POLICY BRIEF

Clouds, Cables, and Megawatts

States and Localities Grapple with the Data Center Boom

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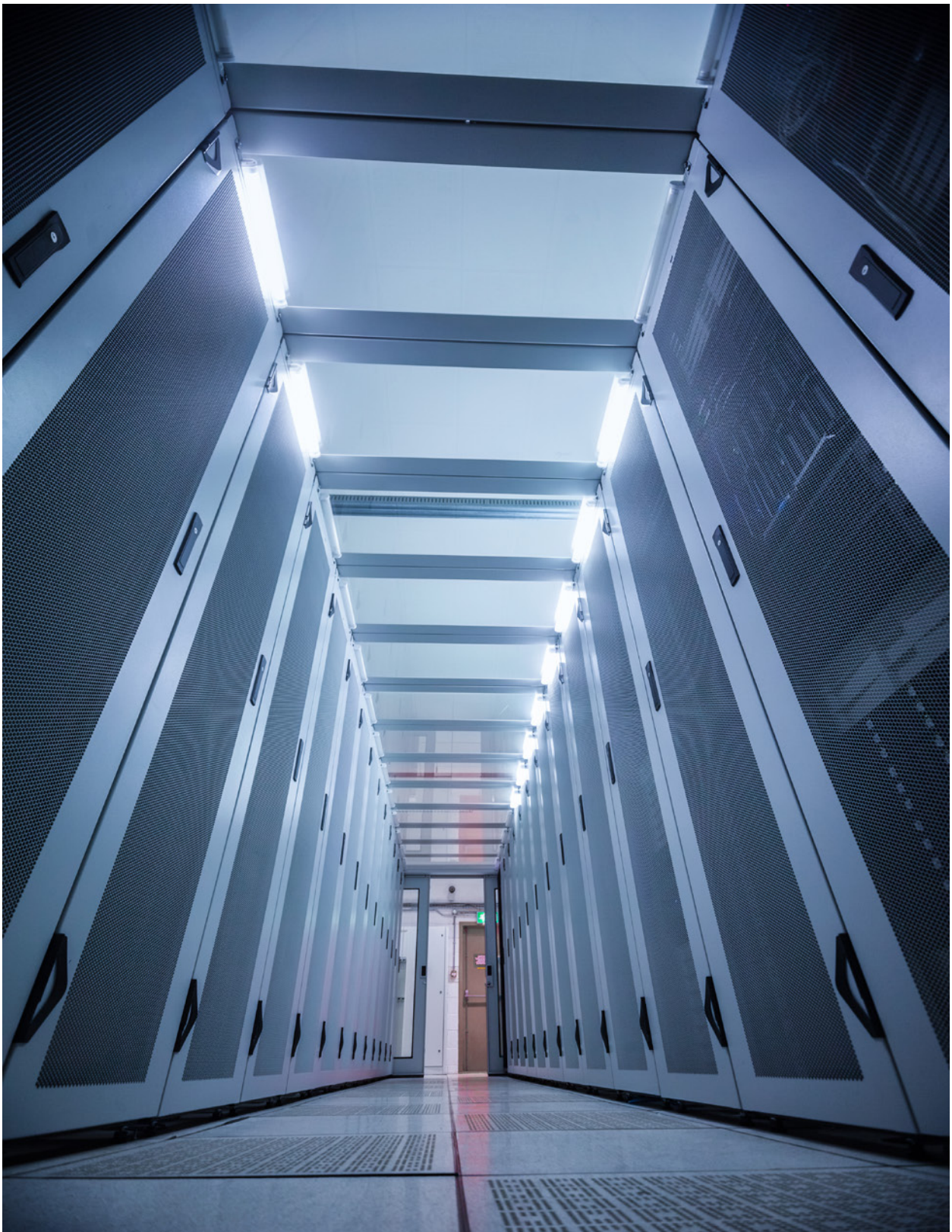

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Cloud, Cables, and Megawatts

The growth of generative artificial intelligence (AI), cryptocurrency, and cloud-based storage has increased demand for data centers and has intensified debates around how state and local governments should respond to and regulate such facilities.[1] Data centers are the backbone of the internet. They are large facilities that hold the infrastructure needed to run computers and networks, including servers and data storage systems.[2]

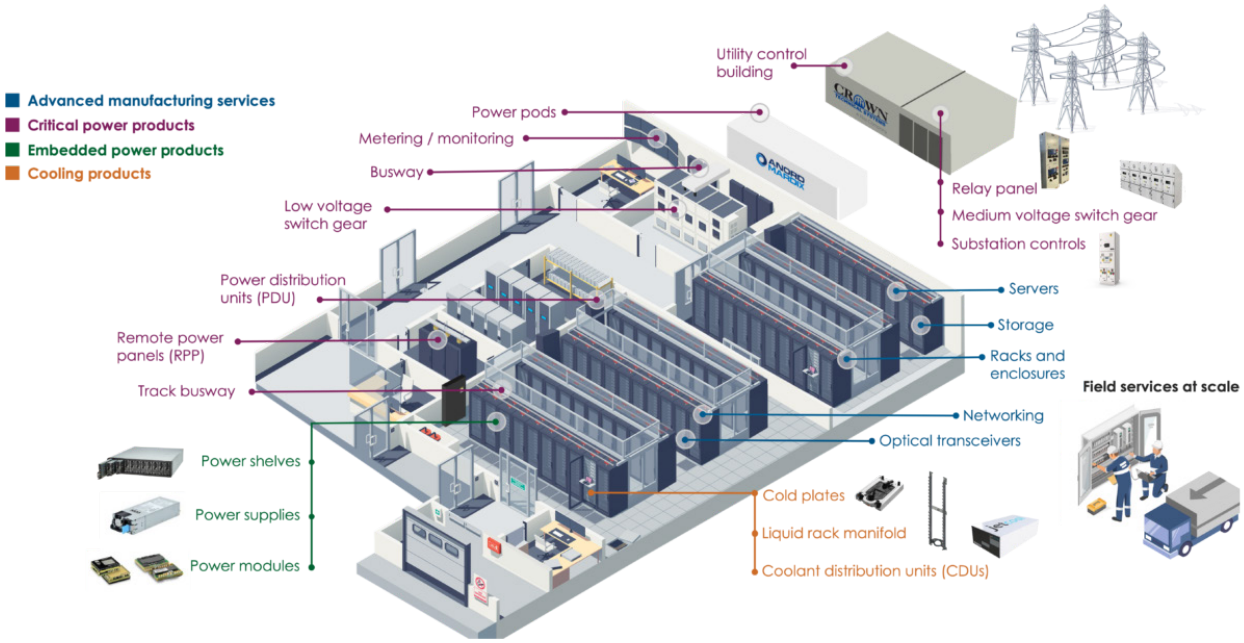
Proponents of data centers have claimed that they support economic growth, job creation, and the expansion of tax bases. Others, however, have disputed those claims and raised concerns about data centers' substantial energy and water demands, sound pollution, increased strain on electric grids, and rising utility costs for residential ratepayers. This policy brief explains the recent drastic increase in data center demand, examines how federal, state, and local governments are attempting to balance these competing priorities, and explores recent developments in New York State.

The Growth and Definition of Data Centers

Large-scale computing facilities date to the 1940s, when individual computers were both very expensive and so large that a single machine filled an entire room. Technological advancements, including transistors in the 1940s-50s and microcomputers first developed in the 1970s-80s, dramatically reduced the hardware size.[3, 4] Due to these technological advancements, computers became more accessible, leading to widespread adoption and use of personal computers (PC). PC adoption and the development of the internet led to a demand for further server storage to centralize data storage and management. During this time period, the term 'data center' came into widespread use as such centralized server storage came to occupy larger facilities, replacing the earlier terms 'computer room' or 'server room.'[5]

Modern data centers contain powerful computing equipment that powers the internet and other tools like generative artificial intelligence (AI). Data centers contain rows of server racks, which hold the "brains" of the operation: computer processing units (CPUs) for general tasks and graphics processing units (GPUs) for the complex math required by generative AI.[6] These servers are connected by a web of high-speed fiber optic cables and switches that move data in and out of the building. To keep this equipment running all day, every day, data centers use massive Uninterruptible Power Supplies (UPS) and backup generators to prevent crashes during power outages.[7] Because servers generate intense heat, the facility must be constantly chilled. Traditional systems use Computer Room Air Conditioning units to circulate cold air through "hot and cold aisles,"[8] while newer, higher-energy use AI data centers often use liquid cooling, where chilled fluid is piped directly to the chips or the entire server is submerged in a cooling bath to prevent the hardware from overheating and even melting.[9] Although liquid cooling systems are much more energy efficient, both types of cooling systems are very energy and resource-intensive.[10]

FIGURE 1 | Data Center Diagram



SOURCE: Christopher Butler and Rob Campbell, "Unlocking data center growth through the convergence of power and compute," Flex Industries, July 15, 2025, https://flex.com/resources/unlocking-data-center-growth-through-the-convergence-of-power-and-compute.

