



Fiscal Note
Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

SB 26-102: LARGE-LOAD DATA CENTERS

Prime Sponsors:

Sen. Kipp
Rep. Brown

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Summary Information

Overview. The bill creates requirements for large-load data centers regarding development, utilities, environmental impact, operations, and location. It also establishes requirements for utilities that provide electricity to large-load data centers.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. For FY 2026-27, the bill requires an appropriation of \$644,506 to multiple state agencies. See the State Appropriations section for more detail.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue	\$86,304	\$400,810	\$385,550
State Expenditures	\$692,890	\$1,312,360	\$1,302,119
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$86,304	\$400,810	Not estimated
Change in State FTE	2.0 FTE	9.0 FTE	8.8 FTE

Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	\$0
Cash Funds	\$86,304	\$400,810	\$385,550
Total Revenue	\$86,304	\$400,810	\$385,550

Table 1B
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$577,081	\$768,649	\$692,163
Cash Funds	\$67,425	\$309,514	\$295,514
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$48,384	\$234,197	\$314,442
Total Expenditures	\$692,890	\$1,312,360	\$1,302,119
Total FTE	2.0 FTE	9.0 FTE	8.8 FTE

Totals may not sum due to rounding.

Summary of Legislation

The bill creates requirements for large-load data centers regarding development, utility contracts, environmental impacts, operations, and location. It also establishes requirements for utilities that provide electricity to large-load data centers. As defined in the bill, a “data center” houses information technology equipment that delivers information technology services. A “large-load data center” is a data center that begins operation on or after the effective date of the bill and is:

- a new data center with a peak load greater than 30 megawatts;
- multiple new data centers with a collective peak load greater than 60 megawatts;
- an existing data center that adds a peak load greater than 30 megawatts; or
- multiple existing data centers that add a collective peak load greater than 60 megawatts.

Utility Services

No later than June 30, 2030, the bill requires the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA), in consultation with the Colorado Energy Office (CEO) and the Air Pollution Control Division (APCD) in the Department of Public Health and

Environment (CDPHE), to determine whether 100 percent hourly renewable energy-matching by large-load data centers is technically and economically feasible. If not feasible, the PUC, in consultation with the CEO and the APCD, and with public input, is required to determine the highest percentage of hourly matching that is technically and economically feasible. This percentage must be updated every three years.

Beginning January 1, 2031, large-load data center operators must:

- generate, purchase, or otherwise acquire a quantity of electricity generated from renewable resources necessary to meet 100 percent of its annual electricity consumption;
- generate, purchase, or otherwise acquire a quantity of electricity and associated renewable energy credits generated from renewable resources to achieve the hourly matching percentage set by the PUC;
- ensure that the large-load data center complies with the hourly matching requirement in effect when entering into, renewing, or materially amending a power purchase agreement, renewable energy contract, or PUC-approved clean energy tariff; and
- implement water-efficient technology as determined by a local jurisdiction.

A large-load data center may rely on on-site, combustion-based backup generation after testing non-combustion backup alternatives. Use of such generators are limited to emergencies, testing, and maintenance. If powered by fuel oil, the generator must meet U.S. Environmental Protection Agency's (EPA) Tier 4 final emissions standards for stationary compression-ignition engines in effect. Gas-powered combustion generators are required to meet EPA emissions standards for stationary combustion turbines in effect and employ the best available methane leak detection and repair practices.

Utility Contracts

Operators of large-load data centers that enter into contracts with utilities of at least 15 years are required to pay for all of the utilities' costs to supply electricity to the large-load data center and maintain grid reliability, plus the costs of renewable resource electricity curtailments and reserve requirements to maintain grid service, stability, and reliability due to the stress on the electrical system caused by the large-load data center.

Large-load data center operators are also required to contribute to demand-side management programs based on the center's total annual electricity consumption and the cost-recovery mechanisms to fund the demand-side management programs. Utilities are prohibited from interconnecting or supplying electricity to a large-load data center without upfront payment or a contract of at least 15 years that require these payments.

