

July 24, 2026

Act Now Comal
Alamo, Austin, and Lone Star chapters of
the Sierra Club
ARK Ecological Consulting
Belton and Surrounding Neighbors
Bexar Audubon Society
Bexar and Travis-Austin Green Parties
Bexar Grotto
Bulverde Neighborhood Alliance
Bulverde Neighborhoods for Clean Water
Cibola Center for Conservation
Citizens for the Protection of Cibola
Creek
Coalition for Responsible Aggregate
Mining (CREAM)
Comal Conservation
Comfort Neighbors
Congregation for Divine Providence
Conservation Society of San Antonio
Dry Comal Creek Neighbors
Environment Texas
First Universalist Unitarian Church of SA
Fischer Neighbors
Fitzhugh Neighbors
Friends of Canyon Lake
Friends of Castroville Regional Park
Friends of Government Canyon
Fuerza Unida
Green Society of UTSA
Hays Residents for Land & Water
Protection
Headwaters at Incarnate Word
Helotes Heritage Association
Hill Country Alliance
Kendall County Well Owners Association
Kerr County Water Alliance
Las Moras Springs Association
Llano River Watershed Alliance
Mystic Shores Neighbors
Native Plant Society of Texas – SA & NB
Northwest Interstate Coalition of
Neighborhoods
Pedernales River Alliance – Gillespie Co.
Preserve Castroville
Preserve Lake Dunlop Association
Preserve Our Hill Country Environment
River Aid San Antonio
San Marcos Greenbelt Alliance
San Marcos River Foundation
Save Our Springs Alliance
Save Salado Creek
Save Texas Streams
Scenic Loop/Helotes Creek Alliance
SEED Coalition
Signal Hill Area Alliance
Texans for Environmental Awareness
Texas Cave Management Association
Trinity Edwards Spring Protection Assoc.
Water Aid – Texas State University
Watershed Association
Wildlife Rescue & Rehabilitation

The Honorable Joan Huffman, Chair
The Honorable Juan Hinojosa, Vice-Chair
The Honorable Members Bettencourt, Campbell, Creighton, Flores, Hall, Hancock, Hughes,
Kolkhorst, Nichols, Paxton, Perry, Schwertner, West, and Zaffirini
Senate Committee on Finance

Re: Data Center Investment and State Fiscal Tax Effects

The [Greater Edwards Aquifer Alliance](#) (GEAA) appreciates the opportunity to submit these comments on behalf of our 59 member groups that are allied in advocacy for the preservation of our ground and surface water resources in 21 counties within Central and South Texas. We work in this field to ensure the protection of the health, safety, and welfare of all those who rely on these sources of water.

Introduction

The Edwards and Trinity aquifers supply over 2 million people in Texas with water and underpin many local economies. These two aquifers are porous karst limestone aquifers that are highly susceptible to drought and, because of the rapid flow of waters within the systems,¹ to contamination. Over the past quarter century, the Edwards and Trinity aquifers have both frequently been in emergency drought stages, and in early 2026, both reached their lowest level since 1990.

The Edwards and Trinity aquifer region – i.e., the Texas Hill Country – is frequently under Exceptional Drought conditions; long-term rainfall forecasts predict below normal conditions, evaporation forecasts predict high rates of evaporative loss, and “thousands of groundwater wells...have seen a drop in their water levels”.^{2,3} Texas faces a very real possibility of a severe water shortage in certain parts of the state by 2030 and a large state-wide water deficit by 2070. Water supplies in counties that rely on the aquifers are facing unprecedented demand; in Comal County, Texas Water Company recently had to deny service to nine developments due to a lack of water supply. At the same time, the region has suffered back-to-back devastating floods, with billions of dollars in economic losses and far too many fatalities.

The costs of these pressures are not minimal. The 2027 Draft State Water Plan predicts that meeting Texas’ water supply and infrastructure needs over the next 50 years will cost at least \$174 billion.⁴ The 2024 State Flood Plan requires \$54.5 billion in flood mitigation project needs.⁵ The recommendations outlined herein can help ensure emerging high demand industries are not further exacerbating these costs and instead provide ways in which the industry may be able to help offset them.

Data Center Economic Investments and Tax Incentives

Much of the following section is pulled from our white paper, [Data Centers in Texas: A Review and Call for Innovation and Regulation](#).

