NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Ratepayer and Resource Protection Act.
Bill Number: House Bill 1063 (First Edition)
Sponsor(s): Rep. Prather, Rep. Johnson-Hostler, Rep. Longest, and Rep. Helfrich

SUMMARY TABLE

FISCAL IMPACT OF H.B.1063, V.1

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
State Impact					
General Fund Revenue	15,500,000	31,600,000	32,100,000	32,700,000	33,200,000
Less Expenditures	740,000	740,000	740,000	740,000	740,000
General Fund Impact	**14,760,000**	**30,860,000**	**31,360,000**	**31,960,000**	**32,460,000**
Highway Fund Revenue	250,000	500,000	500,000	500,000	500,000
Less Expenditures	-	-	-	-	-
Highway Fund Impact	**250,000**	**500,000**	**500,000**	**500,000**	**500,000**
Highway Trust Fund Revenue	740,000	1,500,000	1,500,000	1,500,000	1,500,000
Less Expenditures	-	-	-	-	-
Highway Trust Fund Impact	**740,000**	**1,500,000**	**1,500,000**	**1,600,000**	**1,600,000**
Special Fund Revenues	-	-	-	-	-
Less Expenditures	158,252	126,473	145,835	165,650	188,549
Special Fund Impact	**(158,252)**	**(126,473)**	**(145,835)**	**(165,650)**	**(188,549)**
NET STATE IMPACT	**$ 15,591,748**	**$ 32,733,527**	**$ 33,214,165**	**$ 33,894,350**	**$ 34,371,451**
Local Impact					
Local Revenue	$8,000,000	$16,100,000	$16,400,000	$16,700,000	$17,000,000
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	**$8,000,000**	**$16,100,000**	**$16,400,000**	**$16,700,000**	**$17,000,000**

FISCAL IMPACT SUMMARY

H.B. 1063, Ratepayer and Resource Protection Act, regulates data centers. Section 1 of the bill assigns regulations of data centers to the Utilities Commission. Because the bill appropriates funds to support the Utilities Commission, the General Fund impact of this section is the amount of the appropriation - $500,000 recurring beginning in FY 2026-27. This section will also have a special fund impact.

Section 2 of the bill requires the Department of Environmental Quality to adopt rules establishing water use standards for data centers. Because the bill appropriates funds for this purpose, the cost of this section is the amount of the appropriation - $240,000 recurring beginning in FY 2026-27.

Section 3 repeals various sales and use tax exemptions that eligible data centers currently receive. This is estimated to increase State revenue by about $34 million and local government revenue by about $16 million annually in FY 2027-28, the first full fiscal year in which the repeal is effective.[1]

FISCAL ANALYSIS

H.B. 1063 does the following:

- Requires owners or operators of proposed data centers to submit preconstruction disclosure statements to the Utilities Commission, the Department of Environmental Quality (DEQ), and each local government in whose jurisdiction the data center would be sited
- Requires owners or operators of large data centers to apply for and obtain a certificate of operation from the Utilities Commission
- Requires the Utilities Commission to determine if a large data center should pay a high-capacity rate for electric service
- Requires DEQ to adopt rules for water use standards for data centers
- Repeals the sales tax exemption for data centers
- Excludes data centers from State economic development incentives
- Modifies the fuel cost recovery statute for public utilities
- Modifies the performance-based regulation statute for public utilities

The following sections detail the fiscal impacts for each section of the bill.

Section 1, Regulation of Data Centers: Section 1 creates a new Article 6C in Chapter 62 of the General Statutes. Article 6C establishes the regulation of data centers by the Utilities Commission. Under the bill, owners or operators of data centers would be required to file preconstruction disclosure statements to the Utilities Commission, DEQ, and relevant local governments detailing the expected electricity and water usage, cooling technologies that will be used, and on-site clean energy generation that will be used. In addition, owners and operators would be required to obtain certificates of operations from the Commission.

[1] FRD notes this estimate is limited to the sales tax that would begin being collected from purchases of replacement equipment made by qualifying data centers; FRD cannot reliably estimate collections resulting from purchases made during the construction of qualifying data centers. However, FRD notes such collections would increase both State and local revenues by a sizable, but unquantifiable, amount if this section of the bill was to become law.

To implement these requirements, the Utilities Commission and Public Staff would need additional personnel. The Public Staff represents the using and consuming public in matters before the Commission; implementing H.B. 1063 would impact both the Commission and the Public Staff. The Utilities Commission would need one additional full-time equivalent (FTE) Public Utilities Regulatory Analyst and one Attorney IV FTE. In addition, the Commission would need a part-time paralegal for the first year to assist with the adoption of Commission rules. The Public Staff would need three additional FTE: one Public Utilities Engineer, one Public Utilities Regulatory Analyst, and one Attorney IV. The total salary and benefit costs for these positions are shown in the table below.