By January 1, 2031, a utility is prohibited from interconnecting or supplying electricity to a large-load data center without verifying that the center is in compliance with the hourly matching requirement. The utility is also prohibited from offering economic development rates to large-load data centers. A utility is required to develop and offer at least one or more demand response programs, or flexible connection tariffs or other tariffs to encourage operators to reduce their power demand during peak periods. A utility should not supply electricity to a large-load data center if it will affect the utility's ability to provide reliable electric service to existing customers, or will negatively affect its ability to meet its clean energy and emission reduction targets.

Reporting

By June 30, 2028, large-load data center operators must begin reporting on their annual electricity and water consumption to the CDPHE, including electricity supply disaggregated by source, power-usage effectiveness, and water-usage effectiveness. The CDPHE is required to compile the information and provide an annual report to the General Assembly.

PUC regulated utilities that serve one or more large-load data centers are required to describe their efforts to comply with the provisions of the bill in their annual energy efficiency and electrification reports to the PUC. They are also required to provide monthly reports to the PUC on the number and capacity of new large-load data center interconnection requests made and the outcome/status of these requests.

Model Local Codes

By June 30, 2027, the bill requires the Department of Local Affairs (DOLA) to publish model codes for the development of large-load data centers. The model codes must consider at a minimum, best practices for:

- updating local zoning laws;
- avoiding and mitigating potential new impacts to residents;
- updating public engagement processes related to large-load data center development;
- establishing water and land use policy mechanisms and development review processes;
- requiring large-load data center developers or operators to prove to a local government in its development permit application how it will fit within local government planning and laws; and
- implementing reporting requirements to local governments and impacted communities related to on-site fossil fuel generation.

To develop the model codes, the bill requires the DOLA to conduct a robust stakeholder and engagement process with state agencies, advocacy organizations, operators, developers, utilities, interested communities, and tribal governments. See the bill for a full list of engagement partners.

A local government is not limited by the bill from regulating land use related to large-load data centers except that a local government cannot allow large-load data centers to be zoned as a use by right.

Disproportionately Impacted Communities

If the siting of a large-load data center is proposed in a disproportionately impacted community, the large-load data center developer or operator is required to undergo a cumulative impacts analysis by a third-party contractor selected by the CDPHE and with costs paid by the developer or operator. If the analysis determines that the proposed large-load data center will have a negative impact on the disproportionately impacted community, the applicable local government is required to consider if mitigation strategies are sufficient to avoid the negative impact.

Prior to applying for a development permit, the large-load data center developer or operator is required to host public hearings or comment periods, provide outreach materials, and enter into a legally binding and publicly disclosed community benefit agreement with the disproportionately impacted community.

Labor Standards

The bill requires large-load data center operators to provide prevailing wages, participate in an apprenticeship program and a safety class offered by the Federal Occupational Safety and Health Administration, and comply with a workplace safety plan. The operator cannot have a documented pattern of wage theft or misclassification of employees.

Background

Colorado currently has approximately 57 data centers of varying peak loads, with the majority located along the Front Range. The City of Denver has issued a moratorium on new data centers while it considers regulations around land, energy, and water use, as well as zoning and affordability for utility ratepayers. For more information on this topic, see this Legislative Council Staff memo on [Data Center Impacts on the Environment, Public Health, and Energy Costs](#).

State Revenue

The bill increases state cash fund revenue to the Fixed Utility Fund (FUF) by about \$86,000 in FY 2026-27, \$401,000 in FY 2027-28, and \$386,000 in FY 2028-29 and ongoing. Administrative costs incurred by the PUC are paid from the FUF, which receives an annual assessment on the state's regulated utilities. Whenever additional expenses are incurred against the fund, the assessment must be raised to increase revenue to cover these expenses. This revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures by about \$0.7 million in FY 2026-27 and about \$1.3 million in FY 2027-28 and future years. These costs are incurred in the Department of Public Health and Environment, the PUC in the Department of Regulatory Agencies, the Department of Local Affairs, and the Colorado Energy Office, as shown in Table 2 and described in the sections below. Costs are paid from the General Fund for all agencies, except that PUC costs are paid from the Fixed Utility Fund. The bill also minimally increases workload in the Department of Natural Resources.

