



**Fiscal Note**  
**Legislative Council Staff**  
Nonpartisan Services for Colorado’s Legislature

**SB 25-295: TRANSFER PROPOSITION KK MONEY ARPA CASH FUND**

**Prime Sponsors:**

Sen. Amabile; Bridges  
Rep. Bird; Sirota

**Fiscal Analyst:**

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**Bill Outcome:** Signed into Law  
**Drafting number:** LLS 25-0986

**Version:** Final Fiscal Note  
**Date:** July 14, 2025

**Fiscal note status:** This fiscal not reflects the enacted bill, which was recommended by the Joint Budget Committee.

**Summary Information**

**Overview.** The bill creates the Behavioral and Mental Health Excise Tax Cash Fund (excise tax cash fund) and requires that Proposition KK distributed to the Behavioral and Mental Health Cash Fund under current law instead be distributed to the new excise tax cash fund.

**Types of impacts.** The bill is projected to affect the following areas on a continuous basis:

- State Diversions

**Appropriations.** For FY 2025-26, the bill requires and includes an increase in appropriations of \$8 million to the Behavioral Health Administration from the Behavioral and Mental Health Excise Tax Cash Fund and a corresponding \$8 million reduction in appropriations from the Behavioral and Mental Health Cash Fund.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Diverted Funds	\$8,000,000	\$8,000,000
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

**Table 1A**  
**State Diversions**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Behavioral and Mental Health Cash Fund	-\$8 million	-\$8 million
Behavioral and Mental Health Excise Tax Cash Fund	\$8 million	\$8 million
<b>Net Diversion</b>	<b>\$0</b>	<b>\$0</b>

## Summary of Legislation

The bill creates the Behavioral and Mental Health Excise Tax Cash Fund (excise tax cash fund) and requires that Proposition KK revenue currently distributed to the Behavioral and Mental Health Cash Fund instead be distributed to the new excise tax cash fund. On June 30, 2025, any Proposition KK revenue already in the Behavioral and Mental Health Cash Fund must be transferred to the excise tax cash fund.

## Background

### Firearms Tax

Approved by voters in the November 2024 election, Proposition KK created a new 6.5 percent tax on firearms, certain firearm parts, and ammunition (firearms tax). Proposition KK revenue is deposited in the General Fund, transferred to the Firearms and Ammunition Excise Tax Cash Fund, then distributed as follows after paying administrative costs:

- the first \$30 million in the first fiscal year, adjusted for inflation in each fiscal year thereafter, is transferred to the Colorado Crime Victim Services Fund in the Division of Criminal Justice of the Department of Public Safety for crime victim services grants;
- the next \$5 million in each fiscal year is transferred to the Behavioral and Mental Health Cash Fund for the continuation and expansion of the Veterans Mental Health Services program;
- the next \$3 million in each fiscal year is transferred to the Behavioral and Mental Health Cash Fund for the continuation and expansion of access to behavioral health crisis response system services for children and youth; and
- the next \$1 million in each fiscal year is transferred to the School Disbursement Program Cash Fund and is subject to annual appropriation by the General Assembly.

Revenue from the firearms tax is expected to reach \$9.0 million in FY 2024-25, \$35.8 million in FY 2025-26, and \$36.9 million in FY 2026-27, with comparable amounts in future years.

## **Behavioral and Mental Health Cash Fund**

The Behavioral and Mental Health Cash Fund was created in SB 21-137 to fund mental health treatment; substance misuse treatment; and other behavioral health services allowable under the American Rescue Plan Act (ARPA), which provided federal financial assistance to state and local governments during the COVID-19 pandemic. SB 25-137 transferred \$550 million in ARPA funds to the Behavioral and Mental Health Cash Fund. ARPA funds were required to be obligated by December 31, 2024, and must be spent by December 31, 2026.

By creating a new excise tax cash fund for Proposition KK revenue, this bill keeps Proposition KK funds separated and differentiable from ARPA funds used for behavioral health services.

## **Assumptions**

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Based on the March 2025 LCS forecast, firearms tax revenue is estimated to be \$9.0 million in FY 2024-25 (three months of collections), \$35.8 million in FY 2025-26 (first full-year impact), and \$36.9 million in FY 2026-27 with similar amounts in future years. Based on this forecast, it is assumed that revenue collections in FY 2024-25 will be insufficient to reach the \$30 million threshold for the first distribution; therefore, no other downward distributions will occur.

## **State Diversions**

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Based on the revenue expectations described in the Assumptions section, no firearms tax revenue is expected to be distributed to the Behavioral and Mental Health Cash Fund in FY 2024-25, resulting in no transfer from the fund to the excise tax cash fund. In subsequent years, the bill diverts \$8 million from the existing cash fund to the new excise tax cash fund.

## **Effective Date**

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The bill was signed into law by the Governor and took effect on May 31, 2025.

## **State Appropriations**

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For FY 2025-26, the bill requires and includes the following adjustment in appropriations to the Behavioral Health Administration:

- a reduction of \$8 million from the Behavioral and Mental Health Cash Fund; and
- an increase of \$8 million from the Behavioral and Mental Health Excise Tax Cash Fund.

## **State and Local Government Contacts**

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Joint Budget Committee Staff