Total Salary and Benefit Costs for the Utilities Commission and Public Staff

Position Title	Annual Salary	Social Security Cost	Retirement Cost	Health Cost	FTE	Total Salary and Benefits
Utilities Commission						
Public Utilities Regulatory Analyst II	$70,478	$5,392	$17,387	$8,500	1.000	$101,757
Attorney IV	$96,513	$7,383	$23,810	$8,500	1.000	$136,206
Paralegal II	$57,606	$4,407	$14,211	$8,500	0.500	$42,362
					Utilities Commission Total	*$280,325*
Public Staff						
Public Utilities Engineer III	$75,925	$5,808	$18,731	$8,500	1.000	$108,964
Public Utilities Regulatory Analyst II	$70,478	$5,392	$17,387	$8,500	1.000	$101,756
Attorney IV	$96,513	$7,383	$23,810	$8,500	1.000	$136,206
					Public Staff Total	*$346,926*
					Total Cost	**$627,252**

The table below shows the total position costs for these FTE for each year of the fiscal note period. The costs in the later years have been adjusted for inflation using the standard inflation rates from Moody's as of January 2026.

Position Costs for the Utilities Commission and Public Staff, FY 2026-27 through FY 2030-31

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
FTE	5.500	5.000	5.000	5.000	5.000
Total Cost	**$627,252**	**$607,026**	**$628,517**	**$648,006**	**$670,556**

In addition to personnel, the Commission and Public Staff anticipate needing additional operating costs to implement H.B. 1063. Both divisions report needing additional purchased services, including travel costs, and office and administrative supplies. The table below shows the operating costs for each year of the fiscal note period adjusted for inflation using the standard inflation rates from Moody's as of January 2026.

Operating Costs for the Utilities Commission and Public Staff, FY 2026-27 through FY 2030-31

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Utilities Commission					
Purchased Services	$8,000	$8,227	$8,430	$8,610	$8,762
Supplies	$1,000	$1,028	$1,054	$1,076	$1,095
Office Equipment	$12,000				
Utilities Commission Total	*$21,000*	*$9,256*	*$9,483*	*$9,686*	*$9,857*
Public Staff					
Purchased Services	$5,000	$5,049	$5,200	$5,267	$5,398
Supplies	$5,000	$5,142	$2,634	$2,691	$2,738
Public Staff Total	*$10,000*	*$10,191*	*$7,834*	*$7,958*	*$8,136*
Total Cost	**$31,000**	**$19,447**	**$17,318**	**$17,644**	**$17,993**

The table below shows the total cost to implement Section 1 of H.B. 1063, including the position and operating costs for the Commission and Public Staff, for the five years of the fiscal note period.

Total Cost for the Utilities Commission and Public Staff, FY 2026-27 through FY 2030-31

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Position Cost	$627,252	$607,026	$628,517	$648,006	$670,556
Operating Cost	$31,000	$19,447	$17,318	$17,644	$17,993
Total Cost	**$658,252**	**$626,473**	**$645,835**	**$665,650**	**$688,549**

The bill appropriates $500,000 recurring beginning in FY 2026-27 to the Utilities Commission. Therefore, the impact to the General Fund is $500,000 recurring. However, there will also be a special fund impact. Based on the above estimates, the appropriation will be insufficient to cover the cost of implementing H.B. 1063. Currently, the Commission and Public Staff are wholly receipt-supported. Public utilities regulated by the Commission pay quarterly regulatory fees per G.S. 62-302. The Commission increases the regulatory fee each year to cover the cost of operating the Commission plus a reserve fund, or decreases the fee if the current rates generate more revenue than needed. In addition, H.B. 1063 establishes a new fee of $250 to be paid to the Commission with each application for a certificate to operate a large data center. The Commission is also supported by federal receipts. This analysis assumes the Commission will adjust the regulatory fee so that the receipts cover the cost of implementing the provisions of H.B. 1063, should the appropriation be insufficient. The special fund impact will be the difference between the actual costs of implementation and the General Fund appropriation, as shown in the table below.

