



2027 Data Center Guardrails State Legislative Menu

A Select List of Policies Introduced to Mitigate the Impacts of Data Centers on the Environment, Communities, and Affordability

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Introduction

States saw an explosion of data center-related legislative activity in 2026. As the rapid development of hyperscale data centers continues to place unprecedented demands on public infrastructure, lawmakers were confronted with a wave of legislation proposing new guardrails for this development, along with dozens of industry-supported bills to encourage development.

In 2026, at least [34 states introduced nearly 150 legislative proposals](#) to put guardrails around data center growth. Even so, only a fraction (25 of at least 147) of these guardrails bills have been passed by state legislatures or signed into law by Governors. Among those that made it across the finish line, clear themes emerged: **utility ratepayer protection, clean energy integration, community benefits agreements, water consumption transparency, and the preservation of local zoning control.** While project impacts and policy priorities have varied across the country, one thing is true in virtually every state: data center legislation will remain a hot topic in 2027.

The 2027 State Legislative Menu of Data Center Guardrails

The 2027 State Legislative Menu of Data Center Guardrails provides an overview of emerging policy frameworks designed to mitigate the impacts of data centers on consumers, the climate, and communities, as well as the policy frameworks being leveraged to assist the enactment and durability of guardrails policies, incentives and moratoria. While the known impacts of data centers are vast—and we continue to learn more in real time—this document compiles a limited set of examples of enacted and introduced legislation on those five topics.

This legislative menu is not a reflection of Sierra Club’s national policy positions, nor is it a comprehensive list of every data center guardrail bill introduced across state legislatures, but rather a selection of potentially impactful policies considered or adopted by state lawmakers. This document is for informational purposes only and does not constitute an endorsement of, or opposition to, any legislative policy, bill, or political position. The inclusion or exclusion of proposed legislation should not be construed as an endorsement of specific policies.

Be on the Lookout for BOLOs!

Throughout the 2027 Legislative Menu for Data Center Guardrails, we’ve highlighted several “BOLOs.” BOLO stands for “be on the lookout,” and indicates tricky or potentially problematic policy provisions that advocates can be aware of, or avoid altogether, in order to achieve the strongest possible protections for consumers, climate, and communities. For example, two BOLOs that apply to data center guardrail policies across the board are minimum size thresholds and state agency coordination.

Size thresholds: Be on the lookout for the size threshold (often measured in peak demand megawatts “MW”) that determines which data center projects trigger protective guardrails. In 2026, states introduced legislation regulating data centers using minimum size thresholds ranging from 10 MW ([South Dakota HB 1038](#)) to 150 MW ([Alabama SB 270](#)), with the strongest safeguards for customers and communities in the 10-30 MW range.

State agency coordination: Be on the lookout for requirements for cross-agency coordination that can complicate or even derail effective enforcement. Data center guardrails legislation has ranged from simple, prescriptive state policies to more complicated directives for multi-agency rulemaking and implementation, and it’s good to be aware if your state agencies are likely to be an effective enforcement mechanism without more prescriptive guardrails. The state venues that have been proposed for administrative policymaking range from state air commissions and water boards, to utility commissions, land boards, departments of natural resources, and more. Given the large number of agency stakeholders that some policy proposals include, it can be important to consider including cross-agency coordination requirements if policy implementation and enforcement is distributed across more than one agency.

1. Consumer Protection: Require Data Centers to Pay Their Fair Share

Ensuring data centers pay their fair share of energy costs was a common theme among bills introduced in state legislatures in 2026. Some bills offered broad legislative direction to state regulators and utilities to ascertain that customers are protected from cost-shifting and stranded asset risk, and in

some cases, such direction came from Governors themselves. For example, in June 2026, Texas Governor Abbott published a [letter](#) directing the Texas PUC to take action to require data centers pay for all of their electric infrastructure costs and ensure that data centers interconnections result in reduced residential electrical bills. Other bills more specifically directed state regulators to do two things: create large load tariffs with specific conditions of service, and require utilities to assign large load users, like data centers, to their own rate classes and allocate costs appropriately.

Large Load Tariffs

As outlined in our [2026 Data Center Policies Guide](#), states can enable or direct public utility regulators to require that utilities create [protective large load tariffs](#), laying out conditions of service. A large load tariff is a special rate structure or set of requirements for very large electric customers, like data centers, that seek to reduce the risks to other electric customers. These tariffs are usually designed to bind data centers to their utilities through long-term electricity contracts, with early-termination penalties and financial collateral requirements to protect other customers from stranded assets. In some cases, they expressly require large load customers to carry the full cost of their electricity needs.

Example policy: The Oregon POWER Act ([HB 3546](#))

In 2025, Oregon enacted the POWER Act, a law that requires the Public Utility Commission to require utilities, when entering into contracts with large load customers, to ensure those contracts cover service costs. The bill reads,

“The Public Utility Commission shall require an electric company that is providing electricity service to a retail electricity consumer that is a large energy use facility to enter into a contract with the retail electricity consumer that covers the provision of the electricity service, including, as applicable, transmission, distribution, energy, capacity or ancillary electricity services.” [page 2].

