

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

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	137,300	0	0	0	137,300
FY2027-2028	136,300	0	0	0	136,300
FY2028-2029	140,300	0	0	0	140,300
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	892,000	0	0	892,000
FY2027-2028	0	1,204,000	0	0	1,204,000
FY2028-2029	0	1,190,000	0	0	1,190,000

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

LB815 removes §66-726(2)(e) as of October 1, 2026, thereby eliminating the \$0.0125 per gallon Agricultural Alcohol Fuel Tax (AAFTF) on non-road motor fuel refunds for gasoline & gasoline/ethanol blends. The bill establishes a new tax under §66-489(7)(b) to start October 1, 2026. This new excise tax on dyed diesel fuel would be \$0.0025 per gallon. The revenue from this new dyed diesel fuel tax would be collected by the State Treasurer for remittance to the Nebraska Ethanol Board's Agricultural Alcohol Fuel Tax Fund.

This bill modifies §66-1331- §66-1338, and §66-1340 by removing obsolete verbiage, strengthens the promotion of ethanol and ethanol-derived products, and adds 2 additional ethanol producer seats to the Nebraska Ethanol Board. Additionally, LB815 would change 1 of the existing business seats on the current board into an ethanol producer seat. Thus, there would be 3 ethanol producer seats on the board, with the board membership increasing from 7 to 9.

LB815 would amend §66-1521 to remove the current excise tax of \$0.003 per gallon on dyed diesel fuel as defined in §66-482. This excise remits to the Nebraska Department of Water, Energy, and Environment's (DWEE's) Petroleum Release Remedial Action Fund (PRF). LB815 would increase the excise tax on regular undyed diesel fuel to \$0.006 per gallon, from its current \$0.003 per gallon, which remits to the Petroleum Release Remedial Action Fund.

This bill would become effective three calendar months after the adjournment of the Legislature.

Expenditures:

The Nebraska Department of Revenue (NDOR) has indicated this bill would require the agency to hire one FTE IT Supervisor for implementation of this bill. The estimated salary and benefits, and capital outlay would be as follows: \$132,300 General Funds in FY2026-27, \$136,300 General Funds in FY2027-28, and \$140,300 General Funds in FY2028-29. This includes associated PSL.

Revenues:

NDOR is anticipating LB815 would bring in additional revenues as follows:

- Revenue increases of \$693,000 Cash Funds in FY2026-27, \$1,017,000 Cash Funds in FY2027-28, and \$994,000 Cash Funds in FY2028-29 to the Nebraska Ethanol Board's Agricultural Alcohol Fuel Tax Fund; and
- Revenue increases of \$117,000 Cash Funds in FY2026-27, \$184,000 Cash Funds in FY2027-28, and \$193,000 Cash Funds in FY2028-29 to the Nebraska Department of Water, Energy, and Environment's (DWEE's) Petroleum Release Remedial Action Fund.

The Nebraska Ethanol Board (NEB) has indicated they are expecting a net revenue gain:

- \$775,000 Cash Funds in FY2026-27 and \$1,020,000 Cash Funds in FY2027-28 to the Agricultural Alcohol Fuel Tax Fund.

The NEB calculations include a revenue loss of the expected non-road motor fuel refund revenue amounts each year. The NEB utilized publicly available Nebraska dyed diesel fuel consumption data that was analyzed by their Board. Given current dyed diesel usage trends in Nebraska, forecasted consumption in FY 2026-27 of the fuel is approximately 440 million gallons (Mgal), and forecasted consumption in FY 2027-28 is approximately 420 Mgal. This is the basis the NEB used to estimate their fiscal impact. Additionally, the NEB estimated that due to the bill's effective date of October 2026, the remaining ¾ of FY 2026-27, would be equivalent to 315 Mgal of dyed diesel usage. Finally, the NEB has estimated that the change to the PRF dyed diesel revenue via a simple like-for-like tax shift onto undyed (on-road) diesel, would net no additional revenue and have no fiscal impact.

LFO's estimate is utilizing a combination of the NDOR and NEB estimations. First, we anticipate an increase in revenue to the DWEE's Petroleum Release Remedial Action Fund from an additional \$0.003 per gallon tax on undyed diesel fuel (bringing that total tax to \$0.006 on undyed diesel fuel). Using the Monthly Reported Motor Fuels Taxable Gallons reported by NDOR, the amount of undyed diesel fuel sold in Nebraska is approximately 10% higher than the volume of dyed diesel fuel sold. Thus, we anticipate an increase in revenue to the DWEE's Petroleum Release Remedial Action Fund.

