

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised per Additional Response

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	SEE BELOW	SEE BELOW	0	0	SEE BELOW
FY2027-2028	SEE BELOW	SEE BELOW	0	0	SEE BELOW
FY2028-2029	SEE BELOW	SEE BELOW	0	0	SEE BELOW
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	4,403,000	0	0	4,403,000
FY2027-2028	0	4,913,000	0	0	4,913,000
FY2028-2029	0	6,608,500	0	0	6,608,500

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

This fiscal note has been updated based on a response from the Nebraska State Patrol (NSP).

LB 1235 amends the Nebraska Medical Cannabis Patient Protection Act.

The bill adds and changes definitions under the Act.

The bill provides that the Nebraska Medical Cannabis Commission (NMCC) shall establish and maintain a registry for persons seeking to become qualified patients and registered caregivers.

An individual may apply to the NMCC to be enrolled in the patient and caregiver registry as a potential qualified patient or as a registered caregiver by submitting an application to the NMCC in the form and manner prescribed by the NMCC. The application shall be accompanied by a nonrefundable application processing fee in an amount determined by the NMCC, not to exceed \$30. Enrollment in the registry shall be valid for a period of 2 years. A qualified patient or registered caregiver may renew such registration by submitting a renewal application accompanied by a nonrefundable application processing fee in an amount determined by the NMCC, not to exceed \$30. The NMCC shall provide a method of applying for issuance and renewal of a registration on the NMCC's website. The online application shall be easily accessible and shall allow for online payment of the application processing fee.

The bill provides that the NMCC shall establish and maintain a directory of health care practitioners who may issue written recommendations to qualified patients.

A health care practitioner may apply to the NMCC to be enrolled in the practitioner directory by submitting an application to the NMCC in the form and manner prescribed by the NMCC. The application shall be accompanied by a nonrefundable application processing fee in an amount determined by the NMCC, not to exceed \$150. The NMCC shall provide a method of applying for issuance and renewal of enrollment on the NMCC's website. The online application shall be easily accessible and shall allow for online payment of the application processing fee.

The NMCC may adopt and promulgate rules and regulations to carry out the Nebraska Medical Cannabis Patient Protection Act.

The bill amends the Nebraska Medical Cannabis Regulation Act.

The bill adds and changes definitions under the Act.

The bill provides that each member of the NMCC shall receive an annual salary of \$12,500 paid in equal monthly installments.

The NMCC shall have an executive director, to be appointed by the NMCC. The executive director of the Nebraska Liquor Control Commission (NLCC) may also serve as the executive director of the NMCC, or the NMCC may appoint a separate individual to serve as its executive director. If the NMCC appoints a separate individual, such appointment shall be subject to the approval of the Governor. The salary of the executive director shall be fixed by the NMCC and payable monthly.

The commissioners, the executive director of the NMCC, and all employees of the NMCC shall be reimbursed for expenses incurred in the discharge of their official duties as provided in sections 81-1174 to 81-1177. The NMCC may also incur necessary expenses for office furniture and other incidental expenses. No commissioner, executive director, or employee of the NMCC shall request or be allowed mileage or other traveling expenses unless such sections are strictly complied with.

The NMCC and the NLCC may share staff and resources in carrying out their respective duties.

The bill provides that the NMCC may provide for different classes of licenses that authorize specific conduct relating to cannabis for medical purposes and cannabis equipment, such as cultivation, processing, manufacture, distribution, transportation, selling, delivery, and testing. The NMCC may place limits on the number of licenses issued, with different limits or different classes of licenses. The NMCC may by rule and regulation provide for a schedule of fees for issuance and renewal of licenses. No fee shall exceed \$25,000.

The NMCC shall require an applicant for initial issuance of a license to submit two legible sets of fingerprints to be furnished to the Federal Bureau of Investigation (FBI) through the NSP for a national criminal history information record check and the fee for such record check payable to the patrol. The applicant shall authorize release of the national criminal history record check to the NMCC.

The NMCC may adopt and promulgate any rules and regulations necessary for the proper regulation and control of the cultivation, processing, manufacture, distribution, transportation, sale, delivery, and testing of cannabis for medical purposes and cannabis equipment for the enforcement of the Nebraska Medical Cannabis Regulation Act.

The NMCC may contract with 3rd party vendors in order to carry out its duties under the Nebraska Medical Cannabis Regulation Act.

The NMCC may develop such forms, applications, and other documentation as are necessary or convenient in the discretion of the NMCC for the administration of the Nebraska Medical Cannabis Regulation Act or any rules and regulations adopted and promulgated thereunder.