Other policies state lawmakers have considered include:

State	Policy Summary: Large Load Tariffs
State: Minnesota Year: 2025 Bill No.: HF 16 Bill Status: Enacted	The law authorizes the Public Utilities Commission (PUC) to approve, modify or reject a tariff or electric service agreement proposed between a public utility and a very large customer. The law states that “...the commission must consider how best to achieve the following required outcomes... (1) all costs attributable to the utility's very large customers not exempt under subdivision are assigned to the very large customer class or subclass determined by the commission...” [page 4].
State: South Dakota Year: 2026 Bill No.: SB 135 Bill Status: Enacted	“Data Center Bill of Rights:” The law reads, [a] provider of electricity shall establish and maintain separate terms and conditions for electric service applicable to a data center. The terms and conditions must require that the data center reimburse any provider of electricity for all costs fairly attributed to the data center for service demand and utility consumption, including costs incurred to serve the data center if the data center departs the system or materially reduces its load [page1].
State: Pennsylvania Year: 2026 Bill No.: HB 1834 Bill Status: Proposed	“Data Center Act:” The bill directs the Pennsylvania PUC to develop regulations to govern the terms of service, cost allocation, and infrastructure requirements for these large users, ensuring that the costs directly attributable to their electricity demand are not shifted onto other ratepayers [page 21-24]. The bill includes strict financial and operational requirements for large load users, including mandatory deposits, minimum contract terms, load ramping schedules, and exit fees, as well as measures to prevent circumvention of regulatory thresholds.

Customer Class Assignment and Cost Allocation Requirements

States can require regulatory commissions to place very large load customers, like data centers, in their own distinct utility rate class and require rates that prevent cost shifting to other customers. Placing large customers in their own rate case makes it easier to see what these large customers cost versus what they pay, protecting other customers from footing the bill for their power needs. Additional provisions can require that regulators implement measures that prevent cost shifting or require cost allocation measures to ensure data centers pay their full cost of service. In 2026, at least [18 states](#) introduced legislation creating separate electricity customer rate classes for large load users. The majority of introduced legislation on the topic of utility customer class assignment and cost allocation for large loads has been specific to electric utilities, but state policymakers, such as those in Iowa ([HF 2261](#)) and Michigan ([SB 763](#)), have also considered similar consumer protections for water utility customers.

Example Policy: Oregon’s POWER Act ([HB 3546](#))

Oregon’s POWER Act remains one of the strongest policy examples of customer class assignment. The law reads,

The Public Utility Commission shall provide for a classification of service under ORS 757.230 for retail electricity consumers that are large energy use facilities. The classification of service must be separate and distinct from classifications of service for other commercial or industrial retail electricity consumers and have its own tariff schedule [page 1].

Other policies state lawmakers have considered include:

State	Policy Summary: Customer Assignment and Cost Allocation
State: Minnesota Year: 2025 Bill No.: HF 16 Bill Status: Enacted	The law requires the PUC to “establish by order the definition and appropriate characteristics of a very large customer class or subclass for each public utility providing electric service” by a certain date [page 4].
State: Wisconsin Year: 2025 Bill No.: LRB 5432 Bill Status: Proposed	The bill requires the Public Service Commission (PSC) to “establish by order the definition and appropriate characteristics of a very large customer class or subclass for each electric utility” [page 9].
State: Idaho Year: 2026 Bill No.: HB 395 Bill Status: Enacted	The law mandates that for large loads of 10+MW “[a] public utility may recover the costs associated with a new large load service from only that customer and may not recover any costs associated with a new large load service from any other ratepayer. The prohibited costs include but are not limited to the cost of capital, generation, transmission, and distribution, and customer-related costs” [page 1].
State: Delaware Year: 2026 Bill No.: HB 233 Bill Status: Enacted	The bill includes a provision that requires commission-regulated utilities to “establish a classification of service for retail electricity consumers that are large energy use facilities. The classification of service must be separate and distinct from classifications of service for other commercial or industrial retail electricity consumers and have its own tariff schedule.” The provision includes various requirements that the adopted rate schedule mitigate the risk of costs associated with expanding infrastructure and maintaining reliability from being shifted to other electric customers [page 2].

2. Clean Energy: Maximize clean energy and minimize pollution from data center load growth

Across the country, data centers and their enormous electricity demand are driving unprecedented new investments in polluting gas- and coal-fired power plants. These investments are putting state and utility climate targets at risk and threatening progress towards a clean energy future. Powering data centers with clean energy has enormous benefits for the climate and local air quality, in addition to reducing noise and indirect water use from facilities, and positively contributing to grid resilience and flexibility. Consequently, state lawmakers continue to see an array of proposals to require clean energy for everything from grid-connected power generation to on-site and backup power generation.

Meeting Load Growth with Clean Energy

States can do three things to require or facilitate the deployment of clean energy to meet data center load growth: require partial or total clean energy use for large loads, reinforce compliance with existing state clean energy standards or climate targets, and require utilities to offer a Clean Transition Tariff. These voluntary tariffs enable large load users to choose to pay directly for clean resources to be added to a utility’s system in order to meet their new power demand. While some state utility commissions have already approved Clean Transition Tariffs, this voluntary electric service option for customers does not yet exist for regulated utilities in many states. State lawmakers can change that.

Example Policy: Washington [HB 2515](#)

In 2026, Washington lawmakers considered, and ultimately did not pass, a guardrails bill with a provision that requires 20+ MW data centers to meet clean energy requirements and certify their clean energy use through the Department of Commerce. The bill reads,

The owner of an emerging large energy use facility that commences operation after July 1, 2026, or an expanded emerging large energy use facility must...[b]eginning in 2031 and every year thereafter, certify to the department that for the prior year it used electricity from renewable resources or nonemitting electric generation as defined in RCW 19.405.020, where the electricity generation facility commenced operation on or after January 1, 2026, to serve the load of the emerging large energy use facility in an amount that meets or exceeds 80 percent of its annual energy and capacity requirements...” [page 11].