Many communities and boosters tout the economic and job creation benefits of a data center coming to town. Data centers can generate enormous tax revenues for local communities,

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but they also have a “dismal reputation of creating the lowest number of jobs per square foot in their facilities,”⁶ and often create far fewer permanent jobs than promoted. The construction of a data center facility can create more than 1,000 construction jobs and high levels of short-term revenue, but the center itself often only provides for tens or low hundreds of local permanent jobs, with lower annual revenues to the local government.⁷ Even in the construction phase, however, specialized construction workers may move from project to project, creating less net new employment than expected.⁸

Texas provides multiple examples of the limited long-term local job creation of data centers. For example, “in Rockdale, Texas, a crypto mining company promised to build a facility that would create 350 jobs, but in fact only generated 14 jobs.”⁹ In Abilene, Texas, the OpenAI Stargate campus employed 1,500 construction workers but is expected to employ only 100 full-time employees once complete, “a fraction of the number of people who might work on the same one million square feet if it were an office park, factory, or warehouse.”¹⁰

While data centers often do not have much of an impact on the local job market, they can have an indirect impact elsewhere in the economy, including jobs in the upstream supply chain for data centers and downstream in the sectors supported by data center operations. For every direct job, there are on average 7 indirect jobs supported.¹¹ Thus, there may be statewide or national economic benefits even if “the actual economic effect on host communities may be more diffuse.”¹²

Data centers can contribute sizable sums to local government coffers through tax revenues. It is not uncommon, however, for the actual revenue gain to be less than originally expected, due to significant tax incentives.¹³ Many state governments provide multiple tax exemptions or tax abatements of which data center operators can take advantage. Texas and Virginia lead the nation in the size of data center tax abatements. Texas’ data center tax incentive is now “one of the state’s costliest incentive programs and soon to be the most expensive of its kind in the nation.”¹⁴

To receive the exemption, data center companies must create at least 20 jobs paying more than 120% of the median area salary if the facility is larger than 100,000 square feet and at least 40 jobs at that level if larger than 250,000 square feet.¹⁵ There are also certain investment targets in the facility that the companies must achieve to qualify.

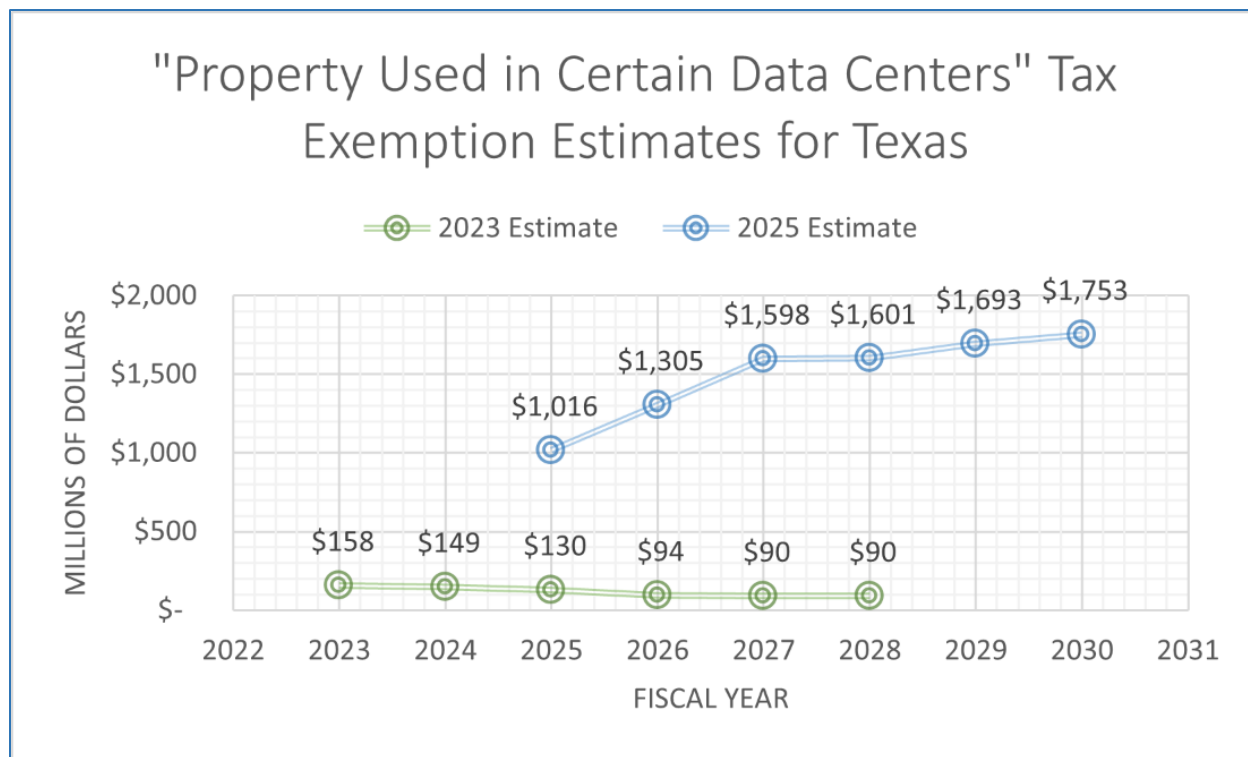
In 2023, the Texas State Comptroller estimated that a state sales and use tax exemption program for property used by certain data centers would cost the state an estimated \$130 million in FY 2025. Instead, this program costs the state an estimated \$1.016 billion in FY 2025, a 682% change, “*making it one of the most expensive subsidy programs for any industry in any state.*”¹⁶ Data center subsidies are now predicted by the Texas Comptroller to cost the state at least \$9 billion combined between 2025 and 2030 and at least \$1.3 to \$1.75 billion annually (see figure below).¹⁷ This project is likely to be an underestimate as well.

