Capitol Leaders

YIMBY: A Case for Data Centers

Data centers are essential to support the rapid growth in internet use and artificial intelligence (AI) witnessed in recent years. From 2015 to 2025, internet usage in the U.S. rose from 75% to 93% of the population, with the number of users growing from 242 million to 324 million. According to a Pew Research Center survey, 62% of U.S. adults now report interacting with AI several times a week.

Data centers help make digital services more efficient by centralizing IT infrastructure, using energy wisely, and enabling the storage, processing, and rapid sharing of large amounts of data and applications. By hosting large networks of computers and storage systems, data centers ensure fast connectivity, 24/7 reliability, and uncompromising data security. For a large economy like the U.S., they are necessary to keep our internet fast and reliable, and our economy growing.

ESSENTIAL INFRASTRUCTURE WITH REAL BENEFITS

We rely on data centers every day for banking, healthcare, and communication. They make our digital activities possible and help individuals and organizations function efficiently. As demand rises, communities must recognize the vital need for local data centers. Without them, we risk losing the necessary infrastructure that supports our modern life. Data centers are essential and also bring benefits to communities.

- **Tax Revenue:** Data centers can produce a net positive fiscal impact for local governments. They often generate large property tax revenues that can outweigh tax incentives and infrastructure costs.

- **Job Creation:** Data centers have created thousands of short-term construction jobs and permanent jobs in IT, engineering, and operations.

- **Infrastructure Upgrades:** Regions that support data centers have seen improvements in grid capacity, internet speed, roads, transportation, and public safety. These upgrades benefit community well-being and stimulate local growth beyond direct economic gains.

- **Energy Consumption:** Data centers consume massive amounts of energy, but it's important to consider the trade-offs. The alternative to expanding modern data centers is maintaining the current infrastructure, which will result in slower internet, reduced access and reliability, weaker security, and hindered economic growth. Another possible alternative is an abundance of smaller server rooms. However, many small server rooms use more energy and are less environmentally friendly than modern data centers.

- **The AI Revolution:** Data centers have helped drive AI growth, enabling breakthroughs in healthcare, productivity, and access to knowledge. AI has resulted in faster innovation, better services, and more economic opportunities.

ADDRESSING DATA CENTER CRITICS

Not In My Backyard: It is reasonable to have doubts. That's why transparency matters. When developed responsibly, data centers operate with minimal disruption while contributing to long-term growth, especially in rural areas. Data centers enable AI, healthcare advances, and economic growth.

- Cascade Locks, Oregon, failed to complete a $100 million data center project due to resident opposition. The data center was later projected to increase the city's power revenues by $1.5 million annually.

Cost Concerns: Data centers have been known to generate more in tax revenue and infrastructure investment than they receive, generating billions annually for schools and public services.

- In Loudoun County, VA, facilities generate nearly half of all property tax revenue. For every $1 in public services, the county earns $26 in return.

Artificial Intelligence: AI tools are widespread and growing across healthcare, education, and business. Data centers are the infrastructure that makes this possible. Limiting their development risks falling behind in innovation, productivity, and access to critical technology.

- AI demand is already outpacing infrastructure, and any further hindrance to data centers will only worsen the problem. Political, local, and power constraints make it difficult to build data centers, and if left unaddressed, will result in slowed advancement.

Increasing Bills and Demand on the Grid: Rising energy demand is driven by AI, EVs, and internet usage, not just data centers. Data centers often result from addressing these demands. Blocking them will not solve the problem, but investing in generation and grid capacity will. Data centers actually partner with utilities to modernize the grid, balancing natural gas, nuclear, renewables, and advanced technologies to improve electric reliability and lower costs.

- The Department of Energy reported that data center driven electricity demand growth is an opportunity to accelerate the build out of clean energy solutions, improve demand flexibility, and modernize the grid while maintaining affordability (Clean Energy Resources to Meet Data Center Electricity Demand, 2026).

DATA CENTER BANS

Several states, including South Dakota, Michigan, New York, Vermont, New Hampshire, South Carolina, Georgia, Maine, and Oklahoma, are considering temporary bans on new data center developments. Banning data center development risks slowing economic growth, discouraging private investment, and limiting a state's ability to participate in the rapidly expanding AI and digital economy. It will likely shift development to other regions, causing states to miss out on tax revenue, infrastructure improvements, and long-term innovation opportunities.

DATA CENTER'S DRIVE GROWTH AND OPPORTUNITY

States with balanced energy strategies and efficient permitting processes are drawing more investment, while heavy restrictions and energy limitations can slow growth. Communities that take a forward-looking approach are better positioned to capture these opportunities.