



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-113: REQUIRE RECOVERY RESIDENCES TO OBTAIN BHA LICENSE

Prime Sponsors:

Sen. Amabile; Ball
Rep. Carter; McCormick

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Fiscal note status: This revised fiscal note reflects the reengrossed bill.

Summary Information

Overview. The bill requires recovery residences to be licensed directly by the Behavioral Health Administration and requires the Behavioral Health Administration to investigate select incidents that occur at the residences and summarize the findings for the public.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds

Appropriations. No appropriation is required.

**Table 1
State Fiscal Impacts**

Type of Impact ¹	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
State Revenue	\$0	\$509,750	\$491,975	\$491,975
State Expenditures	\$0	\$119,261	\$276,708	\$269,708
Transferred Funds	\$0	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$504,750	Not estimated	Not estimated
Change in State FTE	0.0 FTE	2.3 FTE	4.1 FTE	4.1 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A
 State Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
General Fund	\$0	\$0	\$0	\$0
Cash Funds	\$0	\$509,750	\$491,975	\$491,975
Total Revenue	\$0	\$509,750	\$491,975	\$491,975

**Table 1B
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
General Fund	\$0	-\$304,563	-\$304,563	-\$104,563
Cash Funds	\$0	\$373,375	\$492,418	\$285,418
Federal Funds	\$0	\$0	\$0	\$0
Centrally Appropriated	\$0	\$50,449	\$88,853	\$88,853
Total Expenditures	\$0	\$119,261	\$276,708	\$269,708
Total FTE	0.0 FTE	2.3 FTE	4.1 FTE	4.1 FTE

Summary of Legislation

Under current law, recovery residences (with certain exemptions) are required to be certified by a third-party certifying body approved by the Behavioral Health Administration (BHA). The bill instead requires recovery residences to be licensed directly by the BHA starting July 1, 2027, except that residences certified under the current system as of June 30, 2027, must be licensed no later than July 1, 2028. Licenses must be renewed annually and are subject to a licensing fee. The bill establishes a process for licensure denials and suspensions, related fines, and establishes penalties for recovery residences that fail to comply with licensing requirements.

The bill repeals some of the requirements currently placed on recovery residences certified by a third-party, but requires the BHA to promulgate licensing requirements that similarly ensure quality.

The bill places additional requirements on recovery residences including:

- requiring residences to pay for and conduct a background check on potential employees and contractors at least 90 days before they start work;
- placing additional background check requirements on owners and managers; and
- any other requirements determined necessary by the BHA.

The bill allows the BHA to issue provisional licenses for up to 180 days that are not subject to these requirements except for the owner and manager background check requirements. The bill requires the BHA to streamline regulations for recovery residences that are also regulated as a licensed behavioral health entity.

The bill requires recovery residences to report to the BHA and law enforcement any occurrence in which drugs intended for use by a recovery resident are diverted for use by another person and certain instances of a resident's death, injury, abuse, or property right violation. The BHA must investigate any reported incidents to determine if the recovery residence acted inappropriately or violated licensing standards.

The bill requires licensing of recovery residences to be funded exclusively through fees. The regulation of recovery licensing is repealed September 1, 2033, following a sunset review.

State Revenue

The bill increases state cash fund revenue from fees and fines by \$510,000 in FY 2027-28 and \$492,000 in future years. Revenue is collected to the Behavioral Health Entity Licensing Cash Fund and the CBI Identification Unit Cash Fund. Except for the federal portion of the background check fee, this revenue is subject to TABOR. It is assumed that background check fees will be paid directly to the CBI, rather than included as part of the licensing fee collected by the BHA. The bill may also increase revenue from civil penalties, which is not subject to TABOR. Fee revenue impacts are shown in Tables 2A and 2B and detailed below.

Fee Impact on Recovery Residences

Legislative Council Staff is required to estimate the fee impact of bills that create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the BHA based on cash fund balance, program costs, and the number of licenses subject to the fee.

Table 2A
Fee Impact on Recovery Residences
FY 2027-28

Type of Fee	Estimated Fee	Number Affected	Total Fee Impact
Licensing Fee	\$1,371.00	350	\$480,000
Background Check	\$39.50	500	\$19,750
Total Fee Revenue – FY 2027-28			\$509,750

Table 2B
Fee Impact on Recovery Residences
FY 2028-29 and ongoing

Type of Fee	Estimated Fee	Number Affected	Total Fee Impact
Licensing Fee	\$1,371.00	350	\$480,000
Background Check	\$39.50	50	\$1,975
Total Fee Revenue – FY 2028-29			\$491,975

Licensing Fees

The bill increases state revenue to the Behavioral Health Entity Licensing Cash Fund by establishing a licensing fee for recovery residences. Fees will be set to cover the BHA costs discussed in the State Expenditures section. The fiscal note assumes 350 recovery residences will pay a fee of about \$1,371 per year starting in FY 2027-28.

The bill also repeals the recovery residence credentialing fees that the third-party credentialing body charges recovery residences, but this revenue stays with the credentialing body and is not state revenue. For informational purposes, these fees are currently set at \$500 per year for recovery residence organizations (which oversee multiple recovery residences) and \$100 per bed per year for each recovery residence.

Background Check Fees

The bill requires owners and managers of recovery residences to undergo a background check conducted by the Colorado Bureau of Investigation (CBI) prior to being licensed. It is assumed 500 owners and managers will require a background check in the first year and 50 per year on an ongoing basis. The current fee for a CBI background check is \$39.50, of which \$10 is passed on to the federal government and is not subject to TABOR. This will increase fee revenue to the CBI Identification Unit Cash Fund by about \$20,000 in FY 2027-28 and \$2,000 in FY 2028-29 and future years.

