To: Members of the Ohio House Energy and Natural Resources Committee
From: John Marra, Mayor of Timberlake, Ohio
Date: September 30, 2025
Re: Testimony for HB 303 & HB 427

Dear Committee Members,

Ohio stands at a perilous crossroads in its energy and economic policy, where the rapid proliferation of data centers is poised to cripple our electric grid, skyrocket utility rates for everyday families, and siphon billions in taxpayer revenue—all for the sake of fleeting corporate gains that prioritize AI innovation over Ohioans' well-being. As data center demand surges unchecked, our state's reliability margins teeter on the brink, with PJM Interconnection warning of imminent shortages that could leave households in the dark while these facilities hum uninterrupted. Claims by some state representatives that these centers will eventually "require less power" are not only optimistic but dangerously misguided, ignoring projections of 30 gigawatts in peak load growth by 2030. With smart meters already enabling selective brownouts for residents to safeguard data centers' 24/7, 365 operations, and tax incentives under HB 96 hemorrhaging state funds, the time for action is now. I urge the Committee to enact the Ohio Power Parity Act this session to restore balance, protect ratepayers, and demand reciprocity from these energy-hungry giants.

Fiscal Impact: HB 96 and the Escalating Cost of Tax Breaks

The fiscal toll of Ohio's data center incentives is staggering and accelerating, draining public coffers at a time when budgets are already strained by inflation and infrastructure needs. Codified under Ohio Revised Code Section 122.175, these incentives provide full or partial sales tax exemptions on critical equipment, software, and construction materials—exemptions that frequently amount to hundreds of millions of dollars per project. Since 2013, Policy Matters Ohio estimates that these giveaways have cost the state over $2 billion in forgone revenue, a figure that continues to climb as more facilities come online. For Fiscal Year 2026 alone, the Ohio Department of Taxation projects a loss of $141.8 million from these exemptions, funds that could otherwise bolster education, healthcare, or road repairs across our communities.

House Bill 96, the state's 2025-2027 biennial budget, represents a missed opportunity to stem this bleeding. Initially, the House version proposed eliminating sales tax exemptions for data center construction materials to help close a $2.5 billion budget shortfall. However, following intense lobbying, Senate revisions, and Governor DeWine's line-item vetoes in July 2025, the exemptions were fully restored, effective October 1, 2025. This decision not only perpetuates the status quo but exacerbates it, allowing data centers to evade 100% of state sales taxes on eligible purchases while local governments forfeit an additional 1-2.25% in sales taxes and face property tax abatements that further erode municipal revenues.

The economic justifications for these breaks—touted as generators of 95,000 jobs and $11.8 billion in annual GDP—are increasingly revealed as illusory. While construction phases may temporarily employ thousands, permanent operations rely heavily on automation and robotics, often sustaining fewer than 100 jobs per site. Independent audits, including those from Policy Matters Ohio, show returns averaging just $0.50 to $1.20 in economic output per dollar exempted, far short of the promised windfalls. Meanwhile, the $5 billion in grid upgrades required to accommodate these facilities is largely subsidized by ratepayers through surcharges and rate hikes, creating a vicious cycle where Ohioans pay more for less reliable service. Without immediate reform, these deficits could balloon into decades-long fiscal black holes, especially if the AI boom falters amid global economic uncertainties.

Local governments bear a disproportionate burden, as seen in communities hosting these facilities. Municipalities lose not only sales tax revenue but also property taxes through negotiated abatements, impacting school districts and public services. For instance, in areas like New Albany or Hilliard, where clusters of data centers have proliferated, local budgets have strained to cover increased demands for roads and emergency services without corresponding tax inflows. This pattern risks widening economic disparities, leaving rural and suburban areas like Timberlake to subsidize urban tech hubs.

Grid and Environmental Strain: Smart Meters, Selective Brownouts, and Looming Crises

The urgency of this issue is underscored by the immediate threats to Ohio's electric grid, which is ill-equipped to handle the voracious power demands of data centers—each large facility consuming energy equivalent to an entire nuclear plant. PJM Interconnection's latest forecasts paint a dire picture: shortages could materialize as early as 2027, with data centers driving a significant portion of the 30 gigawatts in projected peak load growth by 2030. American Electric Power (AEP Ohio) is already committing $5 billion to capacity expansions primarily for these centers, yet residential utility rates have spiked up to 10% statewide since 2024, with further increases inevitable as demand outpaces supply.

The Public Utilities Commission of Ohio's (PUCO) July 2025 order mandating new data centers over 50 megawatts to prepay 85% of their energy costs for infrastructure improvements is a step forward, but it falls short of addressing the core inequity: priority power allocation. Data centers secure firm, uninterruptible service through long-term contracts and on-site backup batteries, ensuring their operations remain seamless even during peaks. In contrast, over 90% of Ohio households are equipped with smart meters from utilities like AEP and AES Ohio, which facilitate demand response (DR) programs under House Bill 427 (introduced August 2025) and Senate Bill 2 (March 2025). These programs remotely cycle off residential appliances—such as water heaters or thermostats—for 8-10 minutes every 30 minutes during high-demand periods, offering meager rebates of $50-100 annually.

