

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	270,174	0	0	0	270,174
FY2027-2028	54,034	0	0	0	54,034
FY2028-2029	54,034	0	0	0	54,034
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	38,589,000	30,967,000	0	0	69,556,000
FY2027-2028	42,014,000	34,332,000	0	0	76,346,000
FY2028-2029	41,948,000	33,182,000	0	0	75,130,000

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

LB 1238 changes the cigarette tax to 30% of the purchase price paid by the retail dealer per package.

Under the bill, the distribution of the cigarette tax is the following:

- General Fund: 50%
- Nebraska Outdoor Recreation Development Cash Fund (NORDCF): 2%
- Health and Human Service Cash Fund (HHSCF): 10%
- Building Renewal Allocation Fund (BRAf): 26%
- Nebraska Public Safety Communication System Cash Fund (NPSCSCF): 5%
- Nebraska Health Care Cash Fund (NHCCF): 6%
- Nebraska Capital Construction Fund (NCCF): 1%

The bill maintains FY98 minimum distribution levels for NORDCF, HHSCF, and BRAf. Any amount needed to increase the distribution to these funds to the FY98 minimum levels shall reduce the distribution to the General Fund.

The bill changes the tax rate for tobacco products subject to the Tobacco Products Tax Act to 30%.

From the cigarette tax distribution to the HHSCF, the Legislature shall appropriate each year to the Department of Health and Human Services (DHHS) an amount derived from 3.5% of the cigarette tax, less any amount appropriated from the fund specifically to the University of Nebraska Eppley Institute for Research in Cancer and Allied Diseases.

Also, from the cigarette tax distribution to the HHSCF, the Legislature shall appropriate each year to the DHHS for cancer research an amount derived from 6.5% to be used exclusively for grants and contracts for research on cancer and smoking diseases.

The bill is operative July 1, 2026.

The bill contains the emergency clause.

The Department of Revenue (DOR) estimates the following increases to General Fund and Cash Fund revenues as a result of this bill.

	FY27	FY28	FY29
General Fund	\$ 38,589,000	\$ 42,014,000	\$ 41,948,000
NORDCF	\$ 300,000	\$ 406,000	\$ 367,000
HHSCF	\$ 4,118,000	\$ 4,650,000	\$ 4,455,000
NHHCF	\$ 3,577,000	\$ 3,896,000	\$ 3,780,000
BRAf	\$ 11,754,000	\$ 13,138,000	\$ 12,631,000
NPSCSCF	\$ 203,000	\$ 469,000	\$ 371,000
NCCF	\$ 805,000	\$ 858,000	\$ 838,000
Highway Trust Fund	\$ 101,000	\$ 118,000	\$ 114,000
Tobacco Products Administration Cash Fund	\$ 10,109,000	\$ 10,797,000	\$ 10,626,000
State Total	\$ 69,556,000	\$ 76,346,000	\$ 75,130,000
Highway Allocation Fund	\$ 17,000	\$ 20,000	\$ 20,000

Overall Total	\$ 69,573,000	\$ 76,366,000	\$ 75,150,000
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There is estimated to be a revenue increase to the Highway Trust Fund and the Highway Allocation Fund, which is distributed to cities and counties.

The DOR estimates a one-time programming cost of \$270,174 paid to the Office of the Chief Information Officer (OCIO) for mainframe and web development in FY27 and \$54,034 in subsequent years for system maintenance.

There is no basis to disagree with these estimates.

Please complete ALL (5) blanks in the first three lines.

2026

LB⁽¹⁾ 1238

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – the Task Force for Building Renewal

Prepared by: ⁽³⁾ Brent Flachsbart Date Prepared: ⁽⁴⁾ 01-23-2026 Phone: ⁽⁵⁾ 531-207-9029

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				
FEDERAL FUNDS				
REVOLVING FUNDS				
TOTAL FUNDS	<u>See below</u>	<u>See below</u>	<u>See below</u>	<u>See below</u>

Explanation of Estimate:

LB 1238 changes the cigarette tax and distribution of such tax. Rather than a set dollar amount per package of cigarettes, the tax would be modified to 30% of the purchase price paid by the retailer. Beginning July 1, 2026, the distribution of those taxes would be as follows:

50%	General Fund
2%	Nebraska Outdoor Recreation Development Cash Fund
10%	Health and Human Services Fund
26%	Deferred Building Renewal Act
5%	Public Safety Communication System Cash Fund
6%	Nebraska Health Care Cash Fund
1%	Nebraska Capital Construction Fund

The change in how the tax is calculated and distributed could result in the receipt of additional cigarette tax funding for the Department of Administrative Services (DAS) - Task Force for Building Renewal (Building Renewal Allocation Fund). The receipt of additional funding could provide for the funding of additional projects.

