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AUGUST 2025

A POLICY PRIMER:

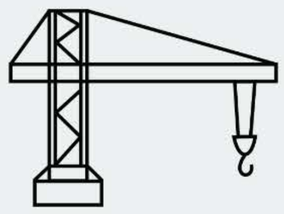
The Economic & Fiscal Benefits of Data Center Developments in Maryland

MARYLAND TECH COUNCIL
ADVANCING LIFE SCIENCES AND TECHNOLOGY

Executive Summary

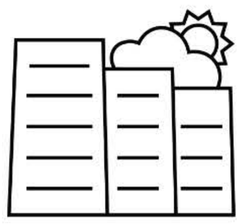
Maryland ranks 40th in five-year job growth and faces a $3 billion budget deficit. Data centers represent a transformative economic opportunity for Maryland at a critical moment. These capital intensive development projects can help the state address the fiscal challenges that are being exacerbated by looming federal job and spending cuts.

The Impact of a Typical 800,000 Sq Ft Data Center



Construction Phase

- 5,000+ Jobs
- $775M in economic activity
- ~$18M in state tax revenue



Operational Phase

- 500 Permanent Jobs
- $31M annual compensation
- Generates ~$14M in annual state tax revenue

ECONOMIC IMPACTS

Construction Revival

Every 275 square feet of data center supports one construction job, providing a critical boost for a sector that has lost 13,000 jobs since 2019.

High-Quality Employment

Data center employees earn nearly $100,000 in annual pay, 55% above the statewide average.

Multiplier Effect

Each direct data center job creates more than two additional jobs across Maryland's economy.

FISCAL BENEFITS

Major Revenue Generation

Each million square feet of operational data center space produces over $16 million in annual state revenue.

Minimal Service Requirements

Data centers place minimal demands on government services, maximizing their net fiscal impact.

Construction Phase Windfall

Each square foot of data center construction generations approximately $10 in sales tax revenue.

Local Tax Impact

A 2023 Sage study of a potential 16 million square foot development in Frederick County estimated more than $40 million in annual tax revenue to the county.

ENVIRONMENTAL ADVANTAGES

A Clean Energy Advantage

Maryland produces between 6% and 71% fewer carbon emissions per megawatt hour of energy compared to neighboring states.

Constrolling Environmental Outcomes

Hosting energy-intensive facilities in Maryland ensures lower emissions and better environmental outcomes than if built elsewhere in the region.

PUBLIC SENTIMENT

Tax Resistance

A majority of Marylanders oppose tax increases: 77% are against property tax hikes, 76% oppose income tax increases, and 73% are against raising sales taxes. Data centers can bring revenue to state and county governments without raising taxes.

THE BOTTOM LINE

Data centers offer Maryland a rare opportunity to expand its tax base, create high-paying jobs, and lead in the digital economy—without raising taxes or straining public services.

