



Fiscal Note

Legislative Council Staff

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HB 26-1195: PSYCHOTHERAPY ARTIFICIAL INTELLIGENCE RESTRICTIONS

Prime Sponsors:

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Sen. Amabile; Mullica

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Summary Information

Overview. The bill restricts the use of artificial intelligence in psychotherapy services.**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- Local Government

Appropriations. For FY 2026-27, the bill requires an appropriation of \$20,771 to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue (Cash Funds)	\$20,771	\$20,771
State Expenditures (Cash Funds)	\$20,771	\$20,771
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$20,771	\$20,771
Change in State FTE	0.1 FTE	0.1 FTE

Summary of Legislation

The bill restricts the use of artificial intelligence (AI) systems in the provision of psychotherapy services. Specifically, the bill prohibits licensed, certified, or registered mental health professionals from allowing an AI system to directly engage in therapeutic communication, generate treatment recommendations without professional review, or detect emotions or mental states. However, the bill permits AI use for administrative or supplementary support functions if the regulated professional retains full responsibility for all interactions, outputs, and data use. Written informed consent is required when AI is used to record or transcribe therapeutic sessions.

Finally, the bill authorizes applicable licensing boards within the Department of Regulatory Agencies (DORA) to take disciplinary action against regulated professionals who violate these provisions. It also makes it unlawful to provide or advertise psychotherapy services without proper licensure and establishes certain violations related to AI advertising and restrictions as unfair trade practices.

State Revenue

The bill increases cash fund revenue by about \$20,000 starting in FY 2026-27 to the Division of Professions and Occupations Cash Fund to cover increased administrative costs in DORA. The bill may also increase state revenue from administrative fines, civil penalties, and court filing fees by a minimal amount.

Fee Impact on Mental Health Professionals

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Beginning in FY 2026-27, DORA will collect about \$20,000 in additional registration and renewal fees from an estimated 36,000 mental health professionals each year. Due to the wide array of current fees and fee schedules, the fiscal note assumes that the department will increase licensing, certification, and registration fees by less than \$1 across all mental health professions. This proposed fee is an estimate only; actual fees will be set administratively by DORA based on the cash fund balance, estimated program costs, and the estimated number of licensees subject to the fee. This revenue is subject to TABOR.

Penalties

The establishes administrative and civil penalties for individuals who violate the provisions of the bill. Given the uncertainty about the number of cases that may be pursued by the licensing boards, the Attorney General, or district attorneys, as well as the wide range of potential penalty amounts, the fiscal note cannot estimate the potential impact of these penalties.

Administrative Fines

A licensed individual who violates the Mental Health Practice Act may be subject to an administrative penalty of up to \$5,000 for each violation. This revenue is credited to the applicable licensing board cash fund in the DORA, and is subject to TABOR.

Civil Penalties

Under the Colorado Consumer Protection Act, a person committing a deceptive trade practice may be subject to a civil penalty of up to \$20,000 for each violation. Additional penalties may be imposed for subsequent violations of a court order or injunction. This revenue is classified as a damage award, and is not subject to TABOR.

Filing Fees

The bill may increase revenue to the Judicial Department from an increase in civil case filings. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill increases state expenditures in the Department of Regulatory Agencies by about \$20,000 beginning in FY 2026-27, paid from the Division of Professions and Occupations Cash Fund. It also minimally increases workload in the Behavioral Health Administration (BHA), Judicial Department and Department of Law, as described below.

Department of Regulatory Agencies

Costs in DORA will increase by about \$20,000 for legal services related to program implementation, a rise in complaints, and cease-and-desist orders issued by the state's licensing boards on individuals who violate the provisions of the bill. These impacts depend on actions taken by individuals and licensing boards, and are assumed to require at least 150 hours of general counsel per year due to the novelty of AI regulation in the state. Any additional costs incurred by the department related to complaints, investigations, enforcement actions, or legal services will be addressed through the annual budget process. Legal services are provided by the Department of Law at a rate of \$138.47 per hour.

Behavioral Health Administration

The BHA will have a minimal increase in workload to update rules, which can be accomplished within the normal course of rulemaking. The fiscal note assumes that any complaints will be handled by the applicable licensing board in DORA.

Judicial Department

The trial courts in the Judicial Department may have an increase in cases filed under the Colorado Consumer Protection Act from the addition of a new deceptive trade practice. It is assumed that mental health professionals will abide by the law and that any violation of the legislation will result in minimal number of new cases. The fiscal note assumes that this can be accomplished within existing resources and that no change in appropriations is required.

Department of Law

Workload in the Department of Law will minimally increase to the extent that deceptive trade practice complaints are filed. The department will review complaints under the bill and prioritize investigations as necessary within the overall number of deceptive trade practice complaints and available resources.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by \$20,771 in FY 2026-27 and FY 2027-28. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2026-27, FY 2027-28, and any future years when the state is over its revenue limit.

Local Government

Similar to the state, to the extent district attorneys receive deceptive trade practice complaints related to the new deceptive trade practice under the bill, workload will increase to investigate complaints and seek relief when appropriate. It is assumed most such cases will be handled at the state level by the Attorney General.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to actions take on or after this date.

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$20,771 from the Division of Professions and Occupations Cash Fund to the Department of Regulatory Agencies, all of which is reappropriated to the Department of Law with 0.1 FTE.

State and Local Government Contacts

Behavioral Health Administration	Judicial
Health Care Policy and Financing	Law
Information Technology	Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).