Ten Practical Questions Small and Medium Manufacturers Should Ask Developers and Policymakers When an AI Data Center is Being Considered in Your Community

Deborah D. Stine, PhD
Founder, Science & Technology Policy Academy

AMCC
February 2, 2026

Deborah@scitechpolicyacademy.com
https://scitechpolicyacademy.com/

Fiscal Impacts and Incentives

Buy Local

Employ Local

Energy and Reliability

Water Consumption

Governance

5 Things to Know about Data Center Incentives

1 Tax incentives vary widely, from sales and use tax exemptions on construction materials and computer equipment to low (or no) taxes on electricity rates. Five states—Alabama, Iowa, Montana, Nevada and Oklahoma—offer some sort of property tax relief to data centers.

2 Many states require a minimum level of job creation to receive incentives, ranging from five jobs in Missouri, Delaware, and Maryland to 50 jobs in Louisiana. In at least five states, including Georgia, Idaho, Illinois, Mississippi, and Missouri, any data center jobs must pay at or above the average local wage to qualify for tax relief.

3 Beyond tax incentives, states are funding job training programs to upskill their workforce for data centers. In 2024, Mississippi invested $32 million to a job training program to build two Amazon Web Service data centers.

4 Data centers are seen as a major driver of heightened energy demand, which can impact state resources and energy supplies. Illinois requires that data centers become carbon neutral within two years of being placed into service to receive tax incentives.

https://www.ncsl.org/fiscal/policy-snapshot-data-center-incentives

5 Data center operators also use available incentives. In 2023, Virginia's Joint Legislative Audit and Review Commission examined the commonwealth's retail sales and use tax exemption for data centers, finding the incentive provided $928 million in tax relief for fiscal year 2023, and that 90% of the industry uses the exemption.

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2025 Data Center Incentive Legislation

1 In July, **Kansas** became the 37th state to offer data center incentives, granting a sales tax exemption, including construction and equipment costs, if new facilities invest at least $250 million in the state and create at least 20 jobs within two calendar years of opening.

2 **Louisiana** allowed data centers to be considered an industrial purpose, enabling certain cooperative partnerships between private entities and local governments. The state still requires a $200 million capital investment and limits its tax breaks to 20-30 years.

3 **Wisconsin** removed some limitations on tax incremental financing districts that include qualified data centers in two municipalities. Wisconsin's incentive maintains a lower capital investment threshold for data centers created in less populous counties—$50 million if the population is less than 50,000.

4 **Iowa** altered its data center incentives to impose a 10- or 15-year limit on sales tax exemptions for new data centers constructed in the state, unlike the current indefinite exemption. At the same time, Iowa also granted a property tax exemption for data centers beginning in 2027.

https://www.ncsl.org/fiscal/policy-snapshot-data-center-incentives

5 Taking the opposite approach, **Minnesota** rolled back its data center incentives, removing their electricity exemption from the state sales tax, although computer purchases made for data centers remain exempt.

Fiscal Impacts and Incentives

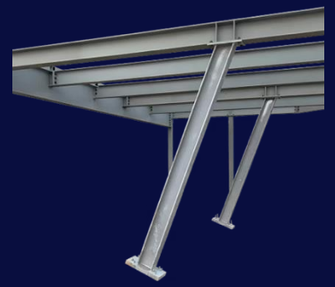
1. What tax abatements or subsidies are being offered to AI data centers, and how do they compare to what is available to retain and modernize local manufacturers?

Buy Local

What AI Data Centers Need

Electrical Infrastructure

Switchgear, transformers, panels, PDUs, backup power components



Fabricated Systems

Metal fabrication, skids, piping, structural steel, cable trays

Climate Control

HVAC ductwork, filters, cooling infrastructure, enclosures

Connectivity & Hardware

Fiber and copper cabling, fasteners, racking, mounting systems

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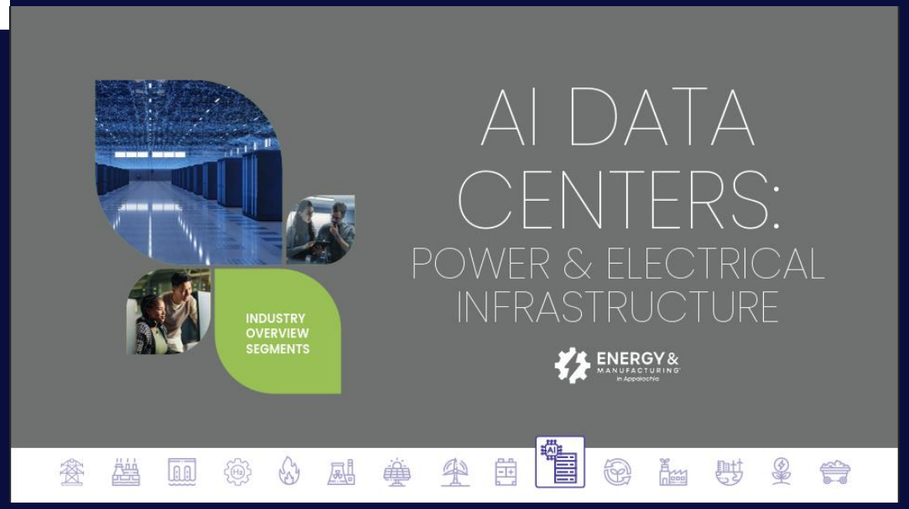
Buy Local

