

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised per General File Amendments

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	(186,294)	385,500	0	0	199,206
FY2027-2028	(891,395)	1,018,400	0	0	127,005
FY2028-2029	(891,395)	1,030,720	0	0	139,325
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	1,226,500	0	0	1,226,500
FY2027-2028	0	1,155,000	0	0	1,155,000
FY2028-2029	0	1,155,000	0	0	1,155,000

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

LB 1235 was amended by AM2178 on General File. The bill, as amended, contains modified provisions of LB 1235 and also adds in the modified provisions of LB 1085 and LB 1128. The bill, as amended, is discussed below.

Modified Provisions of LB 1128

LB 1128 amends the Nebraska Liquor Control Act.

The bill provides that as part of an entertainment district designation, a local governing body may designate consumption-only areas of such district.

Under the bill, a business that is located within the boundaries of an entertainment district but that does not hold a retail, craft brewery, microdistillery, or manufacturer’s license under the Act may apply to the Nebraska Liquor Control Commission (NLCC) for a consumption-only class of entertainment district license on forms prescribed by the NLCC. Such application shall include a license fee of \$25 payable to the NLCC. The NLCC shall remit the fee to the State Treasurer for credit to the NLCC Rule and Regulation Cash Fund.

The NLCC shall grant such licenses so long as the local governing body has:

- Designated consumption-only areas for such entertainment district; and
- Approved the applicant’s consumption-only class of entertainment district license prior to submission of the same to the NLCC.

Such class of consumption-only entertainment district license shall authorize the holder to allow alcoholic beverages sold within the boundaries of an entertainment district by other entertainment district licensees to be carried in and out of such holder’s business premises by patrons, so long as such business does not sell or serve such alcoholic liquor and otherwise complies with the Nebraska Liquor Control Act, especially those provisions forbidding consumption of alcoholic liquor by minors.

Modified Provision of LB 1085

LB 1085 amends section 53-103.47 to change the definition of bottle club.

The bill amends section 53-132 to change provisions for making determinations for licensing for retail licenses, bottle club licenses, craft brewery licenses, and microdistillery licenses.

The bill amends section 53-1,100 to change penalties regarding alcoholic liquor sales so that any person who sells alcoholic liquor at retail without having first obtained a valid license to do so under the Nebraska Liquor Control Act shall be guilty of a Class I misdemeanor for a first offense and a Class IV felony for a second or subsequent offense.

Modified Provisions of LB 1235

The bill amends the Nebraska Medical Cannabis Regulation Act.

The bill provides that each member of the Nebraska Medical Cannabis Commission (NMCC) shall receive an annual salary of \$12,500 paid in equal installments.

The bill creates the NMCC 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 Act. The NMCC shall use the fund for the administration and enforcement of the Act. Any money in the NMCC Cash 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.

The bill provides that the NMCC may by rule and regulation provide for a schedule of fees related to the administration of applications, registrations, and renewals of registrations. No fee shall exceed \$50,000.

The NMCC shall require an applicant for initial issuance of a registration to submit two legible sets of fingerprints to be furnished to the Federal Bureau of Investigation (FBI) through the Nebraska State Patrol (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.

Revenues:

The NLCC estimated a revenue increase of \$750-\$1,250 per year credited to the NLCC Rule and Regulation Cash Fund as a result of the \$25 fee under the bill from provisions connected to LB 1128 in the original fiscal note for LB 1128. As a result, we estimate a NLCC Rule and Regulation Cash Fund revenue increase of \$1,000 per year by averaging the low and high of the range provided by NLCC.

We estimate that fee revenue credited to the Nebraska Medical Cannabis Commission Cash Fund to be \$300,000 in FY27 (about one-quarter of the FY28 full-year revenues of \$1,140,000) with fee revenue not being collected at the start of FY27 as the NMCC establishes the fees in rules and regulations and then as fees for applications and registrations begin to be credited to the Cash Fund later in the fiscal year. In FY28, we have no basis to disagree with the NMCC's estimate of revenues of \$1,140,000 credited to the Nebraska Medical Cannabis Commission Cash Fund.