The policy goes on to require emerging large energy use facilities to use 100% clean power beginning in 2046. Other policies state lawmakers have considered include:

State	Policy Type	Policy Summary: Clean Energy for Load Growth
State: Colorado Year: 2026 Bill No.: SB 102 Bill Status: Proposed	Clean Energy Requirements for Large Loads	The bill requires the PUC to make a determination by June 30, 2030 on whether 100% renewable energy hourly matching for large load data centers is technically and economically feasible. The bill also requires large load data centers to procure 100% renewable energy by 2031 and meet hourly matching requirements. [Page 2]

State	Policy Type	Policy Summary: Clean Energy for Load Growth
State: New Jersey Year: 2025 Bill No.: S4143 Bill Status: Proposed	Clean Energy Requirements for Large Loads	The bill requires that “...all electricity supplied, as measured on an hourly basis, to an AI data center or a cryptocurrency mining facility within the State shall be derived from new verifiable Class I renewable energy, energy from newly constructed nuclear power plants, or a combination thereof, such that there is no net decrease of verifiable Class I renewable energy and energy from nuclear power plants supplied, as measured on an hourly basis, to the transmission and distribution system” [page 4]. Operators must submit an energy usage plan to the Board of Public Utilities for approval.
State: New York Year: 2026 Bill No.: A11560 / S10642 Bill Status: Proposed	Clean Energy Requirements for Large Loads	“Responsible Data Center Development Act:” The bill states that “[e]very data center with a peak load of five megawatts or more shall demonstrate through annual third-party independent verification acceptable to the public service commission that it is procuring, whether through contract or on-site generation, that...at least one third of its electricity consumption is derived from renewable energy systems for the years [2030 through 2034]...” The bill goes on to require at least 66% renewable energy by 2035 and 90% by 2040 [page 8].
State: Vermont Year: 2026 Bill No.: H 727 Bill Status: Vetoed	Clean Energy Requirements for Large Loads	The bill requires data center owners and operators to “maximize the potential of the site to host renewable energy” and to provide prior to permitting an assessment of the facility’s capacity to do so [page 28].
State: Tennessee Year: 2026 Bill No.: HB 2054 / SB 1999 Bill Status: Proposed	Clean Transition Tariff	“Data Center, Artificial Intelligence, and Clean Transition Tariff Accountability Act:” The bill authorizes the Tennessee PUC to approve a voluntary clean transition tariff for large energy-intensive users to procure new, additional clean and reliable electric generation through a premium charge that fully funds incremental generation and grid upgrades proportionate to their usage [page 3-4].
State: Minnesota Year: 2025 Bill No.: HF 16 Bill Status: Enacted	Compliance with State Clean Energy Standards and Climate Targets	“As it evaluates a [large load] tariff or agreement under this section, the commission must consider how best to achieve the following required outcomes... (2) the electricity to be provided by the utility to a very large customer achieves each quantitative benchmark of the state’s electricity standards under section 216B.1691 [renewable energy standards], as demonstrated by a plan submitted by the utility to serve the additional load without recourse to requesting a delay or modification of these standards...” [page 5].
State: Oregon Year: 2025 Bill No.: HB 3546 Bill Status: Enacted	Compliance with State Clean Energy Standards and Climate Targets	“Oregon Power Act:” The law specifies requirements for load growth associated with large load users to comply with HB 2021, a 2021 law that requires retail electricity providers to reduce GHG emissions associated with electricity sold to Oregon consumers by 80% by 2030, 90% by 2035, and 100% by 2040. It reads, “[i]n deciding whether to approve a proposed tariff schedule of an electric company for a classification of service...the commission shall consider whether the rates...(c) Impede the electric company’s ability to meet the clean energy targets set forth in ORS 469A.410 or reduce the emissions of greenhouse gases consistent with state policy; (d) Allow for procurement of or contracts for generation resources that support the electric company’s ability to meet the clean energy targets set forth in ORS 469A.410 or reduce the emissions of greenhouse gases consistent with state policy...” [page 2].

Grid Flexibility and Demand Response

Grid flexibility and demand response help data centers and grid operators manage surging AI power demands by shifting or reducing electricity usage during peak hours or emergencies. In order to prioritize existing customers and overall grid reliability, states can require data center operators to curtail power use or shift to backup power resources during peak grid stress events, such as those caused by severe

weather or heat waves. State lawmakers across the country have considered related policies in order to prevent grid overloads, lower energy costs, and integrate more renewable energy without compromising data center operations. A 2026 bill introduced in Maryland ([SB 596](#) / [HB 940](#)) even attempted to incentivize grid flexibility by offering interconnection prioritization for large load users that opt into demand response programming.

BOLO: Be on the lookout for flexibility provisions that either purposefully or inadvertently incentivize the use of on-site fossil generation. Data centers asked to reduce their use of grid resources during stress periods may instead turn to the use of backup diesel generation or other behind the meter fossil generation, creating a new emissions burden.