The NMCC may call upon other departments of the state, political subdivisions, law enforcement agencies, and prosecutors for such information and assistance as the NMCC deems necessary in the performance of its duties.

The bill creates the Nebraska Medical Cannabis Commission Cash Fund. The fund shall consist of transfers from the Legislature and all fees, gifts, grants, and other money, excluding civil penalties, received or collected by the NMCC under the Nebraska Medical Cannabis Regulation Act and the Nebraska Medical Cannabis Patient Protection Act. The NMCC shall use the fund for the administration and enforcement of the Nebraska Medical Cannabis Regulation Act and the Nebraska Medical Cannabis Patient Protection Act. The fund may be used to cover any such administrative or enforcement costs, including, but not limited to, salary and benefits; expenses incurred by the NMCC in producing or distributing the forms, materials, and other documentation required by either act; costs of the equipment needed to enforce either act; and costs associated with electronic regulatory transactions, industry education events, and enforcement training. Transfers may be made from the fund to the General Fund at the direction of the Legislature. Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Upon the completion of any hearing held regarding discipline of a license, the director may dismiss the action or impose any of the following sanctions:

- Censure
- Probation
- Limitation
- Civil penalty, not to exceed \$20,000
- Suspension for up to 6 months
- Seizure of cannabis that is the subject of a violation of the Nebraska Medical Cannabis Regulation Act
- Revocation

The NMCC shall procure, maintain, and control a centralized computerized seed-to-sale tracking system to track cannabis and cannabis products from seed or immature plant state through transfer, processing, and sale or disposal, and to provide the NMCC access to information necessary for regulatory oversight, inventory accountability, diversion prevention, and enforcement. Each licensee shall use the seed-to-sale tracking system in the form and manner prescribed by the NMCC by rule and regulation. The NMCC may adopt and promulgate rules and regulations to implement this section, Section 33 of the bill, regarding the computerized tracking system, including requirements governing data entry, reporting timelines, inventory reconciliation, audit access, allowable secondary tracking systems, confidentiality protections, and standards necessary to ensure the integrity and traceability of the seed-to-sale tracking system.

The bill adds cannabis sold to a qualified patient or registered caregiver by a dispensary pursuant to the Nebraska Medical Cannabis Regulation Act to being subject to sales and use tax. Under the bill, the proceeds from this addition to the sales and use tax are to be credited to the School District Property Tax Relief Credit Fund.

The bill removes those lawfully in possession of cannabis under the Nebraska Medical Cannabis Patient Protection Act or the Nebraska Medical Cannabis Regulation Act from the tax on marijuana and controlled substances under section 77-4303.

The bill contains the emergency clause.

Revenues:

The NMCC estimates revenues of \$947,500 in FY27 and \$520,000 in FY28 from fees that are to be credited to the Nebraska Medical Cannabis Commission Cash Fund. There is no basis to disagree with this estimate.

As a result of the sales and use tax on cannabis under this bill, the Department of Revenue (DOR) estimates the following increase in revenues to the School District Property Tax Relief Credit Fund:

- FY27: \$3,370,000
- FY28: \$4,379,000
- FY29: \$5,691,000

There is no basis to disagree with this estimate.

The NSP estimates increases to the Nebraska State Patrol Cash Fund in FY27 and FY28 as a result of fees charged for background checks under the bill. NSP also estimates revenue decreases to their Drug Control and Education Cash Fund of \$30,000 per fiscal year as a result of excluding those lawfully in possession of cannabis as a result of the Nebraska Medical Cannabis Patient Protection Act and the Nebraska Medical Cannabis Regulation Act from the tax under section 77-4303 with a corresponding increase to General Fund and decrease to Cash Fund appropriations to cover agency expenses. We estimate minimal revenue losses to the Department of Revenue's Marijuana and Controlled Substances Tax Administration Fund as well as revenue losses to counties as a result of this tax change.

Expenditures:

The NMCC estimates expenditures of \$858,450 in FY27 and \$867,900 in FY28 for 4.0 FTE as well as \$500,000 for IT costs as a result of the bill. NMCC is also required to pay Commissioners \$12,500 each year under the bill, which amounts to \$62,500 total each year for the 5 Commissioners. The amount of fee revenue over the two-year period does not cover the total expenditures, necessitating additional funding to fully cover the expenditures. Also,

staffing costs and IT costs may need to be incurred before any fees are collected by the NMCC. Thus, this may require General Funds at the beginning to cover initial costs before fees begin to be collected.