The \$1.016 billion loss to the state does not include the state’s tax exemptions for information and data processing services, which could include some additional exemptions for data centers. This second tax abatement category cost the state an estimated additional \$236 million in 2025 and is projected to cost at least \$332 million annually by 2030.¹⁸

Data centers may also receive additional tax abatements from the local government in whose jurisdiction they are located. Data centers can receive reduced or eliminated property taxes on cooling systems, new or expanded buildings and facilities, IT hardware, backup power, and servers.¹⁹ Local government tax abatement agreements are one of the few tools that county governments have to influence development impacts within their jurisdictions.

Much of the data center growth in the state is occurring within unincorporated county areas. Counties in Texas do not have zoning authority, and as such, can place few if any restrictions on where and how data centers can be

constructed and operated within unincorporated areas. Texans in unincorporated areas of the state are often then subject to the most immediate impacts that arise from data centers. Compared to municipalities, counties are limited in their ability to provide buffers between residents and industry or prohibit incompatible land uses; limit noise pollution; manage and mitigate stormwater and flooding; or control how a site can be developed. At the moment, development agreements that provide for tax abatements in exchange for community benefits are realistically all that counties have to shape development.



This chart illustrates the difference in the projected cost of the “Property Used in Certain Data Centers” tax exemption between the report issued in 2023 (green line) and 2025 (blue line). Produced by the Greater Edwards Aquifer Alliance, relying on Texas Comptroller data.²⁰

Recommendations Providing Safeguards to Ensure That Texans Benefit from Data Center Investment

Data centers can provide communities with crucial tax revenues, but officials should work to ensure those revenues are not undercut by tax exemptions. While it is unclear exactly how much local governments are granting data centers in tax exemptions, the state government alone is predicted to lose between at least \$1.3 and \$1.7 billion annually over the next five years from data center tax abatements.

These blanket tax exemptions are not necessarily necessary for development to occur. Some major data center companies have already decided not to seek tax exemptions in exchange for building and operating in a community, while some communities in Texas have declined to offer exemptions and have still seen developments move forward.²¹ So many other factors influence companies’ decision to locate in Texas: relatively cheap and abundant energy; access to key infrastructure such as highways, fiber optic cables, and power grids; and relatively cheap and available land. Data centers facilitate “a profitable, rapidly growing industry that does not need any public financial support.”²²

To protect Texas taxpayers, the Legislature should eliminate, strongly pare back, or place strict limits on the state level data center tax exemptions. If the state decides to continue to move forward with these exemptions, the facilities should be required to meet much stricter parameters, including, among others, higher job creation and retention

minimums, tax revenue minimums, strong and sustainable water and energy conservation provisions, community investment provisions, and term limits of three to five years.

One to two billion dollars a year could help alleviate many of the pressures facing the state today. Regardless of whether the legislature chooses to restrict data center tax exemptions, there are other measures the state could take to ensure Texas tax- and ratepayers are protected. The state should establish fees on data centers that are assessed proportional to the industry's impact on local and state resources. These fees could pay into water supply, infrastructure, energy, and flood mitigation funds across various state agencies.