Table 2
State Expenditures
All Departments

Department	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Public Health and Environment	\$110,888	\$803,282	\$788,776
Public Utilities Commission	\$86,304	\$400,810	\$385,550
Local Affairs	\$495,698	\$108,268	\$107,022
Colorado Energy Office	\$0	\$0	\$20,771
Total Costs	\$692,890	\$1,312,360	\$1,302,119

Department of Public Health and Environment

The bill increases expenditures in the Department of Public Health and Environment by approximately \$111,000 in FY 2026-27, \$803,000 in FY 2027-28, and \$789,000 in FY 2028-29 and ongoing. Costs are paid from the General Fund.

Staff

CDPHE requires staff in the Water Quality Control Division, the APCD, and the Office of Environmental Justice to implement the bill. Initially, 1.0 FTE Environmental Protection Specialist will begin mid-year FY 2026-27 to coordinate with DOLA on the development of model codes. In

FY 2027-28, an additional 5.1 FTE is required, including 0.3 FTE Physical Sciences Researcher, 1.0 FTE Project Manager, 0.5 FTE Contract Administrator, 0.3 Geographic Information Systems Specialist, and 3.0 FTE Environmental Protection Specialists. This staff will develop reporting requirements for large-load data centers and work with the PUC and CEO in developing the hourly matching percentage. Staff will also develop the requirements for cumulative impacts analysis and create a list of eligible vendors which will require an RFQ process and the establishment of standard operating procedures for maintaining and updating the list in future years. Finally, staff will conduct environmental analysis, provide subject matter expertise, create and maintain a database to collect and share data, and compile reports from large-load data centers. On an ongoing basis, staff reduces to 4.8 FTE.

Legal Services

CDPHE requires legal services to implement the bill estimated at 300 hours in FY 2026-27 (0.2 FTE) and 660 hours per year beginning in FY 2027-28 (0.4 FTE). The Department of Law will support the stakeholder processes required under the bill as well as the promulgation of rules for reporting requirements, the cumulative impacts analysis, and community benefit agreements.

Database Costs

The bill requires the development of a shared database, which is estimated to require \$45,000 in development costs in FY 2027-28 only.

Table 2A
State Expenditures
Department of Public Health and Environment

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Personal Services	\$49,823	\$504,489	\$481,862
Operating Expenses	\$640	\$6,528	\$6,144
Capital Outlay Costs	\$7,000	\$35,000	\$7,000
Legal Services	\$41,541	\$91,390	\$91,390
Database Costs	\$0	\$45,000	\$0
Centrally Appropriated Costs	\$11,884	\$120,875	\$202,380
FTE – Personal Services	0.5 FTE	5.1 FTE	4.8 FTE
FTE – Legal Services	0.2 FTE	0.4 FTE	0.4 FTE
Total Costs	\$110,888	\$803,282	\$788,776
Total FTE	0.7 FTE	5.5 FTE	5.2 FTE

Public Utilities Commission

The bill increases expenditures for the Public Utilities Commission in the Department of Regulatory Agencies by approximately \$86,000 in FY 2026-27, \$401,000 in FY 2027-28, and \$386,000 in FY 2028-29 and ongoing. These costs will be paid from the Fixed Utility Fund.

Staff

The PUC requires 1.0 FTE Rate/Financial Analyst, 1.0 FTE Professional Engineer, and 0.5 FTE Administrative Law Judge (ALJ) to implement the bill, with the Rate/Financial Analyst beginning mid-year in FY 2026-27, and the remaining staff starting in FY 2027-28. The analyst will perform the hourly matching analysis on an ongoing basis, and review utility compliance with the bill. The engineer will review utility compliance and review reports. The ALJ will preside over cases regarding determinations and applications for data center approvals, agreements, and tariffs.

