

Revised due to new information

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		\$2,913,000		\$4,221,000
CASH FUNDS		\$54,562,000		\$79,088,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	\$57,475,000	See Below	\$83,307,000

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 11 would change the tax on each package of cigarettes containing not more than 20 cigarettes to \$2.14 from the current \$0.64 per package. \$1.00 of the tax increase would be placed in the Property Tax Credit Cash Fund and the other \$0.50 of the tax increase would be placed into the Medicaid Waiver Cash Fund by the State Treasurer beginning October 1, 2024 and every fiscal year thereafter.

The bill also creates the mentioned Medicaid Waiver Cash Fund. The Department of Health and Human Services (DHHS) would administer the fund and would use the fund to pay the state portion of the costs of services provided through Medicaid waivers. The Department of Revenue (DOR) estimated the following fiscal impact

There is estimated to be a revenue gain to the State Highway Capital Improvement Fund and to the Highway Allocation Fund, which is distributed to cities and counties. Revenue to the General Fund is due to the increase in sales tax collected on cigarettes.

LB 11 would not go into effect until after October 1, 2024. Due to a one month lag the estimated revenue impact of FY25 reflects 8 months of a fiscal year:

Fiscal Year	General Fund Revenues	Property Tax Credit Cash Fund	Medicaid Waiver Cash Fund	State Highway Capital Improvement Fund	Highway Allocation Fund (Cities and Counties)
FY2024-25	\$ 2,913,000	\$ 36,306,000	\$ 18,153,000	\$ 103,000	\$ 18,000
FY2025-26	\$ 4,221,000	\$ 52,611,000	\$ 26,306,000	\$ 171,000	\$ 30,000
FY2025-27	\$ 4,083,000	\$ 50,888,000	\$ 25,444,000	\$ 165,000	\$ 29,000

DOR estimates minimal costs to implement the bill whereas DHHS indicated potentially need of additional staffing depending on the intended use and requirements of administering the created fund. There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:	11	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services		
REVIEWED BY:	Ann Linneman	DATE:	7-29-2024	PHONE:	(402) 471-4180
COMMENTS: Concur with the Nebraska Department of Health & Human Services' assessment of fiscal impact.					

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2025

LB⁽¹⁾ LB11 – Change the cigarette tax and provide for distribution of tax proceeds

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Health and Human Services

Prepared by: ⁽³⁾ John Meals Date Prepared: ⁽⁴⁾ 07/26/2024 Phone: ⁽⁵⁾ 402-471-6719

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2024-25		FY 2025-26	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>See below</u>	_____	<u>See below</u>	_____

Explanation of Estimate:

LB 11 intent is to increase the cigarette tax and provide for the distribution of the proceeds

LB 11 would raise the tax on cigarettes by \$1.50/pack. The revenue from the additional cigarette tax would be deposited as follows:

- 0.50 cents of the revenue from the increase would be deposited into the Medicaid Waiver Cash Fund. LB 11 would create Medicaid Waiver Cash Fund to be administered by the Department of Health and Human Services (DHHS) and would be used to pay the state portion of the costs and services of the Medicaid waiver.
- \$1 of the revenue from the increase would be deposited into the Property Tax Credit Cash Fund

LB 11 would create the Medicaid Waiver Cash Fund which would be administered by DHHS to be used to pay for the state portion of the costs of services provided through the Medicaid Waivers.

The Division of Development Disability (DD) would be impacted by the approval of LB11. The Medicaid Home and Community-Based Services (HCBS) waivers, which are administrated by DD, currently utilize both state and federal funds.

It is unclear how the cigarette tax funds would be used for “the state portion of the costs of services provided through the Medicaid Waivers”.

Depending on the intended use and requirements for administering the new fund, DHHS may require additional staffing.

As the intention of LB 11 is not clearly defined, the complete financial impact is undeterminable.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2024-25	2025-26
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____

Travel.....	_____	_____
Capital outlay.....	_____	_____
Aid.....	_____	_____
Capital improvements.....	_____	_____
TOTAL	_____	_____
	\$0	\$0