Cryptocurrency facilities are similar to data centers in the equipment they contain. Both are large facilities filled with server racks, have massive electrical infrastructure, and cooling systems.[11] Unlike data centers, however, the primary function of cryptocurrency computing facilities is to mine digital assets like Bitcoin. This process completes and validates blockchain transactions (acting as a digital bookkeeper to verify that a payment is legitimate and record it permanently in a public ledger).[12] Figure 1 is a diagram of the internal components of a data center.

Data centers have multiple functions. They serve as large-scale repositories for digital information, provide the computational power necessary to process and analyze data, and host networking infrastructure that connects servers, devices, and users. They are also essential for security and compliance by safeguarding sensitive data from unauthorized access. Lastly, they act as a backup or a replication resource for data.[13]

As the applications and use of generative AI, cryptocurrency, and cloud-based storage has grown in the last 5 to 10 years, especially in the past two years with the growth of generative AI, so too has industry demand increased for data centers to support this growth.

Generative AI

Generative AI refers to platforms like ChatGPT, Claude, Gemini, and other large language models (LLMs) or image generation models that can produce new text, images, audio, code, or other content by learning patterns from large datasets.[14] Most modern generative AI systems are built on large neural network architectures that are trained on billions or even trillions of data points.[15] Training these models requires enormous computational resources and often relies on specialized hardware like GPUs. Even after these models complete training, the running of these models for millions of individual users requires huge amounts of computing power, memory, network bandwidth, and data storage.[16]

As generative AI has expanded rapidly in recent years across many industries, including finance, healthcare, and education, demand for data center infrastructure capacity has drastically increased both nationwide and globally. In August 2024, researchers associated with the Federal Reserve Bank found that 39.4 percent of the US adult population aged 18-64 reported using generative AI.[17] The same study found that over a quarter of employed adults use these tools at work, and almost 10 percent of workers use them daily.[18] Additionally, the same study found that generative AI has been more quickly adopted compared to previous technologies like personal computers and the internet.[19] Some estimates project that generative AI is growing 40 percent a year, and the industry will be worth $1 trillion by 2032.[20] It is also worth noting that many leading generative AI companies are currently not profitable, and some economists and investors have expressed skepticism and raised questions about whether current valuations of the industry reflect a speculative bubble rather than near-term profitability.[21]

When Do We Connect to a Data Center?

When a person accesses a website, checks their email, or makes any other web request, a high-speed, multistage process begins to connect the individual's local device (be it a smartphone, computer, or something else) to a data center. For example, if you try to access a website, the device you are using first needs to find the "physical address" of the server where that website lives. The internet browser sends a message to a Domain Name System (DNS) server, which acts as the internet's phonebook. The DNS server then sends back an IP address (a string of numbers), which tells your device exactly which data center to contact to.[22]

Once the address of the data center is known, your request is broken into tiny pieces of binary code (a series of 0s and 1s) called packets. These packets travel from your router to your internet service provider, then through a massive underground and undersea network of fiber-optic cables. Along the way, devices called routers act like traffic police, directing your packets along the fastest possible path to the specific data center that houses the data or website you want to access.[23]

When the packets arrive at the data center, they go through several layers of processing. First, a high-speed switch directs the packets to the correct "aisle" and "rack" where the specific server is located. Then, the server receives the packets, reassembles them, and interprets your request. The server fetches a stored file (like a webpage or your email).[24] When a person is using a generative AI tool, the server sends the request to a GPU, which uses complex math to generate a response in real time.[25] The server then bundles the requested information into new packets and sends them back through the same global network. Your browser receives these packets and reassembles them into the website, video, or AI response you see on your screen. Although this is a complex process, it happens extremely quickly, usually less than 100 milliseconds, or faster than the blink of an eye.[26]

Data Center Landscape and Types

As of 2025, industry experts have estimated that there are nearly 12,000 data centers worldwide.[27] The United States has the most reported data centers by an order of magnitude, with over 5,400, followed by Germany, the United Kingdom, and China, each with about 450–530 facilities, depending on classification methods.[28] Since there are no standard definitions of data center inventories, counts vary considerably.

Data centers vary by function. Data centers with GPUs are used in generative AI and process large amounts of data, and can power LLMs, used for generation, summarization, translation, classification, and as chatbots.[29, 30] Other data centers are high-security data facilities for military and intelligence gathering. As one might presume, in these data centers, processors need to be fast and extremely secure. A third category includes edge data centers, or often times smaller, decentralized facilities located close to where the data is generated to reduce latency, which is the delay in data transmission from the source to the destination.[31] Edge data centers are often smaller, but they can range in size and configuration. They are a distinct category because of their design of processing the data close to where it is generated.[32]

Data centers also vary by size, with some micro data centers that have 10 or fewer server racks and are usually less than 5,000 square feet.[33] Average enterprise data centers typically house between 2,000 and 5,000 servers and range from 20,000 square feet to 100,000 square feet. Enterprise facilities are data centers that are owned and operated by a single entity, while hyperscale data centers are buildings that have at least 5,000 servers and are at least 100,000 square feet.[34]

TABLE 1 | Data Center Size Categories

Category	Typical Size (Square Feet)	Server Count	Primary Purpose and Details
Micro	Less than 5,000	Less than 10	Small and often for local usage
Edge	Varies	Small Clusters	Located close to users to reduce latency
Enterprise	20,000-100,000	2,000-5,000	Owned and operated by a single company for their own data
Hyperscale	At least 100,000	At least 5,000	Massive facilities often times used to support cloud providers and generative AI

The first hyperscale data center was built in The Dalles, Oregon, by Google in 2006 and spans 1.3 million square feet, employing 200 data center operators.[35] Industry experts predict that with increased data center demands, more hyperscale data centers will shift the average size of US data centers from 40 megawatts (MW) of energy usage in 2025 to 60 MW by 2028.[36] Generative AI and other advanced artificial systems are accelerating the construction of hyperscale data centers because of their extraordinary computing demands. Hyperscale facilities provide electrical infrastructure, advanced liquid cooling systems, and bandwidth necessary to support large amounts of GPUs. As generative AI adoption continues to expand and grow, companies are increasingly investing in larger centralized hyperscale facilities, instead of smaller facilities.[37, 38]

Geographic Concentration

Data centers are unevenly distributed across the United States. Virginia has significantly more than any other state.[39] Northern Virginia, in particular, has become a global hub for data center infrastructure.[40] Industry estimates state that there are nearly 400 data centers in operation, with 124 more under construction and 509 more announced in Northern Virginia alone.[41] Some experts estimate that the data centers in this region process 70 percent of global online traffic.[42]

According to Data Center Map, an industry research tool aimed at creating a global data center directory and mapping data centers worldwide, there are 134 data centers in New York State.[43] Over 50 of these data centers are concentrated near New York City, followed by 28 data centers in Buffalo, and 11 data centers across both the Albany and Long Island markets. Table 2 shows the number of data centers in each state as of February 2026.[44]