2. Will you appoint a local engagement manger focused on workforce and supplier integration and participate in regional manufacturing pitch days and suppler outreach events?

ENERGY & MANUFACTURING in Appalachia



CATALYST CONNECTION®
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Petra Mitchell, CEO of Catalyst Connection.
CATALYST CONNECTION

Mitchell's Viewpoint: Unlocking regional growth: AI data centers, manufacturing and economic development

Source: Pittsburgh Business Times, October 24, 2025

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https://www.wemakeithere.org/ai-data-centers-supply-chain/

Employ Local

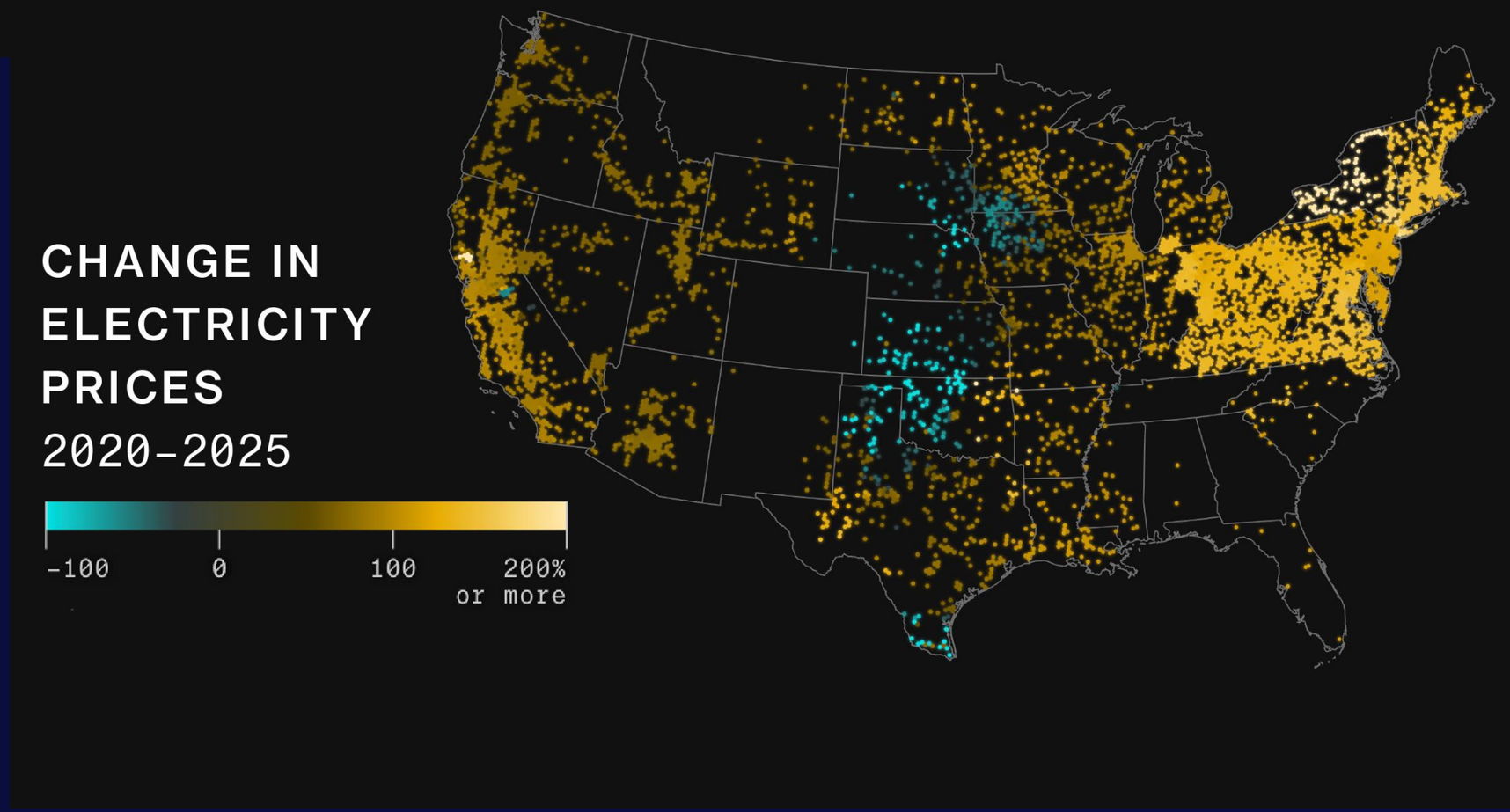
3. Will AI data centers financially support and partner with community and technical colleges on industrial workforce training, apprenticeships, or upskilling in AI and automation for existing manufacturers?