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 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 in FY27 and FY28 for 4.0 FTE, Commissioner salaries, operating expenses, and \$500,000 for IT costs as a result of the bill. These expenses total \$1,004,400 in FY27 and \$1,016,720 in FY28. We estimate the \$300,000 in Cash Fund revenue in FY27 to offset \$300,000 General Fund expenses of the NMCC in FY27 with fee revenue fully covering NMCC expenses in FY28 and beyond. This results in \$300,000 Cash Fund expenditures and \$704,400 General Fund expenditures in FY27 and \$1,016,720 Cash Fund expenditures in FY28. Overall, this is a decrease of \$300,000 in General Fund appropriations from the Appropriations Committee proposed budget for FY27 with fee revenue being received under this bill. In FY28 and beyond, with fee revenue estimated to fully cover NMCC expenses this is a decrease of \$1,004,400 in General Fund appropriations from the Appropriations Committee proposed budget.

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.

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2026

LB⁽¹⁾ 1235

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Medical Cannabis Commission/Liquor Control Commission (Agency 35)

Prepared by: ⁽³⁾ Micah Chaffee Date Prepared: ⁽⁴⁾ 02/24/2026 Phone: ⁽⁵⁾ (402) 471-2571

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

Table with 5 columns: GENERAL FUNDS, EXPENDITURES, REVENUE, EXPENDITURES, REVENUE. Rows include CASH FUNDS, FEDERAL FUNDS, OTHER FUNDS, and TOTAL FUNDS with numerical values for FY 2026-27 and FY 2027-28.

Explanation of Estimate:

LB 1235 as amended by AM2178

AM 2178 is the General Affairs Committee amendment to LB 1235 that replaces the original bill language and incorporates provisions from LB 1085 and LB 1128 into a single legislative bill.

AM 2178 to LB 1235 provides for commissioner compensation of \$12,500 annually, creates the Nebraska Medical Cannabis Commission Cash Fund to receive fees and other revenues collected under the Act. It further clarifies the fund may be used for administration and enforcement, including salaries, technology systems, materials, training, education, and regulatory oversight, with balances invested pursuant to state law. The amended language authorizes the Commission to establish a fee schedule for applications, licenses, and registrations, with individual fees capped at \$50,000, and requires fingerprint-based national criminal background checks for initial applicants to help ensure they are qualified and to protect public safety.

Technology Costs:

The statute authorizes the Commission to regulate all phases of medical cannabis, including cultivation, processing, manufacturing, distribution, transportation, and dispensing. To exercise this authority in a secure and accountable manner, two core technology systems remain necessary: a patient and caregiver registry and a centralized seed to sale tracking system. A patient and caregiver registry ensures that only qualified patients and registered caregivers are authorized to possess medical cannabis through the state-run medical cannabis program. The estimated annual cost for a secure, hosted registry platform is approximately \$250,000 annually. A centralized seed to sale tracking system remains essential to regulate cultivation, processing, manufacturing, transport, and dispensing activities. This system provides real time inventory control, batch traceability, recall capability, diversion prevention, and audit verification. Seed to sale tracking is a foundational regulatory safeguard and is necessary to oversee licensed entities across all phases of the supply chain. The annual cost of this system is estimated at approximately \$250,000 annually.

Staffing:

With the creation of the Nebraska Medical Cannabis Commission Cash Fund, the Commission will operate as an independently administered agency and will no longer rely on shared staffing or infrastructure support from other state agencies or commissions.

Staffing is structured to ensure full operational independence and the effective execution of core regulatory functions. A minimum of four full time positions are projected to support program administration, patient and caregiver registry and licensing operations, compliance and enforcement coordination, and administrative and financial management.

The Commission also maintains a contract with the Department of Administrative Services Shared Services for human resources and payroll processing. This arrangement allows the Commission to operate independently while leveraging statewide infrastructure for personnel administration and payroll compliance, reducing duplicative administrative costs. Staffing levels may be adjusted based on participation rates, license volume, and enforcement activity.

