Policy Matters Ohio

TESTIMONY

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Testimony to the Select Committee on Data Centers

Co-Chairs Holmes and Chavez, and members of the Select Committee on Data Centers, thank you for the opportunity to provide testimony today. My name is Molly Bryden, and I am the Climate & Sustainability Researcher with Policy Matters Ohio, a nonprofit research institute working to build a more vibrant, equitable, inclusive, and sustainable Ohio.

We appreciate the committee's efforts to collect and disseminate accurate and transparent information about data centers' impacts on the electricity grid and utility rates, the environmental impacts, and the economic landscape for data center development at the state and local levels. These topics are critical for understanding how the rapid proliferation of data centers across Ohio impacts our communities.

Costly, unnecessary tax breaks for data center companies

We now know that the data center sales tax exemption cost the state of Ohio more than $1.5 billion last year – and that doesn't include county and transit agency sales tax that was also forgone, likely in the hundreds of millions. That is more than 11 times what the taxation department had estimated. Much of this exemption is going to the richest companies in the world. They are spending hundreds of billions of dollars putting up data centers as fast as they can, world-wide. As the General Assembly recognized in its budget bill last year, when you repealed this tax break for new agreements, Ohio does not need this tax break to be competitive. A study in Georgia, for instance, found that 70% of the data centers in that state would be there without their sales tax exemption.[1]

A key Microsoft executive noted that data center site selection isn't based on tax incentives.[2] And Ohio already offers other tax breaks and low business taxes. Unlike four of our five neighboring states, as well as Virginia, the epicenter of data center investment, Ohio has no local property tax on machinery and equipment. That tax is budgeted to raise nearly $800 million in Loudoun County, VA, alone in Fiscal Year 2026.[3] Ernst & Young pegs our effective state and local business tax rate as tied, with Georgia and Arizona, for fourth-lowest in the country.[4]

Moreover, the revenue loss from this exemption simply isn't worth it. According to a list of such exemptions in mid-March, the 18 exemptions approved by the Tax Credit

[1] Georgia Data Center Sales & Use Tax Exemption - DOAA
[2] An A.I. Boom Makes Electricians Flock to Central Washington - The New York Times
[3] Loudoun County Virginia FY2026 Adopted Budget, FY-2026-Adopted-Budget, p. 855
[4] https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/insights/tax/documents/ey-total-state-and-local-business-taxes-state-by-state-estimates-for-fy24-december-2025.pdf See p. 14

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Authority were to produce only 506 new jobs, while costing $750 million in revenue—well over $1 million per job. While some companies have subsequently hired more employees, even Amazon Data Services, the industry leader, has only about 1,000 jobs in Ohio, as of October 2025.[5] We salute Governor DeWine for pausing the approval of any new exemptions, but the General Assembly needs to go a lot further. Besides making the pause permanent, either through separate legislation or overriding the governor's earlier veto, the legislature must find a way to eliminate or at least reduce the scope of this giveaway to existing data center operators. Amazon's agreement — which dates from 2014 — will last until 2055.

Energy & environmental impacts

There is an emerging body of research documenting concerns about data centers' environmental impacts, especially around the increasing pace of megaproject development. Hyperscale data centers are extremely resource-intensive facilities that can impose significant burdens on local water distribution systems, and the electrical grid. Data center facilities that create wastewater can also strain wastewater treatment systems, while those covered by discharge permits can dispel wastewater directly into surface waters, contaminating local water sources with PFAS, or forever chemicals used in cooling systems.[6]

Data centers often rely on backup diesel generators during energy disruptions, curtailment events and monthly maintenance periods. Diesel generators produce harmful air pollutants linked to increased risk for chronic health conditions like respiratory or cardiovascular disease, neurological conditions, or cancer, along with long-term consequences for the environment. A recent study suggests communities living at least 0.6 miles away – sometimes farther – from a data center can experience negative health outcomes.[7] Yet a considerable number of Ohio's planned hyperscale facilities directly abut residential areas, public parks, or schools.