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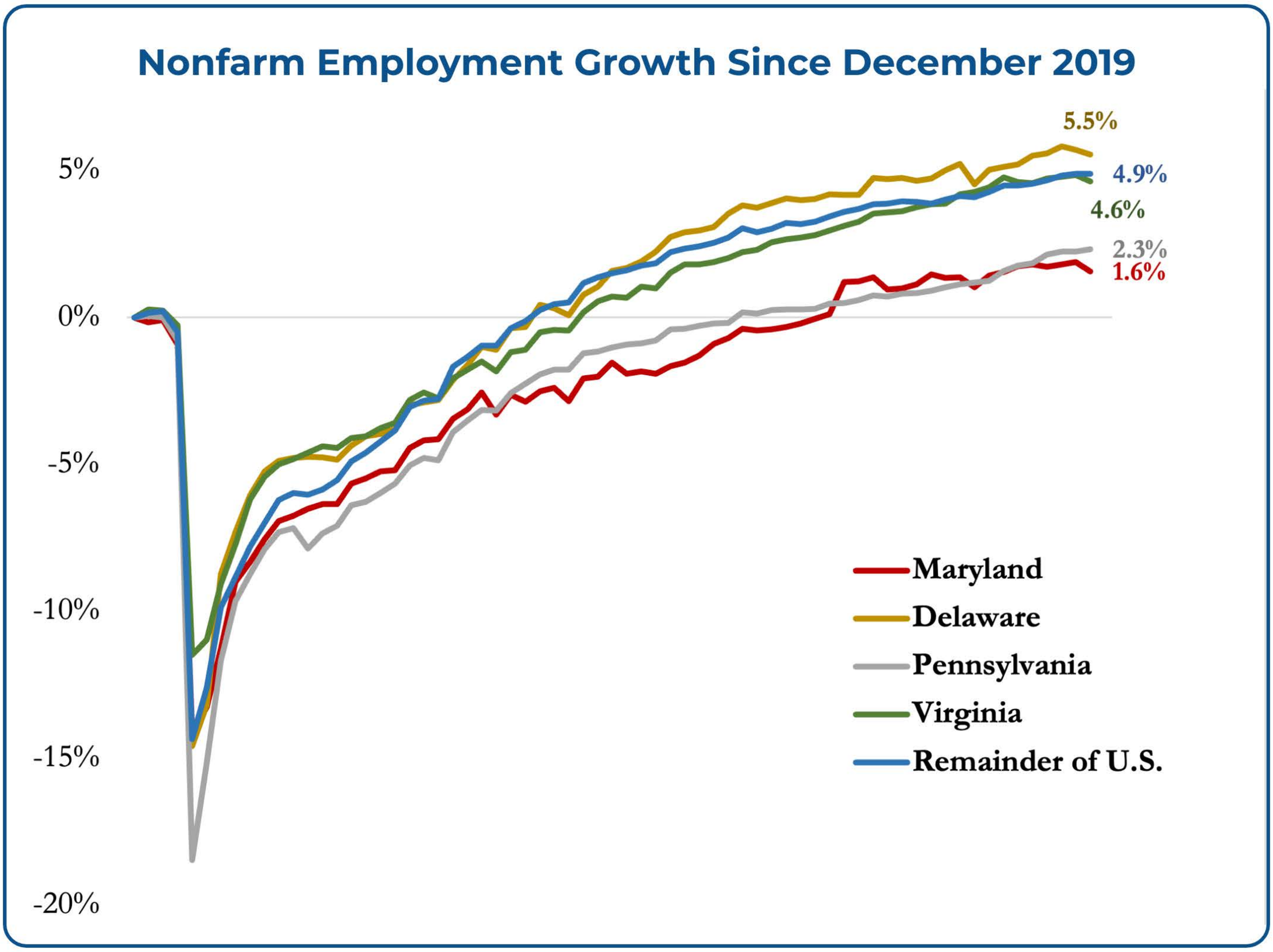
Introduction

Data centers present Maryland with an unparalleled economic opportunity to:

- Create high-paying jobs for a wide range of Marylanders.
- Revitalize a struggling construction industry that employs some of the state's most economically vulnerable residents.
- Bolster a stagnant tax base to help address a looming $3 billion budget deficit in fiscal year 2026.

This opportunity comes at a time when Maryland is in desperate need of economic growth. The state currently employs just 1.6% more people than it did at the end of 2019 and ranks 40th nationwide in five-year job growth—lagging behind both its immediate neighbors and the rest of the country.