Additionally, the LFO is utilizing the Nebraska Ethanol Board's forecast of dyed diesel usage trends in Nebraska to make it's estimation of fiscal impact for the years provided by the NEB. Both the NEB and NDOR provided similar numbers, with the NEB's being slightly higher. Understanding the trends is an

area of expertise for the NEB as they are directly involved with administering ethanol promotion and research. Hence, the LFO is estimating the following fiscal impact as a result of this bill:

LFO's Estimated Revenue Increases from LB815	FY2026-27	FY2027-28	FY2028-29
NEB's Agricultural Alcohol Fuel Tax Fund	\$ 775,000	\$ 1,020,000	\$ 997,000
DWEE's Petroleum Release Remedial Action Cash Fund	\$ 117,000	\$ 184,000	\$ 193,000
Total Increase in Revenues	\$ 892,000	\$ 1,204,000	\$ 1,190,000

The Nebraska Department of Agriculture (NDA) Is not anticipating a fiscal impact from this bill.

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Agriculture

Prepared by: ⁽³⁾ Kevin Shearman Date Prepared: ⁽⁴⁾ 1/8/2026 Phone: ⁽⁵⁾ 402-580-1451

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2026-27	2027-28
	26-27	27-28	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 815	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Taten Raml	DATE: 1/30/2026	PHONE: (531) 310-4102
COMMENTS: The Department of Revenue's assessment of revenue impact appears reasonable, and no basis to disagree with the estimated expenditure impact from LB815.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 815	AM:	AGENCY/POLT. SUB: Nebraska Ethanol Board
REVIEWED BY: Taten Raml	DATE: 1/20/2026	PHONE: (531) 310-4102
COMMENTS: The Nebraska Ethanol Board's assessment of fiscal impact from LB 815 appears reasonable using the assumptions provided.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 815	AM:	AGENCY/POLT. SUB: Department of Agriculture
REVIEWED BY: Taten Raml	DATE: 1/16/2026	PHONE: (531) 310-4102
COMMENTS: Concur with the Department of Agriculture's assessment of no fiscal impact from LB815.		

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2026

LB⁽¹⁾ 815

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Ethanol Board

Prepared by: ⁽³⁾ Ben Rhodes Date Prepared: ⁽⁴⁾ 1-8-26 Phone: ⁽⁵⁾ 402-471-2941

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2026-27</u>		<u>FY 2027-28</u>
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>
			<u>REVENUE</u>
GENERAL FUNDS			
CASH FUNDS		\$775,000	\$1,020,000
FEDERAL FUNDS			
OTHER FUNDS			
TOTAL FUNDS		\$775,000	\$1,020,000

Explanation of Estimate:

LB815 modernizes the mission, structure, and funding of the Nebraska Ethanol Board (NEB). The mission component simply updates archaic verbiage and reaffirms the NEB's commitment to expanding the renewable fuels industry both now and for years to come. The structure component adds three new ethanol producer seats to the board's makeup, giving the industry official representation on the board. Thus, neither the mission nor structure changes included in LB815 will cause any fiscal impact.

The funding modernization portion of the bill, however, is expected to generate a fiscal impact to the NEB's revenues. To understand this impact and the changes LB815 makes, it is necessary to know how the NEB is currently funded. The NEB is currently funded through two revenue streams that together compose the Agricultural Alcohol Fuel Tax Fund (AAFTF), the NEB's cash fund. Note that the NEB does not and has not for decades collected nor utilized any general funds, and LB815 does not change that. All changes in LB815 exclusively affect cash funds.

The first revenue stream to the AAFTF is a 1.25 cents/gallon transfer on non-road motor fuel refunds. Individuals who purchase motor fuel (gasoline and gasoline/ethanol blends, not diesel) at retail for offroad use—these users are by and large agricultural stakeholders—may apply for a refund on the on-road taxes assessed at the point of sale. Of those refunds the AAFTF is transferred 1.25 cents/gallon. This mechanism has funded the NEB since the very early days in the 1970s, and was the majority of the AAFTF for 35 years. Today, this revenue stream is only a small percentage of the total AAFTF yearly revenues. This is due to declined usage of motor fuel off-road as farmers have shifted to using diesel-powered farm equipment.

LB815 repeals this mechanism entirely. As the NEB tracks each dollar in revenue from this mechanism, it is simple to estimate the fiscal impact of repealing it. Over the last ten fiscal years, AAFTF revenue from non-road motor fuel refund transfers has averaged approximately \$20,000 per fiscal year. As LB815 repeals this mechanism, with an effective date of October 1, 2026, the NEB will collect \$15,000 less than otherwise in revenue in FY 2026-2027 and \$20,000 less than otherwise in FY 2027-2028 (and indeed, all subsequent fiscal years). The \$15,000 in FY 2026-2027 is simply calculated from the bill becoming effective one-quarter into the fiscal year, so three-quarters of the fiscal year's revenue from this mechanism will not be collected, and $\frac{3}{4} * \$20,000 = \$15,000$.

The second revenue stream to the AAFTF is a 1.25 cents/gallon excise tax on denaturant—any of several chemicals used to render ethanol unfit for human consumption—as well as the same fee assessed on 2% of undenatured gallons. This funding mechanism is left completely unchanged by LB815, so there is no fiscal impact in this regard.