Example Policy: Washington [HB 2515](#)

In 2026, Washington lawmakers considered, and ultimately did not pass, HB 2515, a bill that requires investor-owned utilities in the state to submit an “emerging large energy use facility tariff” to the Public Utilities Commission that includes demand response requirements. The bill states that tariffs or policies must include,

Provisions demonstrating that the facility's marginal load is served under a contract between the electric utility and the facility where... (i) The marginal load participates in a demand response or interruptible load program of the interconnected electric utility; or (ii) The facility funds the costs, including proportional administrative costs and any applicable start-up costs, of providing peak demand reductions at least equal to the facility's marginal load, for a utility's demand response program that serves other retail electric customers; and (iii) Diesel generator use by permitted and unpermitted sources is not increased as a result of the [above] actions [page 7].

Other policies state lawmakers have considered include:

State	Policy Summary: Grid Flexibility
State: Virginia Year: 2026 Bill No.: HB 284 Bill Status: Enacted	The law requires major electric utilities to “... file a petition with the [State Corporation] Commission for approval of a voluntary demand flexibility program that applies to high energy demand customers in the respective service territory of each such utility and that is designed to reasonably maximize electric grid system savings and improve reliability for retail electric service customers in the respective service territory of each such utility.” Carbon-emitted generation resources (such as backup diesel generators) are barred from program eligibility and programs must seek to minimize emissions and environmental and public health impacts [page 1]. Utilities are required to file status reports on their demand flexibility programs with the Commission three years after initial program approval and every three years thereafter [page 2].
State: Texas Year: 2025 Bill No.: SB6 Bill Status: Enacted	The law allows grid operators to direct utilities to require large load customers to deploy backup power or curtail load during an energy emergency alert [page 3].

“Bring Your Own Energy”

Many data centers are proposing to bring their own energy because the explosive growth of AI has created a demand for new electricity generation that existing utilities and local power grids cannot supply as quickly as data center developers want. Data center companies have even wielded this power procurement pathway as a solution to avoid shifting costs onto other utility customers. This has led to policy proposals in some states to create regulatory frameworks with rules for how companies can bring their own power generation to a project site. It’s critically important for advocates to ensure that the

emissions and resource mix of on-site or behind-the-meter generation align with state climate and clean energy targets.

BOLO: Be on the lookout for “Bring your own energy” policies that translate directly to “bring your own unlimited gas-fired power plants!” This policy is best leveraged to advance investment in zero emission resources and storage, not dirty gas plants. For example, a bill introduced in Colorado in 2026, [HB 1246](#), proposed the creation of a new class of “consumer-regulated electric utilities for privately governed electricity generation and supply systems built solely to serve new industrial, commercial, data center, or other nonresidential loads not previously served by a regulated utility” in order to facilitate on-site generation that is islanded from the grid. The bill never moved forward, but the BOLO is that nothing in its text precluded data centers from powering their facilities with behind-the-meter gas power plants.

Example Policy: Illinois POWER Act ([SB 4016](#))

In 2026, Illinois lawmakers considered a comprehensive guardrails bill that included a provision requiring hyperscale data centers procure and report their own additional clean energy. The bill reads,

In its long-term renewable resources procurement plan, the Agency shall establish a self-direct renewable portfolio standard compliance program for eligible self-direct customers that purchase renewable energy credits from utility-scale wind and solar projects through long-term agreements for purchase of renewable energy credits as described in this Section. Such long-term agreements may include the purchase of energy or other products on a physical or financial basis and may involve an alternative retail electric supplier... [page 276]

Other policies state lawmakers have considered include:

State Policy Summary: Bring Your Own Energy	
State: Delaware Year: 2026 Bill No.: HB 445 Bill Status: Enacted	The law states that “[a] large energy use facility may not operate in the State unless the facility produces sufficient power or procures sufficient generation to meet 100% of the large energy use facility’s annual energy needs from a facility or facilities interconnected in the State or within PJM’s DPL transmission zone or within a transmission zone contiguous by land to the DPL transmission zone and with sufficient existing transmission infrastructure to deliver this additional electricity to Delaware...” [page 2]. The law also requires that large energy use facilities cannot come online until 25% of their demand is met.
State: Tennessee Year: 2026 Bill No.: HB2463 / SB2681 Bill Status: Proposed	Bring Your Own Generation Act:” The bill includes an on-site clean energy mandate, which states that “[a] new data center or artificial intelligence facility in this state that has an estimated peak load exceeding one hundred megawatts (100 MW) shall derive fifty percent (50%) of its electricity supply from new, carbon-free energy sources located onsite or through direct interconnection” [page 2].

Backup Power Pollution

Most data centers rely on dozens to hundreds of highly polluting diesel generators, and in some cases on-site gas turbines, in order to continue around-the-clock operation. The use of these on-site power generators creates concentrated localized pollution that is increasingly generating concern as a climate and public health issue.

Three core policy pathways have emerged to minimize pollution from the dirty backup power generation typically deployed by data centers. First, states can require Tier 4 emission controls for new and existing data centers with a mandatory battery backup component to replace a portion of generators. Second,

states can require a portion or all of a facility’s backup power to come from clean energy and battery storage, instead of diesel backup generators, states can require a cumulative impacts analysis as part of the permitting process to help prevent pollution hot spots.

BOLO: Requirements for data centers to use Tier 4 emissions controls may have the perverse impact of allowing on-site generators to also operate in non-emergency conditions, resulting in a higher chance of hitting permit limitations. Many data centers seek so-called “minor-source” air permits. When backup generators are limited to operating in emergencies only, they may not hit the maximum permit limits. However, with Tier 4 controls, generators may seek to use on-site generation in many more hours under non-emergency conditions. Best practice when requiring emissions controls is also to limit their operation to emergencies.

