



COMPETING FOR DATA CENTERS

Issue Brief

Summary

If you pay attention to any form of media, you've heard a lot about Data Centers lately. With the demand for AI growing alongside our personal and professional digital lives, the need for Data Centers, the physical buildings housing the servers which make up "the cloud", is stronger than ever. The construction of more Data Centers helps serve our pressing demand for faster, more reliable digital lives.

Even more importantly, when a new Data Center moves into a community, it brings along several benefits to share with the neighbors— more jobs, funding for clean energy, protection from increasing electrical bills, and countless improvements to the community through increased tax revenue. This is why several states are actively competing to be the place that Data Centers call home.

Background

State leaders are competing in the race to attract Data Centers because these facilities represent the height of economic competitiveness in the digital era. These leaders understand the truth about Data Centers: they are critical infrastructure tied to AI, manufacturing, innovation, as well as community investment and improvement. Mike Braun, Indiana's Governor, is one of many running the data center race because he understands "AI is going to be key to the jobs of the future". former U.S. Secretary of Energy and 47th governor of Michigan Jennifer Granholm has she firmly believes that large-scale data centers would drive a transition to clean energy and, if done well, could help reduce energy rates for customers by covering the cost of infrastructure and upgrades to the grid. Nebraska Governor, Jim Pillen, is of the same mindset, as he looks to house Data Centers in the name of national security, explaining, "The facilities of the future, let's call them 'AI factories,' are critical not just for our information economy, but for our national security. We simply can't lose them to our foreign adversaries". The leaders of these states understand that when Data Centers move in, they win.

Data centers create jobs in every phase of development—construction jobs, supply chain jobs, and on-site jobs once the data center is operational in addition to countless indirect jobs.

Once sites for Data Centers are selected, each facility goes through two main phases: **construction** and **operational**. Data centers create several jobs throughout both phases.

Under the construction phase, which can last from one to three years depending on the size of the data center, thousands of high-paying jobs are created as construction workers, electricians, HVAC technicians, and engineers are hired to build the Data Center. Like all construction projects, these jobs will be over once the Data Center is built. For example, Meta's \$10 billion LEAP campus in Indiana will support **4,000** construction jobs at peak construction (Bahar).

Throughout the construction phase, and even during the operational phase, Data Centers create countless supply-chain and other indirect jobs. For example, in Tennessee, Ultium Cells, a partnership between General Motors Co. and LG Energy Solution, **rehired 700** employees previously laid off in order to retrain them on how to make batteries that will support Data Centers (Reuters). In addition to supply-chain jobs, Data Centers also create countless indirect jobs. It is estimated that four indirect jobs are created for every single direct, on-site Data Center job.

These are created through local suppliers, vendors and subcontractors in order to meet the needs of the Data Center. This can be seen in Amazon's Northern Indiana Plan, as it will support thousands of supply-chain jobs (Amazon, Bahar). Businesses that require low-latency, high-speed data processing commonly move into communities in which Data Centers are built, creating countless additional jobs and economic opportunities.

Once moved into the operational phase, a smaller but stable workforce is needed, offering high-skilled, high-paying jobs such as data center technicians, network engineers, and IT support staff. Meta's Indiana LEAP campus will create **300** high-wage operational jobs, while Amazon will add more than **1,100** new high-skilled jobs with its Northern Indiana Plan (Amazon, Bahar). Additionally, Data Centers require Continuous upgrades, so each site requires more engineers and electricians more often than conventional facilities.

Data centers are highlighting the need for and funding the future of clean energy, ultimately leading the nation to reach its clean energy goals.

With increasing demand for Data Centers to support our digital lives, these facilities are large energy consumers. This fact is normally included in arguments against Data Centers, but the high demand actually places Data Centers in an integral role, as they are serving as catalysts for a surge in clean energy innovation (Carbone). Not only are Data Centers bringing the need for clean energy to the forefront, but they are **funding the future of clean energy** with each new project.

One great example of a Data Center providing both the push for and investment in clean energy is Google's 20-year contract with DTE.

During the duration of the contract, Google will fund **2.7GW of new clean energy** through a mix of solar and battery storage (Hale, Google).



As shown with Google's contract with DTE, the large energy demand of Data Centers creates several opportunities. The most important opportunity is that large demand of Data Centers not only create demand for clean energy generation, but also serve as an anchor—a **solid, unchanging foundation**—for that demand.

In addition to creating and grounding the demand for clean energy, Data Centers emerge as a key source of investment for new innovation and generation of clean energy (Carbone). Together, their large demand for energy with funding Data Centers provide for that generation can rapidly accelerate grid expansion in clean energy.