Civil Penalties

The bill authorizes the BHA to impose civil fines up to \$2,000 per calendar year in lieu of licensure suspension or denials. Given that recovery residences are assumed to comply with the requirements of the bill, and the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these civil penalties.

State Expenditures

On net, the bill increases state expenditures by about \$119,000 in FY 2027-28, and \$277,000 in FY 2028-29 and \$270,000 in future years. These costs will be incurred in the Behavioral Health Administration and the Department of Public Safety, as shown in Table 3 and described in the sections below. BHA costs are paid from the Behavioral Health Entity Licensing Cash Fund and also include a General Fund cost savings from the repeal of the third-party licensing program. CDPS costs are from the CBI Identification Unit Cash Fund.

Table 3
State Expenditures
All Departments

Department	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
Behavioral Health Administration	\$0	\$100,387	\$275,745	\$268,745
Department of Public Safety	\$0	\$18,874	\$963	\$963
Total Costs	\$0	\$119,261	\$276,708	\$269,708

Behavioral Health Administration

Once fully implemented, the bill increases net state expenditures in the Behavioral Health Administration by about \$270,000 annually, based on the timing assumptions discussed below. This net impact includes the reduction in costs for the current third-party licensing contractor, which are currently paid from the General Fund, and an increase in costs for direct licensing of recovery residences by the BHA, to be paid by the Behavioral Health Entity Licensing Cash Fund. These costs are summarized in Table 3A and discussed below.

Timeline Assumptions

Between July 2027 and July 2028, the bill allows recovery residences to continue operating with a certification until the BHA issues a license. The fiscal note assumes that the resources necessary for licensing will be phased in throughout FY 2027-28. Rulemaking will be overseen by the current staff dedicated to overseeing the credentialing contract and as the process is developed additional staff will be hired throughout the year.

**Table 3A
 State Expenditures
 Behavioral Health Administration**

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
Personal Services (GF)	\$0	-\$103,283	-\$103,283	-\$103,283
Operating Expenses (GF)	\$0	-\$1,280	-\$1,280	-\$1,280
Certifying Body Contract (GF)	\$0	-\$200,000	-\$200,000	-\$200,000
Personal Services	\$0	\$295,574	\$434,983	\$434,983
Operating Expenses	\$0	\$3,968	\$6,400	\$6,400
Capital Outlay Costs	\$0	\$14,000	\$7,000	\$0
Legal Services	\$0	\$16,616	\$16,616	\$16,616
Licensing System Maintenance	\$0	\$26,456	\$26,456	\$26,456
Centrally Appropriated Costs	\$0	\$48,336	\$88,853	\$88,853
FTE – Personal Services	0.0 FTE	2.1 FTE	4.0 FTE	4.0 FTE
FTE – Legal Services	0.0 FTE	0.1 FTE	0.1 FTE	0.1 FTE
Total Costs	\$0	\$100,387	\$275,745	\$268,745
General Fund	\$0	-\$304,563	-\$304,563	-\$304,563
Cash Funds	\$0	\$356,614	\$491,455	\$484,455
Centrally Appropriated	\$0	\$48,336	\$88,853	\$88,853
Total FTE	0.0 FTE	2.2 FTE	4.1 FTE	4.1 FTE

Eliminating Third-party Certification

Currently, recovery residences are credentialed by a third-party credentialing body, paid from the General Fund. Eliminating this certification will decrease contract costs in the BHA by \$200,000 starting in FY 2027-28, and shift 1.0 FTE to be paid from cash funds.

Staffing

The BHA requires an additional 4.0 FTE to license recovery residences, receive and investigate complaints, and conduct required reporting. In the first year of licensure, FY 2027-28, this staff is prorated for a partial-year impact based on the implementation timeline described above. This includes 1.0 FTE that is currently employed by the BHA to manage the existing third-party certification process. It is assumed that this existing staff, currently paid using General Fund, will shift to cash funds starting in FY 2027-28.

Legal Services

This staff will require legal services provided by the Department of Law at a rate of \$138.47 per hour to address and legal questions that arise during rulemaking or as a result of any licensing determinations, incident investigations, or legal actions perused against recovery residences operating without a license. The fiscal note estimates 120 hours starting in FY 2027-28, which equates to 0.1 FTE.

Licensing System

The BHA will have costs of \$27,000 per year starting in FY 2027-28 for IT system maintenance and related costs.

Department of Public Safety

The Department of Public Safety will have costs of about \$19,000 and 0.1 FTE in FY 2027-28 to process background checks, based on an assumed 500 background checks being conducted after the application process. In future years, costs will be about \$1,000 to process a lower volume of checks, assuming 50 checks per year on an ongoing basis.

Table 3B
State Expenditures
Department of Public Safety

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
Personal Services	\$0	\$7,131	\$0	\$0
Operating Expenses	\$0	\$4,630	\$463	\$463
FBI Pass Through	\$0	\$5,000	\$500	\$500
Centrally Appropriated Costs	\$0	\$2,113	\$0	\$0
Total Costs	\$0	\$18,874	\$963	\$963
Total FTE	0.0 FTE	0.1 FTE	0.0 FTE	0.0 FTE

Judicial Department

This bill may minimally increase workload and costs for the trial courts in the Judicial Department to process additional criminal case filings. No change in appropriations is required.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in the expenditure tables above.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by \$510,000 in FY 2027-28. This estimate assumes the March 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 2027-28 and any future years when the state is over its revenue limit.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Behavioral Health Administration

Public Safety

Law

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](#).