TABLE 2 | Data Center Counts per State

State	Data Center Count	State	Data Center Count
Virginia	570	Utah	42
Texas	407	Maryland	39
California	288	Kentucky	37
Illinois	210	Oklahoma	37
Georgia	207	Nebraska	36
Ohio	195	Montana	25
Arizona	162	Alabama	24
New York	134	North Dakota	23
Oregon	123	Louisiana	22
Pennsylvania	109	Kansas	21
Washington	108	New Mexico	21
Florida	107	Wyoming	21
Iowa	95	Delaware	18
North Carolina	94	Idaho	17
Indiana	88	Arkansas	11
Minnesota	74	Mississippi	11
Missouri	72	New Hampshire	10
Michigan	70	Hawaii	9
New Jersey	69	Maine	8
Nevada	68	West Virginia	8
Tennessee	61	Alaska	7
Colorado	57	Rhode Island	7
Connecticut	52	South Dakota	7
Wisconsin	51	District of Columbia	6
Massachusetts	46	Vermont	3
South Carolina	42		

Economic Growth Potential

Nationally, the Bureau of Labor Statistics estimates employment in data centers grew more than 60 percent from 2016 to 2023, with over 500,000 employees across the country. Employment remains unevenly concentrated across the country, with 40 percent of permanent operational employees in California, Texas, Florida, New York, and Georgia.[45] Data center critics note that these employment opportunities are, however, usually from the initial construction phase and not ongoing employment from operating the data center.[46]

Proponents of data centers argue that they create jobs and increase local tax bases. Virginia is a critical case study to examine this impact because it houses the world's largest concentration of data centers, though that also means it may not always reflect the experiences of more typical cases with less concentration. According to the Northern Virginia Technology Council, in Virginia, nearly 80,000 jobs (78,140) were supported by data centers in 2023.[47] This data point includes direct, indirect,

and induced employment across construction, operation, and supply chains. More specifically, 17,900 of these positions in Virginia were attributed to direct operational jobs, and approximately 36,700 were construction jobs: the remainder were indirect positions supported by the data center industry. This means that about one-third (32.7 percent) of the direct jobs created were permanent positions, or roughly 22 percent of the total jobs created. During the construction phase, a typical data center employs 1,500 construction workers.[48] Data center construction accounts for 10 percent of construction jobs in Virginia and 22 percent in Northern Virginia.[49] Operational employment, however, as reflected in the statistics for Virginia above, is far smaller than construction employment. This "employment cliff" is a primary point of contention for local critics who argue that most of the job creation is temporary. Research from multiple studies published between 2019 and 2024 supports this argument, finding that a fraction of operational jobs remain after the construction phase of a data center.[50] On the low end, studies found that for every one permanent operational role, 12 temporary construction jobs were supported, and on the higher end for every one operational role, 30 construction jobs were supported with a data center project.[51]

Ohio has also emerged as an alternative to Northern Virginia and has branded itself as the "Silicon Heartland" following massive investments from technology companies including Meta, Amazon Web Services (AWS), and Google.[52, 53] A 2025 report from the Ohio Chamber of Commerce shows that data centers support 95,000 total jobs (combined construction, operations, and supply chain) across the state and have generated a net fiscal benefit of $2.7 billion in 2024.[54] Much of this economic activity remains concentrated in "tech corridors" like New Albany in Licking County near Columbus, where the rapid influx of construction projects has led to local concerns regarding land use and the long-term sustainability of the workforce once initial builds are complete.[55, 56] While we primarily discuss Virginia and Ohio, every state must navigate these tensions and competing interests.

Tax Revenue and Incentives

Local and state governments may benefit from substantial property and equipment tax revenue from data centers. According to Governor Youngkin, in Loudoun County, Virginia, during the 2023 fiscal year, data centers generated an estimated $24 billion in capital investment and $733 million in tax revenue.[57] In DeKalb, Illinois, the Meta data center paid $31.5 million in local taxes.[58] At the same time, data centers frequently receive tax exemptions and incentives.

Some states have offered significant financial incentives for data centers. According to a 2023 Virginia Joint Legislative Audit and Review Commission study, Virginia data centers were exempt from paying nearly $1 billion of sales tax.[59] Additionally, Mississippi provided an Amazon data center with nearly $300 million in workforce training and infrastructure upgrades.[60] The state is also providing 10 years of state income and franchise tax exemptions, and a sale and use tax exemption on construction materials, equipment, and software and hardware replacements for the Compass data center for a $10 billion, 500 MW campus in Meridian. Additionally, in fiscal year 2025, Texas spent a reported $1 billion subsidizing data centers.[61]

Despite these significant tax breaks, specific details on which companies have received incentives are not always or even often clear. The advocacy group Good Jobs First, which works for greater transparency in economic development incentives, published a report in late 2025 detailing that 36 states have economic development subsidies specifically for data centers, but only 11 of those states disclose which companies receive these subsidies.[62]

Other states have taken similar approaches. In July 2025, Kansas started a sales tax exemption for data centers. This sales tax exemption includes construction and equipment costs, if new facilities invest at least $250 million in the state and create at least 20 jobs within two years of opening.[63] Additionally, in 2025, Louisiana updated laws to classify data centers as serving an "industrial purpose," which made them eligible to participate in certain cooperative arrangements between private companies and local governments.[64] This classification opens the door for data centers to access the same tax incentives and financing tools traditionally used to attract manufacturing plants, lowering their overall tax burden and development. And, beginning in 2027, Iowa created a property tax exemption for data centers.[65]

Still, other states have begun to rethink their tax subsidies for data centers. In 2025, Iowa modified its incentive structure by limiting sales tax exemptions for new data centers to a 10- or 15-year period rather than allowing them to continue indefinitely.[66] Additionally, in 2025, Minnesota reduced its data center tax incentives by eliminating the state sales tax exemption on electricity, while continuing to exempt computer equipment purchases.[67]

Currently, New York provides a sales and use tax exemption for equipment used by data centers. Under NY Tax Law § 1115(a)(37), tangible personal property purchased for use in a data center is exempt from state sales tax.[68] This equipment includes servers, storage, cooling systems, and power equipment. Additionally, other services such as the installation, maintenance, and repair of this equipment are exempt under NY Tax Law § 1115(y).[69] Local Industrial Development Agencies (IDAs) have historically granted property tax abatement and mortgage recording tax exemptions for large-scale data center builds.[70]

Energy and Water Concerns

Data centers are among the most energy-intensive commercial facilities. According to a report by Goldman Sachs, individual searches with ChatGPT use nearly 10 times as much electricity as a traditional Google search (used without AI overview).[71] Micro data centers are rated between 100–150kW and use between 876,000 and 1,314,000 units (kilowatt hours (kWh)) per year,[72] meaning that micro data centers use the equivalent of roughly 80-120 average American households annually.[73, 74, 75] Average enterprise data centers are typically rated 5-10 MWs, meaning they use between 43,800 megawatt hours (MWh) per year or the equivalent of the annual energy consumption of 4,000 to 8,000 homes. Hyperscale data centers are rated for 100MW, meaning they use about 876 million kWh per year, the equivalent of the average electricity consumption of 81,000 homes.[76] Experts estimate that in 2023, data centers used about 4.4 percent of

total U.S. electricity consumption and that this could increase to between 6.7 and 12 percent of total US electricity consumption by 2028.

TABLE 3 | Energy Equivalents (Using EIA Household Average = 10,791 kWh/year)

Data Center Size	Power Rating	Annual Energy Use	Household Equivalent
Micro	100–150 kW	0.88–1.31 million kWh	80–120 homes
Average Enterprise	5–10 MW	43.8–87.6 million kWh	4,000–8,000 homes
Hyperscale	100 MW	876 million kWh	~81,000 homes

NOTE: Energy Equivalents Using EIA Household Average = 10,791 kWh/year.

SOURCE: "Frequently Asked Questions (FAQs)," US Energy Information Administration, accessed May 5, 2026, https://www.eia.gov/tools/faqs/faq.php?id=97&t=3.