Several Data Centers throughout the nation are coming forth as strong examples of just how powerful a catalyst data centers can be in clean energy expansion. These Data Centers, much like Google's contract with DTE, have a few commonalities:

- Long-term contracts tied with clean energy
- Investment in energy storage and other advanced technologies
- Most importantly, the practice of large-scale procurement of new clean power

(Carbone, Google, Hale).

Data centers are highlighting the need for and funding the future of clean energy, ultimately leading the nation to reach its clean energy goals.

For example, in Michigan and Minnesota, long-term utility agreements with Google paired data-center load with additions in clean-capacity.

Under its contract with Xcel Energy in Minnesota, Google will pay all costs for its Data Center's service, while adding:

- **1,400 MW** of wind
- **200 MW** of solar
- **300 MW / 30 GWh** of iron-air battery storage to the system.



In addition to investing **\$50 million** in Xcel's distributed battery program.

Google also signed an agreement in 2024 with Kairos Power to support up to **500 MW** of advanced nuclear deployment (Google).

Perhaps the most telling statistic that Data Centers will prove the greatest catalyst in reaching clean energy goals: the International Energy Agency (IEA) projects that by 2035, about half of global data-center demand will be met by renewables, mostly natural gas while nuclear will largely contribute in some regions (IEA).

With Data Center projects funding clean energy advancements in their local communities, the overall impact of their investment will make huge strides towards clean energy goals becoming reality.

States are passing new policies data centers won't increase energy bills—some utilities have already started decreasing energy bills because of data centers.

State and national leaders are ensuring resident consumers are protected from increased energy bills and executives from companies building Data Centers have the same goal.

President Trump and Energy Secretary Chris Wright collaborated with executives from Google, Microsoft, Meta, Oracle, xAI, and OpenAI to discuss this priority. The result was the signed “Ratepayer Protection Pledge”, under which the companies building Data Centers will either buy or build new energy generation to power their facilities while also cover all costs for electricity delivery infrastructure upgrades. In other words, government leaders and tech executives all agree that the costs of Data Centers:

- Increased energy demand
- Delivery of that energy to the site
- Infrastructure updates
- Any other associated costs

will **not ever** be passed to resident ratepayers. This means that the presence of a Data Center and its needs will **not** result in higher bills for residents (Network, White).

After this collaboration, Wright vocalized the many benefits a Data Center can bring to the neighborhood, saying, “These data centers are going to bring jobs and opportunities for people. They’re going to have us lead in artificial intelligence — critical for our economy, our national defense, and our security”.

President Trump reflected on the impact of this pledge, explaining that, in time, it could **even reduce** electricity costs for Americans (Network).

Microsoft is one of many companies dedicated to ensuring its Data Centers do not have a negative effect on their neighbors. Microsoft Senior Director of Energy Markets, Jeff Riles, explained, “Microsoft has always been committed to paying the costs our operations require, and these tariffs give us a clear path to continue investing in the state while living out that commitment to **protect** other ratepayers” (WisPolitics).

States are passing new policies data centers won't increase energy bills—some utilities have already started decreasing energy bills because of data centers.

New policies and contracts with tech companies are protecting the local ratepayer, with many requiring large users covering **100%** of new generation costs and establishing stronger protections for existing customers (Satchwell, Google, WisPolitics). For example, in Wisconsin, regulators required hyperscale data centers to cover the full cost of new generation for their needs (Public).

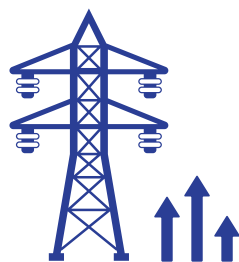
Google's contract with DTE is one such example in which residents are protected from the cost while profiting from the benefits. In this agreement, Google will invest in the current grid infrastructure, funding the enhancement grid flexibility and demand response systems. This commitment to invest in the community will allow residents to enjoy the updated grid infrastructure without having to pay the cost. As Will Conkling, Google's Americas Clean Energy and Power Director, explained, "As part of this announcement, Google is introducing a **\$10 million** Energy Impact Fund to scale and accelerate energy affordability initiatives that are designed to drive down monthly bills for communities in Michigan".

This **\$10 million** investment will be dedicated to home weatherization, efficiency technology innovations for households, as well as energy workforce development projects.

To further ensure community members are not negatively affected, Google will also **cover all costs** for upgrading grid infrastructure and delivering energy to the Data Center itself, leaving locals to enjoy the benefits of investment without needing to contribute to the cost (DTE, Google, Hale).

This practice is becoming more common, as data centers offer to fund the upgrades to the grid required to support their needs.

The funding offered by those data centers is vital, as the majority of power grids are **out of date**, many fifty-years old, or more. The fact is **we need upgrades soon**.



If a data center moves into the community, its residents can benefit from updates and expansions to the grid without paying from their own pockets.

Closed loop water systems have dramatically reduced data center environmental impact, as they now use very little water.