LB 1238 doesn't change the held harmless section for the Task Force that provides that the distribution shall not be less than the amount distributed for FY1997-98.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27</u>	<u>2027-28</u>
	<u>26-27</u>	<u>27-28</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

LB: 1238	AM:	AGENCY/POLT. SUB: State Treasurer
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REVIEWED BY: Ryan Yang	DATE: 1/29/2026	PHONE: (402) 471-4178
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COMMENTS: No basis to disagree with the State Treasurer assessment of no fiscal impact from LB 1238.
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ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1238	AM:	AGENCY/POLT. SUB: Nebraska Game and Parks Commission (NGPC)
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REVIEWED BY: Ryan Yang	DATE: 1/29/2026	PHONE: (402) 471-4178
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COMMENTS: The NGPC assessment of positive fiscal impact from LB 1238 appears reasonable.
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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) John Meals

Date Prepared 1-29-2026

Phone: (5) 471-6719

	FY 2026-2027		FY 2027-2028	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$0	\$0	\$0	\$0

Return by date specified 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB1238 is a comprehensive tobacco tax bill that would increase tobacco taxes across the board for every tobacco product to 30% of the purchase price. This includes cigarettes, ENDS (electronic nicotine delivery systems), cigars, pipe tobacco, snuff, and roll-your-own (RYO) tobacco. This bill also increases appropriations from the cigarette tax to fund cancer and smoking disease research grants and contracts, which are distributed by the Department of Health and Human Services (DHHS).

The earmark changes in LB1238 related to DHHS are as follows:

- Changes the transfer to the Nebraska Health Care Cash Fund from \$1,250,000 to 6% of the proposed tax.
- Changes the transfer from three cents to 10% the tax to the Health and Human Services Cash Fund.
- Cancer and smoking disease research appropriations increase from one cent and two cents of the cigarette tax to 3.5% and 6.5% (respectively) of the cigarette tax.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2026-2027	2027-2028
	26-27	27-28	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			\$0	\$0

Please complete ALL (5) blanks in the first three lines.

2026

LB⁽¹⁾ 1238 – Change Cigarette Tax and Distribution of such tax

FISCAL NOTE

State Agency OR Political Subdivision
Name: ⁽²⁾

Nebraska Game and Parks Commission

Prepared by: ⁽³⁾ Christina Peters

Date Prepared: 1-23-2026
⁽⁴⁾

Phone: ⁽⁵⁾ (402) 471-5403

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS		3,857,000		3,857,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		3,857,000		3,857,000

Explanation of Estimate:

The proposed legislation changes the excise tax on cigarettes from a flat amount of \$0.64 per package to 30% of the purchase price. Currently one cent of the \$0.64 tax is placed in the Nebraska Outdoor Recreation Development (NORDA) Cash Fund, managed by NGPC. This would change to 2% of the proposed tax.

As the amount of the tax will vary depending on item price. Using an average price of \$6.50, the total excise tax would be \$1.95. The amount allocated to NORDA would be \$0.039.

The average annual proceeds to the NORDA fund over the last five completed fiscal years is \$1.33M. The increased allocation could be an additional \$3,857,000.00. This will vary depending on the individual cigarette prices and actual quantities sold.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27 EXPENDITURES</u>	<u>2027-28 EXPENDITURES</u>
	<u>26-27</u>	<u>27-28</u>		
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: 01/30/2026		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	\$270,174	\$38,589,000		\$54,034	\$42,014,000		\$54,034	\$41,948,000
Cash Funds		\$30,967,000			\$34,332,000			\$33,182,000
Federal Funds								
Other Funds		\$17,000			\$20,000			\$20,000
Total Funds	\$270,174	\$69,573,000		\$54,034	\$76,366,000		\$54,034	\$75,150,000

LB 1238 changes the cigarette tax rate to 30% of the purchase price paid by the retail dealer. The revenue is distributed to the following:

- 50% to the General Fund
- 2% to the Nebraska Outdoor Recreation Development Cash Fund (NORDCF)
- 10% to the Health and Human Services Cash Fund (HHSCF)
- 26% to the Building Renewal Allocation Fund (BRAAF)
- 5% to the Nebraska Public Safety Communication Cash Fund (NPSCCF)
- 6% to the Nebraska Health Care Cash Fund (NHCCF)
- 1% to the Nebraska Capital Construction Fund (NCCF)

The State Treasurer will reduce funds to the General Fund to meet the required distribution to other funds if sufficient revenue is not received. The minimum funding to the Nebraska Outdoor Recreation Development Cash Fund and Health and Human Services Cash Fund remains unchanged.

