



Fiscal Note

Legislative Council Staff

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HB 26-1195: PSYCHOTHERAPY ARTIFICIAL INTELLIGENCE RESTRICTIONS

Prime Sponsors:

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Published for: Senate Health & Human Services

Drafting number: LLS 26-0298

Version: Second Revised Note

Date: April 29, 2026

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

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:

- Minimal State Revenue
- Minimal State Workload
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue (Cash Funds)	\$0	\$0
State Expenditures (Cash Funds)	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 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 without synchronous interaction between the mental health professional and client or to generate treatment recommendations without professional review. 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

Starting in FY 2026-27, the bill may increase state revenue from administrative fines, civil penalties, and court filing fees by a minimal amount.

Penalties

The bill 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 minimally increases workload in DORA, the Behavioral Health Administration (BHA), the Judicial Department, and the Department of Law, as described below.

Department of Regulatory Agencies

Workload in DORA will minimally increase to conduct education and outreach to licensed mental health professions, and respond to complaints. The department may require legal services, provided by the Department of Law, related to rulemaking, implementation, and a rise in complaints. This workload is expected to be minimal and no change in appropriations is required.

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 complains 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.

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 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to actions taken on or after this date.

State and Local Government Contacts

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