Example Policy: Colorado [SB 102](#)

SB 102 was introduced in Colorado in 2026, and included several measures to reduce pollution from backup generators. The bill reads,

On-site backup power serving a large-load data center must maximize reliance on renewable resources and renewable energy storage, to the extent technically and economically feasible. A large-load data center operator may rely on on-site, combustion-based backup generation only after evaluating and deploying noncombustion backup alternatives to the maximum extent practicable. (b) If a large-load data center uses one or more on-site combustion generators for backup generation, the generator must: (i) be limited to use in an emergency and for required testing and maintenance. The total amount of use for required testing and maintenance must be for no more than fifty hours per year. (ii) not be used for routine peak shaving, economic dispatch, capacity or ancillary service markets, or any nonemergency grid support; and (iii) use nonresettable meters to track operating hours. (c) If a large-load data center uses one or more on-site combustion generators powered by fuel oil for backup generation, the generator must: (i) meet or exceed the United States Environmental Protection Agency's Tier 4 final emissions standards for stationary compression-ignition engines in effect on the effective date of this section...[page 15-16].

The bill also requires developers to undergo a cumulative impact analysis for projects sited in disproportionately impacted communities before development can begin [page 3].

Other policies state lawmakers have considered include:

State	Policy Summary: Backup Power
State: Virginia Year: 2026 Bill No.: HB 507 Bill Status: Enacted	The bill reads, “For any application submitted for a data center on or after July 1, 2026, for a permit issued by the Department [of Environmental Quality] pursuant to this chapter, including coverage under any general permit, the Department shall not issue such permit unless the emission limit for each gen-set established by such permit is equal to or less than the emissions achieved by a Tier 4 equivalent gen-set.” Existing data centers are excluded from the bill [page 1].
State: Delaware Year: 2026 Bill No.: HB 445 Bill Status: Enacted	The bill requires that at least 50% of the backup power needed by data centers must be supplied by battery storage or clean energy. The bill also prohibits a data center from being interconnected to the grid until at least 25% of its back-up power comes from clean energy that is energized and interconnected [page 3].

State	Policy Summary: Backup Power
State: Vermont Year: 2026 Bill No.: H 727 Bill Status: Vetoes	The bill requires that data centers only use combustion-based backup generation during emergency situations and must otherwise “prioritize to the greatest extent practicable the use of battery storage and on-site renewable energy generation” [page 28].

3. Communities First: Community Engagement, Protections, and Benefits

Transparency

2026 saw a wave of legislation introduced to require data centers to engage the public and operate transparently with communities and utilities in response to rising unrest over non-disclosure agreements and general secrecy that has characterized data center development in states. As transparency emerged as a popular guardrail for data center development, the burden of reporting responsibilities ranged between water utilities, state agencies and boards, and data center developers and operators across states. In addition to public hearing requirements, state lawmakers considered—and several passed—new requirements for data centers to report information such as projected and ongoing water use, energy use, pollution, and more.

BOLO: Be on the lookout for transparency policy proposals that are limited to state reporting without requirements for making basic information available to the public. For example, proposed legislation in West Virginia ([HB 4832](#)) in 2026 included a provision that allowed reporting requirements to the state, such as projected power usage and water resource assessments, to be kept confidential from the public as “confidential business information.”

Example Policy: Tennessee’s Data Center Impact Review Act ([SB 2653](#))

In 2026, the Tennessee legislature considered SB 2653. The bill language proposes mandatory and transparent permitting, strict water-use oversight, and financial protections for public utilities for 20+ MW data centers, and was not passed by lawmakers. The bill’s language regarding transparency measures in the permitting process reads,

To apply for a permit to operate a data center in this state, an applicant shall submit the following to the board, in a form prescribed by the board: (1) The data center's physical address; (2) The name, mailing address, telephone number, and email address of the persons having responsible charge for the data center's operation; (3) An approximation of the data center's power capacity; (4) The name of each water utility, and any governmental entity if applicable, that will provide service to the data center; (5) The source of water to be used by the data center, including, but not limited to, the name of the body of water or groundwater source; (6) The projected daily, peak, and annual water usage by the data center; (7) The impact of such water usage on the effected residential, agricultural, emergency, and public water supplies; (8) Any drought response plan and other contingency planning to be implemented by the data center; (9) The cumulative impacts on local and regional water systems to be caused by the operation of the data center; (10) All conservation, reuse, recycling, or closed-loop system measures to be implemented by the data center; (11) Proof that the data center will not materially impair, degrade, deplete, contaminate, or adversely affect the availability, quality, reliability, pressure, or reasonable and beneficial use of water for residential or public purposes...[page 2-3].

