450,000	\$450,000
TOTAL		\$0	\$455,000	\$450,000	\$450,000	\$450,000

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DBHDS (720)			2.0	2.0	2.0	2.0
TOTAL			2.0	2.0	2.0	2.0

Fiscal Analysis: Item 300, Paragraph J.2. of the 2025 Appropriation Act requires that DBHDS monitor recovery residences for regulatory compliance. DBHDS has one staff person dedicated to monitoring the 357 credentialed recovery residences currently in operation. The substitute legislation addresses monitoring credentialing agencies and creating a process for recovery residences to receive certification independently. Additional resources will be needed to coordinate and provide oversight to ensure that credentialing agencies and any independently credentialed residences comply with and enforce new regulations and reporting requirements resulting from this legislation, including the investigation of complaints. It is estimated that DBHDS will need one additional position to perform these tasks at a cost of \$120,000 per year, including travel costs.

Additionally, DBHDS does not currently have adequate staffing to meet the significant data reporting requirements included in this legislation. It is estimated the agency will need one data analyst at a cost of \$135,000 per year to be responsible for the increased data gathering and reporting requirements. It is possible this could be accomplished using a manual, decentralized process, however that is likely insufficient to meet the proposed data reporting requirements. The cost of an in-house tool to collect and report data outlined in the bill, including demographic data, as well as track inspections and incident reporting, is estimated at \$200,000 for development and implementation and \$195,000 in ongoing system maintenance costs.

Because the substitute legislation delays the effective date of these sections until July 2027, the costs will not accrue until fiscal year 2028. The table below indicates both the initial year and ongoing costs.

Department of Planning and Budget
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State Fiscal Impact Statement

	FY 2028	FY 2029+
Recovery Specialist	\$ 120,000	\$ 120,000
Data Analyst	\$ 135,000	\$ 135,000
Data System	\$ 200,000	\$ 195,000
Total	\$ 455,000	\$ 450,000

Other: This bill is a companion to SB270.