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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 8

SHORT TITLE: Behavioral Health Trust Fund

SPONSOR: Sedillo Lopez/Pope/Muñoz

LAST UPDATE: 1/21/26 **ORIGINAL DATE:** 1/20/2026 **ANALYST:** Chenier/Torres

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	\$650,000	Nonrecurring	General Fund

*Amounts reflect most recent analysis of this legislation.

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Investment gains	\$33,800.0	\$35,100.0	\$35,900.0	\$36,250.0	\$36,300.0	Recurring	Behavioral Health Trust Fund
Distribution for programmatic uses	\$0.0	\$0.0	\$17,100.0	\$23,100.0	\$35,000.0	Recurring	Behavioral Health Program Fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Choose an item. House Bill(s) and Senate Bill(s)

Sources of Information

LFC Files

SUMMARY

Synopsis of Senate Bill 8

Senate Bill 8 (SB8) transfers \$650 million from the general fund to the behavioral health trust fund in FY27.

FISCAL IMPLICATIONS

The fund transfer of \$650 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY27 will not revert to the general fund.

Laws 2025, Chapter 2 (Senate Bill 1) established the behavioral health trust fund and the behavioral health program fund. The trust fund distributes 5 percent of the year-end market value for the immediately preceding three years to the program fund. The trust fund was seeded with a \$100 million fund transfer from the general fund and will receive ongoing distributions from changes made to the early childhood education and care fund (ECECF) that redirected funding from oil and gas emergency school tax revenue. Program fund revenue is to be used for behavioral health related costs and implementation of regional behavioral health plans as required by the Behavioral Health Reform and Investment Act.

The Consensus Revenue Estimating Group December 2025 projection estimates that balances in the behavioral health trust fund will reach \$170.4 million in FY27. The first distribution from the trust fund to the behavioral health program fund is in FY27, forecasted at \$5 million. The proposed transfer in this bill would significantly increase balances in the trust fund but would not impact the transfers to the program fund until FY28.

Because the behavioral health trust fund is included in general fund reserves and must be kept somewhat liquid in the event of an emergency, the fund earns an inferior return to other investments. Assuming a return of 5.2 percent, the additional contribution to the fund is expected to generate an additional average of \$46.9 million in investment gains, a year. The higher balance would also increase distributions to the program fund beginning in FY28 by \$17 million and growing to \$35 million by FY30.

SIGNIFICANT ISSUES

During the 2025 session, the Legislature invested \$555 million in nonrecurring behavioral health funding for multiple agencies, enacted the Behavioral Health Reform and Investment Act (BHRIA), and created a new behavioral health trust fund. Much of the \$555 million was allocated to items related to the BHRIA.

The BHRIA repeals the Interagency Behavioral Health Purchasing Collaborative, which failed to meet at all in its final year, and establishes a new executive committee in its place. It also directs the Administrative Office of the Courts (AOC) to conduct sequential intercept mapping—identifying points of intervention within the justice system—convene regional meetings to develop regional behavioral health plans, and report monthly to the Legislative Finance Committee. To implement the legislation, the 2025 General Appropriation Act provided onetime funding supporting AOC’s mapping and treatment court initiatives, the Department of Finance and Administration’s expansion of housing services, and the Health Care Authority’s development of regional behavioral health facilities, clinics, and funding priorities aligned with regional plans.