Operating Expenses:

The Nebraska Liquor Control Commission (NLCC) was used as a comparable regulatory model because both agencies oversee a controlled substance through licensing, compliance monitoring, rulemaking, and enforcement coordination. A Medical Cannabis Program would perform similar administrative and regulatory functions, at a smaller scale. Accordingly, operating expenses are estimated at 25% of NLCC’s FY26 operating expenditures to reflect the reduced scope of a medical-only program. Based on this methodology, operating expenses for the Medical Cannabis Program are estimated at \$74,200 annually, representing approximately 25% of NLCC’s FY26 operating expenses. These costs reflect basic administrative operations, including lease expenses, supplies, and general agency operating expenditures.

Revenue Expectations:

The Commission is authorized to establish a fee schedule for applications, registrations, renewals, and licenses, with individual license fees capped at \$50,000. For purposes of this fiscal note, a conservative license fee structure of no more than \$40,000 per primary license type is assumed. Based on this structure, projected annual license revenue totals \$840,000. This estimate includes 12 dispensary licenses at \$40,000 each (\$480,000), 4 cultivator licenses at \$40,000 each (\$160,000), 4 manufacturer licenses at \$40,000 each (\$160,000), and 4 transporter licenses at \$10,000 each (\$40,000). Accordingly, projected license revenue for FY 2026–2027 and FY 2027–2028 is estimated at \$840,000 annually.

In addition, for purposes of this fiscal note, it is assumed that the Nebraska Medical Cannabis Commission would establish a patient and caregiver registry fee of \$30 per application. Based on an estimated enrollment of approximately 10,000 qualified patients, annual registry revenue could total approximately \$300,000. Combined with projected license revenue, total annual Cash Fund revenue would be approximately \$1,140,000 in FY 2026–2027 and \$1,140,000 in FY 2027–2028, subject to actual enrollment levels, renewal structure, and the fee amounts ultimately adopted by the Commission.

LB 1085

There is no fiscal impact estimated for LB1085.

LB 1128

Under AM 2178, the \$25 consumption-only entertainment district license fee created by LB 1128 is credited to the Nebraska Liquor Control Commission Rule and Regulation Cash Fund rather than the General Fund, resulting in approximately \$1,250 annually in additional Cash Fund revenue.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2026-27 EXPENDITURES	2027-28 EXPENDITURES
	26-27	27-28		
Executive Director	1	1	100,000	103,500
Licensing/Registry Specialist	1	1	60,000	62,100
Compliance Investigator	1	1	65,000	67,275
Administrative Support	1	1	40,000	41,200
Commissioner Salaries	5	5	62,500	62,500
Benefits			92,700	95,945
...				
Operating			74,200	74,200
....				
Travel			10,000	10,000
.				
Capital			500,000	500,000

outlay	_____	_____
Aid	_____	_____
.	_____	_____
Capital		
improvements		
TOTAL	<u>1,004,400</u>	<u>1,016,720</u>

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2026

LB⁽¹⁾ 1235, AM 2178

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska State Patrol

Prepared by: ⁽³⁾ Carol Aversman

Date Prepared: ⁽⁴⁾ 2/24/2026

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:

AM 2178 does not change the original fiscal note filed for LB 1235.

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1235 AM:2178 AGENCY/POLT. SUB: Liquor Control Commission and Medical Cannabis Commission

REVIEWED BY: Jennifer Alcazar DATE: 03/02/2026 PHONE: (402) 471-4169

COMMENTS: The Liquor Control Commission and Medical Cannabis Commission's estimate fiscal impact as a result of LB 1235 AM 2178 appears reasonable.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1235 AM:2178 AGENCY/POLT. SUB: Nebraska State Patrol

REVIEWED BY: Jennifer Alcazar DATE: 03/02/2026 PHONE: (402) 471-4169

COMMENTS: Concur with the Nebraska State Patrol's no fiscal impact as a result of LB 1235 AM 2178.