Other policies state lawmakers have considered include:

State	Policy Focus	Policy Summary: Transparency
State: Virginia Year: 2026 Bill No.: HB 496 Bill Status: Enacted	Water use reporting	The law requires water suppliers to report exactly how much drinking water goes to data centers each month, reported separately from recycled water. The law states, “[a]ny water user required to register water withdrawal and use data pursuant to this subsection that provides water to another person offsite shall include in its report, submitted on its regular reporting schedule, the total volume of potable water and, reported separately, the total volume of reclaimed water provided during each month...” [page 1].
State: South Dakota Year: 2026 Bill No.: SB 135 Bill Status: Enacted	Water use reporting	“Data Center Bill of Rights:” The law requires data centers to “provide notice of projected water consumption to each local water provider in the area in which the data center is proposed to be located” for a written notice that determines “whether the data center’s projected water consumption is compatible with the local water supply.” Data centers must also submit semi-annual water usage reports to the Board of Water Management, which will make this information publicly available [page 2].
State: Minnesota Year: 2026 Bill No.: SF 3852 Bill Status: Proposed	Water use reporting	The bill enhances transparency and public participation in the water permitting process by requiring data centers that use more than 100,000,000 gallons of water per year or 50% or more of a municipality’s current annual water volume to apply for their own water-use permit instead of modifying an existing municipal permit [Page 2]. When issuing permits, the Department must ensure that “technologies or measures that promote water conservation, the efficient use of water, and watershed health, are reasonably considered, including but not limited to using water efficient fixtures and practices, recycling water before discharging, partnering with local water utilities to use discharged water from the data center, using reclaimed water, installing closed-loop systems, and supporting water restoration and replenishment in local watersheds” [page 1].
State: Wisconsin Year: 2025 Bill No.: SB 729 Bill Status: Proposed	Energy use reporting	The bill requires that “[e]ach quarter, an energy utility shall submit to the [Public Service C]ommission...a report that satisfies all of the following with respect to each data center within the energy utility’s service territory: (a) The report identifies the amount of energy, disaggregated by the fuel type used to generate the energy, consumed by the data center in the previous quarter. (b) The report identifies the amount of renewable energy, as defined in s.196.378 (1) (fg), generated at the site of the data center. (c) The report identifies the amount of energy directly procured for the data center in the previous quarter. (d) The report identifies the amount of any renewable energy credits purchased for the data center for the previous quarter.” The bill requires the commission to publish the aggregate data from these reports on its website [page 11].
State: Illinois Year: 2026 Bill No.: SB 4016 Bill Status: Proposed	Other transparency measures	The bill requires new air quality reporting and monitoring requirements for backup generators at data centers, including annual assessments of carbon and criteria pollutant emissions, ambient air monitoring, and public disclosure of compliance history [page 34].
State: Pennsylvania Year: 2026 Bill No.: HB 2150 Bill Status: Proposed	Energy use reporting	“The Data Center Energy and Water Reporting Act:” The bill requires 10+ MW data centers to submit an annual report to the Department of Environmental Protection detailing energy and water consumption, monthly usage breakdowns, peak load averages, efficiency measures, environmental protections, on-site or off-site energy generation efforts, waste heat recovery, and projected future demand [page 2]. Noncompliance results in a \$10,000 fine per day, with collected penalties directed to low-income electric customer assistance programs [page 5].

Local Land Use and Permitting

While some legislation has affirmed that local governments maintain authority to exercise power and responsibility over comprehensive planning and land development regulations relating to large load customers (in most instances this was in an effort to prevent state preemption, like with South Dakota’s [SB 135](#) and Florida’s [SB 484](#)), other proposed legislation has included state siting requirements designed to promote transparency and protect communities, such as minimal procedural rules, use by right restrictions, and development of model codes or a state level siting board for hyperscale data centers.

BOLO: Be on the lookout for policies that permit “Use by Right” zoning for data centers. For example, in New Hampshire in 2026, the Republican-led House killed [SB439](#), which would have permitted Use by Right. The bill was voted down 304 to 11.

Some policies state lawmakers have considered include:

State	Policy Summary: Local Land Use
State: Virginia Year: 2026 Bill No.: SB 94 Bill Status: Enacted	The law requires data center developers to submit a sound study showing the noise impact on homes and schools within 500 feet of the facility before a locality may approve a 100+ MW data center. The bill clarifies that localities can also require a review of water, farmland, parks, historic sites, and forestland [page 1].
State: Missouri Year: 2026 Bill No.: HB 3390 Bill Status: Proposed	The bill requires local governments, before construction, to hold public hearings, notify affected property owners within a 10-mile radius [page 3], and seek approval from the "Hyperscale Data Center Siting Board." The Board is created and established within the bill, and composed of state elected officials [page 4]. The bill also prohibits hyperscale data centers from being built on land zoned for agricultural, conservation, environmental stewardship, mixed-use, or residential purposes [page 1], and requires a minimum 500-foot setback from other properties, with a barrier of native Missouri plants [page 2].
State: Colorado Year: 2026 Bill No.: SB 102 Bill Status: Proposed	The bill requires the Department of Local Affairs to publish by a certain date model codes for the development of large load data centers. The development of model codes must include “a robust stakeholder and engagement process and evaluate, update, and review the model codes every 5 years.” The bill also requires developers to undergo a cumulative impact analysis for projects sited in disproportionately impacted communities before development can begin. [page 3]
State: Pennsylvania Year: 2026 Bill No.: HB 2151 Bill Status: Proposed	The bill requires the Local Government Commission to develop a model zoning ordinance to assist municipalities in managing the siting and operation of data centers, with the aim of mitigating community impacts. The model ordinance must address a range of issues, including dimensional and placement standards, landscape buffers, mechanical and visual screening, documentation of water and sewage use, water feasibility studies, electric utility certification, noise and vibration limits, emergency response planning, aesthetics, parking, and community benefits agreements that encourage local workforce participation and the use of registered apprenticeship programs.