For example, most of the data centers built or planned in Texas cover the majority of their site with buildings that are impervious to stormwater infiltration and therefore are likely to contribute significantly to downstream flooding in the absence of an effective stormwater plan. The state should assess a fee on these structures dedicated to augmenting the Flood Infrastructure Fund managed by the Texas Water Development Board. To further protect Texans from flooding and its associated costs, counties should also be able to assess stormwater impact fees and have the authority to deny plans that do not adequately address stormwater management on site.

The legislature should also establish higher industrial water and electricity rates for the industry to better take into account their proportional impact on the energy grid and state's water supplies. And, the state should grant greater land use authority to counties, to ensure counties do not have to trade away their tax base in exchange for common-sense, responsible, and protective industry practices.²³

It is important to note that the above recommendations should not be solely restricted to data centers; it is critical that conversations surrounding data centers do not hide the forest for the trees. There are many industries emerging across the state, including computing and space tech manufacturing campuses, cryptocurrency mining facilities, and semi-conductor chip fabrication plants that place similar (if not greater) demands on the state's water and energy supplies. The legislature should take care to ensure that whatever measure is taken with regards to data centers does not leave the state back in the same position it is in currently in three-, five-, or twenty-years' time with whatever the next high demand industry may be.

The state should carefully assess how measures to limit the detrimental impacts of data centers and increase their benefits can be similarly applied to other industries in the state. The measures recommended above and in our [white paper](#) can help protect Texans, their tax dollars, their communities, and their natural resources.

Thank you for your consideration. Please consider GEAA as a resource that is at your disposal, and we look forward to working with you on this issue.



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- ¹https://www.researchgate.net/publication/336455087_San_Antonio_Pool_of_the_Edwards_Balcones_Fault_Zone_Aquifer
- ²<https://www.waterdatafortexas.org/drought>
- ³<https://www.texastribune.org/2025/03/13/texas-water-explained-supply-demand/>
- ⁴<https://texas2036.org/news-analysis/texas-unveils-a-record-174-billion-draft-water-plan-for-2027/>
- ⁵<https://www.sierraclub.org/texas/blog/2025/09/navigating-state-flood-plan-how-texas-plans-ahead-flooding>
- ⁶<https://www.wsj.com/tech/ai-data-center-job-creation-48038b67>
- ⁷https://www.uschamber.com/assets/documents/ctec_datacenterpt_lowres.pdf
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- ⁹<https://earthjustice.org/experts/mandy-deroche/how-much-do-we-subsidize-cryptocurrency-minings-electricity-use-no-one-knows>
- ¹⁰<https://www.wsj.com/tech/ai-data-center-job-creation-48038b67>
- ¹¹<https://climateactionallianceofthevalley.org/wp-content/uploads/2023/10/acd42-dcc-pwcimpactstudy.pdf>
- ¹²https://www.beg.utexas.edu/files/cee/Data_Center_White_Paper_BEG.pdf
- ¹³<https://www.wri.org/insights/us-data-center-growth-impacts>
- ¹⁴<https://www.texastribune.org/2026/04/08/texas-data-centers-sales-tax-break/>
- ¹⁵ Ibid
- ¹⁶<https://goodjobsfirst.org/wp-content/uploads/2025/04/Cloudy-with-a-Loss-of-Spending-Control-How-Data-Centers-Are-Endangering-State-Budgets.pdf>
- ¹⁷<https://comptroller.texas.gov/transparency/reports/tax-exemptions-and-incidence/>
- ¹⁸ Ibid
- ¹⁹<https://texasaccountant.us/business/state-property-tax-abatements-for-data-centers/>
- ²⁰<https://comptroller.texas.gov/transparency/reports/tax-exemptions-and-incidence/>
- ²¹<https://www.brookings.edu/articles/why-community-benefit-agreements-are-necessary-for-data-centers/>;
<https://www.kbtx.com/2026/01/09/brenham-city-council-rejects-reinvestment-zone-data-center/?outputType=amp>
- ²²<https://goodjobsfirst.org/wp-content/uploads/2025/04/Cloudy-with-a-Loss-of-Spending-Control-How-Data-Centers-Are-Endangering-State-Budgets.pdf>
- ²³ Paraphrased, Adrian Shelley, Public Citizen, <https://www.texastribune.org/events/2026/06/17/texas-data-center-boom/>