Water consumption presents an additional challenge. Data centers use fresh water as part of their cooling infrastructure. Data centers need cooling infrastructure to prevent damage to computing chips and to cool servers to prevent overheating. An average enterprise data center can use 300,000 gallons of water a day, which is about the same amount as 1,000 households.[77] Hyperscale data centers can be more than a million square feet, equivalent to more than 17 football fields, and can use an estimated 5 million gallons of water per day, which is the same amount of water as a town with a population of 10,000 to 50,000 people.[78] Data center cooling infrastructure requires that freshwater is used, and in some areas, data centers consume up to 57 percent of cooling water from potable sources.[79] Freshwater means non-salt water that could be sourced from rivers, lakes, or groundwater and may be raw or untreated, whereas potable water means treated drinking water. Only three percent of the world's water is freshwater.[80] Researchers have found that 20 percent of data centers in the country are located within watersheds that are under moderate to high stress from drought and other factors.[81] Data centers can worsen drought conditions.

Other industrial users are also very water-intensive compared to data centers. Thermoelectric power plants (fossil fuel, nuclear, and geothermal) use the largest shares of United States water withdrawals, about 41 percent of total withdrawals nationwide. A single large power plant can withdraw millions or even billions of gallons per day, but much of this water is not consumed because it is returned to the source.[82] Data centers primarily consume water through evaporation in the cooling systems.[83] It is also important to note that semiconductor manufacturing, which produces CPUs and GPUs used in data centers, is incredibly water-intensive. Semiconductor manufacturing requires 'ultrapure' water, which is treated with deionization and reverse osmosis to remove pollutants, minerals, and other impurities that can damage the processing chips. An average semiconductor manufacturing facility can use 10 million gallons of ultrapure water daily—the equivalent of 33,000 US households.[84]

Experts estimate that in 2023, data centers used about 4.4 percent of total U.S. electricity consumption and that this could increase to between 6.7 and 12 percent of total US electricity consumption by 2028.

In Newton County, Georgia, residents have spoken out about water issues after Meta began construction on a $750 million data center. This center uses 10 percent of the county's total water use.[85] One family who lives 1,000 feet away from the new data center and whose home relies on well water has had constant water pressure issues with no water coming out of the kitchen or bathroom sinks.[86] They eventually found that the issue was related to a sediment buildup in the water, suspecting that the data center construction was causing these issues, and after replacing all their appliances, the family found that they would have to replace the well. This is not an isolated situation for just one family; Newton County is projected to be water-deficient by 2030, and if the local water authority cannot upgrade its facility, residents could be forced to ration water.[87] Water-deficient is a term referring to when the demand for water consistently exceeds the available supply. Additionally, because of this large demand, water rates are set to increase 33 percent during the next two years, a drastic increase from the typical 2 percent annual increases.[88]

Noise Pollution

Researchers have found that data centers create noise pollution from cooling towers, air handling units, air-cooled chillers, indoor servers, diesel generators, and heating, ventilation, and air conditioning (HVAC) systems.[89] Internal noise levels within data centers can reach 96 decibels (dBA), which is above the 85 dBA threshold that is harmful for hearing.[90] The Occupational Safety and Health Administration (OSHA) requires a hearing conservation program when noise exposures equal or exceed 85 dBA as an eight-hour time-weighted average.[91] Natural gas generators are an option to reduce noise pollution as they typically produce between 50 and 100 dBA. Peer-reviewed research quantifying external noise impacts directly from data centers on surrounding communities is limited; much of the available evidence is anecdotal and based on resident and journalist accounts.[92] Residents who live near data centers claim that there is a constant buzzing or humming noise, and this sound also impacts wildlife.[93] One northern Virginia resident, who lives within a mile radius of 14 data centers, said that she faces daily diesel smells, and the constant buzzing makes it difficult for her to enjoy her own backyard. She described the noise as a constant hum that she can feel behind her eyes.[94]

Air Pollution

Fossil-fueled power plants and diesel backup generators release hazardous air pollutants. Researchers found that training a single large AI model can produce the same amount of air pollutants as 10,000 round trips by car between Los Angeles and New York City.[95] Exposure to these air pollutants is extremely harmful for human health, including increasing rates of respiratory diseases, cardiovascular conditions, and increased cancer risks. Researchers estimate that backup generators from data centers in Virginia could already be contributing to 14,000 asthma cases and other health outcomes.[96] The same study found that US data centers in 2030 could contribute to nearly 1,300 premature deaths annually.[97] Researchers have also noted that these public health impacts of data centers are not equally dispersed, and the counties with

the highest per-household public health costs of data centers have median household incomes below the national median, meaning that low-income households bear a disproportionate burden of public health risks.[98]

Utility Price Concerns

The rapid growth of data centers has created significant concerns about utility price increases for residential customers across multiple states. A key challenge in evaluating utility price impacts is isolating a specific contribution of data centers to rate increases is difficult, as utilities often cite multiple contributing factors, including inflation, tariffs, increasing fuel costs, infrastructure upgrades, and general load growth, along with the increased demands from data centers.[99, 100] Despite these challenges, through the use of detailed cost-of-service studies and disaggregated reporting requirements, it is possible for regulators to distinguish the specific costs attributable to large-load customers like data centers.[101]

According to the US Energy Information Administration, from October 2024 to October 2025, residential utility bills increased 6 percent on average nationwide.[102,103] States with large numbers of data centers saw increased demand. Virginia, again, the state with the most data centers, saw an electricity rate increase of 13 percent.[104] The Virginia Joint Legislative Audit and Review Commission projects that increased energy demands because of data centers will drive up residential electricity bills by $33 per month by 2040.[105] Residents who live near northern Virginia, closest to the large concentration of data centers, have seen massive increases, as have those in neighboring states like Maryland. Nicole Pastore, an 18-year resident of Baltimore, interviewed by *Bloomberg News*, stated that her utility bills have increased 50 percent during the past year.[106] Organizations like the Maryland Office of People's Counsel, which is an independent state agency that advocates for residential utility customers, have seen a large public outcry about high energy bills.[107]

Similarly, Illinois, with 210 data centers (according to Data Center Map), saw a 15 percent residential electricity price increase in 2025.[108] The 2025 report from the Illinois Power Agency projected that in the next five years, utility prices could increase 24 percent largely because of the AI data centers that continue to be built across the state.[109] Ohio also saw large increases with 195 data centers, including a 12 percent increase in electricity. Most of the state's data centers are concentrated around the Columbus metropolitan area. According to the *Washington Post*, during this summer, monthly home electric bills increased by $27 in Columbus because of the increase in demand from data centers.[110]

This pattern has also been observed in Georgia, which has 207 data centers. Over the past two years, the average Georgia Power residential customer has been paying nearly $43 more per month following multiple increases in residential electricity rates.[111] According to Georgia Power, these increases were for recovering excess fuel expenses and completing two nuclear power generators and expanding grid capacity necessary to power data centers.[112, 113] By 2031, Georgia Power is projected to need $3.4 billion more in revenue a year and will need 10,000 additional MWs of new capacity

which is enough energy to power 4 million residential homes and 80 percent of this new capacity is anticipated to be for data centers.[114] Therefore, the power demands from data centers could further increase costs for the average ratepayer in Georgia.[115]

In western New York, over the past few years, the Greenidge Generation data center in Dresden and the FirstLight data center in Romulus have opened. Alongside this increase in data centers, there has also been an increase in energy prices. In 2023, New York State Electric and Gas (NYSEG), the sole utility provider for this region of New York, introduced a 62 percent staggered rate increase. In May 2025, NYSEG requested an additional increase of almost 35 percent. Data center owners in this region have stated that these cost increases are a result of many factors, not just data centers.[116]

Other states where data centers are concentrated have not experienced such drastic changes in electricity prices. Texas, which reportedly has the second-highest number of data centers among states at 429, saw a 3.8 percent increase in electricity prices last year, less than the national average increase of 6 percent.[117] California has the third most data centers, and the state faced a 1.2 percent increase during the past year, much lower than the national average, but experts note that this is partially because California already has some of the highest electricity rates in the country.[118]

Some generative AI companies have begun to address electricity price increases from their data centers. Anthropic, an AI company that runs the LLM Claude, announced in February 2026 that they will cover electricity price increases that consumers face from their data centers.[119] Anthropic has more broadly pledged to invest $50 billion in American AI infrastructure.[120] While some supporters viewed this as a generous initiative, others remained skeptical as Anthropic's plan lacked specific details for how the company would calculate price impacts, how payments would work, or what enforcement would exist for upholding these goals. Additionally, others noted that the pledge only applies to data centers where Anthropic handles its own workloads and does not apply to locations where the company leases capacity.[121]

In January 2026, Microsoft introduced its "Community-First AI Infrastructure" plan that advocates for the creation of new utility rate classes for "Very Large Customers," meaning hyperscale data centers would have to pay the true marginal cost of their electricity.[122] Additionally, on March 4, 2026, officials from AWS, Google, Meta, Microsoft, OpenAI, Oracle, and xAI signed the Ratepayer Protection Pledge at the White House. This pledge requires these companies to fully fund the grid updates needed to connect new data centers, procure net-new power, or ensure that the power demands of new data centers are met with new power rather than existing power supplies, and a commitment to pay for their power capacity regardless of usage.[123, 124] It is important to note that this pledge is not legally binding.