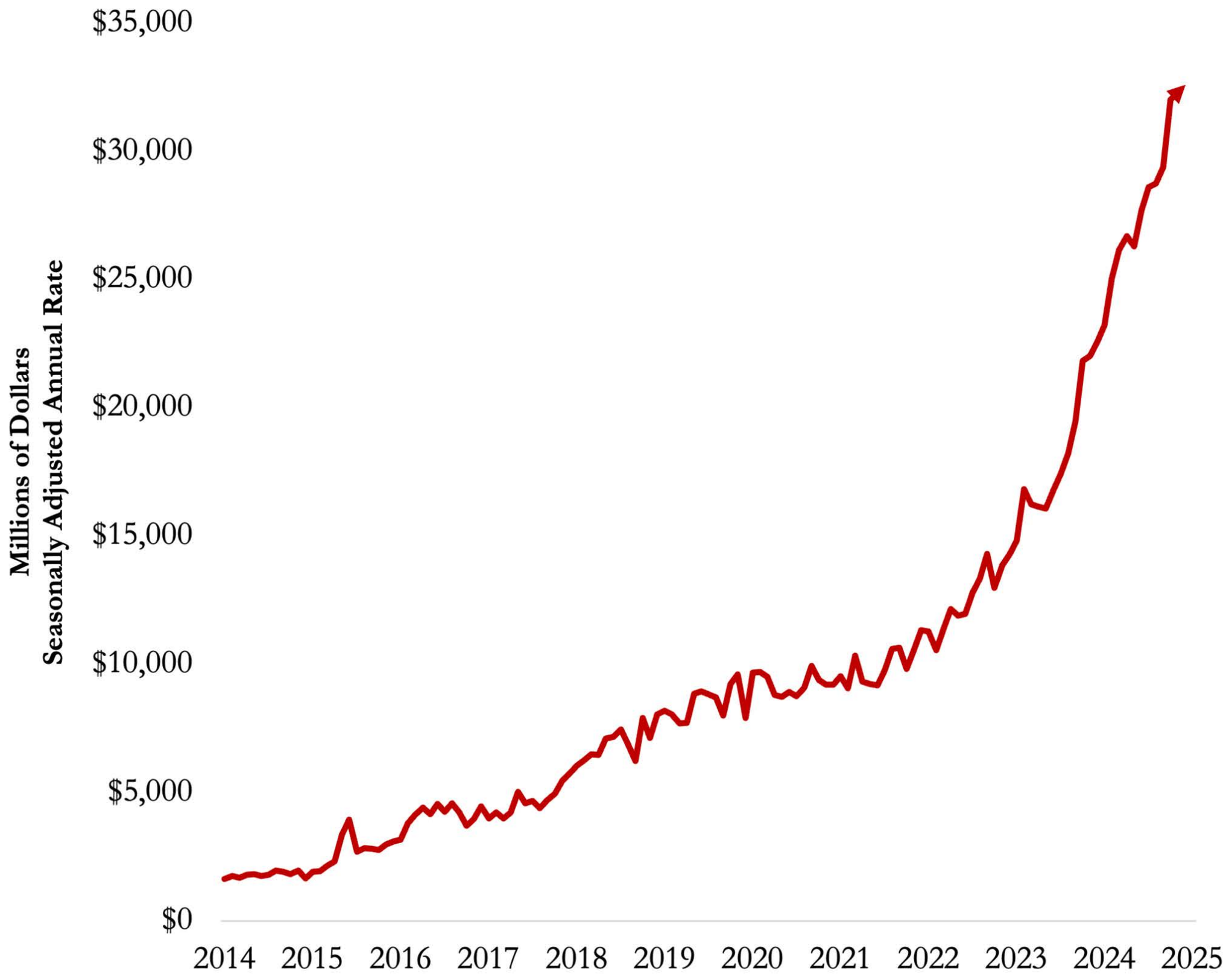
With the current presidential administration scaling back federal contracting and employment, Maryland's job losses are likely to accelerate in the coming months.



Source: U.S. Bureau of Labor Statistics

Demand for data centers—whether in Maryland, across the U.S., or globally—has increased in recent years. In the U.S. alone, investment in data centers has grown by more than 1,700% over the past decade.

Nationwide Construction Spending On Data Centers



Source: U.S. Census Bureau

Maryland will miss out on an unprecedented economic and fiscal opportunity if it fails to establish itself as a hub for the data center industry—an opportunity that Virginia has already capitalized on. The Commonwealth's 51 million square feet of data centers supports:

- $640 million in annual state level tax revenues and $1 billion in local tax revenues (as of 2022).
- Nearly 80,000 jobs with more than $6 billion in annual pay.
- More than $30 billion in annual economic activity.

REINVIGORATING THE STATE'S CONSTRUCTION INDUSTRY

Data centers present a clear opportunity to revitalize Maryland's construction sector, which has contracted meaningfully in recent years, losing approximately 13,000 workers over the past five years. This decline has been especially damaging to the state's most economically vulnerable populations; about 9 in 10 construction laborers never attend college.

If Maryland were to develop just one-tenth of Northern Virginia's data center footprint over the next decade, the state's construction industry would employ an additional 1,800 Marylanders each year.

Data centers support one construction job for every 275 square feet of construction. [1] For instance, a relatively small 427,000-square-foot data center development would create about 1,550 construction jobs—enough to expand Maryland's construction workforce by a full percentage point.

If Maryland were to develop just one-tenth of Northern Virginia's data center footprint over the next decade, the state's construction industry would employ an additional 1,800 Marylanders each year.