Unprecedented growth in electricity demand

Ohio is seeing a surge in announced data center projects exceeding 100 megawatts (MW), ranging up to 10 gigawatts (GW).[8] The latter would require more electricity than all residential ratepayers in Ohio, combined, while the former corresponds with the demand of more than 70,000 households.[9]

Over the last decade, average monthly electricity demand among commercial ratepayers increased by 24.1%, while average residential demand decreased slightly (-9.3%). Despite that modest decrease, the average monthly electricity costs for residential ratepayers in Ohio have increased by 34.9% over the same period.

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[5] Community Reinvestment Area agreement between Amazon Data Services, Inc. and the City of Sidney, Ohio. (See page 2 of Exhibit B, Community Reinvestment Area Application.

[6] "A Regional Playbook for Managing Data Center Impacts in the Great Lakes." Alliance for the Great Lakes.

[7] "Data centers' air pollution associated with lung issues: Report," by Katie Millard. The Hill, February 2026.

[8] For example, Cologix began construction on an AI data center with 120 MW of capacity, and the U.S. Department of Energy recently announced plans for a 10 GW data center in Pike County. According to the Data Center Proposal Tracker, a citizen-led platform that crowdsources data on U.S. data centers, proposed data centers in Ohio would have a cumulative demand of 17.6 GW, while the FracTracker Alliance's U.S. Data Centers Tracker, a separate source, estimates 28.1 GW in speculative load growth associated with planned data centers in Ohio.

[9] Electric Power Monthly, Electricity sales to ultimate customer by state and sector (retail sales of electricity, January-December, 2025), Energy Information Administration, 2025.

According to PJM's 2026 load forecast report, summer peak load in the transmission zones served by AEP and AES[10] is expected to increase by 5.3% and 5.2% per year over the next decade,[11] respectively – the 3rd- and 4th-highest load growth rates among the 22 transmission zones in PJM's territory.[12] And this growth is rapidly accelerating: Just five years earlier, AEP and AES projected an annual growth rate of 0.4% between 2022 and 2031.[13] While data centers aren't solely responsible for skyrocketing energy costs, the pace and scale of their growth – within the state and regionally – could have severe consequences in the absence of robust ratepayer protections.

To meet energy demands, data center companies are increasingly turning to behind-the-meter generation to bypass interconnection queues and fast-track development. Onsite generating facilities proposed to supply data centers' electricity needs are overwhelmingly powered by natural gas. Despite these facilities' potential impacts on Ohio communities, behind-the-meter projects enjoy accelerated permitting timelines, while existing law limits local authority entirely.

Other states have provided cautionary evidence of these harms. In fact, a recent study in Virginia – the world's largest data center market – estimates that one natural gas-powered onsite generation facility employed by a Vantage data center could generate $53 million to $99 million in annual health-related damages linked to premature mortality, and additional impacts on cardiovascular and respiratory risks.[14]

Community accountability and transparency

Policy Matters Ohio has been receiving requests for support from residents across the state who have expressed concerns about planned data center projects coming to their communities. Leading concerns for Ohio communities include data centers' impacts on water quality and availability, implications for energy affordability in the absence of adequate ratepayer protections, and air quality and public health impacts, among a litany of other concerns. Notably, the lack of transparency or accountability involved in local data center development decisions has emerged as a throughline for communities.

We urge the committee to recommend approval of House Bill 695, limiting nondisclosure agreements (NDAs), with a few changes, so it does not undercut home rule authority but is also extended to state officials and others who handle economic development deals (see our testimony here). NDAs covering economic development have no place here and thwart good government. NDAs undercut local democracy by excluding residents from providing input on economic development decisions. Officials cannot be fully accountable when they operate in secret. In some recent deals in Ohio, even the name of the company involved has been initially shielded from the public. NDAs also make it harder for residents to understand what