A common concern brought up in the conversation about Data Centers is the amount of water the sites use. However, these statistics are usually based upon older models, as innovations in modern technology have contributed to major improvements in the environmental impact of data centers. While older models of data centers are dependent upon large loads of water to keep their technologies cool and running efficiently, the new models being built are relying upon the newest advancements in cooling technology, including:

- Closed-loop water systems
- Direct-to-chip liquid cooling
- With some designs even using zero-water cooling (Meta).

In all these designs, the amount of water a data center consumes is **significantly decreased**, as the water used is continually recycled rather than being discarded after use.

With these advancements in cooling technology, a data center requires as much water as a standard building, as most water consumed annually is from bathroom, kitchen, cleaning and other typical needs.

New data centers are also saving water through strategic siting decisions. Many new data centers are sited in cooler regions and near bodies of water. Data centers are not drawing water from nearby lakes but are rather benefiting from the “cooling affect” of large bodies of water. Sites in the Midwest, which typically experience cooler weather, are typically selected, as water is only required for system cooling on days higher than 85° Fahrenheit (Lei)

Strategic siting saves water



Cooler regions reduce cooling demand



Use the lake's cooling effect (no water drawn from lakes)



In the Midwest, water is typically needed only on days above 85°F (Lei)

85°F+

Closed loop water systems have dramatically reduced data center environmental impact, as they now use very little water.

The best part is that data centers are not the only ones benefiting from these water-saving systems. While guiding a tour of a Chicago data center which implements closed-loop cooling systems, Rafal Rak, Senior Vice President of Hyperscale Investment, Leasing and Development at Digital Realty, pointed to the 8.5 million gallon tank outside the center to explain,

“It produces cold brine, which is essentially a salty water that’s cooled down to the freezing temperature and is distributed to our data center, but also to nearby hotels and the convention center . It doesn’t use any fresh water directly from Lake Michigan. It’s a closed-loop system, which means you fill it once and you seal it off and you don’t use anymore water” (Buganski).

In other words, not only can these systems be utilized by data centers to recycle water, ultimately minimizing overall water use, but these systems can also be shared with large businesses that are nearby including hotels and convention centers, which also have high water demand.

In fact, data centers across the nation are at the forefront of water conservation through various innovative technologies. For example, Meta explains that direct-to-chip, closed-looped systems can operate with no water in the cooling systems themselves (Meta).

Additionally, a Meta data center site in Beaver Dam, Wisconsin has structured its water-use so that it annually consumes less water than two full-service restaurants in one year (Meta).

The innovation goes beyond closed-loop systems, however, as a data center in Kansas City has reported **saving one million gallons** of water throughout construction by recycling stormwater (Meta). Microsoft is another leader in water-use minimization, as its newer design launched in August of 2024, does not use any water for cooling systems and saves **125 million liters of water each year** per data center (Microsoft).

Local governments are using data centers to increase tax revenue and improve their local communities

The most pressing reason state leaders are competing to bring data centers to their state is the overwhelming benefit these facilities will bring through tax revenue and community investment. The amount of tax revenue data centers generate alone is enough to have positive and lasting impacts on municipalities, health systems, and schools.

For example, In Washington State, Microsoft paid **\$26.4 million** in property taxes in both Grant and Douglas counties, which totaled **14.8%** of the total collected in 2024. In addition to that contribution through taxes, Microsoft also paid **\$4.6 million** in sales taxes as well as **\$132 million** in labor income.

When local government revenue increases by nearly **15%**, the systems upon which community members rely are benefited greatly by that increase. In fact, from 2019 to 2024, Microsoft alone contributed **\$1.2 billion** to Central Washington's economy through data centers and infrastructure. However, these data centers are not only bringing benefits through taxes, as many companies are directly investing in the communities where their data centers are being built. In the Central Washington region, Microsoft invested **\$2 million** in the community from 2019-2024, investing in various programs which have **positively impacted 352,000 people** (Stearns, Microsoft Local).

This is not just the case for Microsoft in Central Washington, but rather a trend that communities are noticing across the nation when a data center moves into the neighborhood. Amazon's Indiana Center, for example, is also choosing to directly invest in their community, dedicating millions to invest in jobs, workforce training, grid cost coverage, K-12 STEM programs, and a community fund (Amazon). Meta's locations in Tulsa and Beaver Dam are also investing in their communities—workforce programs, support of local infrastructure, as well as energy and water assistance (Meta).

In fact, many data centers are carrying weight, as they hold a significant share of the local tax base while also contributing hundreds of millions of dollars in regional GDP contributions. Whether it be through job creation, the commitment to pay for all infrastructure updates, or the direct investment in strengthening the community, it's clear that when a data center moves into the neighborhood, the entire community wins.

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