Beyond direct job creation, data center construction generates a significant ripple effect. Every 100 construction jobs support an additional 39 jobs across industries such as restaurants, healthcare, insurance, and real estate—amplifying the economic benefits throughout the state.

HIGH PAYING OPERATIONAL JOBS & MASSIVE MULTIPLIER EFFECTS

Data centers employ between 100 and 125 people per million square feet of development, primarily in management, engineering, and security roles. Developers Sage has worked with estimate that the average data center employee earns nearly $100,000 per year—55% more than the average Maryland worker, according to the most recent Bureau of Labor Statistics data.

Beyond direct employment, data centers generate significant statewide job growth. For every direct data center job, more than two additional jobs are created across Maryland. This estimate, based on Sage's studies of Maryland-based data center developments, is conservative compared to other analyses. For example, a comprehensive study of Virginia's data center industry found that while the sector directly employed about 12,000 people, it supported an additional 42,000 jobs statewide, equating to 3.5 secondary jobs for every direct employee.[2]

[1] This average is from Sage studies of data center developments in Maryland. A job is defined as one full- or part-time position that exists for one year.
[2] "The Impact of Data Centers on Virginia's State and Local Economies, 5th Biennial Report." Northern Virginia Technology Council, April 2024.

DATA CENTERS CAN BRIDGE MARYLAND'S BUDGET GAP

THE IMPACT OF A TYPICAL 800,000 SQUARE FOOT DATA CENTER

Construction of a typical 800,000 square foot data center supports over 5,000 statewide jobs, including both direct and secondary activity, during the development phase. Those jobs and the associated $775 million in economic activity generate approximately $18 million in tax revenues for the state government by bolstering income and sales tax collections.

Once operational, that data center will support nearly 500 permanent jobs, and those jobs will earn upwards of $31 million in annual compensation. Data center operations and secondarily supported activity will generate approximately $14 million in revenues for the state government each year.

Maryland's sluggish job growth has put significant pressure on the state budget and is a key factor behind the projected $3 billion deficit for fiscal year 2026. With fewer workers, income tax revenues declined by $2.2 billion from fiscal year 2022 to fiscal year 2023—a 12.7% drop. These budget challenges have placed several legislative priorities at risk, including the Blueprint for Maryland's Future educational reforms and sustainable transportation funding.

Raising taxes is not a popular solution. A strong majority of Marylanders oppose tax hikes, with 77% against a property tax increase, 76% against an income tax hike, and 73% opposed to raising sales taxes. Without substantial spending cuts or unpopular tax increases, the only viable path forward is expanding the tax base—an effort that will require significant investment in Maryland's built environment and continued economic diversification.

MASSIVE CONSTRUCTION PHASE TAX REVENUES

The construction jobs generated by data center developments drive substantial tax revenues for Maryland and its local governments.

For example, a recent Sage analysis of a proposed 2.4 million-square-foot data center in Charles County estimated that the project would generate:

- $3.5 million in local income tax revenue and $16.8 million in state income tax revenue over its approximately five-year construction period.
- $24 million in sales tax revenue over its construction timeline, equating to $4 million to $5 million per year. This alone would boost Maryland's annual sales tax revenue by a meaningful 0.1%.[4]

A Sage analysis of a 16 million square foot data center campus in Frederick County estimated even larger impacts, including:

[3] "Gonzales Poll, Part 1 - Maryland Statewide." Gonzales Research & Media Services, January 2025. https://marylandmatters.org/wp-content/uploads/2025/01/Report-Gonzales-Poll-Part-1-January-2025-.pdf
[4] Data center equipment is exempt from sales and use taxes in Maryland. This discussion pertains to the purchase of materials for the core and shell of data centers.

- $26 million for Frederick County and $247 million for the state government during the construction phase.
- Once operational, the campus will support more than $40 million in tax revenues for Frederick County each year and $197 million for the state government.

Put simply, data center developments generate about $10 in sales tax revenue for every square foot of construction.[5] With tens of millions of square feet of data center projects planned across Maryland, these developments will inject hundreds of millions of dollars into state coffers from construction alone.

MAJOR ONGOING TAX GENERATION

Data centers are unique in their ability to generate substantial, ongoing tax revenues for the state while requiring minimal government services. Their large-scale investments significantly expand Maryland's real property tax base. For example, a planned data center campus in Frederick County is expected to increase the state's real property tax base by $3.56 billion—equivalent to a 9% rise in the county's assessable base and a 0.4% increase statewide.

