AMERICANS *for* RESPONSIBLE INNOVATION

FIELD GUIDE

FOR STATE GOVERNMENT

State Lawmakers

Protect ratepayers through public utility commissions, redesign incentives, plan for stranded assets, and mandate transparency.

State lawmakers hold the highest level of authority to regulate utility mandates, design tax incentives, and establish permanent reforms that protect ratepayers while ensuring responsible industrial growth.

Codify Grid Stability & Ratepayer Protections

Unregulated data center growth can strain the grid and socialize infrastructure costs across all residential users. Lawmakers can act to ensure data centers pay their fair share.

- **Create Advisory Boards:** Establish expert-led advisory boards to guide lawmakers on policies aligned with their business and constituent goals.

> OREGON
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> Oregon's governor created a Data Center Advisory Committee to develop policy recommendations on data center expansion, balancing the state's "Prosperity Roadmap" with ratepayer affordability and the protection of forests and farmland.

- **Implement Grid Impact Assessments:** Mandate standardized grid impact assessments for any interconnection request exceeding a specified threshold to mitigate the risk of cascading failures or blackouts.
- **Determine Cost Causation:** Authorize public utility commissions (PUCs) to assess and publish how the costs of new data center loads will result in cost shifts for other utility customers.

> CALIFORNIA · SB 57
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> California's SB57 allows the PUC to evaluate whether data center energy costs are being shifted onto other utility customers, with findings reported to relevant legislative committees and posted publicly on the commission's website.

- **Recover Capacity and Infrastructure Costs:** Assign recovery rates to the large-load customers that are increasing generation capacity and grid modernization costs. Use trackers, such as the Database of Emerging Large-Load Tariffs, to find examples of similar regulations.

VIRGINIA · HB 1393

Virginia's HB1393 would direct Dominion Energy to petition the State Corporation Commission to establish rates recovering increased generating capacity costs, requiring customers with 25MW or more in demand and a 75% electric load factor to bear those costs (excluding qualifying non-data center customers).

VIRGINIA · HB 503

Virginia's HB503 would require that any generation, transmission, or fuel costs that would not have been incurred but for the demand of data centers be recovered solely from data center customers (with a peak demand of 100 MW or greater).

Plan for Contingencies

If hyperscalers or developers abandon a project after utilities upgrade the energy infrastructure, the "ghost site" costs can fall on local ratepayers.

- **Establish Stranded Asset Contingency Funding:** Pass legislation requiring developers to provide financial assurances or "contingency funding" before construction begins to cover infrastructure costs if the project is abandoned or if the limited liability company (LLC) is unable to follow through with commitments on development.

SOUTH CAROLINA · SB 867

South Carolina SB867 would establish a Data Center Development Office to oversee a tiered permitting process based on energy load, shifting much of the siting authority from local counties to the state while mandating strict noise mitigation and decommissioning standards.

Many AI data centers are not "flexible loads," so they cannot automatically adjust consumption to help balance the grid.

- **Define Flexible Load Standards:** Establish state-level requirements for data centers to qualify as "flexible loads," requiring the ability to raise or lower power consumption in response to grid needs without degrading their own operations.
- **Incentivize "Temporal Flexibility:"** Encourage AI data centers to shift their energy-intensive workloads to off-peak hours or periods of high renewable availability.

9 STATES + D.C. → PJM

A bipartisan group of state legislators from nine states and D.C. submitted a letter to PJM, demanding that data centers joining the regional grid be subject to interruptible service, so PJM can force them to stop using electricity during peak demand.

Maximize Benefits

Data centers are among the most subsidized industries, often at a high cost-per-job ratio. States should restructure these deals to ensure they deliver a balanced return on investment.

- **Freeze or Restructure Underperforming Exemptions:** Audit existing sales and use tax exemptions. If benefits granted to data center developments do not proportionally increase local tech jobs and revenues, consider freezing eligibility, narrowing the scope of exemptions, raising sales taxes, or repealing the incentives altogether.
- **Tie Incentives to Community-Enhancing Standards and Long-Term Commitments:** Make tax exemptions contingent upon strict employment quotas, specific wage thresholds, environmental baselines for on-site generation, and commitments to remain in operation for 20 or more years.
- **Support Community Benefit Agreements (CBAs):** Create legal frameworks that encourage or require developers to enter into CBAs, ensuring enforceable commitments for local hiring, job quality standards (e.g., above market wages and paid family leave), apprenticeship programs, infrastructure investments, and environmental safeguards.
- **Unlock Industry Development:** Make siting agreements contingent on investments in the state's technology ecosystem, including compute donations to local universities, R&D partnerships, and support for AI startup intermediaries.

NEW JERSEY

CoreWeave is building data centers in New Jersey; simultaneously, the company co-founded Princeton University's NJ AI Hub and worked with the New Jersey Economic Development Authority to invest $20 million into the Hub's emerging startups.

NEW JERSEY

In 2025, New Jersey passed legislation offering AI companies up to $250 million in tradable tax incentives in exchange for making similarly sized investments in New Jersey's tech ecosystem.

- **Generate Wealth for Residents:** Enable communities to co-invest in new developments and derive profits from successful buildouts.

ALASKA · NORTH DAKOTA

Residents of Alaska and North Dakota have received direct payments from oil revenues through state-operated entities, including the Alaska Permanent Fund and the North Dakota Legacy Fund.

NEW MEXICO

New Mexico created a $7 billion fund for universal childcare, using endowment revenues from the oil and gas industry.

Mandate Transparency

The use of Non-Disclosure Agreements (NDAs) and the lack of standardized energy consumption reporting leave regulators and the public "flying blind" regarding the true footprint of these facilities.

- **Prohibit NDAs:** Ban state and municipal government officials from entering into non-disclosure agreements tied to data center projects, ensuring public and legislative scrutiny of all contract details.

NEW YORK · SB 373

New York SB373 would prohibit the state and its public authorities from entering confidentiality and non-disclosure agreements "pertaining to economic development."

KENTUCKY · HB 544

Kentucky HB544 would prohibit utilities from providing services to data centers with >100 MW of contracted load without the PSC approving a tariff or contract. All new infrastructure costs must be assigned to the data center, and other customer classes must not face adverse impacts on energy prices.

- **Require Resource Reporting:** Require data center owners to report standardized, non-aggregated data on energy consumption and total pollutant emissions.
- **Follow Generally Accepted Accounting Principles:** Publicly disclose state tax abatement revenue losses to data centers under the Governmental Accounting Standards Board's (GASB) Statement No. 77 on Tax Abatement Disclosures in an Annual Comprehensive Financial Report (ACFR) for economic development projects.
- **Publicize Secured Commitments:** Launch online dashboards to publicize the commitments that state and local governments secured from data center developers, including capital and community investments, jobs, and wage and benefit agreements.

NEVADA

Nevada publishes data center projects' promised jobs, wages, and subsidies.

ILLINOIS

Illinois discloses select aggregate data on data center projects across the state, including the total number of jobs created and company applications for incentive programs.

Additional Resources: Data Center Regulation Tracker · Database of Emerging Large-Load Tariffs · Multistate.ai