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DATA CENTERS AT THE FEDERAL–TEXAS POLICY CROSSROADS

Electric-grid reliability • Water stewardship • Local governance
Tax incentives • Public accountability

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Executive summary

Federal and Texas lawmakers are considering related, but materially different, responses to the rapid expansion of large-scale data centers. The regulatory questions extend beyond whether new campuses should be built. They involve how electricity infrastructure is financed, whether regional water plans account for new cooling loads, what information the public should receive, which authorities should review proposed projects, and how tax incentives should be assessed. [1]–[12]

Current status: As of November 14, 2026, federal S. 4213 was an introduced bill referred to the Senate Committee on Energy and Natural Resources; it had not become law. Texas 90th Legislature bills examined here were prefiled in November 2026 for a regular session beginning January 12, 2027; they had not been enacted. Existing Texas statutes and 2025 legislation remain the operative baseline. [1]–[12]

Federal proposal: S. 4213, the Data Center Water and Energy Transparency Act of 2026, would require annual facility-level reporting at a threshold of at least 25 MW of peak demand. It would encompass monthly electricity and water use, water sources, power and water-use effectiveness, five-year projections, and proposed efficiency measures. Reporting would normally flow through states, with an EPA/DOE/USDA federal fallback. Aggregate public reports would protect proprietary information. These requirements are proposals, not current nationwide mandates under S. 4213. [1]

Texas proposals: SB 32 addresses a state permit for large computational loads; SB 33 would distinguish transmission costs attributable to computational-load sites; SB 34 would expand county authority within unincorporated areas; SB 35 would require ERCOT-to-TWDB information sharing but make that shared information confidential; SB 36 and SB 293 take different approaches to development incentives and sales-tax exemptions; HB 529 would require more extensive facility-level water assessments, reporting and public participation; HB 706 would require hearings and voter approval for certain municipal development agreements, rather than all data-center projects. [2]–[10]

Important difference in coverage: S. 4213 uses a 25-MW reporting threshold. HB 529 defines covered Texas facilities using an alternative test: at least 75 MW of aggregate electric demand or at least 300,000 gallons of water obtained in a consecutive 30-day period. The two bills therefore do not reach identical facilities, and HB 529 is not merely a state copy of the federal proposal. [1][6]

Existing framework: Texas SB 6 became effective June 20, 2025 and already addresses the interconnection, operation and cost recovery of large electric loads. Texas Water Code §16.012 underlies TWDB water-use surveys, and Texas Tax Code §§151.359 and 151.3595 support existing qualifying data-center sales-tax exemptions. A policy analysis must describe these as existing law, not pending proposals. [11]–[13]

Evidence and limits: ERCOT reported preliminary responses to its 2026 data-center community-impact survey from 433 of 465 loads, representing about 177 GW of requested interconnection capacity. This is not 177 GW of operating data-center consumption; projects differ in maturity and several responses lack final cooling designs. A June 2026 Lawrence Berkeley National Laboratory analysis projects that U.S. data centers could account for about 11.8% of national electricity use in 2030 in its reference case, with uncertainty ranges. These data are national model estimates or Texas requested capacity—not measured future outcomes. [14][15]

GLAA analytical conclusion: Before evaluating the merits, fiscal costs, or administrative impact of a proposal, decision-makers need a common factual record: applicable thresholds; an inventory of existing obligations; defensible demand forecasts; water withdrawals distinguished from consumption and wastewater;

utility cost-allocation assumptions; the treatment of proprietary information; and clear opportunities for affected communities to review nonconfidential information. This report proposes a neutral review framework, not a recommendation to enact or reject a specific bill.

1. Scope, method, and exact versions reviewed

This paper is a desk review of official bill texts and records available through November 14, 2026. It does not report original interviews, hydrologic modeling, grid studies, tax-scoring, legal opinions, or causal findings. “Introduced” and “filed/prefiled” are procedural descriptions; no bill in the table is represented as enacted.