Every one million square feet of data center development generates more than $16 million in annual tax revenue for the state government, alongside substantial real property tax contributions to Maryland's local governments.

This expanded assessable base translates into substantial real property tax revenues at both the state and local levels, supplementing sales and income tax collections to meaningfully enhance government spending power. However, the most significant ongoing fiscal impact comes from energy-related sales and franchise taxes.

Maryland utilities are subject to a franchise tax of 2% of gross receipts, plus an additional $0.00062 per kilowatt-hour charge for electricity delivered—on top of the state's 6% sales tax. Given standard data center energy consumption and electricity costs, a one-million-square-foot facility will generate nearly $14 million annually in energy-related sales and franchise tax revenues for the state.

In total, every one million square feet of data center development generates more than $16 million in annual tax revenue for the state government, alongside substantial real property tax contributions to Maryland's local governments.

MINOR RELIANCE ON SERVICES

Data centers use exceedingly few government services, and have a low cost burden, because they require minimal public infrastructure beyond electricity and internet connectivity, which are typically provided by private utilities. They generate little traffic, produce minimal waste, and have low demands on emergency services compared to other industries. Additionally, they don't heavily rely on public education, healthcare, or transportation systems for their operations, as they employ relatively few people per square foot. As a result, their direct burden on government-funded services is relatively low, especially compared to the revenues they generate.

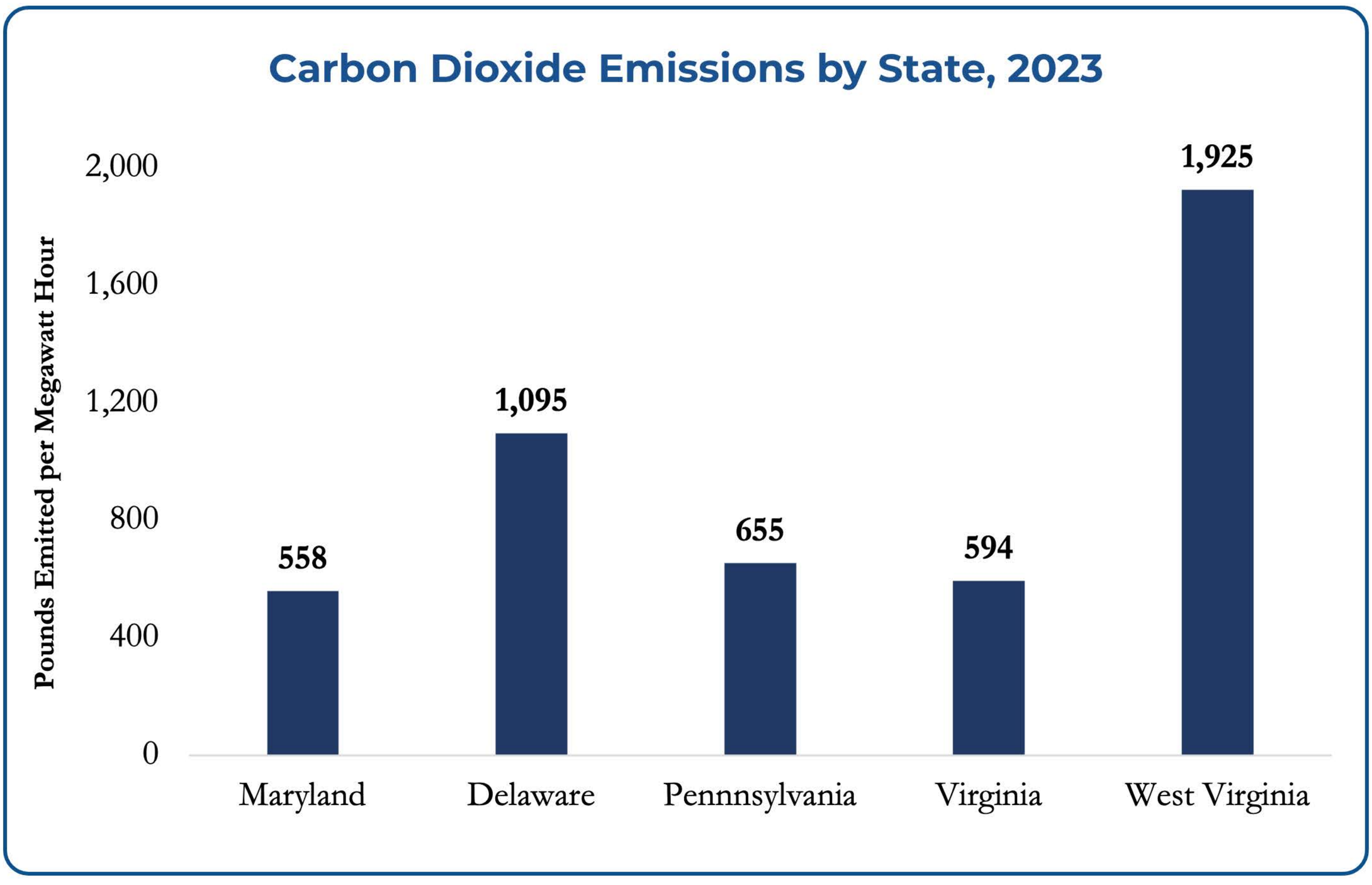
[5] This is based on extremely conservative assumptions regarding costs per square foot and thus likely underestimates the impact.

