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POSITION STATEMENT

House Bill 579- Certificate of Public Convenience and Necessity and Related Approvals - Definition of Generating Station (Critical Infrastructure Streamlining Act of 2024)
House Economic Matters Committee
February 22, 2024

The Rural Maryland Council **SUPPORTS** House Bill 579 - Certificate of Public Convenience and Necessity and Related Approvals - Definition of Generating Station (Critical Infrastructure Streamlining Act of 2024). This bill defines generating stations that provide energy backup systems for an exemption of a certificate of public convenience and necessity from the Public Service Commission. The intent of the bill is to address a situation that led to the denial of a certificate of convenience and necessity and the subsequent withdrawal of a potential data center project in Frederick Maryland.

Data centers are secure facilities that house computer and network equipment that store, process and distribute large amounts of data. Data centers are considered the foundation of today's booming digital economy and rapidly growing technology sector. For example, drones and sensors used by farmers to monitor their crops and soil are powered by data centers, as are gene therapies for diseases like cancer. Data Centers' potential economic impact could be substantial. Construction of the Quantum Frederick data center would have supported \$25.8 million in tax revenues for Frederick County and another \$248 million for the state. Upon full build out, steady-state operations would have supported an estimated \$41 million in revenues for Frederick County each year, which translated into approximately 3.8 percent of the County's FY 2022 revenues. Another \$197 million would be generated for the State of Maryland each year. <https://mdtechcouncil.com/wp-content/uploads/2023/10/Sage-MDTC-Data-Center-Impact-Report.pdf>

In 2020, the Maryland General Assembly established a sales-and-use tax exemption for the purchases of required equipment for data centers. Our neighbor Virginia has benefited significantly from the positive tax treatment of qualified data centers. According to a 2019 report from Virginia's Joint Legislative Audit and Review Commission, data center employment and investment have increased as data center incentives have expanded in the state. However, Virginia is running out of space and companies are looking to its neighbors to determine where to expand.

According to DataCenters.com, the data center and colocation market in Maryland has witnessed significant expansion, driven by the increasing need for efficient data storage solutions and cloud services. Reports indicate that the wholesale colocation market in Maryland is experiencing remarkable growth due to the rising demand for these critical services. The state's data center facilities currently totals 961,000 square feet. Moreover, Maryland has emerged as an excellent alternative to Northern Virginia for customers seeking colocation services.

HB 579 will boost Maryland's economic development by attracting data centers and supporting the state as a leader in innovation and investment in cyber and information technology. The Council respectfully requests your favorable support of HB 579.

The Rural Maryland Council (RMC) brings together citizens, community-based organizations, federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to collectively address the needs of Rural Maryland communities. We provide a venue for members of agriculture and natural resource-based industries, health care facilities, educational institutions, economic and community development organizations, for-profit and nonprofit corporations, and government agencies to cross traditional boundaries, share information, and address in a more holistic way the special needs and opportunities in Rural Maryland.