LB815 does implement a new fee as an additional revenue stream, to replace the repealed non-road motor fuel refund transfer and ease the inflationary pressure caused by that long-declined revenue source. This new fee, which will remit to the AAFTF, is expected to generate a fiscal impact. The details of the new fee are as follows. Currently, dyed diesel in Nebraska (used for off-road purposes by agriculture producers and other stakeholders) is assessed a \$0.003/gal (three-tenths of a cent per gallon, or three-thousandths of a dollar per gallon) tax that remits to the petroleum release remedial action fund (PRF). LB815 removes this current \$0.003/gal fee that remits to the PRF and replaces it with a \$0.0025/gal (one-quarter of a cent per gallon) fee on dyed diesel that remits to the AAFTF.

The revenue impact from this portion of the bill was calculated using publicly available Nebraska dyed diesel fuel consumption data that was analyzed by the NEB. Given current dyed diesel usage trends in Nebraska, forecasted consumption in FY 2026-27 of the fuel is approximately 440 million gallons (Mgal), and forecasted consumption in FY 2027-28 is approximately 420 Mgal. Thus, LB815 is expected to generate a fiscal impact of approximately \$790,000 in FY 2026-27 and approximately \$1,040,000 in FY 2027-28. The lower figure for FY 2026-27 is due to the bill’s effective date not occurring until October 2026 rather than the start of the fiscal year in July 2026. The bill would then be effective for three-quarters of FY 2026-27 (approximately 315 Mgal of dyed diesel usage) and then the entire FY 2027-28.

The last portion of the funding mechanism change is a refill of the PRF dyed diesel revenue via a simple like-for-like tax shift onto undyed (on-road) diesel. The PRF is currently funding by an equal \$0.003/gal fee on both dyed and undyed diesel. With the dyed diesel PRF funding removed, to maintain a healthy and essentially equivalent PRF balance, the undyed diesel fee will become \$0.006/gal. Critically, dyed diesel and undyed diesel consumption in Nebraska is quite similar, within a few percentage points each year on average (around 500,000 gallons of each per year). So taxing half the gallons twice as much leaves the PRF at essentially the same level as previously, and therefore, no fiscal impact is expected from this part of the bill.

In summary, the expected fiscal impact from LB815 for FY 2026-27 is the \$790,000 increase in dyed diesel revenues to the AAFTF minus the \$15,000 decrease in non-road motor fuel refund transfer revenues, for a net fiscal impact of \$775,000 relative to the expected AAFTF revenue in FY 2025-26. The expected fiscal impact from LB815 for FY 2027-28 is the \$1,040,000 increase in dyed diesel revenues to the AAFTF minus the \$20,000 decrease in non-road motor fuel refund transfer revenues, for a net fiscal impact of \$1,020,000 relative to the expected AAFTF revenue in FY 2025-26.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2026-27	2027-28
	26-27	27-28	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:				
Approved by: James R. Kamm		Date Prepared: 01/29/2026		Phone: 471-5896				
	<u>FY 2026-2027</u>			<u>FY 2027-2028</u>			<u>FY 2028-2029</u>	
	<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$137,300			\$136,300			\$140,300	
Cash Funds		\$810,000			\$1,201,000			\$1,187,000
Federal Funds								
Other Funds								
Total Funds	\$137,300	\$810,000		\$136,300	\$1,201,000		\$140,300	\$1,187,000

Starting October 1, 2026, LB 815 subjects dyed diesel to the motor fuel tax at a rate of one-quarter of one cent per gallon (0.25¢ or \$0.0025). The tax collected will be remitted to the State Treasurer for credit to the Agricultural Alcohol Fuel Tax Fund.

Beginning October 1st, 2026, the Agricultural Alcohol Fuel Tax Fund administered by the Nebraska ethanol Board for purposes of implementing the Ethanol Development Act will be credited with this new dyed diesel tax.

LB 815 modifies certain provision related to the NE Ethanol Board, including its composition, powers and duties.

LB 815 eliminates the petroleum release remedial action fee on dyed diesel (indelibly dyed diesel) while increasing the fee on regular diesel fuel from 0.3¢ to 0.6¢ per gallon (\$0.006).

It is estimated that LB 815 will have the following impact:

Fiscal Year	Agricultural Alcohol Fuel Tax Fund	Petroleum Release Remedial Action Cash Fund	Total Cash Fund
FY2026-27	\$ 693,000	\$ 117,000	\$ 810,000
FY2027-28	\$ 1,017,000	\$ 184,000	\$ 1,201,000
FY2028-29	\$ 994,000	\$ 193,000	\$ 1,187,000

It is estimated that LB 815 will require 1.0 FTE IT Supervisor to implement this bill.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>28-29 FTE</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>	<u>28-29 Expenditures</u>
V07091	Information Technology Supervisor	1.0	1.0	1.0	\$99,500	\$102,500	\$105,500
Benefits.....					\$32,800	\$33,800	\$34,800
Operating Costs.....							
Travel.....							
Capital Outlay.....					\$5,000		
Capital Improvements.....							
Total.....					\$137,300	\$136,300	\$140,300