Controlling Environmental Impacts

Maryland produces fewer caron dioxide emissions per megawatt hour of energy than any of its neighboring states–ranging from about 6% less than Virginia to 71% less than West Virginia.

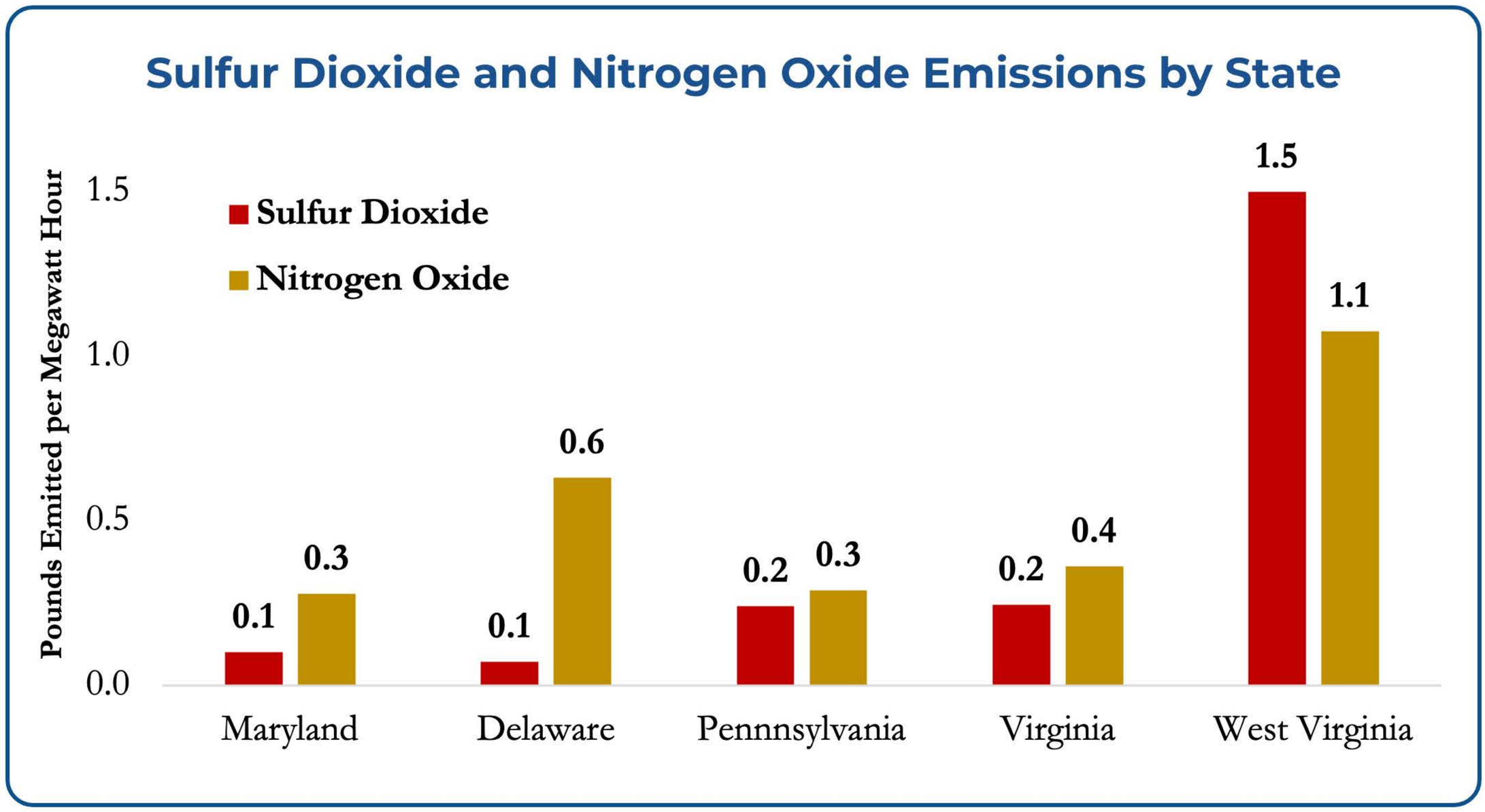
Despite ongoing advancements in cooling technology and optimized hardware design that have significantly reduced energy consumption, data centers remain energy intensive. Given the growing demand for data centers—locally, nationally, and globally—the most effective way for Maryland to mitigate their environmental impact is to encourage their construction within the state.

