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Senate Bill 116 - Data Center Impact Analysis and Report

The Honorable Brian Feldman
The Honorable Cheryl Kagan
Education, Energy, & Environment Committee
Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Chair Feldman, Vice Chair Kagan, and distinguished members of the Committee,

It is my pleasure to come before you and offer my testimony in support of Senate Bill 116 - Data Center Impact Analysis and Report. This bill commissions a study of the likely energy, economic, and environmental impacts of data center development in the state of Maryland.

Due to our current energy supply challenges, it is clear that we must have a comprehensive forecast of projected energy demands. With this knowledge we can plan for non-obtrusive infrastructure and avoid being saddled with projects like the Maryland Piedmont Reliability Project. By analyzing the energy requirements of data centers and their potential effect on rate costs and necessary infrastructure, this study will provide the information needed to protect ratepayers and increase transmission capacity without disruption.

Senate Bill 116 also addresses one of the state's long-term priorities: environmental health. By leveraging the resources of the Department of the Environment, this bill will provide a thorough analysis of Maryland's ability to meet certain environmental objectives, such as bay restoration and clean energy goals. This bill will also study potential impacts on air and water quality, as well as the availability and feasibility of technologies that could mitigate the environmental impacts.

Data centers have been heralded as influential drivers of economic development for the states they call home. Accordingly, legislation has been passed over the past few years to attract them to Maryland. In 2020, Senate Bill 397 granted data centers exemptions from sales and use

taxes and personal property taxes. Last year the Critical Infrastructure Streamlining Act of 2024 exempted data centers from the requirement for a Certificate of Public Convenience and Necessity (CPCN) or review by the Maryland Public Service Commission in order “to supercharge the data center industry in Maryland.”¹ Based on the experience of other states, concerns emerged as to data centers’ claims of significant financial and economic benefits. This study will provide an independent examination of these projections.

In order to properly balance the state’s investment in this industry and the economic returns, policymakers and residents need an objective and incisive evaluation of projected risks and opportunities of data centers. The results of the Virginia study that this bill is modeled on show that the benefits of data centers mostly occur during the construction period. Only 20% of jobs created by data centers last beyond construction and into the operational phase. Conversely, revenue losses from Virginia’s data center tax abatement program have ballooned from \$65 million in 2017 to \$136 million in 2022 and then to \$750 million in 2023. Similarly in Illinois, in just one year, 2022 to 2023, the state’s lost tax revenue to data centers rose 628% to \$370.6 million. Maryland must have a complete understanding of the economic impacts of data centers in order to accurately evaluate our economic, environmental, and energy needs.

Senate Bill 116 will give us a comprehensive analysis of how data centers are likely to impact Maryland. It does not prevent, postpone or delay the development of data centers nor does it negatively impact job creation with currently planned data centers. SB116 will provide the knowledge and tools we need to make the informed, prudent decisions that Marylanders require of us.

I respectfully urge a favorable report.

Sincerely,



Senator Karen Lewis Young

¹ Governor Wes Moore at the May 9 bill signing.
<https://www.datacenterfrontier.com/site-selection/article/55039349/maryland-reboots-data-center-business-with-new-critical-infrastructure-streamlining-act>