



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0877.01: Establish the Montana data center development act

Primary Sponsor: John Fitzpatrick Status: As Introduced

Included in the Executive Budget Needs to be included in HB 2 Significant Local Gov Impact

Significant Long-Term Impacts Technical Concerns Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$50,000	\$25,000	\$25,000	\$25,000
State Special Revenue (02)	\$100,000	\$100,000	\$101,500	\$101,500
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$50,000)</u>	<u>(\$25,000)</u>	<u>(\$25,000)</u>	<u>(\$25,000)</u>
General Fund Balance				

Description of fiscal impact

HB 877 establishes the Montana Data Center Development Act. The act appropriates funds to the Department of Commerce and the Department of Environmental Quality (DEQ) to market Montana as a data center location and to assist data center developers with acquiring electrical generation sources to serve additional load. The bill also establishes that the Public Service Commission (PSC) may not prohibit a public utility from providing service to new retail customers with average monthly demands greater than 5,000 kilowatts resulting in additional costs.

FISCAL ANALYSIS

Assumptions

Department of Commerce

1. Section 4(1) of the bill appropriates \$25,000 to the department to market Montana as a data center location.
2. The department currently works to recruit businesses to Montana for expansions and/or relocations through its business attraction program. The business attraction program would utilize the additional \$25,000 on focused recruitment efforts specifically targeting data centers. The additional funds would likely be used on meeting and travel expenses as well as the development of focused marketing materials including metrics detailing the benefits of siting a data center in Montana.

Department of Environmental Quality

3. DEQ will contract with a firm that has expertise in electricity supply marketing and data center electrical loads to support DEQ with identifying existing and potential electrical generation resources and electricity suppliers to serve data center developers.
4. DEQ will assist in identifying suitable electricity supply for data center developers via a workshop, one-on-one consultations, or other forums.

Public Service Regulation

5. Funds appropriated to market Montana as a data center location will result in significant interest in locating data centers in Montana.
6. Multiple new large data center loads with power demands of 50 MW to 200 MW each will express interest in locating within the service territories of public utilities.
7. Some data center developers will acquire renewable energy generation resources to supply portions of the data center power demand, making the net power demand of data centers imposed on public utilities moderately to highly variable.
8. Some data center developers will express initial interest in locating in Montana but will ultimately locate in other states.
9. The PSC lacks sufficient resources to accommodate the additional regulatory oversight needed to implement the bill. For the upcoming biennium, the most practical means of achieving sufficient resources to implement the bill is through contracted regulatory services. The nature of the additional regulatory oversight only partially aligns with the authority granted the PSC in 69-3-1204(6)(b) to engage consultants to evaluate utility integrated resource plans.
10. Based on prior contracts for regulatory services, the agency estimates a fiscal impact of \$100,000 in each fiscal year of the biennium, which equates to 400 hours of service at a rate of \$250 per hour.

Fiscal Analysis Table

Department of Commerce				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Operating Expenses	\$25,000	\$0	\$0	\$0
TOTAL Expenditures	\$25,000	\$0	\$0	\$0
Funding of Expenditures				
General Fund (01)	\$25,000	\$0	\$0	\$0
TOTAL Funding of Expenditures	\$25,000	\$0	\$0	\$0
Revenues				
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	(\$25,000)	\$0	\$0	\$0

Department of Environmental Quality				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Operating Expenses	\$25,000	\$25,000	\$25,000	\$25,000
TOTAL Expenditures	\$25,000	\$25,000	\$25,000	\$25,000
Funding of Expenditures				
General Fund (01)	\$25,000	\$25,000	\$25,000	\$25,000
TOTAL Funding of Expenditures	\$25,000	\$25,000	\$25,000	\$25,000
Revenues				
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				

Fiscal Note Request - As Introduced

(continued)

General Fund (01)	<u>(\$25,000)</u>	<u>(\$25,000)</u>	<u>(\$25,000)</u>	<u>(\$25,000)</u>
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Public Service Regulation

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$100,000	\$100,000	\$101,500	\$101,500
TOTAL Expenditures	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$101,500</u>	<u>\$101,500</u>
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$100,000	\$100,000	\$101,500	\$101,500
TOTAL Funding of Expenditures	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$101,500</u>	<u>\$101,500</u>
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	<u>(\$100,000)</u>	<u>(\$100,000)</u>	<u>(\$101,500)</u>	<u>(\$101,500)</u>




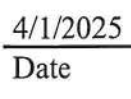
STATEWIDE SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
TOTAL Fiscal Impact	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>Expenditures</u>				
Operating Expenses	\$150,000	\$125,000	\$126,500	\$126,500
TOTAL Expenditures	<u>\$150,000</u>	<u>\$125,000</u>	<u>\$126,500</u>	<u>\$126,500</u>
<u>Funding of Expenditures</u>				
General Fund (01)	\$50,000	\$25,000	\$25,000	\$25,000
State Special Revenue (02)	\$100,000	\$100,000	\$101,500	\$101,500
TOTAL Funding of Expenditures	<u>\$150,000</u>	<u>\$125,000</u>	<u>\$126,500</u>	<u>\$126,500</u>
<u>Revenues</u>				
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	<u>(\$50,000)</u>	<u>(\$25,000)</u>	<u>(\$25,000)</u>	<u>(\$25,000)</u>
State Special Revenue (02)	<u>(\$100,000)</u>	<u>(\$100,000)</u>	<u>(\$101,500)</u>	<u>(\$101,500)</u>

Significant Long-Term Impacts

1. The long-range planning processes conducted by public utilities for generation capacity expansion and transmission system expansion will be significantly more complicated.
2. Potential data center developers will consider locating in Montana and other states. Tentative indications of new large data center development will introduce considerable additional uncertainty and volatility into public utility load forecasts and resource adequacy assessments, necessitating more frequent updates to integrated resource plans and transmission expansion plans, better coordination between the two planning processes, and enhancements to agency regulations governing the planning processes.

3. The increased complexity of long-range planning combined with the need to develop tariffs and regulatory procedures tailored to new large data center loads will increase the agency's workload. The additional workload will be complex and time consuming given that optimal regulatory approaches for dealing with rapid expansion of data center loads is an area of active regulatory research and debate and errors have the potential to significantly impact other customers and the broader Montana economy.

<u>Sponsor's Initials</u>		<u>Date</u>		<u>Budget Director's Initials</u>		<u>Date</u>	
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