

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 270

Economic Matters

(Delegate Crosby)

Education, Energy, and the Environment

Data Center Impact Analysis and Report

This bill requires the Maryland Department of the Environment (MDE), Maryland Energy Administration (MEA), and University of Maryland School of Business, in coordination with the Department of Legislative Services (DLS), to conduct an analysis of the likely environmental, energy, and economic impacts of data center development in the State. DLS must synthesize the respective assessments completed by MDE, MEA, and the University of Maryland School of Business into a final report and submit the report to the Governor and the General Assembly by September 1, 2026. **The bill takes effect July 1, 2025, and terminates June 30, 2027.**

Fiscal Summary

State Effect: State expenditures for MDE, MEA, and the University System of Maryland (USM) collectively increase by up to \$502,000, in FY 2026 only, consisting of general fund expenditures of \$250,000 (MDE), special fund expenditures of up to \$200,000 (MEA), and higher education expenditures of \$52,000 (USM). Revenues are not affected.

| (in dollars) | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
|----------------|-------------|---------|---------|---------|---------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 250,000 | 0 | 0 | 0 | 0 |
| SF Expenditure | 200,000 | 0 | 0 | 0 | 0 |
| Higher Ed Exp. | 52,000 | 0 | 0 | 0 | 0 |
| Net Effect | (\$502,000) | \$0 | \$0 | \$0 | \$0 |

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not directly affect local government finances.

Small Business Effect: None.

Analysis

Bill Summary: MDE, MEA, and the University of Maryland School of Business must, respectively, complete assessments of the likely environmental, energy, and economic impacts of data center development in Maryland. DLS is responsible for coordinating the preparation of these assessments and synthesizing the information into a final report on data center development in the State. DLS must submit the report to the Governor and the General Assembly by September 1, 2026.

Maryland Department of the Environment

MDE must undertake an assessment of the potential impacts of the data center industry on the State's natural resources, including an evaluation of (1) the potential impacts on air and water quality; (2) the potential impacts on the State's ability to meet its bay restoration goals and other environmental objectives; and (3) the availability of technologies that could mitigate the environmental impacts of data centers and the feasibility of implementing those technologies.

Maryland Energy Administration

MEA must assess the potential energy impacts of the data center industry, including an evaluation of (1) the energy requirements of data centers; (2) the industry's potential impacts on current and forecasted energy demand and supply in the State (including how data centers will likely affect future energy infrastructure needs and costs paid by ratepayers); and (3) the industry's potential impact on the State's ability to meet greenhouse gas emissions reduction commitments and clean energy goals.

University of Maryland School of Business

The University of Maryland School of Business is required to assess, in consultation with industry experts, the potential economic and fiscal impacts of the data center industry in the State, including an evaluation of (1) the likely impact of data centers on State and local revenues and expenditures and (2) the jobs likely to be created through the construction and operation of data centers.

Other Units of State Government

At the request of DLS, other relevant units of State government, including the Department of Natural Resources, the State Department of Assessments and Taxation, the Department of Commerce, and the Public Service Commission (PSC), must provide any information necessary to complete the analysis (and final report) on data center development in Maryland.

Current Law:

Chapter 640 of 2020

Chapter 640 of 2020 (1) establishes a sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center and (2) authorizes counties and municipalities to reduce or eliminate the percentage of the assessment, for property tax purposes, of any qualified data center personal property used in a qualified data center. Chapter 640 defines “data center” as a building or group of buildings used to house computer systems, computer storage equipment, and associated infrastructure that businesses or other organizations use to organize, process, store, and disseminate large amounts of data.

Chapter 411 of 2024

Chapter 411 of 2024, the Critical Infrastructure Streamlining Act of 2024, (1) allows electricity generating units or facilities that produce onsite emergency backup electricity for critical infrastructure facilities (including data centers) to be constructed without obtaining a certificate of public convenience and necessity (CPCN) or an approval to construct (under the CPCN exemption process) from PSC and (2) requires that a portion of corporate income tax revenue attributable to qualified data centers that are operational on or after January 1, 2026, be distributed to the Strategic Energy Investment Fund (SEIF) (which funds various energy-related policies).

State Expenditures: State expenditures for MDE, MEA, and USM collectively increase by up to \$502,000, in fiscal 2026 only, consisting of general fund expenditures of \$250,000 (MDE), special fund expenditures of up to \$200,000 (MEA), and higher education expenditures of \$52,000 (USM). DLS can implement its responsibilities under the bill with existing resources.

This analysis assumes that MDE, MEA, and the University of Maryland School of Business complete their assessments on data center development by June 30, 2026, giving DLS at least two months to complete the final report that it must submit to the Governor and the General Assembly on September 1, 2026. Accordingly, the analysis reflects that expenditures incurred under the bill occur entirely in fiscal 2026 (rather than fiscal 2026 and 2027).

Maryland Department of the Environment

According to MDE, the environmental impacts it must study under the bill are broad-based and will require that it hire outside technical assistance to complete its analysis. MDE advises that it needs to hire a consultant, at an estimated cost of \$250,000, that has relevant expertise to conduct the study. Existing staff will develop and support the study.

Maryland Energy Administration

MEA indicates that the bill increases the workload of existing staff, and the agency may need to spend up to \$200,000 on a consultant to help study and model the impacts identified in the bill.

This analysis assumes that MEA can use special funds from SEIF, MEA's primary funding source, to cover costs of implementing the bill. While this bill does not expressly reallocate other, existing SEIF revenues/spending in order to support the costs of implementing the bill, the net impact on SEIF expenditures resulting from the bill may be less than the amount of the costs identified above if MEA correspondingly reduces other SEIF spending in order to hire a consultant to implement the bill.

University of Maryland School of Business

USM advises that the University of Maryland School of Business's lead researcher is already a salaried employee. To complete the work, however, USM advises that the business school must hire a team of five graduate students, at a cost of \$10,000 each, to support the lead researcher. Additionally, it is anticipated that the business school must license economic impact analysis software at a cost of \$2,000 to complete its assessment.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 116 (Senators Lewis Young and Ready) - Education, Energy, and the Environment.

Information Source(s): Department of Commerce; Department of Natural Resources; Maryland Department of the Environment; Maryland Energy Administration; Public Service Commission; State Department of Assessments and Taxation; University System of Maryland; Department of Legislative Services

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