Community Benefits

Legislation introduced with the intent of requiring data centers to provide community benefits to local communities have included a wide array of potential benefits, including low income energy assistance, other community energy programs, and requirements for community benefits agreements.

BOLO: Be on the lookout for guardrails policies that include only community benefit agreements, but do not address other critical protections for consumers and the environment. Community benefit agreements are a relatively inexpensive ‘remedy’ for data centers and can pale in comparison to the potential impacts of unabated data center development on ratepayers, non-benefiting communities, and the climate. States can pair community benefits with sufficient guardrails.

Some policies state lawmakers have considered include:

State	Policy Summary: Community Benefits
State: Missouri Year: 2026 Bill No.: SB 1750 Bill Status: Proposed	The bill requires large load facilities to make annual contributions to statewide non-profit organizations supporting low-income energy assistance programs, with contribution amounts ranging from \$250,000 to \$1,000,000 based on electricity consumption levels [page 8-9].
State: Arizona Year: 2026 Bill No.: HB 2702 Bill Status: Proposed	The bill repeals the data center tax incentive program and redirects resulting tax revenues to fund a new 'Arizona Solar for All' program providing solar energy access and bill savings to disadvantaged communities [page 18].
State: New York Year: 2026 Bill No.: S10642 Bill Status: Proposed	"The Responsible Data Center Development Act:" The bill requires new 20+ MW data centers to fund local community programs that install residential heat pumps, heat pump water heaters, thermal energy networks, solar, and battery storage in alignment with labor standards [page 8].
State: Pennsylvania Year: 2026 Bill No.: HB 1834 Bill Status: Proposed	"Data Center Act:" The bill creates the Data Center Low-Income Home Energy Assistance Program (LIHEAP) Enhancement Account and the Pennsylvania Energy Independence Account. Large load users are required to make annual and monthly payments into these accounts, with the LIHEAP Enhancement Account supporting supplemental energy assistance for low-income households, including a summer cooling component, and the Energy Independence Account providing grants, loans, and loan guarantees for small-scale and community energy projects, with geographic allocation minimums to ensure local benefits [page 28].
State: Illinois Year: 2026 Bill No.: HB 4016 Bill Status: Proposed	The bill requires data center developers to enter into legally binding, publicly disclosed community benefits agreements with local advisory boards or coalitions prioritizing investments in workforce development, environmental improvements, and community infrastructure [page 163].

Water Quality and Conservation

The massive computer servers that run around-the-clock at data centers generate intense heat and can require up to millions of gallons of water daily for equipment cooling. Consequently, water conservation and pollution related to data centers has become a hot topic at state legislatures, with at least 15 states introducing legislation on the topic in 2015.

BOLO: Be on the lookout for policy proposals that intend to mitigate data center water use by narrowly addressing the water consumption of data center cooling systems. The water consumption of coal and gas-fired power plants being built or extended to service the enormous electricity demands of data centers can rival or far exceed that of data center cooling systems, and can be mitigated through clean energy and battery storage requirements.

Example Policy: Illinois POWER ACT ([SB 4016](#))

The bill language requires data centers to create a detailed water resources plan, outlining expected water intake, uses, efficiency alternatives, and sources; mandates quarterly reporting of water intake, withdrawals, consumption, and discharges; requires a report assessing the anticipated effects of the data center on local water sources; mandates a plan for reducing or curtailing water use during scarcity or drought conditions; requires public posting of all water resource plans, usage reports, and scarcity plans; establishes fees for water impact reports; directs state regulators to adopt rules for water impact

permits and efficiency standards; and creates a council to recommend strategies for water use regulation and permitting.

Other policies state lawmakers have considered include:

State	Policy Summary: Water
State: Michigan Year: 2026 Bill No.: SB 1046 Bill Status: Proposed	The bill requires a new permit for facilities consuming 550,000+ gallons of water per day, requires covered users to obtain water through a community water supply rather than directly withdrawing from Michigan waters [page 12], and caps consumptive use at 2 million gallons per day [page 15]. The bill requires local public hearings and a public comment period, consideration of water availability, infrastructure capacity, sustainability, and environmental impacts [page 13-14]. The bill also requires annual public reporting of data-center water use and covered facilities' wastewater effluent volumes and priority pollutants [page 5].
State: Missouri Year: 2026 Bill No.: HB 2239 Bill Status: Proposed	"AI Data Center Environmental Accountability Act:" The bill requires AI-optimized data centers to implement a closed-loop water cooling system or an alternative system to achieve equal or lower water withdrawal and discharge intensity per megawatt-hour of compute load [page 2]. Failure to install a closed-loop system results in a fine of up to \$50,000 per day, and the Department of Natural Resources may suspend or revoke operational permits for noncompliance [page 3].
State: Arizona Year: 2026 Bill No.: HB 2820 Bill Status: Proposed	The bill states that data centers "may not use evaporative cooling or any other means to cool the computer data center equipment that consumes more than one hundred fifteen gallons of water per day per one thousand square feet of the computer data center [page 56].
State: Washington Year: 2024 Bill No.: SB 5517 Bill Status: Proposed	The bill language mandates enhanced water conservation goals, public reporting, and corrective action plans for municipal water suppliers [page 6-8].

4. Limited Incentives for Good Behavior

The unconstrained growth of data centers in many jurisdictions has led policymakers to increasingly pursue guardrails to mitigate harms. However, state lawmakers have also considered policy proposals that provide financial and/or non-financial incentives to drive affordability, pollution, and climate impact mitigation. Financial incentives for data centers can take the form of tax breaks or utility economic development rates, while non-financial incentives might include benefits such as fast-tracking permits and grid interconnection in exchange for good behavior.

