

At-a-Glance Issue Overview: Data Centers

PurpleState Research and Analysis Department

What are data centers?

- Data centers are large facilities that house the servers, storage systems, and networking equipment that run the internet, cloud computing, and artificial intelligence (AI) applications. They range in size from small facilities (under 5,000 square feet) to “hyperscale” campuses of 100,000+ square feet.
- Some “generative AI” data centers power large language models (like ChatGPT, Gemini, and Claude); other centers serve cloud storage, online computing, military/intelligence, and internet-based services.
- There are an estimated 11,800–12,000 data centers worldwide. The United States has more than any other country: over 5,400. Within the United States, data centers are concentrated rather than uniformly distributed. Virginia has the largest concentration. Texas, California, Georgia, and Ohio have also become major hubs.
- Increased demand for data centers is being driven by the rapid growth of generative AI, which industry estimates suggest is expanding roughly 40% a year and could grow into a nearly \$1 trillion market by 2032.

Local Regulations and Opposition

- Local opposition to new and proposed data center projects increased in 2025 and 2026 alongside the increase in construction projects. One report estimated that local resistance across the country blocked 75 projects worth about \$130 billion in the first three months of 2026.
- Because of zoning, permitting, and municipal ordinances, local permitting is a key point of control in data center development.
- Statewide regulations have focused on utility costs and transparency. By September, 2026, 13 states had enacted legislation about utility rates, and three had also passed laws concerning nondisclosure agreements (NDA’s) that limit public access to information about data center projects in their area.
- In Wisconsin, proposed legislation would have made several changes to data center development, including NDA prohibition, energy and water use reporting, utility cost limits and renewable-energy requirements, and changes to tax policy — but this legislation was not enacted.

Why New Data Center Projects are Controversial

Arguments in favor of expanding data center development

- Data center construction is a driver of recent U.S. economic growth. Data centers can generate state and local tax revenue and investment, and individual counties and states have reported hundreds of millions of dollars in annual revenue.
- Government officials in both political parties describe AI development as a national and economic security priority, framed as a competitive “race” against other nations.
- Federal policy has moved to accelerate permitting and open federal land for qualifying projects, arguing that current review processes are too slow relative to the pace of AI development.
- Efficiency gains in cooling, chip design, and siting may reduce the energy and water footprint of future data centers over time, reducing concerns of resource use.

Arguments opposing rapid data center development

- Rapid data center growth is straining electric grids in some regions, and some regulators project further increases tied specifically to data center demand. Utility costs have risen faster in states with heavy data center growth. Data centers consumed an estimated 4.4% of U.S. electricity in 2023, and that share is projected to increase.
- Cooling large facilities can require hundreds of thousands of gallons of water a day. Communities near data centers have reported water pressure problems, rising water costs, and increased risk of water shortages, as well as noise from cooling systems.
- Air pollution from backup generators has been linked to increased asthma cases and other health risks, with researchers noting these burdens often fall disproportionately on lower-income communities.
- Critics argue that job-creation claims are overstated, as most new positions are temporary construction jobs rather than lasting operational employment.
- While states and localities have gained substantial tax revenue from data centers, they have also offered large tax exemptions to attract them. Non-disclosure agreements (NDAs) often limit public knowledge of data center construction plans and subsidy recipients may not be disclosed.