

FACT SHEET

RESPONSIBLE DATA CENTER DEVELOPMENT: THE ROLE OF STATE AND LOCAL DECISION-MAKERS

The rapid expansion of data centers across the country is undeniable. The industry is under-regulated and accelerating at a speed, scale, and concentration that is impacting energy systems, water supplies, air quality, community health, land use, and public finances. State and local policymakers are at the forefront of this expansion, uniquely positioned to guide it in ways that reflect local priorities and community needs, especially in the absence of federal guidelines. These policymakers need to understand the costs and opportunities to ensure data centers are developed equitably and responsibly. Their decisions are shaping the industry’s future.

A MEGABYTE-SIZE IMPACT

Unrestricted Buildout Comes with Big Consequences:

- Higher household water and energy bills
- Deepen water scarcity
- Increased water, air, and noise pollution
- Increased negative health outcomes
- Capital diverted from clean energy, undermining climate goals
- Disproportionate focus of public resources on data centers, limiting opportunities for inclusive economic development
- States locked into decades of fossil fuel infrastructure that drives climate change
- Eroded public trust if decision-makers fail to respond

These challenges will hit communities that are already overburdened with economic, climate, and health challenges.



The Stargate AI data center under construction in Abilene, Texas, on September 23, 2025

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Putting It Into Perspective:

- By 2028, U.S. data centers will use 320 to 580 terawatt-hours (TWh) annually, more electricity than the states of California, New York, and Illinois collectively consumed in 2023.¹
- One data center in Iowa consumed one billion gallons of water in 2024, enough to supply all of Iowa’s residential water for five days.²
- National public health costs due to air pollution from fossil fuel generation associated with AI demand could reach \$5.7 to \$9.2 billion annually, comparable to a full year of Medicaid expansion spending (\$7 billion) in Virginia.³
- Ohio is giving sweeping tax breaks for data center developers that amount to \$1 million or more for a single long-term job, an extremely poor return on investment for the public.⁴
- In Pennsylvania, data centers are contributing roughly \$340 million less in tax revenue than they are taking from ratepayers in the form of higher electric bills.⁵
- Electricity bills could increase 8 percent nationally and as high as 25 percent in some regions by 2030.⁶

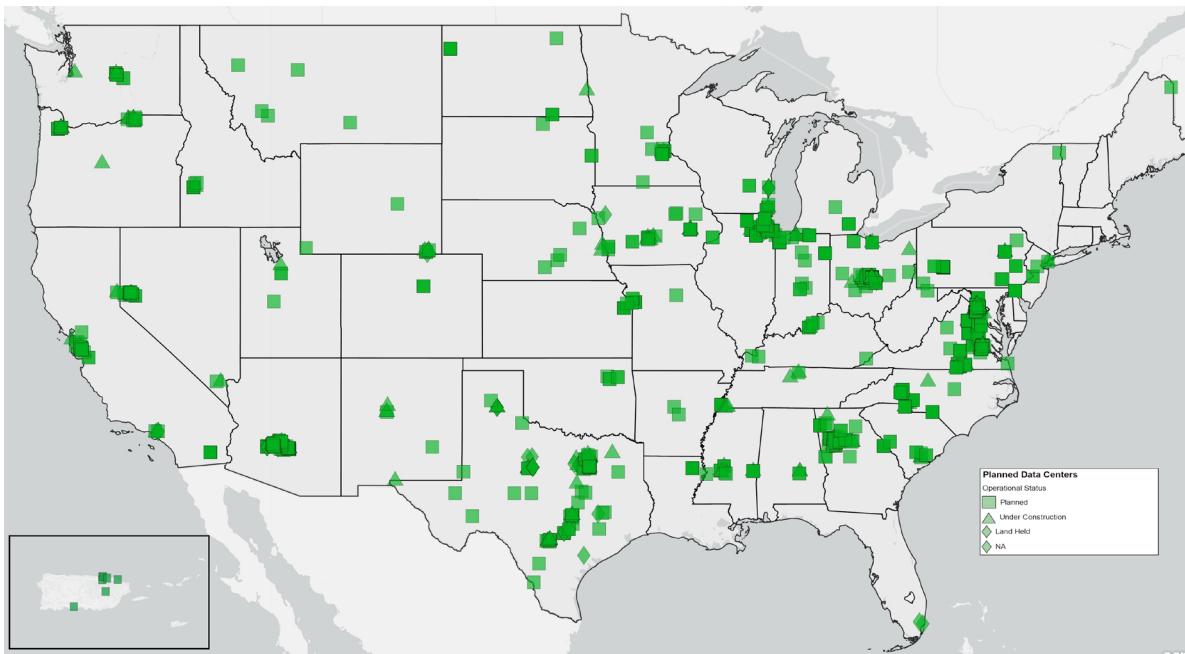
These impacts are not an inevitability; they are a policy choice. Policymakers must take decisive action to reduce the impact of data centers on people and the planet with transparent decision-making and reporting, legal guardrails, and community-centered approaches. The stakes couldn’t be higher: state- and local-level decisions will have far-reaching effects, shaping federal data center policy and influencing how the industry develops and operates globally.