Table 2B
State Expenditures
Public Utilities Commission

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Personal Services	\$59,785	\$292,314	\$292,314
Operating Expenses	\$640	\$3,200	\$3,200
Capital Outlay Costs	\$7,000	\$14,000	\$0
Centrally Appropriated Costs	\$18,879	\$91,296	\$90,036
Total Costs	\$86,304	\$400,810	\$385,550
Total FTE	0.5 FTE	2.5 FTE	2.5 FTE

Department of Local Affairs

The bill increases expenditures in the Department of Local Affairs by about \$496,000 in FY 2026-27, and about \$110,000 each year thereafter through FY 2029-30. These expenditures will be paid from the General Fund.

Staff

In FY 2026-27, DOLA requires 1.0 FTE Community and Economic Development Specialist to support the stakeholder engagement required develop the model codes for local governments, and provide technical assistance to local governments. The specialist will collect information from communities and stakeholders, evaluate and update the model codes, and provide training to local governments.

Consultant and Other Costs

Additionally, DOLA will hire a consultant team to complete the first model codes by the June 30, 2027, deadline, estimated at a cost of \$400,000, with actual costs determined through the procurement process. Additional operating funds will support continuing stakeholder engagement and technical assistance for local governments.

Table 2C
State Expenditures
Department of Local Affairs

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Personal Services	\$64,733	\$80,916	\$80,916
Operating Expenses	\$1,024	\$1,280	\$1,280
Capital Outlay Costs	\$7,000	\$0	\$0
Consultant and Other Costs	\$405,320	\$4,046	\$2,800
Centrally Appropriated Costs	\$17,621	\$22,026	\$22,026
Total Costs	\$495,698	\$108,268	\$107,022
Total FTE	0.8 FTE	1.0 FTE	1.0 FTE

Colorado Energy Office

In FY 2028-29 only, the Colorado Energy Office requires 150 hours of legal services (0.1 FTE) from the Department of Law to represent the office in its intervening in the PUC hearing to determine whether 100 percent hourly matching is technically and economically feasible. The CEO will also participate in the development of model codes during FY 2026-27, but this can be accomplished within existing appropriations.

Other Agency Impacts

The Department of Natural Resources will have an increase in workload to consult with DOLA's stakeholder engagement process for developing model codes in FY 2026-27 and every five years thereafter. This additional workload is expected to be accomplished with in existing appropriations.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in the expenditure tables above.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by \$86,304 in FY 2026-27 and \$400,810 in FY 2027-28. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2026-27, FY 2027-28, and any future years when the state is over its revenue limit.

Local Government

This bill may impact local governments in several ways. In the short-term, local governments may have increased workload to the extent they participate in the development of model codes by DOLA in FY 2026-27, and to adopt subsequent code amendments. On an ongoing basis, when a data center development is proposed in a community, local governments will have increased workload to review applications for code compliance and environmental impacts, coordinate with the CDPHE regarding disproportionately impacted community findings, make determinations regarding optimal water management, and participate in public meetings as required.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2026-27, the bill requires the following appropriations:

- \$99,004 from the General Fund to the Department of Public Health and Environment and 0.5 FTE, of which \$41,541 is reappropriated to the Department of Law with an additional 0.2 FTE;
- \$67,425 from the Fixed Utility Fund to the Public Utilities Commission in the Department of Regulatory Agencies and 0.5 FTE; and
- \$478,077 from the General Fund to the Department of Local Affairs, and 0.8 FTE.

State and Local Government Contacts

Colorado Energy Office

Counties

Law

Local Affairs

Military Affairs

Municipal Utilities

Municipalities

Natural Resources

Personnel

Public Health and Environment

Regulatory Agencies