Simply put, data centers will be constructed in the Mid-Atlantic regardless of Maryland's stance. By hosting them in-state, Maryland can ensure they operate using cleaner energy than would be available in neighboring states, reducing their overall environmental impact.



Source: U.S. Energy Information Administration State Electricity Profiles for 2023

Maryland produces fewer carbon dioxide emissions per megawatt hour of energy than any of its neighboring states—ranging from about 6% less than Virginia to 71% less than West Virginia. The state also emits lower levels of sulfur dioxide and nitrogen oxide compared to its neighbors.



Source: U.S. Energy Information Administration State Electricity Profiles for 2023

While a thriving data center industry will contribute to increased emissions—just as all forms of development and tax base growth do—allowing data centers to be built in Maryland ensures the lowest possible environmental impact given the inevitability of data center expansion.

Conclusion

Maryland stands at a critical economic crossroads. With sluggish job growth, a declining construction industry, and a looming budget deficit, the state requires solutions that can deliver meaningful economic impact without imposing additional tax burdens on its residents. Data center development represents precisely such an opportunity, offering substantial job creation, tax revenue generation, and economic diversification with minimal demands on public services.

The evidence presented in this primer demonstrates that data centers would provide immediate relief to Maryland's construction industry while creating high-paying operational jobs with wages that far exceed the statewide average. Each new facility would generate millions in tax revenue during construction and continue to contribute substantially to state and local coffers throughout its operational life. Furthermore, Maryland's relatively clean energy profile positions the state to host these facilities with less environmental impact than its neighbors, ensuring that the inevitable expansion of data center capacity in the Mid-Atlantic region occurs in the most environmentally responsible manner possible.

As other states aggressively compete for data center investment, Maryland cannot afford to sit on the sidelines. By welcoming responsible data center development, Maryland can address its immediate fiscal and economic challenges while positioning itself as a leader in the digital economy for decades to come. The time to act is now; before this opportunity, like so many others, migrates to neighboring states with more favorable business environments.

About Sage Policy Group

Sage Policy Group is an economic and policy consulting firm headquartered in Baltimore, MD. Dr. Anirban Basu, Sage's chairman and CEO, founded the firm in 2004. Sage has a client base that encompasses more than forty states and seven countries and includes Fortune 500 companies, NFL teams, aquariums and zoos, state and local governments, insurance companies, banks, brokerage houses, major medical systems, trade organizations, and law firms, among others.

The company is especially well known for its analytical capabilities in economic and fiscal impact estimation, economic development, forecasting, legislative analyses, litigation support, environmental economics, and industry outlooks.

In addition to leading Sage, Dr. Basu has emerged as one of the nation's most recognizable economists. He serves as the chief economist to Associated Builders and Contractors, the Maryland Bankers Association, and the International Food Distributors Association and as the chief economic adviser to the Construction Financial Management Association. He chaired the Maryland Economic Development Commission from 2014 to 2021 and currently chairs the Baltimore County Economic Advisory Committee.

Dr. Basu's lectures in economics are delivered to audiences across the U.S. and abroad. He has lectured at Johns Hopkins University and is presently the Distinguished Economist in Residence at Goucher College, where he teaches History of Economic Thought.