TEXAS
POLICY RESEARCH

April 9th, 2026

Chairman King and Members
House Committee on State Affairs
Texas House of Representatives

RE: Written Testimony on Data Center Development and Infrastructure Policy in Texas

Chairman King and Members of the House Committee on State Affairs,

Thank you for the opportunity to provide comments on data center development in Texas. Texas is rapidly becoming a national leader in Artificial Intelligence (AI) infrastructure. The key policy question is not whether demand from data centers is increasing, but how the state responds to that demand.

Rising electricity and water use should be understood as signals of economic growth, not problems to be constrained. Historically, Texas has met growth by expanding supply. That approach has supported a competitive energy market and a strong economy. In energy, increased demand encourages investment in generation and transmission. Data centers can reinforce this through long-term power agreements, co-located generation, and private infrastructure investment. The focus should be on enabling supply to grow, not limiting demand. Water concerns are also real, particularly in certain regions. However, innovation in cooling, recycling, and efficiency is already reducing usage. Markets create strong incentives for companies to minimize costs and resource consumption over time.

Some challenges attributed to data centers are better understood as issues of project execution and transparency. When infrastructure questions are not addressed early, community concerns can escalate. These are reasons for better coordination, not broad restrictions.

Texas also faces interstate competition for this investment. Policy certainty matters. Signals of delay, cost shifting, or evolving regulation risk pushing capital, jobs, and long-term economic activity to other states.

While infrastructure is a legitimate role of government, policymakers should be cautious about shifting costs or subsidizing demand. During the 89th Legislative Session, Texas Policy Research opposed Senate Bill 6 due to concerns about expanding mechanisms that socialize infrastructure costs rather than assigning them to large load users.

When costs are misaligned, market signals are distorted, increasing the risk of overbuilding and inefficiency. Property tax abatements raise similar concerns by shifting costs onto other taxpayers and influencing investment decisions in ways that may not reflect underlying economic viability.

Texas should continue its tradition of growth by focusing on expanding supply, maintaining policy predictability, and ensuring that those creating demand bear the associated costs. Data centers are not the problem. They are a signal. The question is whether Texas will build to meet that signal or begin to constrain it.

Thank you for your consideration.

For Liberty, For Texas!

Jeramy D. Kitchen
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