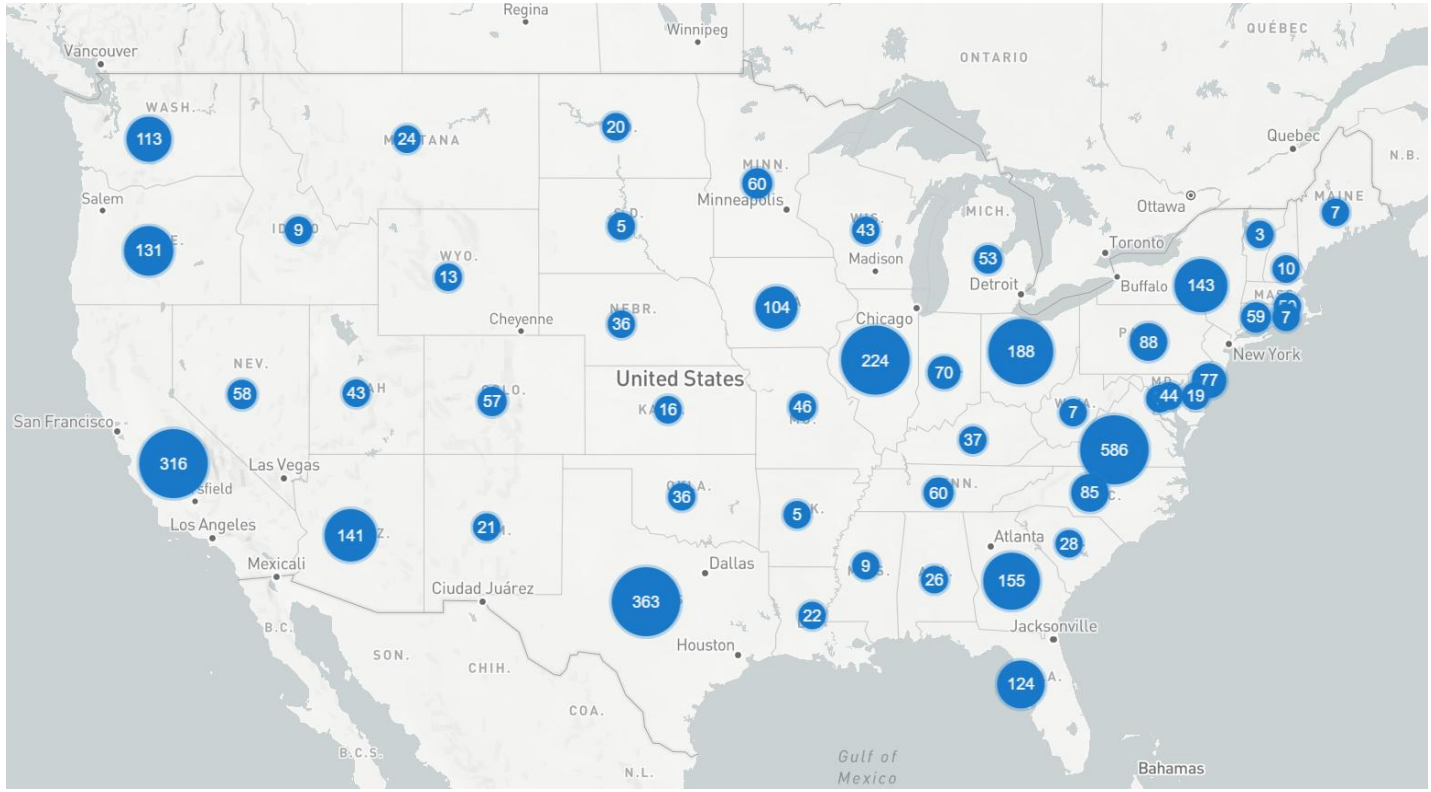
Data Centers: State Legislative Trends

Alex McWard, Senior Policy Specialist, NCSL

Data Centers and Energy Demand

AI drives need for new energy as states mediate costs and reliability

- Data centers could make up over 9% of electricity consumption by 2030
- In 2025, 23 states considered more than 70 pieces of legislation addressing the energy consumption of data centers
- State strategies to address consumption include incentives for energy efficient technologies, energy reporting requirements, impact studies, and utility rate regulation
- Data centers remain a key issue for states in 2026



Source: Data Center Map

Tariffs and Contracts for Data Centers

- **The expansion of data centers requires significant investments in the grid to support the increase in energy demand.**
- **Many states are considering specific tariffs or rate schedules for large loads like data centers to prevent costs associated with their interconnection from shifting to unrelated customers.**
- **2025 Key Legislation**
  - California SB 57
  - Virginia HB 2084
  - Maryland SB 937
  - Oregon HB 3456
  - Minnesota HF 16
  - Utah SB 132

Demand Side Management

- **States have considered various measures to manage the energy consumption of data centers.**
- **Texas SB 6** – set new interconnection rules for large loads and requires large loads to participate in a mandatory demand side management program.
- **West Virginia HB 2014** – established the High Impact Data Center Program and the Microgrid Development Program.
- **New Jersey SB 4143** – would have required all electricity for proposed data centers to be derived from renewable energy sources.
- **Colorado HB 1030** – would allow a 100% state sales and use tax exemption on qualified purchases for data center operators that commit to obtaining certification under one of several energy efficiency standards.
- **Viginia SB 465** – would require data centers to achieve certain energy efficiency thresholds to maintain tax exemptions.

Energy Usage Reporting

- **Starting in 2025, states began to introduce legislation requiring data center operators to submit regular reports on their energy and water consumption.**
- **Report requirements may include energy and water consumption, power usage effectiveness, energy sources, and energy efficiency and water conservation measures implemented**
- **Reporting requirements may help states forecast future load trends from data centers or identify potential net peak demands.**
- **Legislative Examples**
  - California AB 222 (Introduced)
  - Illinois SB 2181 (Introduced)
  - New Jersey SB 4293 (Vetoed)
  - Nebraska LB 1111 (Introduced)

Financing and Local Benefits

States are also considering measures to maximize benefits to local communities from data centers.

- **West Virginia SB 652** – would modify property tax allocation to ensure most of the increment created by data centers is awarded to the county where the data center is located.
- **Pennsylvania HB 2153** – would create data center property tax increments for school districts to fund greater property tax homestead exemptions.
- **Virginia HB 1132** – municipalities with at least 20 data centers would be required to create special funds to reimburse residents for renewable energy and vehicle taxes using set-aside data center tax revenues
- **Arizona HB 2702** – would redirect data center transaction privilege tax revenue (unique to AZ, like a sales tax) to fund solar projects in the state.
- **Indiana HB 1333** – requires data centers to pay 1% of the amount of taxes forgone each year to their host municipalities, a type of payment in lieu of tax.

Thank you for joining today!

Alex McWard

Senior Policy Specialist

alex.mcward@ncsl.org

303-856-1657

www.ncsl.org

@NCSLorg

Denver
7700 East First Place,
Denver CO 80230

Washington D.C.

444 North Capitol Street, N.W.
Suite 515,
Washington, D.C. 20001