



August 19th, 2026

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

RE: Written Testimony on Data Centers

Chairman King and Members of the Committee,

Thank you for the opportunity to provide comments regarding the committee's interim charge examining data center development in Texas.

Texas has become a national leader in attracting advanced manufacturing, artificial intelligence infrastructure, and data center investment because it has historically embraced free enterprise, competitive energy markets, and a stable regulatory environment. As lawmakers evaluate this rapidly growing sector, the objective should not be to slow investment, but to ensure Texas continues growing in a manner that protects taxpayers, private property rights, and grid reliability. Data centers themselves are not the problem. They represent one of the fastest-growing sectors of the modern economy and bring significant capital investment, high-skilled employment, and long-term economic development. The policy question is how Texas accommodates that growth while preserving the principles that have made the state economically competitive.

Reliable electric infrastructure will be essential to that effort. Senate Bill 6 and ERCOT's evolving Large Load planning process reflect the Legislature's effort to ensure that large electrical loads contribute to the costs they impose. That underlying principle is sound. Texas Policy Research nonetheless opposed SB 6 as drafted, cautioning that it leaned toward regulatory mandates rather than market incentives and would benefit from more flexible cost-sharing mechanisms, clearer standards for regulatory oversight, and a phased approach to implementation. Those concerns remain relevant as the Public Utility Commission develops implementing rules. Lawmakers should ensure the framework delivers genuine cost discipline rather than a new layer of administrative process.

As these policies continue to develop, lawmakers should prioritize predictable regulatory processes, timely permitting, and infrastructure planning that responds to demonstrated demand rather than speculative assumptions. That distinction is not academic. When the Public Utility Commission approved ERCOT's Batch Zero large load study process in June 2026, ERCOT was tracking more than 438 gigawatts of large load interconnection requests, nearly 89 percent of them associated with data centers. For perspective, ERCOT's peak demand in 2024 was approximately 86 gigawatts. The interconnection queue is therefore roughly five times the size of the entire grid at peak. A substantial share of those requests will never be built, and planning infrastructure against the full queue would commit ratepayers to assets that demand may never justify. Texas should continue relying on market signals rather than government direction. Infrastructure costs associated with major new electrical loads should, to the greatest extent practicable, be borne by those creating the demand. Cost allocation that reflects actual infrastructure needs encourages efficient investment while protecting existing ratepayers and preserving confidence in Texas's competitive electric market.

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Likewise, the Legislature should carefully examine tax preferences and incentive programs applicable to data center development. When the qualifying data center sales tax exemption was enacted in 2013, the accompanying fiscal note estimated it would reduce state revenue by approximately \$14.6 million during the 2014-15 biennium. The Comptroller's Office now projects the exemption will cost approximately \$3.3 billion during the 2028-29 biennium, an increase of more than 22,000 percent over the original estimate. Whatever the merits of the policy in 2013, an incentive that has diverged that far from its projected cost warrants renewed legislative scrutiny. Texas has historically succeeded by maintaining a broadly competitive business climate rather than providing targeted advantages to particular industries. Policymakers should focus on reducing barriers for all businesses instead of expanding industry-specific incentives or subsidies.

Local governments also play an important role. Communities should retain reasonable authority to address legitimate local concerns involving infrastructure compatibility, traffic, water availability, and public safety. However, blanket moratoriums, inconsistent local restrictions, or uncertain permitting processes create unnecessary investment risk and undermine Texas's reputation for regulatory predictability. Clear statewide standards provide greater certainty than a patchwork of conflicting local policies.

Finally, major policy decisions governing data center development should continue to originate through the legislative process. Questions involving infrastructure planning, interconnection policy, market regulation, and statewide economic development deserve public debate and legislative oversight rather than being resolved primarily through executive directives or administrative action. A predictable statutory framework provides greater certainty for investors while preserving legislative accountability.

Texas does not face a data center problem. It faces an infrastructure planning challenge that accompanies economic success. The appropriate response is to expand energy generation, modernize transmission where justified, streamline permitting, encourage private investment, and maintain transparent, market-based policies. By doing so, Texas can continue leading the nation in artificial intelligence, advanced computing, and energy innovation while remaining faithful to the principles of limited government, free enterprise, and private property rights.

Thank you for your consideration.

For Liberty, For Texas!

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