The DOR estimates a need for a one-time programming charge of \$348,201 paid to the Office of the Chief Information Officer (OCIO) for mainframe and web development for the first year and \$69,640 in subsequent years. The DOR also estimates a need for 1.0 FTE Revenue Agent and 0.5 FTE Information Technology Business Systems Analyst to implement the bill. There is no basis to disagree with this estimate.

NSP estimates costs for equipment, supplies, and other operational expenses as well as for 1.0 FTE Office Specialist and 1.0 FTE Administrative Technician. NSP estimates General Fund expenditures to the extent Cash Fund revenue estimates do not cover the expenditures as a result of this bill. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1235	AM:	AGENCY/POLT. SUB: Liquor Control commission	
REVIEWED BY: Jennifer Alcazar		DATE: 1/30/2026	PHONE: (402) 471-4169
COMMENTS: The Liquor Control Commission's assessment and estimate fiscal impact as a result of LB 1235 appears reasonable. Due to the emergency clause, the agency has sufficient resources to address expenses in 2025-26 as a result of LB 1235.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1235	AM:	AGENCY/POLT. SUB: Nebraska State Patrol	
REVIEWED BY: Jennifer Alcazar		DATE: 1/30/2026	PHONE: (402) 471-4169
COMMENTS: Concur with the Nebraska State Patrol's estimate fiscal impact as a result of LB 1235.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1235	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Jennifer Alcazar		DATE: 1/29/2026	PHONE: (402) 471-4169
COMMENTS: No basis to disagree with the Department of Revenue's estimate fiscal impact as a result of LB 1235.			

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2026

LB⁽¹⁾ 1235

FISCAL NOTE

State Agency OR Political Subdivision
Name: ⁽²⁾

Medical Cannabis Commission

Prepared by: ⁽³⁾ Micah Chaffee

Date Prepared: 01/28/2026

⁽⁴⁾

Phone: ⁽⁵⁾ (402) 471-2571

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	858,450	947,500	867,900	520,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	858,450	947,500	867,900	520,000

Explanation of Estimate:

LB 1235 directs the Nebraska Medical Cannabis Commission to manage a patient and caregiver registry, maintain a directory of recommending practitioners, and oversee a clear licensing and compliance system for medical cannabis establishments. In short, it gives the Commission the tools needed to run a structured regulatory program with the ability to hire staff and establish compliance functions.

Technology Costs:

The main cost drivers are the technology systems needed to operate the program, including the patient registry, the practitioner directory, and the seed to sale tracking platform. The patient registry and practitioner directory require secure, continuously hosted systems that support online applications, identity verification, law enforcement validation, and protected data storage. The patient registry and practitioner directory, under one software platform, is estimated at \$250,000 annually. A seed-to-sale tracking platform is required to monitor cannabis from cultivation through processing, testing, transport, and dispensing. This system provides real-time inventory control, batch traceability, recall capability, diversion prevention, and audit verification. Seed-to-sale tracking is a core regulatory safeguard used in medical cannabis programs nationwide and remains necessary regardless of program size. The annual cost for this seed-to-sale system is conservatively estimated at \$250,000.

Staffing:

Staffing is intentionally limited and built around a shared resource model with the Liquor Control Commission. Four positions are proposed to support core functions, including program administration, registry processing, compliance inspections, and administrative coordination. At the outset, the program will operate in partnership with the Liquor Control Commission to make efficient use of existing infrastructure and support services. This approach reflects the expectation that program revenues will be modest in the early years, as medical cannabis programs typically take time to become fully operational. As the program becomes established and revenues stabilize, it is anticipated that operations will transition to a more self-sustaining model.

Revenue Expectations:

Enrollment Assumptions

For fiscal impact purposes, projected enrollment in Nebraska's medical cannabis program reflects both state population and program structure. Nebraska's population is approximately 2 million. In medical-only cannabis states where a full range of product types is available, patient participation typically reaches about 1 to 2 percent of the population, suggesting a conventional baseline potential of roughly 20,000 to 40,000 patients. Under the current NMCC rules, medical cannabis may only be dispensed in controlled medical forms such as oral tablets or capsules, tinctures, topical products like creams and gels, suppositories, transdermal patches,

nasal sprays, and liquids or oils used with a nebulizer or inhaler. The rules specifically prohibit raw plant material and any products administered by smoking, combustion, or vaping, as well as edible or drinkable cannabis products. This means Nebraska's program is structured around dose-controlled, medical-style formulations rather than traditional dispensary formats like flower or edibles.

National usage data provides additional context for participation patterns. In a recent survey of medical cannabis users, 74.3 percent reported smoking, 38.8 percent reported vaping, and 54 percent reported using store-bought edible products.