Special Fund Impact of H.B. 1063

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Total Cost	$658,252	$626,473	$645,835	$665,650	$688,549
Appropriation	$500,000	$500,000	$500,000	$500,000	$500,000
Special Fund Impact	**$158,252**	**$126,473**	**$145,835**	**$165,650**	**$188,549**

Section 2, Water Use Standards for Data Centers: This section of the bill requires DEQ to adopt rules establishing water use standards for data centers. Section 7 of the bill appropriates $240,000 recurring from the General Fund for this purpose. Because the bill includes an appropriation, that is the cost of the bill for Section 2.

As a regulatory agency, DEQ is frequently involved in a rulemaking process. Rulemaking involves writing the rules, putting them out for public comment, holding public hearings, revising the rules, and ultimately adopting them. The Division of Water Resources in DEQ employs staff to review water use standards and make changes to those standards in accordance with evolving scientific standards, Environmental Protection Act (EPA) regulations, and General Assembly actions. Therefore, additional staff would not be required as a result of this bill.

DEQ is tasked with adopting both temporary and permanent rules. Both would require three public hearings. There are incidental expenses associated with public hearings, including facility rental, security, custodial charges, and staff travel per diem based on the rate established by the Office of State Budget and Management. (Staff travel expenses would not be incurred at two of the hearings because they would be held in Raleigh). The estimated total cost to conduct six public hearings is $14,779. The following table provides the itemized estimated costs:

DEQ Itemized Public Hearing Cost Estimates	
Item	**Cost**
Facility Rental	$1,000
Security	$250
Custodian	$150
Newspaper Notice	$300
Amount Per Hearing	**$1,700**
Number of Hearings	6
Subtotal Facility Costs	**$10,200**
Staff Travel	$143
Staff per event	8
Amount per Hearing	$1,145
Number of Hearings	4
Subtotal Staff Costs	$4,579
Total Required by Bill	**$14,779**

Typically, these costs could be covered by the Department without an additional appropriation.

Fiscal Research staff asked DEQ how they would use the additional funds appropriated by the bill. They said they would use the funds to hire two additional Environmental Program Consultants to work with the data centers on compliance with the new regulations. However, DEQ emphasized that additional positions would not be required to implement this section of the bill.

Section 3, Repeal Sales Tax Exemption for Data Centers: Under North Carolina tax law, sales of tangible personal property are subject to sales or use taxes unless the property is specifically exempted in statute. Section 3 would repeal several sales and use tax exemptions eligible data centers currently receive for purchases of related tangible personal property (equipment, certain computer software, etc.). When the bill becomes law, such purchases made by data centers will be subject to the State's general rate of sales tax and the respective county's sales tax rate.

The North Carolina Department of Revenue does not collect data on the amount of tax revenue generated by sales of specific items in the State. In the absence of such data, FRD used a Department of Commerce estimate of the current sales tax exemption for data center support replacement equipment being valued at about $31 million. FRD adjusted this figure for anticipated changes in the price of goods, the effective date of January 1, 2027, and used the weighted local rate of sales tax across all counties since the locations of eligible data centers are unknown. With this, FRD estimates this section will increase total annual State collections by about $34 million and local collections by about $16 million in the first full year the repeal is effective (beginning in FY 2027-28).

Per state law, 6% of State sales tax revenues generated from the general rate of tax are transferred to the Transportation Funds.[2] Of the $34 million in additional State revenue each year, FRD estimates about $500,000 would be transferred to the Highway Fund and about $1.5 million transferred to the Highway Trust Fund each year. Accounting for the transfer results in an estimated increase in net State General Fund revenue by about $32 million annually. Given the section's January 2027 effective date, FRD also estimates this section would increase State revenues by about $16.5 million and local government revenues by about $8 million in FY 2026-27.

These estimates assume all data centers currently in operation meet the statutory criteria to qualify for the exemption (minimum investment amounts, for example); since FRD has no reliable way to distinguish between sales to qualifying and non-qualifying data centers, the estimate herein is presented with this in mind. Additionally, FRD cannot reliably predict the value of increased collections associated with purchases made during data center construction because key information is unknown; chiefly, how many would be established in the state, their sizes, up-front costs, etc. Therefore, while it is likely data center construction will increase State and local revenues should this section of the bill be enacted, the extent of such gains could be sizable, but unknown.

Technical Considerations

Currently, the Utilities Commission does not receive General Fund appropriations. The Commission is wholly supported by regulatory fees paid by public utilities.

Data Sources

NC Departments of Commerce, Environmental Quality, and Revenue, and NC Utilities Commission. Moody's Analytics.

[2] S.L. 2022-74 (Sec. 42.3), 2022 Appropriations Act, enacted and codified the transfer of sales tax revenue to the Highway Fund and Highway Trust Fund in G.S. 105-164.44M.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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