



April 8, 2026

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

Dear Chairman King and Members of the Committee,

On behalf of the Texas Association of Business, thank you for your leadership in examining the role of data centers in Texas' continued economic growth and global competitiveness.

Data centers are critical infrastructure in Texas' modern economy. They support everyday business operations across every sector – from banking and healthcare to energy, logistics, and communications – and enable the digital services Texans rely on daily. They also play an important role in advancing emerging technologies, including artificial intelligence, and support Texas' role in enhancing our national security capabilities.

Texas remains a leader in innovation and industry growth, and data centers are a key part of the infrastructure that makes that leadership possible. As our economy grows, so does the need for reliable, scalable digital infrastructure to support businesses, communities, and public services across the state.

Data centers deliver meaningful local benefits. They expand the tax base, support funding for schools and essential services, and create high-quality jobs. That investment is helping to improve power, water, and grid capacity across Texas. Projects are working with utilities and local stakeholders to bring new energy resources online, enhance grid resilience, and support long-term infrastructure planning. At the same time, companies are deploying advanced technologies to reduce water usage and operate more efficiently, demonstrating that growth and responsible resource management can go hand in hand.

There are also important misconceptions about the economic impact of data centers. While some reporting has focused on the cost of state incentives, it often overlooks the full picture. Data centers generate more than \$3 billion annually in state and local tax revenue, far outweighing the cost of current incentives and delivering a strong net benefit to Texas communities.

Data center growth is also driving significant new investment in power generation, increasing available capacity and supporting grid reliability. In many cases, this added supply helps stabilize and even lower electricity costs. A recent study from Lawrence Berkeley National Laboratory found that states, including Texas, that added large data center loads saw lower overall electricity prices between 2019 and 2024.

Similarly, concerns about water use are often overstated. Data centers accounted for less than 0.5% of all water use Texas last year, [according to the Houston Advanced Research Center](#). As Texas makes



historic investments in water infrastructure through the Texas Water Fund, policy should remain focused on long-term, statewide solutions rather than targeting a relatively small user.

As the Committee considers these issues, we encourage a balanced, forward-looking approach that supports continued investment while allowing innovation to evolve and thrive in the Lone Star State. Building on the strong foundation the Legislature has created to support innovation – including investments in advanced semiconductor manufacturing, higher education, and workforce development – Texas can and should lead in global competition for advanced technologies. That competition is real, and countries like China are investing heavily in similar capabilities. Ensuring Texas has the infrastructure to support continued growth, including data centers, will be critical to maintaining our economic and strategic advantage.

Texas has long succeeded by embracing growth and working collaboratively to solve challenges. That approach will remain critical as we plan for the infrastructure needs of a growing state and ensure Texas remains the most competitive destination in the country for investment, innovation, and job creation. Data centers are a central part of that equation, and getting this right will directly impact our ability to maintain our economic leadership.

We appreciate the Committee's thoughtful attention to this issue and stand ready to serve as a resource as you continue your work.

Respectfully,

A handwritten signature in black ink, appearing to read "Gabriela von zur Muehlen", is positioned above the typed name.

Gabriela von zur Muehlen
SVP & Chief Policy Officer
Texas Association of Business