Data Center Regulation

Recent public debate has focused on the environmental and energy impacts of data centers, but these facilities are generally permitted and regulated through existing commercial, land-use, and infrastructure frameworks. In most cases, data centers are treated as industrial or commercial facilities subject to local zoning ordinances, building codes, and utility requirements. Local governments typically control siting decisions through zoning classifications, special use permits, tax incentive agreements, and environmental review processes.[125, 126]

At the state level, regulation is fragmented. States oversee electric utility regulation through public utility commissions that approve large-load interconnections and infrastructure upgrades necessary to serve high-demand facilities. State authorities have primary jurisdiction over retail electricity sales, utility planning, and grid infrastructure siting.[127] State environmental agencies may regulate air pollution emissions from generators under the Clean Air Act framework, as well as water withdrawals and wastewater or stormwater discharges under delegated federal programs.[128] In many states, large data center projects may be required to conduct environmental reviews.[129]

At the federal level, there is no single comprehensive data center siting or regulatory statute. Instead, federal regulation occurs indirectly through a combination of federal energy reliability standards and generally applicable laws like the Clean Air Act, Clean Water Act, and the National Environmental Policy Act (NEPA) when federal lands or federal finances are involved.[130] Growing pressures show that although data centers are at present largely formally regulated like other commercial facilities, their scale and energy intensity may prompt more specialized policy responses that we are beginning to see proposed across the nation, which are explored more in depth later in this brief.

Federal Level Actions

Federal action regarding data centers has evolved significantly over the last decade. While earlier efforts focused on the efficiency of the government's own data infrastructure, the recent focus has shifted toward further security, global AI competition, and, more recently, some legislative attempts to manage private-sector data center growth.

Modernizing Federal Data Centers

For over a decade, the primary focus of federal regulation was the consolidation of the federal government's own servers. The Federal Information Technology Acquisition Reform Act (FITARA) of 2014, which created the Data Center Optimization Initiative Act (DCOIA), was focused on reducing costs by closing underutilized federal facilities and other cost-saving measures.[131] Another key feature of DCOIA was to find reasonable commercial alternatives to traditional federally built, owned, and operated facilities.[132]

More recently, the Federal Data Center Enhancement Act of 2023 (enacted as part of the 2024 National Defense Authorization Act) represents a response to modern infrastructure concerns.[133] Unlike the FITARA, which focused on consolidating and cost savings, this act focuses on establishing requirements for cybersecurity, operational resilience, and energy management for federally owned or operated facilities.[134] This is a pivot from a focus on consolidating to ensuring that federal data infrastructures are secure during a period of increased cyber threats.

AI Acceleration

In response to the drastic increase in the demand for AI and a desire for United States AI companies to remain globally competitive, there were significant data center policy shifts in 2025 under the Trump administration. Early drafts of the "One Big Beautiful Bill Act" included a 10-year moratorium on all new state AI laws, but this did not make it to the final version that was signed into law on July 4, 2025.[135] On July 23, 2025, President Trump signed Executive Order (EO) 14318, titled Accelerating Federal Permitting of Data Center Infrastructure. The EO was part of the "Winning the Larger AI Race: America's AI Action Plan" and defines data center energy infrastructure to facilitate the "rapid and efficient buildout" by "easing federal regulation burdens" and allows the construction of data centers and "covered components" of data centers which includes energy infrastructure including high-voltage transmission wires, natural gas pipelines, substations, and transformers and also natural gas and coal powerplants on federal land.[136] This EO created a special class of qualifying infrastructure projects that receive expedited federal permitting. Qualifying projects under the order are data center projects that require greater than 100 MW of new load dedicated to AI training, simulation, or synthetic data generation, or any project where there has been at least $500 million in capital expenditures, as determined by the Secretary of Commerce.

Additionally, in December 2025, the Trump administration issued an EO on "Ensuring a National Policy Framework for Artificial Intelligence" to consolidate federal authority over AI and curtail state-level regulations on AI. This EO does not directly void state laws, but it does target them in other ways. For example, it establishes an AI Litigation Task Force within the Department of Justice to challenge state AI laws in federal courts.[137] The EO also directs the Secretary of Commerce to publish a comprehensive review of state AI laws, identifying those that are deemed overly burdensome or in conflict with federal policy.[138] Lastly, the EO directs the Department of Commerce to withhold up to $42 billion Broadband Equity, Access, and Deployment (BEADS) funds from states that enforce "onerous" AI regulations.[139]

Proposed Consumer and Environmental Protections

There has also been a series of proposed legislation focused on protecting ratepayers and environmental concerns posed by data centers. In January 2026, Senators Van Hollen (MD) and Booker (NJ) sponsored the Power for the People Act, which is aimed at protecting ratepayers from paying the costs associated with data centers.[140] More specifically, this Act requires the Federal Energy Regulatory Commission (FERC) to ensure that data centers pay for local transmission upgrades. Similarly, the Protecting

Families from AI Data Center Energy Costs Act was introduced in December 2025, sponsored by Representatives Landsman (OH) and Beyer (VA), and requires FERC to hold a technical conference on protecting residents and focuses on preventing cost-shifting from data centers to communities and small businesses that may inform further proceedings. Additionally, the Clean Cloud Act of 2025, which was introduced in April 2025 and sponsored by Senators Whitehouse (RI) and Fetterman (PA), would apply to data centers and crypto-mining facilities rated for 100 kW of power and require annual reporting on energy consumption for both grid-supplied and on-site generated energy, the energy source mix, and emissions data.[141] This act would also establish regional-specific greenhouse gas emission baselines based on the local grid's carbon intensity. Additionally, this act mandates an 11 percent annual reduction in emissions from 2026 to 2034 and establishes a net-zero emissions requirement by 2035. These are national targets applied to all facilities covered by this act.

More recently, in March 2026, Senator Bernie Sanders (VT) and Representative Alexandria Ocasio-Cortez (NY) proposed the Artificial Intelligence Data Center Moratorium Act. This act proposes a national moratorium on data center construction "until legislation is enacted that safeguards the public from the dangers of artificial intelligence."[142] More specifically, this act targets both data center construction concerns and broader fears around AI, like job replacement.[143] Additionally, in March 2026, Senator Dick Durbin (IL) introduced the Data Center Water and Energy Transparency Act. This act mandates operators and prospective developers of data centers to disclose their specific energy and water consumption to state authorities. This move toward transparency responds to increasing concerns over grid reliability and the upward pressure that high-density industrial loads place on residential utility bills. Additionally, this act directs federal agencies, including the Environmental Protection Agency, Department of Energy, and US Department of Agriculture, to aggregate this data into regional reports and authorize fines for noncompliance.[144]

State-Level Legislative Actions

In addition to federal-level legislation, state legislatures have increasingly moved to regulate data center growth. According to the National Caucus of Environmental Legislators, 22 states introduced legislation in 2025 aimed at creating more sustainable development of data centers. Virginia led all states with 21 proposed bills. Twelve of these states introduced bills aimed at protecting ratepayers from increased prices because of data center energy demands. Other categories for proposed bills introduced in the past few years include renewable energy requirements, siting restrictions, tax incentives, and grid reliability measures.