This selective "brownout" system creates a two-tiered grid: one for corporate behemoths running 24/7/365, and another for families enduring interruptions that jeopardize comfort and safety. In summer heatwaves, air conditioners and heat pumps could falter, posing health risks to the elderly and medically vulnerable; in winter, heating disruptions could lead to hypothermia in under-insulated homes. Low-income households, already burdened by energy poverty, face the harshest impacts, with PJM's reliability margins dipping to 10% in 2024 and risking mandatory load shedding. The Lordstown proposal—a two-gigawatt facility—exemplifies this strain, potentially exacerbating local shortages without commensurate benefits.

Environmental consequences amplify the urgency. Data centers' cooling systems evaporate millions of gallons of water per facility annually—billions statewide—rivaling municipal water demands and stressing rivers like the Mahoning during droughts. Ohio's grid, reliant on 60% fossil fuels (coal and natural gas), means new demands could add 1-2 million metric tons of CO_2 emissions per large center yearly, thwarting the state's 30% CO_2 reduction goal by 2030. Without mandates for clean energy offsets, we're locking in fossil fuel dependence, accelerating climate change effects like extreme weather that further strain the grid. Comparisons to Virginia are sobering: There, data centers have consumed 25% of Dominion Energy's output, leading to rate hikes and delayed coal retirements, with residents protesting "data center fatigue." Ohio must act before we reach that tipping point.

Proposed Legislation: Ohio Power Parity Act

To avert this crisis and ensure data centers contribute rather than extract, I implore the Committee to enact the Ohio Power Parity Act this session—either as an amendment to HB 96 or a standalone bill in the 136th General Assembly:

1. **Kilowatt-for-Kilowatt Replacement:** Any facility exceeding 50 megawatts must fund equivalent firm, continuous power generation (e.g., nuclear restarts at sites like Davis-Besse, carbon-captured natural gas plants, or advanced scrubbed coal systems) within three years. Intermittent sources like solar are ineligible, as they cannot match baseload needs. Failure to comply results in immediate permit revocation and fines up to $10 million, deterring delays.
2. **Tie Tax Breaks to Performance and Transparency:** Phase out sales and property tax exemptions unless centers demonstrate net revenue neutrality—meaning no overall fiscal loss to the state—within five years through independent audits. Require 60-day public notice for all exemptions, including detailed cost-benefit analyses, and mandate community town halls to incorporate resident input, countering opaque corporate negotiations.
3. **Grid and Environmental Protections:** Cap annual residential rate hikes at 3% to shield families from cost shifts. Mandate on-site battery storage for peak load shaving, 90% water recycling in cooling systems to conserve resources, and strict emissions caps aligned with Ohio's climate objectives, promoting a transition to cleaner energy without fossil lock-in.

4. **Equitable Demand Response:** Amend HB 427 to boost DR rebates to $200 for low-income and vulnerable households, limit residential interruptions to no more than 10% of peak hours, and provide mandatory opt-out provisions for those with medical needs. Data centers must fully fund surcharges for their priority service, ensuring they bear the costs of grid resilience.
5. **Transparency, Accountability, and Long-Term Planning:** Direct PUCO to issue biennial reports on tax incentives, grid impacts, emissions, water usage, and DR equity, with mandatory public hearings before approving new facilities. Establish a state task force to integrate data center growth with Ohio's renewable energy goals, preventing short-sighted expansions.

Enacting this Act would not only mitigate immediate risks but foster sustainable growth, potentially attracting greener tech investments while safeguarding public interests.

Economic and Social Impacts: The Human Cost of Inaction

The broader economic and social ramifications demand urgent intervention. Without reform, the $5-10 billion grid upgrade burden by 2030 will be shouldered by ratepayers, manifesting in persistent 10%+ annual bill increases that exacerbate inequality. The $2 billion in lost revenue since 2013 represents missed opportunities: Imagine reallocating those funds to underfunded schools in Timberlake or healthcare programs amid rising costs. The 95,000 jobs promised are predominantly temporary or indirect, with automation displacing local workers and limiting hiring to specialized tech roles unavailable to many Ohioans.

Socially, selective brownouts undermine community resilience. Vulnerable populations—the elderly relying on heat pumps, families with children needing consistent cooling, or those with chronic illnesses—face heightened health risks, as evidenced by recent PJM alerts during heat domes. Water strain could lead to rationing in drought-prone areas, while increased emissions contribute to poorer air quality, disproportionately affecting industrial regions. This isn't abstract; it's families like mine in Timberlake paying more for unreliable power, subsidizing distant data empires.

Inaction invites a cascade of crises: blackouts during 2027 peaks, ballooning deficits from unrecouped tax breaks, and environmental degradation that hampers Ohio's competitiveness. Yet, the Power Parity Act offers a path forward, ensuring data centers enhance—rather than erode—our state's vitality.

Conclusion

Ohio cannot afford another year of subsidizing data centers at the expense of its residents, who face escalating rates, unreliable service, and depleted local resources. Dismissing the crisis with hopes of future efficiency gains ignores the relentless demand growth and immediate threats. The Ohio Power Parity Act restores equity, demanding that these facilities pay their fair share through firm power offsets, performance-tied incentives, and robust protections. I urgently call on the Committee to enact this bill by spring 2026, convene hearings, and amplify public voices. I stand ready to testify. Together, we can secure a powered, prosperous Ohio for all—not just the few.

Sincerely,
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References:

- Policy Matters Ohio Reports (2025).
- Ohio Revised Code §122.175.
- PUCO Orders on AEP Tariffs (July 2025).
- HB 427 & SB 2 Summaries.
- Ohio Department of Taxation, Tax Expenditure Report (2025).
- PJM Long-Term Load Forecast Report (2025).