Energy and Reliability

AI Data Centers Are Sending Power Bills Soaring

Wholesale electricity costs as much as 267% more than it did five years ago in areas near data centers. That's being passed on to customers.

By Josh Saul, Leonardo Nicoletti, Demetrios Pogkas, Dina Bass and Naureen Malik
for **Bloomberg Technology** | The Big Take
Photography by Leonardo Nicoletti
September 29, 2025



https://www.bloomberg.com/graphics/2025-ai-data-centers-electricity-prices/

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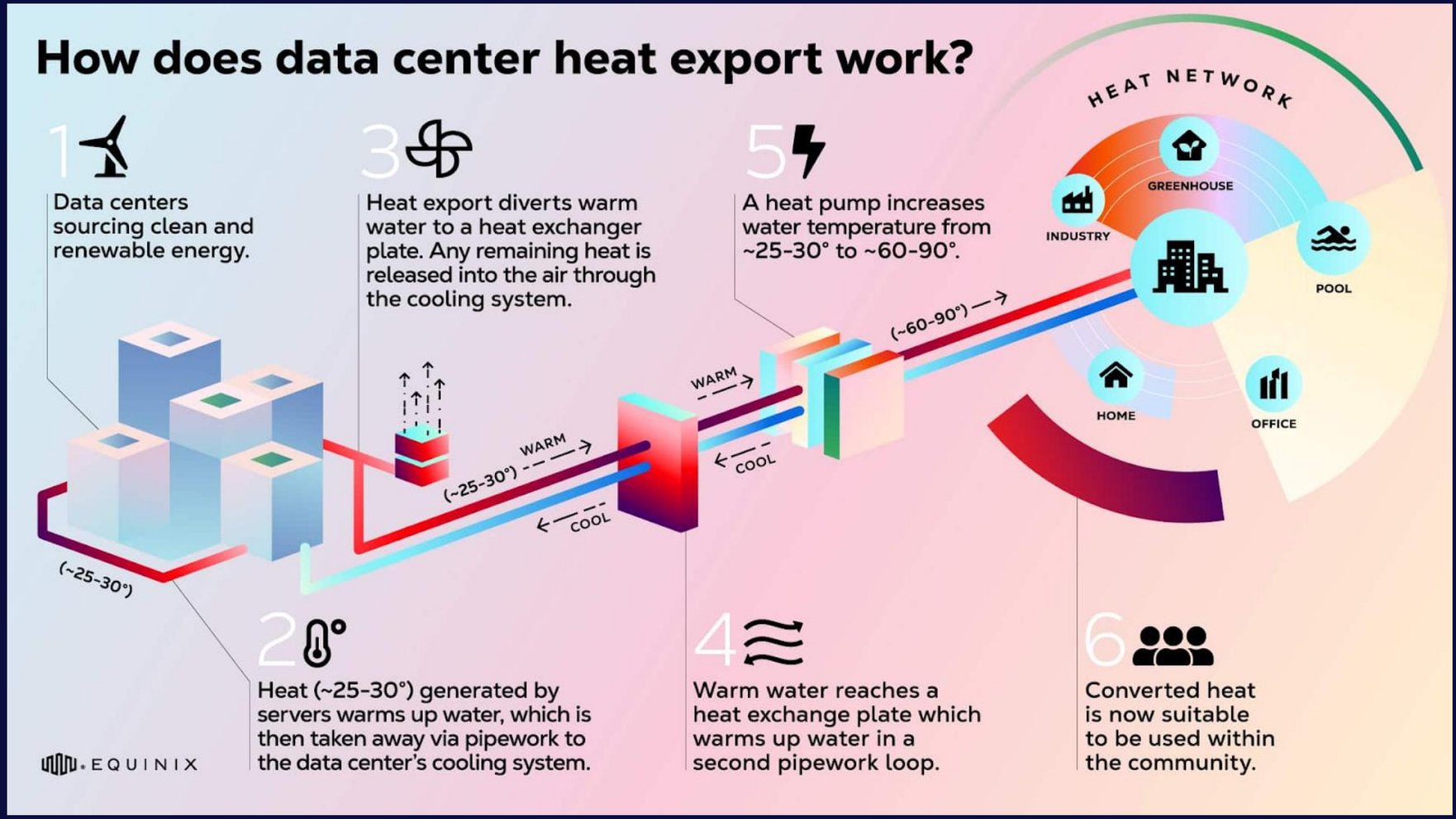
Energy and Reliability

4. How will this project affect industrial electricity prices, demand charges, and our ability to expand load over the next 10–20 years?