Ratepayer Protections

In January 2025, Georgia representatives introduced state legislation (SB 34), which requires that electric utility rates are "designed to recover such costs solely from commercial data centers or are prorated based on electric demand."[145] This means that this bill requires utilities to use rate structures that isolate data center infrastructure costs and charge them specifically to data centers, rather than spreading them across all customers. As of April 2026, this bill has not made it out of committee. In March 2025, Utah enacted Electricity Utilities Amendments (SB 132), which authorizes regulated utilities to enter into direct service contracts with data centers, meaning the data center could pay its own negotiated rate outside the general rate base so that the costs associated with infrastructure upgrades are not passed to all customers.[146] In July 2025, in Virginia, Governor Youngkin signed into law a bill (HB 2084) that requires the State Corporation Commission to conduct a regulatory proceeding to ensure that public utilities are using rates that contain reasonable classification for all utility customers, and that Dominion Energy Virginia and Appalachian Power include a separate classification for data centers.[147] Similarly, in Oregon, HB 3546 directs the state public utility commission to create a special utility rate for data centers.[148] This measure was signed into law by Governor Kotek in July 2025. Other state lawmakers have proposed legislation that has not yet been enacted, such as the Rate Payer Protection Act (HB 1002) in North Carolina, which would prohibit utilities from shifting the costs of commercial data centers to other customer classes.[149] This bill was first introduced in April 2025 and, as of April 2026, remains in committee.

Ratepayer protection has been a popular legislative topic throughout the beginning of 2026 across a variety of states. In March, Alabama lawmakers proposed legislation (SB 270/HB 403) that directs the Public Service Commission (PSC) to require large-load data centers (100 MW or greater) to cover the costs of grid and interconnection infrastructure through PSC review of utility service agreements, preventing those costs from being shifted to existing ratepayers.[150] As of April 2026, this bill has passed the State Senate, but it has not yet been enacted. Similarly, in January 2026, Arizona lawmakers proposed legislation (HB2756) that directs the Public Utilities Corporation Commission to establish rules that prohibit utilities from shifting the costs of new data center grid connections to other retail customers. This bill has also passed the Senate but has yet to be enacted.[151] Most recently, in April 2026, South Carolina lawmakers proposed the Energy Affordability Act (H 5484), which requires that commercial data centers pay for the electrical energy costs associated with serving or preparing to serve commercial data centers.[152] As of April 2026, this bill remains in committee.

Renewable Energy

The New York State Sustainable Data Center Act (S 3694/A 9086) was first introduced in December 2024 and reintroduced in 2025, sponsored by Senator Kristen Gonzalez.[153] This bill has requirements for data centers to transition to renewable energy. More specifically, this bill requires that data center energy sources be 33

percent renewable by 2030, 67 percent by 2035, and 100 percent by 2040. This bill also mandates disclosure requirements for data centers that consume more than 5 MW to submit detailed reports to the Public Service Commission before construction, including energy usage, water consumption, water consumption, and air emissions, and community impacts. Also, this bill further requires public hearings with advance notice to the host community. And lastly, the bill creates discounts for low- and moderate-income residents in the state to receive utility bill credits to offset data center-related utility increases funded by data center operators. As of April 2026, this bill has been referred to the Energy and Telecommunications Committee.

Other states have enacted or proposed renewable energy requirements related to data centers. In 2023, Washington State enacted legislation (HB 1416), which sets requirements for data centers served by public power entities to meet clean energy standards.[154] In June 2025, Minnesota state legislation (HF 16) was signed into law by Governor Tim Walz, requiring utilities to provide a clean energy tariff to data center companies and creating an annual fee between $2 million and $5 million on data centers. The funds from that tariff will go towards weatherization and energy upgrades for low-income residents.[155] In New Jersey, state lawmakers introduced a bill (S 4143/A 5564) in February 2025 that would require new or expanding AI data centers and cryptocurrency mining facilities to use new clean energy sources.[156] As of April 2026, this bill is still in committee in both chambers.

In early 2026, states continued to introduce bills aimed at addressing renewable energy for data centers. In February, Illinois state lawmakers proposed legislation (SB 4016), which proposes new requirements for hyperscale data centers to procure or fund additional clean energy resources, address impacts on overburdened communities, and increase transparency regarding electricity and infrastructure demands.[157] Additionally, Washington state lawmakers proposed legislation (HB 2515/SB 6171), which aims to restrict large energy-intensive data centers from participating in the state's cap-and-invest carbon market by limiting their ability to earn or trade emissions allowances and offsets. The bill aims to prevent data center operators from benefiting financially from emissions credit trading while increasing electricity demand under Washington's climate program.[158]

Siting Restrictions

There have also been proposals to restrict the location of data centers. In 2024, a bill was introduced in Virginia (HB 337) that would establish restrictions on the siting of data centers.[159] This bill would prohibit the siting of data centers in areas within one-half of a mile near historic, agricultural, and cultural resources and would not be within one-half mile of a national or state park, or any historically significant site. This bill did not pass in committee during the 2024 session, but similar efforts were introduced in 2026 (as discussed further below).

Tax Incentives

As discussed above, at least 36 states currently have tax incentives for data centers.[160] During the past year, multiple states have proposed and passed legislation to expand or create new exemptions. Colorado enacted legislation in 2025 (HB 1177) that allows state-regulated utilities to offer an economic development rate (a reduced tax rate) to commercial or industrial customers that locate or expand their operations and add at least 40 MW of new load at a single local utility.[161] Taking a different approach, Michigan enacted legislation (HB 4906) in 2024 that establishes further eligibility criteria for tax exemptions for data centers, including requirements for job creation and electricity and water standards.[162]

More recently, in February 2026, Connecticut lawmakers introduced legislation (SB 245) aimed at eliminating the state's data center tax incentives. As of April 2026, this bill is still in committee.[163] Additionally, in February 2026, New York State lawmakers introduced the "Stop Subsidizing Data Centers Act" (SB 9182). This bill prohibits IDAs from awarding any financial assistance (including sales tax exemptions) to any project that can consume more than 100 MW in normal operations. It also creates a provision requiring data centers to return tax breaks if they fail to meet job creation targets within five years.[164] As of April 2026, this bill is still in committee in the Senate. Similarly, in February 2026, New York lawmakers introduced legislation (AB 10216) that proposes a repeal of the sale and use tax exemption of data centers.[165]

Grid Reliability

States have also worked towards enhancing grid reliability. For example, Texas enacted legislation (SB 6) in 2025 that allows the Electric Reliability Council of Texas (ERCOT) to cut power to large loads, such as data centers, during grid emergencies.[166] Grid reliability is particularly sensitive for Texas policymakers, following the events of Winter Storm Uri in 2021, where insufficient electricity supply during freezing temperatures led to at least 210 deaths and 4.5 million residents without power for days.[167] Additionally, in 2024, the Connecticut General Assembly considered a bill (SB 299), which sought to require the Public Utilities Regulatory Authority to evaluate the cumulative impact of large-scale data centers on the state's electric grid reliability. While the bill passed the Senate with bipartisan support, it died in the House and was not enacted.[168] In December 2025, the Maryland General Assembly successfully overturned Governor Wes Moore's veto to enact a bill (SB 116) commissioning a comprehensive study on the environmental, energy, and economic impacts of data centers. Governor Moore noted the significant financial and staffing burden that the administration believes this study will create in his veto letter.[169] This law directs state agencies and the University of Maryland to analyze how the industry affects the power grid, ratepayer costs, and climate goals.[170]

Moratoriums

There has also been a rise in state-level legislation proposing moratoriums on data center development. In New York, legislators introduced a bill (SB 9144/A 10141) in February 2026 that would establish a moratorium on permitting for new data centers, which would remain for at least a minimum of three years and 90 days, and mandate that state agencies complete comprehensive environmental and ratepayer impact studies.[171] Unlike an outright ban, this legislation serves as a temporary suspension of permit approvals for new facilities that can use 20 MW. In January 2026, Maryland lawmakers introduced related legislation (HB 120) as an "emergency bill" to halt all new construction of data centers unless projects are co-located with their own dedicated power generation, such as small modular reactors or natural gas facilities.[172] In the nation's largest data center hub, in January 2026, Virginia lawmakers proposed a measure (HB 1515) that would temporarily freeze local approvals of data centers until July 2027 or until existing grid interconnection backlogs are cleared.[173] Likewise, Georgia is considering a bill (HB 1059) that would pause all permitting of data centers from July 2026 until 2028 to allow a commission to study the cumulative infrastructure impacts of data centers. Oklahoma has legislation (SB 1488) that would enact a moratorium until 2029 for centers that consume 100 MW.[174] Additionally, in February 2026, South Dakota lawmakers proposed a bill (SB 232) that calls for a one-year pause on hyperscale facilities.[175]

In April 2026, legislators in Maine became the first to pass a statewide moratorium on data centers. Under the bill (LD 307), the moratorium would last until November 1, 2027, for data centers with a 20 or more MW load, and would also create the Maine Data Center Coalition.[176] On April 24, 2026, Governor Janet Mills vetoed LD 307 stating that she supports a temporary moratorium on data center projects, and would have signed LD 307 if it included an exemption for an ongoing data center at the former Androscoggin Mill in Jay. Collectively, these bills signal an interest by state lawmakers in pausing and studying impacts and approaches to governance of data centers to ensure the rapid expansion of such infrastructure does not outpace state-level regulation.