Because Nebraska allows a narrower range of product types that are medical formulations only, participation is expected to be lower. Even if a substantial portion of the population has medical conditions that could qualify, enrollment depends largely on patients' willingness to use the approved medical product forms. As a result, this fiscal note assumes Nebraska will have about one quarter to one half as many patients as a typical medical-only state. The medical cannabis program is expected to eventually serve between about 5,000 and 20,000 patients statewide, with most estimates falling between 8,000 and 12,000. For budgeting and workload planning, this fiscal note uses an assumption of 10,000 patients.

Medical Recommendations:

Nebraska does not use a set list of medical conditions to decide who can get medical cannabis. Instead, it leaves the decision up to each qualified health care practitioner's medical judgment. That means the number of patients in the program is not based on how many people have pain, cancer, or other illnesses. It is mostly based on how many doctors and providers will recommend cannabis.

The medical cannabis program will grow gradually, based on how many providers participate and feel comfortable recommending cannabis, as well as whether patients are interested in using the approved medical product types (like tinctures or capsules instead of smoking or edibles). Enrollment projections are based mainly on how many providers take part and how many patients each provider is likely to serve, rather than on the total number of residents with medical conditions.

License Types, Fee Structure, and Revenue Impact:

The projected market includes multiple license types to oversee the medical cannabis supply chain. There are 12 dispensary licenses, 4 cultivator licenses, and 4 manufacturer licenses, each assessed at \$25,000 annually to cover retail dispensing, plant cultivation, and product processing activities. In addition, there are 4 transporter licenses at \$5,000 annually, allowing for the secure transfer of medical cannabis between licensed facilities.

Total expenditures are estimated at \$858,450 in FY26-27 and \$867,900 in FY27-28. Revenue in FY26-27 is projected at \$947,500, exceeding program costs by approximately \$89,000. In FY27-28, revenue declines to \$520,000 due to the biennial fee structure, resulting in a projected funding gap of approximately \$348,000.

Patient, caregiver, and practitioner fees are currently biennial, which results in higher revenue in the first year of operation and lower revenue in the following year when those fees are not collected. An annual fee structure would provide more stable and predictable funding, better align revenue with ongoing operating expenses, and reduce cyclical funding gaps that can disrupt program administration.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS	2026-27 EXPENDITURES	2027-28 EXPENDITURES
	26-27	27-28	
Program Administrator	1	1	80,000
Licensing/Registry Specialist	1	1	60,000
Compliance Investigator	1	1	65,000
Administrative Support	1	1	42,000
 Benefits		86,450	88,900
 Operating		20,000	20,000
 Travel		5,000	5,000
 Capital outlay		500,000	500,000
 Aid			
 Capital improvements			
 TOTAL		858,450	867,900

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:	
Approved by: James R. Kamm	Date Prepared: 01/28/2026	Phone: 471-5896	
	FY 2026-2027	FY 2027-2028	FY 2028-2029
	Expenditures	Revenue	Expenditures
General Funds	\$459,801		\$174,240
Cash Funds		\$3,370,000	
Federal Funds			\$4,379,000
Other Funds			
Total Funds	\$459,801	\$3,370,000	\$174,240
			\$4,379,000
			\$177,340
			\$5,691,000

LB 1235 amends sections of the medical cannabis laws. LB 1235 mostly deals with the Nebraska Medical Cannabis Commission, not Department of Revenue (DOR).

For the purposes of sales and use taxed, medical cannabis sold under the Nebraska Medical Cannabis Regulation Act is not considered a “Drug”. LB 1235 requires proceeds of all sales and use taxed imposed on the sale of medical cannabis under the Nebraska Medical Cannabis Regulation Act will be credited to the School District Property Tax Relief Credit Fund (SDPTRCF).

It is estimated that LB 1235 will have the following impact:

Fiscal Year	SDPTRCF
FY2026-27	\$ 3,370,000
FY2027-28	\$ 4,379,000
FY2028-29	\$ 5,691,000

LB 1235 will require a one-time programming charge of \$348,201 paid to the OCIO for mainframe development and web development for the first year. Ongoing costs will total \$69,640 annually thereafter. The DOR will need to hire 1.0 FTE of the Revenue Agent and 0.5 FTE of the Information Technology Business Systems Analyst to implement this bill.

This bill contains an emergency clause and becomes law upon enactment.