5. What grid upgrades are required (substations, lines, generation) and who will pay—ratepayers, taxpayers, or the developer?

6. Will any approvals or incentive agreements include enforceable efficiency and peak-load management to limit cost and reliability risks to existing industry?

7. Will you incorporate waste heat reuse into the design of the AI data center and partner with local manufacturers to use that heat?



Source: Equinix, June 5, 2024

Recycled heat → lower energy bills.

Webinar

Catching Heat:

The Opportunities and Challenges of Using Waste Heat from Appalachian AI Data Centers

Thursday, Feb 5th

at Noon ET via Zoom

ReImagine Appalachia

REGISTER NOW

Join us for the release of a new report that will discuss opportunities, challenges, and policy options around implementing new technology to capture and re-use the waste heat created by data centers.

Investopedia

Water Consumption

For comparison, semiconductor fabrication plants, which are notoriously thirsty, might use up to 10 million gallons a day, equal to the needs of a midsize U.S. city. Hyperscale data centers are catching up fast: some now top 5 million gallons daily, rivaling towns of 50,000 residents.[6]

Agriculture still dominates global water use, accounting for about 70% of annual groundwater use worldwide, yet in drought-prone, high-income regions, the marginal gallon from AI directly competes with farms, households, and legacy manufacturers, heightening the odds of usage caps or perhaps taxes or even charges.[12]

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Source: https://www.investopedia.com/how-data-centers-are-draining-water-resources-11738978

Example of a typical data center development process

Economic Development teams help site the project

- Water Managers or regional planners are usually not involved

Municipalities are approached to evaluate land use, power use, water use

- NDAs may be used
- Land use and power are usually discussed first
- Partners approached with a short timeline

Agreements are reached and the project goes public

- Usually a municipal water supply connection
- May or may not require AUAR / EAW / EIS

Concerns raised by citizens, legislators, water managers

Source: https://freshwater.org/wp-content/uploads/2025/06/Data-Centers-and-Water-Use_Freshwater.pdf

Water Consumption

8. How will the AI data center affect industrial water availability, quality, and pricing under drought or stress scenarios?

9. Could the AI data center partner with a manufacturing facility to reuse the water discharged from the data center?

Governance

NCSL
NATIONAL CONFERENCE OF STATE LEGISLATURES

Foundation

Resources

Database

Artificial Intelligence Legislation Database

Pennsylvania legislation aims to protect ratepayers from data center energy strain

The legislation would allow the Pennsylvania Public Utility Commission to create a regulatory framework for data centers.

By Zoë Read · Updated Oct. 23, 2025 12:18 pm

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Https://www.ncsl.org/financial-services/artificial-intelligence-legislation-database

https://whyy.org/articles/pennsylvania-data-center-legislation-energy-strain/

Governance

10. What public processes will allow manufacturers to review and comment on AI data centers, and how can manufacturers raise concerns if conditions change?

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Artificial Intelligence

Using Generative AI to Improve Everyday Workflows for Public Professionals

LED BY: DEBORAH STINE

Using Generative AI to Improve Everyday Workflows for Public Professionals

Generative AI is becoming central to how public agencies handle the routine, time-consuming tasks that shape everyday government. This workshop provides public professionals with GenAI methods that go beyond basic prompting to more sophisticated methods that streamline routine tasks, such as distilling complex guidance, translating technical material, and organizing data into usable structures. Participants will also explore how GenAI can function as a strategic thinking partner.

This session is designed for public professionals who manage basic and complex information flows and want to use GenAI responsibly to improve the effectiveness, efficiency, clarity, and quality of their regular work.

Deborah Stine
Founder and Chief Instructor, Science and Technology Policy Academy
View bio

Format: online
Date & Time: January 23, 2026, 2:00 PM ET
Duration: 60 minutes

WATCH THE RECORDING

https://innovate-us.org/using-generative-ai-to-improve-everyday-workflows-for-public-professionals

https://innovate-us.org/from-expertise-to-impact-a-practical-guide-to-informing-and-influencing-policy

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Leadership Skills

From Expertise to Impact: A Practical Guide to Informing and Influencing Policy

Deborah Stine, Founder and Chief Instructor, Science and Technology Policy Academy

February 2, 2026, 2:00 PM ET

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