3.5% of the cigarette tax from the Health and Human Services Cash Fund is to fund the University of Nebraska Eppley Institute for Research in Cancer and Allied Diseases. This was previously one cent. 6.5% of the cigarette tax from the Health and Human Services Cash Fund is to fund grants and contracts for research on cancer and smoking diseases This was previously two cents.

The tax rate on all tobacco products subject to the Tobacco Products Tax Act is changed to 30%.

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>
Benefits.....							
Operating Costs.....					\$270,174	\$54,034	\$54,034
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....					\$270,174	\$54,034	\$54,034

It is estimated that LB 1238 will have the following impact:

Fiscal Year	FY26-27	FY27-28	FY28-29
General Fund	\$ 38,589,000	\$ 42,014,000	\$ 41,948,000
NORDCF	\$ 300,000	\$ 406,000	\$ 367,000
HHSCF	\$ 4,118,000	\$ 4,650,000	\$ 4,455,000
NHHCF	\$ 3,577,000	\$ 3,896,000	\$ 3,780,000
BRAF	\$ 11,754,000	\$ 13,138,000	\$ 12,631,000
NPSCCF	\$ 203,000	\$ 469,000	\$ 371,000
NCCF	\$ 805,000	\$ 858,000	\$ 838,000
Highway Trust Fund	\$ 101,000	\$ 118,000	\$ 114,000
Highway Allocation Fund	\$ 17,000	\$ 20,000	\$ 20,000
Tobacco Products Administration Cash Fund	\$ 10,109,000	\$ 10,797,000	\$ 10,626,000
Total	\$ 69,573,000	\$ 76,366,000	\$ 75,150,000

LB 1238 will require a one-time programming charge of \$270,174 paid to the OCIO for mainframe development and web development for the first year. Ongoing system maintenance is estimated at \$54,034 annually thereafter.

The operative date for this bill is July 1, 2026.

Please complete ALL (5) blanks in the first three lines.

2026

LB⁽¹⁾ 1238

FISCAL NOTE

State Agency OR Political Subdivision
Name: ⁽²⁾

Nebraska State Patrol

Prepared by: ⁽³⁾ Carol Aversman

Date Prepared: 02/02/2026

Phone: ⁽⁵⁾ 402-471-4545

⁽⁴⁾

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		\$203,000		\$469,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$203,000		\$469,000

Explanation of Estimate:

LB 1238 changes the cigarette tax rate to 30% of the purchase price paid by the retail dealer. Of this revenue generated, 5% is to be deposited in the Nebraska Public Safety Communications Cash Fund (NPSCCF) which is administered by the Nebraska State Patrol under Program 850.

Currently, the NPSCCF receives \$3,820,000 annually. The Department of Revenue estimates that in FY 26-27, an additional \$203,000 in revenue will be received as a result of the change in the tax calculation. It also estimates that in FY 27-28 an additional \$469,000 will be received by the fund.

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 OR Political Subdivision
Name: ⁽²⁾

State Treasurer

Prepared by: ⁽³⁾ Jason Walters

Date Prepared: ⁽⁴⁾ January 23, 2026

Phone: ⁽⁵⁾ 402-471-2793

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:

The State Treasurer’s Office doesn’t expect any fiscal impact from LB 1238 to the office.

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.....				

Please complete ALL (5) blanks in the first three lines.

2026

LB ⁽¹⁾ 1238 Change the cigarette tax and distribution of such tax and change taxes imposed under the Tobacco Products Tax Act

FISCAL NOTE

State Agency OR Political Subdivision Name:⁽²⁾

University of Nebraska System

Prepared by:⁽³⁾

Anne Barnes

Date Prepared:⁽⁴⁾

01/29/2026

Phone:⁽⁵⁾

(402) 472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026 - 27		FY 2027 - 28	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
CASH FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FEDERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
OTHER FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Explanation of Estimate:

LB 1238 would modify the funding mechanism for cancer research by replacing a fixed per-unit allocation with a percentage-based allocation of cigarette tax revenues. While a percentage-based distribution may result in increased funding relative to the current statutory amount, the actual impact would depend on future cigarette tax collections.

In the absence of revenue projections, the University of Nebraska is unable to estimate the fiscal impact of the Health and Human Services Cash Fund appropriation for cancer research.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026 - 27</u>	<u>2027 - 28</u>
	<u>26 - 27</u>	<u>27 - 28</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
	<u>0</u>	<u>0</u>		
	<u>0</u>	<u>0</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				