



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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H.727 – An act relating to sustainable data center development

As recommended by the Senate Committee on Natural Resources and Energy^{1,i}

Bill Summary

This bill would establish a framework for the regulation of data center construction and operation. It would establish a definition of data centers, set regulatory requirements for data center construction and operation, and specify the respective duties of State departments, agencies, and commissions.

Fiscal Impact

This bill would not appropriate funds or raise new State revenue. The establishment of new regulatory requirements could increase staffing demands on implementing State entities, as well as increase the amount of future permit applications and associated fee revenue paid to the State. However, the extent of these fiscal impacts depends on the number of future data center development proposals in the state and the extent to which the bill would increase the number of future proposals subject to permitting and applicable fees.

The Joint Fiscal Office (JFO) cannot forecast future data center development or associated permit fee revenue. However, in communications with the Public Service Department (PSD), Public Utility Commission (PUC), Agency of Natural Resources (ANR), and Land Use Review Board (LURB), these fiscal impacts are expected to be minimal. Energy Transformation Payments paid by data centers would be directed to funds managed by electric companies and would therefore not represent an increase in State revenue.

Background and Details

The following sections of the bill could have a fiscal impact on the State.

Section 1: PUC Review and Approval of Large Load Service Equity Contracts; Energy Transformation Payments

Section 1 would define a data center as a facility that uses or is able to use 20 megawatts or more of power and is engaged in providing data processing, hosting, and related services. It would also require that such facilities be served by an electric company pursuant to a large load service equity contract approved by the PUC. Beginning January 15, 2028, if at least one data center has entered into a large load service equity contract, the Commissioner of Public Service would be required to include findings and recommendations on the energy, environmental, and economic impacts of data center construction and operation in the annual State Comprehensive Energy Plan. In communications with JFO, PUC and PSD indicate that these directives could be accomplished with existing staff resources.

¹ *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

Additionally, Section 1 would require data centers to make annual payments directly into a fund managed by the relevant electric distribution company. This fund would be used to finance energy transformation projects, such as weatherization and thermal efficiency projects, in the community hosting the data center and in surrounding communities. The energy transformation payment would be equal to 60 percent of the data center's electricity usage for the prior calendar year multiplied by the alternative compliance payment rate established at 30 V.S.A. § 8005(a)(6)(A)(ii). This would equate to an annual payment of approximately \$6.0 million for a 20-megawatt data center, although this amount would vary based on actual electricity usage. As payment would be made directly by a data center to an electric distribution company, these funds would not represent new State revenue.

Section 3: Act 250 Jurisdiction Over Data Center Development

Section 3 would add data center construction to the definition of “development” subject to Act 250 review by LURB District Commissions. This provision could increase LURB staffing demands, Act 250 application volume, and associated fee revenue. However, LURB anticipates current staffing levels are sufficient to implement this section. Additionally, the magnitude of impacts to fee revenue would depend on the number of future data center development projects and the proportion of those projects that would not otherwise be subject to Act 250 jurisdiction under current law.

As an example of the upper bound of potential fee revenue impacts, Act 250 construction permit fees are capped at \$165,000 per application, while LURB anticipates total Act 250 permit fee revenue of approximately \$1.4 million in fiscal year 2026 and \$1.5 million in fiscal year 2027.² A data center development subject to expanded Act 250 jurisdiction and paying the maximum permit fee could therefore increase annual Act 250 fee revenue by approximately 11%.

Section 4: Water Quality and Water Resource Protection Permits

Section 4 would specify the applicability of various water quality and water resource permits administered by ANR to data centers. It would also require certain data centers to submit wastewater monitoring plans, including monitoring for per- and polyfluoroalkyl substances (PFAS), to ANR.

In communications with JFO, ANR indicates that permit administration for data center development would likely be comparable to that of other large commercial or utility-scale development projects and could be accomplished with current staffing resources. Additionally, ANR does not expect this bill to meaningfully increase permit application volume or associated fee revenue. However, ANR notes that reviewing and evaluating data center PFAS monitoring data would represent a meaningful increase in staffing demands.

Sections 5 and 6: Reports and Recommendations

Section 5 would require the PUC to report on projected regional renewable electricity generation market conditions to the committees of jurisdiction by January 15, 2027. Section 6 would require the Commissioner of Public Service, in consultation with the Secretary of Natural Resources and the Chair of the Land Use Review Board, to recommend a model for data center decommissioning to the committees of jurisdiction by December 15, 2026. This would be accomplished with existing PUC, PSD, and LURB staff resources.

¹ The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be accessed through a bill number search on the JFO page.

² 10 V.S.A. § 6083a(b)