Major Objects of Expenditure

Class Code	Classification Title	26-27	27-28	28-29	26-27	27-28	28-29
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
X29222	Revenue Agent	1.0	1.0	1.0	\$45,200	\$46,500	\$47,900
A07081	Information Technology Business Systems Analyst	0.5	0.5	0.5	\$31,200	\$32,100	\$33,100
Benefits.....					\$25,200	\$26,000	\$26,700
Operating Costs.....					\$348,201	\$69,640	\$69,640
Travel.....							
Capital Outlay.....					\$10,000		
Capital Improvements.....							
Total.....					\$459,801	\$174,240	\$177,340

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2026

LB⁽¹⁾ 1235

FISCAL NOTE

State Agency OR Political Subdivision
Name: ⁽²⁾

Nebraska State Patrol

Prepared by: ⁽³⁾ Carol Aversman

Date Prepared: 1/28/2026

⁽⁴⁾

Phone: ⁽⁵⁾ 402-471-4545

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$113,706		\$113,005	
CASH FUNDS	\$85,500	\$85,500	\$14,000	\$14,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$199,206	\$85,500	\$127,005	\$14,000

Explanation of Estimate:

Impact to the Nebraska State Patrol Criminal Identification Division (CID)

To act as a cultivator, dispensary, products manufacturer, testing facility or for a vertical license under the Nebraska Medical Cannabis Regulation Act, an application must be submitted and approved by the Commission, and a license must be granted. An applicant for initial issuance of a license shall submit two legible sets of fingerprints to be furnished to the Federal Bureau of Investigation through the Nebraska State Patrol for a national criminal history record check along with the fee for such record check payable to the Patrol. The applicant shall authorize the release of the national criminal history record check to the commission.

The Patrol estimates that 2,100 background checks will be required to be completed in FY 2026-2027. Additionally, it is estimated that 800 background checks will be performed in FY 2027-2028. This includes both vertical and individual licenses, as well as co-licenses for spouses. It does not include additional owners/licensees that may exist beyond those of a spouse, as those are difficult to estimate. To perform these background checks, the Patrol estimates that 2 additional employees will be required (1 Office Specialist and 1 Administrative Technician) beginning 07/1/2026. Costs included are for 1 AFIS workstation (\$50,000), and for the required office equipment and furniture needed for these employees (monitors, document scanners, cubicles and chairs) totaling \$10,240 in the first year. Ongoing operational costs include office supplies (\$300 each year), computer leases (\$792 each year), OCIO costs (\$5,484 in FY 26-27 and \$5,640 in FY 27-28) and the fee charged by the FBI (\$12.00 per applicant) (\$25,200 in the first year and \$9,600 in the second year).

Revenues include the fee charged by the Patrol to the applicant to perform the background check (\$55 per applicant). These fees are deposited in the Nebraska State Patrol Cash Fund. Expenses have been reflected as being paid from the Cash Fund to the extent that offsetting revenues exist. All other expenses have been reflected as General Funds.

Impact to the Drug Control and Education Cash Fund

The Agency is identified by statute as the recipient of a portion of the revenues collected by the Department of Revenue related to a tax on marijuana and controlled substances (Section 77-4303 Revised Statutes of Nebraska). It is also the recipient of restitution that has been paid, as ordered by the court, in cases where such taxes have not been paid. These revenues are required to be deposited in the Drug Control and Education Cash Fund. Annual revenues in recent years have been approximately \$150,000. LB 1235 includes language to remove the tax on medicinal marijuana related to Drug Tax Stamps that would be deposited in the Drug Control and Education Cash Fund. The National Institute of Health has published statistics that indicate medicinal use of marijuana is 23% in states where recreational use is illegal. For purposes of this fiscal note, it has been assumed that 20% or \$30,000 annually of tax revenue would be lost due to the removal of tax provisions to the Patrol. These funds have historically been used to purchase vehicles and equipment for drug investigators and to purchase crime lab equipment needed for drug investigations and testing. The Fiscal note reflects the reduction in revenues and expenses to this cash fund beginning 7/1/2026, and the corresponding increase in General

Funds to cover these expenses (crime lab related expenses).

The combined cash fund revenues on the fiscal note reflect the revenues received by the Criminal Identification Division (\$115,500 in Yr 1 and \$44,000 in Yr 2) and the reduction in revenues of \$30,000 that are estimated in the Drug Control and Education Cash Fund, resulting in revenues totaling \$85,500 and \$14,000, in FY 26/27 and FY 27/28 respectively.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2026-27 EXPENDITURES	2027-28 EXPENDITURES
	26-27	27-28		
Office Specialists (CID)	1	1	\$37,055	\$38,259
Administrative Technicians (CID)	1	1	\$39,834	\$41,128
Benefits			\$30,301	\$31,286
.....				
Operating			\$42,016	\$16,332
.....				
Travel				
.....				
Capital outlay			\$50,000	
Aid				
.....				
Capital improvements				
TOTAL			\$199,206	\$127,005