[10] The AES transmission zone covers Dayton and parts of Western Ohio. AEP's transmission zone spans Central and Southeast Ohio, along with parts of Northwest Ohio and several other states. See the map of PJM zones for details.
[11] PJM Forecasts & Reports, 2026 Long-Term Load Forecast. Table B-1: Summer Peak Load (MW) and Growth Rates for Each PJM Zone and Geographic Region (2026-2046). PJM Interconnection.
[12] PJM Interconnection is the regional transmission operator that serves Ohio, along with all or parts of 12 other states and Washington, D.C.
[13] PJM Forecasts & Reports, 2021 Load Report (Previous Reports). Table B-1: Summer Peak Load (MW) and Growth Rates for Each PJM Western and PJM Southern Zone, Geographic Region and RTO (2021-2031). PJM Interconnection.
[14] "Air Quality, Health, and Economic Impacts of the Vantage Data Center Facility," by Michael Cord, PhD, and Francesca Dominici, PhD. Prepared for Piedmont Environmental Council by Empower Analytics Group LLC, February 2026.

the impact will be on their communities, be it noise, traffic, pollution, job growth, or use of water and electricity.

Limits on NDAs are just one element of the transparency that's needed for data center development. Another is the availability of public records on local economic development assistance. Unfortunately, with House Bill 184 approved last year, the General Assembly took a major step backward and made these records confidential. No longer can residents expect to get the basic details on what applicants for such assistance promise in jobs and investment. Local officials now must be concerned that they could be criminally prosecuted for providing information to constituents. This new law would make any prohibition of NDAs far less meaningful. We urge you to reverse this move and repeal the paragraph that was added to Section 9.66 of the Revised Code.

Recommendations

Data centers' economic and environmental impacts are not yet fully understood, and while these hearings are a step toward filling critical information gaps, the pace of their expansion warrants swift legislative action to establish strong guardrails for Ohio communities. In addition to the recommendations already noted, lawmakers should create a policy and regulatory framework to protect the long-term interests of Ohio communities, rather than subsidizing the highly profitable and resource-intensive data center industry at Ohioans' expense.

First, the committee should support the elimination of costly, taxpayer-funded giveaways to data center companies. According to a report from the National Conference of State Legislatures, as of mid-April, at least nine states had considered total repeal of their sales-tax exemptions for data centers.[15] Many others are looking at adding guardrails to them, and some have already done so, whether that means sunsets, energy and water use stipulations, or provision for community benefit agreements. Besides repealing the outlandishly expensive data center sales tax exemption, Ohio should adopt additional transparency requirements for data centers to improve Ohioans' understanding of data centers' operations and impacts, while informing measured policy and regulatory guardrails. This should include public reporting on water and electricity use, air emissions, jobs, payroll, and capital investment.

The committee should additionally recommend legislation requiring data centers to pay the full costs of infrastructure investment needed to meet soaring energy demand driven by the data center industry, like House Bill 706, which would prevent cost-shifting onto residential and small commercial ratepayers. Data centers' reliance on fossil fuel generation sources further warrants consideration of policies to protect communities from harmful air emissions produced by gas-powered generation facilities – particularly in communities hosting a data center with onsite generation. Lawmakers should reduce restrictions on renewable energy generation (which are currently more stringent[16] than those faced by behind-the-meter projects that rely on far more harmful and dangerous energy sources) and require a percentage of data centers' power to be generated with renewable resources coupled with storage technologies. Importantly, any renewable requirements imposed on data centers

[15] Miller, Nicholas, National Conference of State Legislatures, "Does Your State Offer Data Center Tax Incentives? https://www.ncsl.org/state-legislatures-news/details/does-your-state-offer-data-center-tax-incentives

[16] Ohio Power Siting Board.

must stipulate that data centers bring new clean energy capacity, whether behind the meter or interconnected to the grid.

Finally, the committee should support legislation to increase regulatory oversight and transparency requirements for existing and planned data centers to improve community accountability measures, while expanding opportunities for residents' participation in local economic development decision-making. Responsible, informed decision-making around data center development hinges on meaningful public engagement, especially when lack of regulation and nondisclosure agreements between local governments and data center companies have enabled these projects to materialize without the necessary transparency and accountability to the surrounding community.

Thank you again for the opportunity to provide testimony today. I am happy to answer any questions you may have.