BOLO: Be on the lookout for tax or development incentives that are not attached to broadly applied guardrails for climate, affordability, and community benefits, or are incentives first, guardrails second. For example, a bill introduced in Colorado ([HB 1030](#)) proposed establishing a new Data Center Development Authority to administer a 100% state sales and use tax exemption for certified data centers committing to \$250M+ investment, job creation, prevailing wages, and energy efficiency standards. But the guardrails applied only to developers utilizing the tax exemption, instead of applying to all data centers above a certain size threshold. This incentives first, guardrails second approach would have left a loophole for irresponsible development (albeit without the same incentive). In 2026, at least 25 states introduced bills to repeal or restructure tax incentives, and the ongoing challenge of state budget deficits may create an environment that is unfit for new tax benefits for developers.

Some policies state lawmakers have considered include:

State	Policy Type	Policy Summary: Limited Incentives
State: Virginia Year: 2026 Bill No.: HB 897 Bill Status: Enacted	Financial benefits	The law requires data centers, in order to be eligible for state tax incentives, must maintain zero carbon energy resources or energy storage for backup power generation for a minimum of 2 hours of operation, participate in a demand flexibility program, and only use backup generators during grid emergencies and required testing or maintenance [page 6].
State: Tennessee Year: 2026 Bill No.: SB 2681 Bill Status: Enacted	Financial benefits	“Bring Your Own Generation Act:” The bill states that “[f]ossil fuel power purchase agreements (PPAs) cannot be used to qualify for any state economic development incentives or reduced utility rates” [page 2].
State: Maryland Year: 2026 Bill No.: SB 596 / HB 940 Bill Status: Proposed	Nonfinancial benefits	The bill requires the Public Service Commission to establish a grid interconnection process for large load customers that provides “an expedited timeline for large load customers that provide interconnection capacity for 100% of their load...” [page 2] and authorizes such large load customers who also pay the prevailing wage rate to be prioritized for load studies and permitting [page 3].
State: Pennsylvania Year: 2026 Bill No.: HB 1834 Bill Status: Proposed	Nonfinancial benefits	The bill reads, “the [Public Utility C]ommission shall require an electric distribution company to give priority to the interconnection of a commercial data center certified under subsection (a) [certification program for data centers bringing incremental clean firm energy resources]. For an interconnection subject to state jurisdiction, the commission shall also require an electric distribution company to give priority to the interconnection of an incremental clean firm energy resource or combined generation and storage resource associated with a certified commercial data center” [page 47].
State: Illinois Year: 2026 Bill No.: SB 4016 Bill Status: Proposed	Nonfinancial benefits	The bill directs the Interstate Commerce Commission to ensure that new rate tariffs proposed by utilities for hyperscale data center projects include a fast-track load interconnection process for projects that bring their own new clean energy resources [page 619]. In order to be eligible for fast-track load interconnection, a utility must demonstrate by a certain date that “it has procured new, deliverable clean energy from renewable resources and clean demand-side resources in an amount that meets or exceeds 80% of its forecasted annual energy and capacity requirements, and maintained at least 25% of its backup generation needs from renewable clean demand-side resources” [page 625].

5. Conditional Moratoria: Pausing Development to Enact Guardrails

In the rush to build data centers, limited moratoria may provide avenues to develop key guardrails or administratively enact rules to govern development. At least [15 states](#) introduced bills enacting moratoria for data center development in 2026. The majority of these moratoria proposals were structured as pauses to conduct data center impact studies, and very few considered guardrail conditions to lift the moratoria. Notably, no moratoria advanced legislatively in 2026. New York Governor Kathy Hochul responded to pressure to sign a moratorium bill ([NY A10141](#) / [S9144](#)) by issuing an [executive order](#) for a one-year moratorium on 50+ MW data centers, the first state-level moratorium in the country.

BOLO: Be on the lookout for moratoria proposals that do not establish a clear path to the enactment of protective guardrails before development can resume. Moratoria conditioned on the results of a study or report, such as Oklahoma ([SB 1488](#)), Vermont ([S205](#)), or New Hampshire ([HB 1265](#)), may not provide guidance on the necessary guardrails for responsible development. Moratoria can only move the needle

on real guardrails implementation if they expressly require the adoption of a regulatory framework as the condition for lifting the moratorium.

BOLO II: Be on the lookout for moratoria or bans that simply shift the burden of development to more friendly states, or states with fewer public interest guardrails. Some major data center developers have demonstrated a willingness to simply move to lagging states, shifting climate and local pollution, electricity strain, and water stress across state lines.

Some policies state lawmakers have considered include:

State	Policy Summary: Conditional Moratoria
State: New York Year: 2026 Bill No.: NY A10141 / S9144 Bill Status: Proposed	The bill requires a conditional moratorium on new 20+ MW data center permits for at least 3 years and 90 days until the Public Service Commission, in consultation with other state regulators, has completed required impact studies and promulgated new regulations to minimize data center impacts on the environment and utility ratepayers.
State: South Carolina Year: 2026 Bill No.: H5526 Bill Status: Proposed	The bill prohibits local permitting for new data centers until the state legislature adopts a “comprehensive oversight and approval process for new data centers” [page 1].

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