THE BUCKEYE INSTITUTE

Getting Data Center Policy Right

Interested Party Testimony
Ohio Select Committee on Data Centers

Greg R. Lawson
Senior Research Fellow
The Buckeye Institute

June 11, 2026

As Prepared for Delivery

Chairman Holmes, Chairman Chavez, and members of the Committee, thank you for the opportunity to testify regarding data centers before this select committee.

My name is Greg R. Lawson, and I am a senior research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

When examining concerns about data centers, it is worth being clear about what is at stake. It is not hyperbole to acknowledge that data centers are the primary productive capital of the 21st century, an indispensable part of the physical infrastructure of the modern economy, the humming factories of the information age. Data centers are not merely needed for upstart artificial intelligence (AI) companies to run their algorithms. They do not simply warehouse servers. Every cloud application, financial transaction, hospital record, logistics and shipping network, and piece of new scientific research requires computing and storage housed in data centers. They are economic and national security assets that support advanced computing for defense applications, cybersecurity, manufacturing, healthcare systems, university research, social media communications, and financial markets. That means that data center disruption would negatively affect virtually every sector of the economy and aspect of our modern digital way of life—at work and at home.

Slowing down data center development, of course, will also slow AI development, which may carry even graver risks and consequences for healthcare, free markets and economic strength, military preparedness, national security, and geopolitical influence. In the new technology era, AI and advanced computing capacity will shape these diverse fields. Nations that build and secure the infrastructure behind these technologies will determine the economic and strategic balance of power for decades.

China and the United States have entered a technological "cold war" for control of microchips, computing supremacy, energy sources, artificial intelligence, and the digital systems that will define economic and global military power. And to the victor will go the spoils, so it matters who prevails. China understands this fundamental premise and is already working to **amplify** legitimate public concerns about data centers to slow their proliferation in the United States. Anthropic, for example, recently released **Mythos**—a computing model that can **exploit bugs** in critical IT infrastructure—to select firms and government agencies. The capability gap that keeps Mythos out of adversarial hands is **measured in months**, so if China can slow data center buildout in the U.S. and slow the next Mythos-like innovation, it can affect who controls that next technological iteration and everything that flows from it.

Federal, state, and local policymakers must understand these stakes and not undermine America's competitive position even as they also listen to legitimate concerns about data center expansion voiced by their constituents. Accordingly, policymakers and the public should strive to treat digital infrastructure as they would treat any other major industry. The firms building this infrastructure seek non-discriminatory access to electricity, water, and land under the same regulatory frameworks that apply to other large industrial users. Local government officials and concerned

citizen groups should discuss and debate policy options according to facts, not sound bites or talking points.

Much opposition to data center development centers on energy consumption. There are legitimate energy-related questions worth asking, but the energy challenge data centers pose is **largely a supply-side failure** created by an unwillingness to build enough power generation capacity to serve a growing economy. Data center activity is not **meaningfully correlated** with energy price increases. Instead, slow and restrictive permitting regimes that inhibit energy transmission and production are far better **predictors of high energy costs**.

In 2008, the United States and China each produced roughly **4,000 terawatt-hours** of electricity annually. Today, China produces approximately **10,000 terawatt-hours**—a 150 percent increase—while American electricity production has remained essentially flat. China's advantage is not that it built power for AI capacity, but that it built an energy system capable of scaling with industrial growth. As AI, advanced computing, manufacturing, and other energy-intensive industries raise future electricity needs, China is better positioned than the United States to add supply without forcing other parts of its economy to compete for scarce power. The United States, by contrast, enters the AI era with a tighter power supply, leaving data centers, manufacturers, households, and other users to compete for reliable, affordable electricity. **Energy efficiency** can reduce the electricity needed for some tasks, but cheaper and more efficient computing can also increase total demand by making more activity economical. The challenge, then, is not data center consumption in isolation, but whether America can build enough power to serve a growing economy.

As America confronts that challenge, policymakers and residents must be careful not to **single out data centers** for hostile rate design or special consumption limits while other large industrial users face no comparable scrutiny. Steel mills, automobile plants, semiconductor fabrication facilities, and other manufacturers all consume large quantities of electricity. We treat their consumption as economic activity that generates jobs, tax revenue, and wanted productive output. The same considerations and treatment should apply to data centers. Similarly, legitimate concerns about how data center growth and related large-scale construction will affect water resources also apply to any significant industrial development project. Federal, state, and local governments have regulatory frameworks to address such concerns and those regulatory regimes should apply consistently and without prejudice to data center developers. Digital infrastructure and service providers like Microsoft, Google, Amazon, and Meta offer **popular** computing products that Americans use and pay for everyday—just like any other large energy-consuming firm. Discriminatory policies that unfairly target them or raise their operating costs will inevitably impose higher prices on their customers and lower returns for their investors.

For its part, Ohio should preserve a competitive state sales-tax exemption for data center equipment, avoid excessive barriers that drive projects elsewhere, but also reject the use of eminent domain for private development, increase transparency around local incentive negotiations, and limit local tax breaks. Accordingly, the Committee's fact-finding work should address the following:

Sales Tax Exemption

Ohio should maintain its sales tax exemption on data center equipment. The exemption is similar to the state's long-standing **exemption** for manufacturers and reduces the cost of capital investment without distorting local tax bases, keeping Ohio competitive with peer states that offer similar tax treatment. This non-discriminatory exemption avoids tax pyramids on business inputs that would otherwise ultimately raise end-user prices for AI subscriptions, streaming video services, and cloud hosting for electronic records.

Property Tax Abatements

Local property tax abatements deserve harder scrutiny—especially considering the current grassroots effort to eliminate property taxes altogether. Property tax breaks shift the fiscal burden onto residents and other businesses in host communities. The Committee should assess whether these incentives are well-targeted or unduly concentrate benefits with large operators. Poorly aligned incentives offered at residents' expense should be avoided or meaningfully limited in scope and duration. But data centers can pay property taxes, too, and alleviate local tax burdens as happened in Loudon County, Virginia, the "**Data Center Capital of the World**," where the county board of supervisors continues to **lower property tax rates**.

Eminent Domain

The General Assembly should ensure that eminent domain is not available as a standard tool for data center development. Eminent domain is an extraordinary government power that demands extraordinary justification. Seizing private land to benefit private commercial operators needlessly risks fueling community backlashes, moratoriums, and broader development restrictions.

Nondisclosure Agreements

Finally, secrecy surrounding data center deals undermines public confidence and trust. Nondisclosure agreements (NDA) between developers and local governments breed suspicion and resentment by obscuring from community taxpayers the tax arrangements, land agreements, and infrastructure commitments being signed. Greater transparency will help reduce public distrust and replace it with a better-informed, fact-based conversation. The General Assembly should limit NDAs in publicly negotiated data center agreements.

The national and international stakes for data center development could hardly be higher. But legitimate constituent concerns about data center proliferation cannot be ignored. Ultimately, increasing energy production, adopting non-discriminatory development rules, limiting local tax breaks, and conducting transparent contract negotiations will go a long way toward securing America's digital infrastructure and winning the race for advanced computing technology.

Thank you for your time and attention. I will be happy to answer any questions the Committee may have.

About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

The Buckeye Institute is a non-partisan, non-profit, and tax-exempt organization, as defined by section 501(c)(3) of the Internal Revenue code. As such, it relies on support from individuals, corporations, and foundations that share a commitment to individual liberty, free enterprise, personal responsibility, and limited government. The Buckeye Institute does not seek or accept government funding.