

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 120 (Delegate Fisher, *et al.*)  
Environment and Transportation

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Moratorium on Construction of New Data Centers - Co-Location and Generation  
Contingency

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This emergency bill prohibits approval or construction of a data center in the State that has not received all required permits before the bill takes effect. The bill terminates if the General Assembly enacts legislation that requires (1) all new data centers to be co-located with a new or existing specified power generation facility and (2) construction at a co-located power generation facility of additional power generation capacity that meets or exceeds the data center's power needs.

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Fiscal Summary

**State Effect:** The bill does not directly affect State finances, but is expected to have significant indirect effects, as discussed below.

**Local Effect:** The bill does not directly affect local government finances, but is expected to have significant indirect effects, as discussed below.

**Small Business Effect:** Potential meaningful.

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Analysis

**Bill Summary:** The bill prohibits a person from constructing a data center in the State and prohibits a unit of State or local government from approving a proposal for the construction of a data center in the State. The bill applies only prospectively and may not be applied or interpreted to have any effect on or application to the construction of a data center that has received all required federal, State, and local permits before the bill's effective date.

“Data center” means 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.

The bill terminates if the General Assembly enacts legislation that requires (1) all new data centers to be co-located with a new or existing natural gas power generation facility, nuclear power generation facility, or small module reactor, and (2) the construction of additional power generation capacity at a co-located power generation facility that meets or exceeds the data center’s power needs.

### **Current Law:**

#### *Chapter 3 of the 2025 Special Session – Report on Data Center Development*

Chapter 3 of the 2025 Special Session requires the Maryland Department of the Environment, the Maryland Energy Administration, and the University of Maryland School of Business, respectively, to complete assessments of the likely environmental, energy, and economic impacts of data center development in Maryland, including (1) how data centers will affect future energy infrastructure needs and costs paid by ratepayers and (2) the likely impact of data centers on State and local revenues and expenditures and the jobs likely to be created through the construction and operation of data centers. The Department of Legislative Services must coordinate the preparation of the assessments and synthesize them into a final report submitted to the Governor and the General Assembly by September 1, 2026.

#### *Chapters 625 and 626 of 2025 – Large Load Rate Schedule*

Chapters 625 and 626 of 2025 (Next Generation Energy Act) requires electric utilities to establish a specific rate schedule for a “large load customer” (a commercial or industrial customer for retail electric service that has or is projected to have an aggregate monthly demand of at least 100 megawatts (MW) and a load factor of over 80%), approved by the Public Service Commission (PSC), that:

- requires a large load customer to cover the just and reasonable costs associated with any electric transmission or distribution system buildout required to (1) interconnect the customer to the electric system serving the State or (2) serve the customer;
- protects residential retail electric customers from the financial risks associated with large load customers through specified means; and
- sufficiently ensures that the allocation of costs to large load customers under the schedule does not result in other customers unreasonably subsidizing the costs of large load customers.

PSC must adopt regulations to carry out the requirement by June 1, 2026.

### *Chapter 411 of 2024 – Power Generation Approval and Corporate Income Tax Revenues*

Chapter 411 of 2024 (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 (which funds various energy-related policies).

### *Chapter 640 of 2020 – Sales and Use Tax and Personal Property Tax Incentives*

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.

**State and Local Fiscal Effect:** The bill does not directly affect State or local finances (*e.g.*, it does not directly change State or local government statutory responsibilities or tax or fee revenue policies), but the bill’s moratorium on the construction of new data centers has indirect effects on State and local government tax and fee revenues and any State or local government expenditures associated with regulating, and managing the impacts of, the development of data centers and their operation. Quantifying those indirect fiscal effects is beyond the scope of this fiscal and policy note; however, at least some impacts, including tax and fee revenue impacts, are likely significant. The extent of these indirect impacts is also affected by the duration of the bill’s moratorium (determined by the timing of any General Assembly action to require that data centers provide specified new, co-located power generation capacity to meet their power needs).

See the Additional Comments below regarding the bill’s potential effect on electricity rates, including those paid by State and local governments.

As noted above, the report on data center development required under Chapter 3 of the 2025 Special Session must include an assessment of the likely impact of data centers on State and local revenues and expenditures.

**Small Business Effect:** Small businesses that would otherwise provide goods or services associated with development and/or operation of data centers that are not built in the State, or are delayed, as a result of the bill's moratorium, may be meaningfully affected. There may also be small businesses that are adversely impacted by future data center development and/or operations that meaningfully benefit from the bill's moratorium. Similar to the State and local government indirect impacts, the extent of the bill's impact on small businesses is affected by the duration of the bill's moratorium.

See the Additional Comments regarding the bill's potential effect on electricity rates, including those paid by small businesses.

**Additional Comments:** The bill may reduce electricity rates in the State to the extent that the bill's prohibition on approval or construction of a data center (until State law requires data centers to provide specified new, co-located power generation capacity) causes a reduction in generation capacity costs, transmission costs, and energy market costs driven by the power needs of data centers that do not provide new, co-located power generation capacity. The Office of People's Counsel (OPC) indicates that those generation capacity, transmission, and energy market costs contribute to increased retail electricity rates in the State. The extent of any effect cannot be reliably estimated. OPC notes that the bill's moratorium may cause data centers that are otherwise built in the State to instead be built elsewhere in the PJM Interconnection, LLC region, where Maryland electricity rates are still affected by costs associated with the power needs of those data centers.

The existing large load customer rate schedule requirement under Chapters 625 and 626 (mentioned above under Current Law) is intended to mitigate the above-mentioned impacts of data centers' power needs on retail ratepayers, but OPC indicates that the 100 MW threshold in the definition of "large load customer" excludes many data centers whose power needs could still impact retail ratepayer costs.

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## **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Anne Arundel, Baltimore, Charles, Dorchester, and Prince George's counties; Maryland Association of Counties; City of Hagerstown; Maryland Municipal League; Town of Sykesville; Comptroller's Office; Maryland Department of the Environment; Maryland Department of Labor; Department of Natural Resources; State Department of Assessments and Taxation; Maryland Energy

Administration; Office of People's Counsel; Public Service Commission; Department of  
Legislative Services

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