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Figure 1: Map of Planned Data Centers in the United States as of January 21, 2026



Source: Map created by NRDC using data from S&P Global Market Intelligence's Research 451 Datacenter KnowledgeBase service, <https://www.spglobal.com/market-intelligence/en/solutions/datacenter-knowledgebase>. Subscription required to access the service.

A BETTER PATH FORWARD

State legislatures, governors, regulators, mayors, county commissioners, and utility commissions have an opportunity to manage data center development while still prioritizing affordability, sustainable resource use, energy reliability, public health, and climate. The strategies below set an ambitious benchmark to confront this challenge and offer practical tools that leaders can adapt and use to drive progress.

Transparency at the Forefront

- Before communities consent to host a data center, they should agree on a baseline disclosure standard, where developers must provide transparency on
 - the load growth forecast;
 - water consumption, use and source;
 - wastewater discharge;
 - air pollution and other toxic releases;
 - noise impacts;
 - environmental impact mitigation measures; and
 - proposed community benefits.
- Local governments should avoid signing nondisclosure agreements, which legally cannot displace federal and state transparency mandates and only serve to deprive communities of information on how projects may impact them.

Race to the Top: Incentivize Clean, Efficient, Community-Safe Models

- Prioritize and incentivize data center projects that demonstrate low pollution, high efficiency, sustainable use of resources, and robust community benefit agreements.

Measures should include the use of recycled water; advanced cooling; on-site or new, deliverable, grid-connected, zero-emissions energy; solar and batteries to the greatest extent possible in backup energy generation; and flexible load.

- Avoid or repeal incentives for low-performance projects. Data centers' tax subsidies result in more than \$100 million per year in lost tax revenues in some states, and these projects provide few permanent jobs for local communities.⁷
- Build enforceable community benefits frameworks. These ensure that local communities can have visibility into and participate in decisions that affect them, monitor impacts, and bargain for short- and long-term benefits.

Raise the Floor: Baseline Protections for Communities and the Environment

- Require data centers to pay for the water and energy they use, as well as their fair share of infrastructure costs, without passing costs along to consumers and utility providers.
- Develop guardrails based on realistic environmental and social assessments, using tools such as cumulative impact analysis and environmental impact assessments, to identify location-specific stresses and empower localized decision-making.
- Ensure best practices to mitigate the negative impacts of data centers, such as current and projected water resource use limits, modern pollution controls, and affordability guardrails for residential water and energy consumption.

Endnotes

- 1 Arman Shehabi et al., *2024 United States Data Center Energy Usage Report*, Lawrence Berkeley National Laboratory, December 2024, https://eta-publications.lbl.gov/sites/default/files/2024-12/lbnl-2024-united-states-data-center-energy-usage-report_1.pdf.
- 2 Peyton McCauley and Melissa Scanlan, “Data Centers Consume Massive Amounts of Water—Companies Rarely Tell the Public Exactly How Much,” *The Conversation*, August 19, 2025, <https://theconversation.com/data-centers-consume-massive-amounts-of-water-companies-rarely-tell-the-public-exactly-how-much-262901>.
- 3 Hannah Beckler, Rosemarie Ho, and Ellen Thomas, “AI Runs on Dirty Power—and the Public Pays the Price,” *Business Insider*, June 18, 2025, <https://www.businessinsider.com/ai-runs-dirty-power-and-the-public-pays-the-price-2025-6>; Virginia Senate Finance and Appropriations Committee, “Medicaid Trends and Health & Human Resources 2025 Session Outlook,” November 22, 2024, https://sfac.virginia.gov/pdf/committee_meeting_presentations/2024%20Interim/Annual%20Meeting%20Harrisonburg/6.%20Medicaid%20Trends%20and%202025%20Session%20HHR%20Outlook.pdf.
- 4 Ellen Thomas, “The AI Data Center Boom Will Create New Jobs. Most Won’t Be at Amazon, Microsoft, Google, or Meta,” *Business Insider*, March 11, 2025, <https://www.businessinsider.com/data-center-job-boom-in-construction-not-big-tech-2025-3>.
- 5 Sean O’Leary, “Why Data Centers Will Be Economic Development Duds,” Ohio River Valley Institute, November 11, 2025, <https://ohiorivervalleyinstitute.org/why-data-centers-will-be-economic-development-duds/>.
- 6 Cameron Wade et al., “Electricity Grid Impacts of Rising Demand From Data Centers and Cryptocurrency Mining Operations,” Open Energy Outlook for the United States, June 2025, https://energy.cmu.edu/_files/documents/electricity-grid-impacts-of-rising-demand-from-data-centers-and-cryptocurrency-mining-operations.pdf.
- 7 Greg LeRoy and Kasia Tarczynska, *Cloudy With a Loss of Spending Control: How Data Centers Are Endangering State Budgets*, Good Jobs First, April 2025, <https://goodjobsfirst.org/wp-content/uploads/2025/04/Cloudy-with-a-Loss-of-Spending-Control-How-Data-Centers-Are-Endangering-State-Budgets.pdf>; Terry Nguyen and Ben Green, “What Happens When Data Centers Come to Town?,” University of Michigan Ford School of Public Policy, July 2025, <https://backend.production.deepblue-documents.lib.umich.edu/server/api/core/bitstreams/55f33dca-a62a-46f5-93f7-3580401dd5ca/content>.