Recent Developments in Virginia

As of April 2026, Virginia has just completed a historic legislative session with respect to regulating data centers. Lawmakers sent a package of data center bills to the governor's desk.[177] This bill package addressed a number of facets of the issue, including shifting grid costs, siting restrictions, water usage transparency, and tax exemption restrictions, among others. Governor Abigail Spanberger signed all pieces of legislation into law on April 13, 2026, except SB 253/HB 1393 and HB 892, where she has requested further changes to the Legislature. Table 4 provides more detailed information on each of these bills.

TABLE 4 | Viriginia's 2026 Data Center Bills Awaiting Governor's Signature

Category	Bill	Primary Regulatory Change	Governor's Action
Ratepayer Protection	SB 253/HB 1393	Requires the State Corporation Commission (SCC) to ensure that data centers pay the full cost of the new electricity they generate.(a)	Requested further changes
Siting and Local Control	SB 94/HB 153	Mandates noise and sound profiles for sites near homes and schools and allows localities to require water and historic site studies.(b)	Signed into law
Water Transparency	SB 465/HB 323	Mandates that facilities meet specific Power Usage Effectiveness (PUE) scores to qualify for state benefits.(c)	Signed into law
Grid Reliability	SB 371/HB 284	Establishes voluntary "load shedding" programs for large users to protect the grid during peak winter/summer events.(d)	Signed into law
Emission Standards	HB 507	Addresses the transition from diesel to battery-based or other cleaner backup generators to protect local air quality.(e)	Signed into law
Forecast Accuracy	HB 892	Directs the SCC to investigate utility loads to prevent unnecessary rate hikes.(f)	Requested further changes
Resource Disclosure	SB 533/HB 496	Requires water authorities to report exactly how much drinking water is being diverted to data center cooling.(g)	Signed into law

a Shannon Heckt, "Bills Aimed at Lowering Utility Bills Also Renew Pricey Power Line Burial Program," Virginia Mercury, March 4, 2026, https://virginiamercury.com/2026/03/04/bills-aimed-at-lowering-utility-bills-also-renew-pricey-power-line-burial-program.

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Local Government Actions

State governments so far have been slow to respond to the community's concerns posed by data centers, generally speaking, and as a result, localities have begun to establish their own restrictions. In particular, some localities have also begun to regulate data centers through zoning and land-use authority.

Bans and Moratoriums

In June 2022, Groton, Connecticut, declared a one-year moratorium on large data centers. This moratorium stopped all applications for data centers larger than 5,000 square feet.[178] In 2023, the Town of Groton Planning and Zoning Commission banned any data center larger than 12,500 square feet.[179]

In Peculiar, Missouri, in October 2024, the city's Planning Commission amended an ordinance to exclude data centers from the town, essentially banning data centers. Peculiar is a small town of 6,000 people near Kansas City. In January 2024, Diode Ventures proposed a 500-acre data center, $1.2 billion called "Project Harper."[180, 181] Originally, Peculiar approved zoning for the proposed data center by adding the definition into the existing light industrial zoning code, but in October, they reversed this decision after significant public pushback.[182] Community advocates who spoke out against the project stated that they felt "big tech was preying on rural small communities."[183]

More recently, in April 2026, Bangor, Maine, passed a six-month moratorium on data centers. City councilors stated that the pause was necessary to learn more about data centers and that they did not want to "rush into something without considering unintended consequences." More specifically, the local officials noted concerns about the data center's electricity and water use.[184]

Zoning Updates

Chandler, Arizona, became the first municipality to codify data center-specific zoning ordinances, which were passed in December 2022 and took effect in 2023.[185] These updates included requiring baseline noise studies, sound mitigation efforts, public notice of construction timelines, and routine backup generator maintenance.

Phoenix, Arizona, updated its zoning multiple times in 2024 and 2025 to require special permits for data centers, addressing power grid impacts, fire risk, emergency response access, and noise concerns.[186] Mayor Kate Gallego emphasized the need to balance economic growth with public health and safety in relation to these changes.

Local Council Rejections

In August 2025, the Tucson, Arizona, City Council voted unanimously to deny the annexation of "Project Blue," a 290-acre data center campus. In this context, annexation means legally incorporating unincorporated county land into the city limits, making it a part of the city. The developer pushed for this annexation to gain access to the city's water source and other infrastructure. This vote rejecting the annexation blocked

the developer's access to municipal water supplies. However, because this site was on unincorporated land, the project remained under the jurisdiction of Pima County, which had already approved the site's zoning.[187] To adapt to the Tucson City Council's denial, the developer pivoted the project's design from a water-cooled system to a closed-loop air conditioning system. Consequently, by December 2025, the developer secured a 286 MW energy supply agreement with Tucson Electric.[188]

Other cities have stalled or prevented data center proposals from being implemented. For example, in December 2025, the Lewiston City Council in Maine voted against a proposed data center project, which was 85,000 square feet, after public outcry from residents who spoke out against the tax incentives being requested by the developer.[189] Similarly, in February 2026, the New Brunswick City Council in Maine voted to amend a redevelopment plan to completely remove data centers as a permitted use for a 22-acre site. This was after pushback from residents who argued that the proposed 27,000 square foot facility would strain local utilities while providing no community benefits. The council ultimately decided to prioritize a public park and affordable housing on the property instead of a data center.[190]

Data Center Watch, a project that is part of 10a Labs, an AI security company, that tracks grassroots opposition nationwide, has identified the second quarter of 2025 as a distinct turning point for organizing against data center developments. The organization found that during this time period, instances of opposition to data centers rose 125 percent from the previous quarter, resulting in an estimated $98 billion in projects that were delayed or blocked. Their report also noted that lawmakers are beginning to question the value of data center subsidies, as seen in the suspension of major projects in Minnesota and South Dakota. The report further found that there are now 188 groups nationwide aimed at opposing data centers, and this activism has been extremely successful, with 66 percent of the tracked projects that were protested being delayed or blocked from March-June 2025.[191]

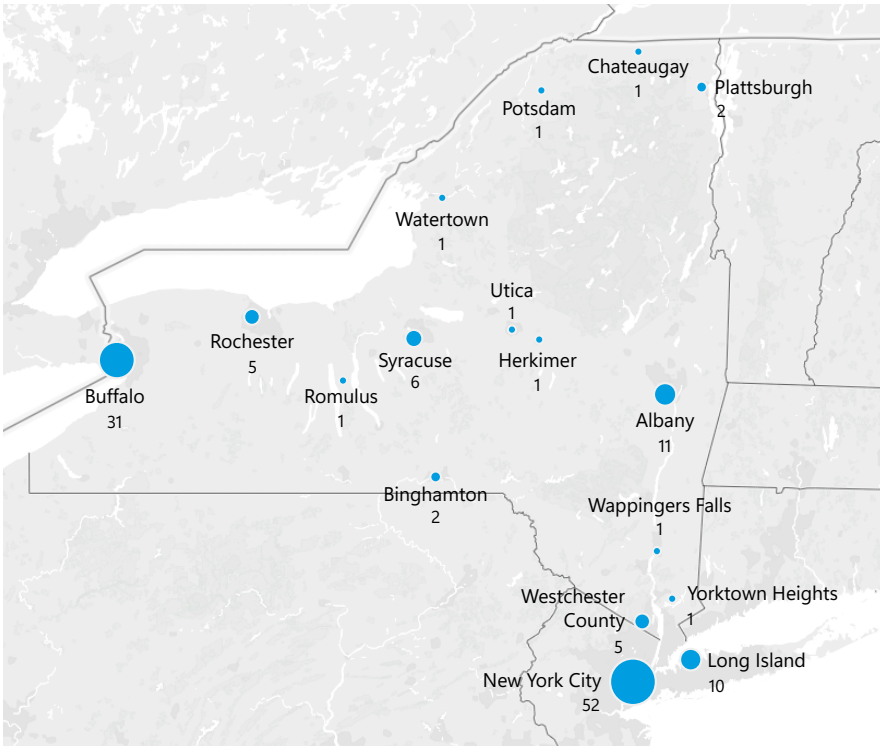
Recent Developments in New York

As previously mentioned, as of February 2026, there are 134 data centers within New York State.[192] Currently, New York's data center landscape is split between urban interconnection hubs largely centered in New York City and larger-scale industrial projects in upstate New York. Data centers within New York City are "vertical" projects, rather than sprawling campuses,[193] while upstate New York has become a target for hyperscale developers because of access to relatively cheap power, the ability to repurpose former industrial sites, and access to freshwater.[194]

Within New York State, there are a few contentious data center proposals. In March 2025, the Genesee County board approved a $6.3 billion data center at the Science, Technology, and Advanced Manufacturing (STAMP) site in the town of Alabama, located between Buffalo and Rochester. The proposed site is 900,000 square feet on 59 acres and would purportedly create 122 new jobs with salaries ranging from $80,000 to $120,000 annually, according to the Genesee County Economic Development Center (GCEDC).[195] STREAM US Data Centers LLC, the company behind the project,

is requesting $462.5 million in sales tax exemptions and $9 million in mortgage tax exemptions.[196] Supporters of the project argue that it will provide jobs and help fund $100 million in critical water system upgrades.[197] These water system upgrades are part of a multiphase infrastructure project needed because of the risk of PFAS/PFOS, also referred to as "forever chemicals," contamination in the City of Batavia's Water Treatment Plant from a nearby abandoned landfill. Because of the ongoing risk of PFAS contamination, along with aging vulnerable water infrastructure, local officials decided to transition the city's water supply to a regional network that draws water from Lake Ontario via the Monroe County Water Authority.[198] The proposed data center project has garnered significant public concern about potential environmental harms and quality of life issues, such as noise pollution. The proposed site is also near a wildlife refuge and immediately next to the Tonawanda-Seneca Nation, which opposes the project and launched a series of legal challenges.

FIGURE 2 | New York Data Centers



SOURCE: "New York Data Centers," Data Center Map, accessed May 7, 2026, https://www.datacentermap.com/usa/new-york/.

One of the lawsuits targeted a nine-mile wastewater pipeline designed to carry up to 6 million gallons of industrial wastewater daily from the STAMP site through the Iroquois National Wildlife Refuge.[199] The Tonawanda Seneca Nation sued the US Fish and Wildlife Service, alleging that the pipeline's construction threatened sacred lands and sensitive ecosystems.[200] The litigation gained momentum after multiple spills of drilling fluid occurred within the refuge during the construction process, leading a federal judge to halt the project. Ultimately, the federal government rescinded the right-of-way permit for the pipeline, effectively blocking the developer's primary method for

waste disposal. Another lawsuit claimed that GCEDC and the Town of Alabama violated state environmental law by approving the data center that was projected to use 270 MW.[201] In November 2025, a legal decision, where the court found that the permit was issued without the required 'government-to-government' consultation, stopped the development of the proposed hyperscale data center. Despite this legal defeat, the developer STREAM US has not abandoned the project and, in December 2025, announced a new proposal for a 2.2 million square foot facility and 90-acre project, a much larger expansion from the original 59-acre proposal in the same general area.[202]

Similar contentions are happening in the Town of Lansing in Tompkins County involving TeraWulf, a Maryland-based company that develops "environmentally sustainable" industrial-scale data centers for high-performance computing and bitcoin mining. In August 2025, TeraWulf secured an 80-year lease at the site of a former coal-fired power plant in Lansing, New York, providing access to 400 MW of power.[203, 204] This location is on the banks of Cayuga Lake. The former coal power plant has a water intake system from the lake that could be repurposed to cool the potential data center. The coal furnaces are decommissioned, and TeraWulf plans to use the site's massive transmission capacity to run its servers on a mix of hydroelectric, wind, solar, nuclear, and natural-gas power from the New York State grid.[205] Hundreds of public comments have been submitted against this project, expressing concerns for increases in electricity costs, noise pollution, and water resource impacts. Some proponents have also spoken out, citing potential job creation for construction and maintenance jobs.[206] In October 2025, code enforcement officers determined that data centers are not an allowed use within the town's industrial zone.[207] As a response, TeraWulf has asserted that the data center's main purpose is "scientific and educational research" as opposed to industrial processing. The company proposed educational partnerships with Cornell University and Tompkins County Community College, though there were no finalized agreements.[208] Critics have pushed back on this argument, citing the environmental concerns posed by the project. The zoning board rejected the company's claim that the facility should be classified as a "scientific and educational research," but effectively allowed the project to continue by voting to classify it as a "general processing facility."[209] The proposed project will next head to the town's planning board, where it is subject to noise-level requirements and potential environmental impact studies.[210]

TeraWulf currently operates the Lake Mariner Data Center complex in Somerset, Niagara County. In the fall of 2025, the company announced plans to expand and build two more buildings on the 410-acre campus. Somerset Town Supervisor Jeffery Dewart said that the data center currently employs 52 full-time employees, and this could potentially increase to 150 full-time workers with the expansion.[211] The facility is projected to reach 500 MW of capacity by late 2026 and is "zero-carbon" according to TeraWulf, as it uses hydropower from the New York Power Authority. Other sources, like Data Center Map, state that it is approximately 91 percent carbon-free.[212] However, it has faced persistent public pushback related to other impacts.[213, 214] Local residents filed formal complaints regarding noise pollution from server cooling fans prior to the expansion, leading the Somerset Town Board to have an independent noise study conducted.[215]

In Governor Hochul's State of the State Address in January 2026, she commented on the complexities of data centers. The governor stated, "Data centers are vital for an innovative future. But they guzzle up tremendous amounts of energy and leave ratepayers footing the bill.... So if they want to build in New York, they'll have to pay their fair share for the power they use and ultimately generate their own power independently."[216] Governor Hochul outlined some potential policy solutions, including a fair share requirement, where data centers must either pay higher rates for grid power or generate their own clean energy. Additionally, she outlined ratepayer protection aimed at preventing working families and small businesses from subsidizing data center energy costs. She also outlined plans to speed up the grid connection process while ensuring cost fairness. Lastly, Governor Hochul is proposing nuclear energy expansion as a way to increase the supply of zero-carbon power.[217] These statements have not directly been translated into the budget as of April 2026, but Governor Hochul has taken additional actions, including in February 2026 mandating the New York State Public Service Commission hold a proceeding examining how data centers could pay their fair share for energy grid upgrades.

Conclusion

As data centers become increasingly central to the economy and to our daily lives, federal, state, and local governments face difficult tradeoffs. While these facilities can generate substantial tax revenue and support economic development, their energy intensity, water use, and infrastructure impacts have prompted growing scrutiny at every level of government. The policy responses emerging across states and localities, in particular, suggest a shift toward more targeted regulation aimed at protecting ratepayers, safeguarding resources, and ensuring growth does not outpace or unduly burden public capacity. This brief highlights just a few states and communities that have had to weigh in on the issue so far, but as the desire for data centers continues to grow, more states and municipalities will have to make difficult decisions on how to balance these competing interests. As the federal, state, and local governments continue to respond to the developing situation, the Rockefeller Institute of Government will continue to monitor these responses.

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