Jurisdiction / version	Status at research cutoff	Policy focus
Federal S. 4213 (119th), introduced March 25, 2026	Referred to Senate Energy and Natural Resources	Energy/water disclosure at ≥25 MW; state/federal reporting
Texas SB 32, 90(R), introduced	Filed Nov. 9, 2026	PUCT permit for large computational-load sites
Texas SB 33, 90(R), introduced	Filed Nov. 9, 2026	Allocation of attributable transmission costs
Texas SB 34, 90(R), introduced	Filed Nov. 9, 2026	County large-load siting and impact authority
Texas SB 35, 90(R), introduced	Filed Nov. 9, 2026	ERCOT-to-TWDB data sharing; confidentiality
Texas SB 36, 90(R), introduced	Filed Nov. 9, 2026	Limits on local incentive agreements and abatements
Texas HB 529, 90(R), introduced	Filed Nov. 9, 2026	Water assessments, monthly data, public hearings
Texas SB 293, 90(R), introduced	Filed Nov. 9, 2026	Repeal of data-center sales/use-tax exemptions
Texas HB 706, 90(R), introduced	Filed Nov. 9, 2026	Hearings/election for some municipal agreements

Source hierarchy: congressional/GPO bill text, Texas Legislature Online introduced texts and filing reports, enacted Texas statutes, ERCOT/TWDB operational records, the Texas Comptroller, and a federal laboratory study. The principal documents and their URLs appear in the source register. SB 32 is summarized narrowly from its official filed caption and sponsor’s description; detailed statutory language is not attributed beyond those materials. [1]–[16]

2. Existing law and regulatory baseline

2.1 Electric power: Texas already has a large-load framework

Texas SB 6 (89th Legislature) was signed and took effect June 20, 2025. It directs PUCT rules for large-load customers in the ERCOT region to support business development while limiting stranded infrastructure and reliability risks; it addresses interconnection, load operations, co-location and cost recovery. SB 33 would build on, rather than replace in full, those existing rules by addressing a separate allocation of certain transmission costs. [11][3]

The proposed SB 33 distinction is consequential: the statute already requires large loads to contribute to interconnection cost recovery, but SB 33's introduced language would require a mechanism to assign transmission costs of service attributable to computational-load sites to a separate rate class where not otherwise recovered. Whether this can be administered transparently depends on the cost-causation method, contract terms, and utility accounting. [3]

2.2 Water: existing surveys and water rights remain relevant

Texas Water Code §16.012 provides TWDB survey and resource-data authority. TWDB operates a 2026 Water Use Survey for digital infrastructure, including data centers, AI facilities and cryptocurrency facilities, and cautions that some nonresponses reflect uncertain operational status, duplicate records or contact-data limitations. The 2027 State Water Plan Phase I was adopted July 23, 2026 and further amendments remained under consideration at publication. [12][16][17]

New reporting under HB 529 would coexist with water-rights, groundwater district, water/wastewater service and discharge requirements. HB 529 expressly states that its assessments are informational and do not themselves grant a permit or authorize water withdrawal; it would not create a new right to water or displace existing permissions. The proposal assigns the Texas Commission on Environmental Quality the principal new registry, reporting and public-hearing responsibilities. [6]

2.3 Taxes and local agreements

Texas currently offers certain temporary state sales/use-tax exemptions for certified data centers under Tax Code §§151.359 and 151.3595. The Comptroller describes specified investment, size, and job requirements; these eligibility criteria should not be confused with independently verified net economic benefit. Local economic development agreements and tax abatements arise under other statutory authorities. SB 36 targets some state and local incentive pathways; SB 293 takes a broader repeal approach and, in its introduced version, would end qualifying exemptions on its effective date. [8][9][13]

2.4 Federal baseline

Federal energy programs already support data-center efficiency analysis and reporting research, but S. 4213 would create a new national facility-reporting structure for covered operators; the proposed state-or-federal reporting pathway and enforcement provisions should not be portrayed as current obligations. This paper does not assume federal preemption of state water law absent enacted language or legal analysis. [1][15]

3. What the proposed bills would change

Federal S. 4213: integrated energy and water reporting

The March 25, 2026 Senate-introduced version would require operators of facilities with peak demand of at least 25 MW to report annual data, including monthly on-site energy and water use, water sources, behind-the-meter generation, efficiency metrics, and five-year forecasts. New or expanded qualifying facilities would have prospective reporting. States could set reporting forms and fees; if a state lacks a qualifying program, operators would report jointly to EPA and the Energy and Agriculture departments. The bill includes access for affected local governments, anonymized aggregated federal public reporting, proprietary-data limitations and specified enforcement authority, including a proposed $20,000-per-day federal penalty for negligent violations of federal-reporting obligations. None is presently operative under this bill. [1]

Texas SB 32 and SB 33: permitting and cost attribution

SB 32's official caption describes a PUCT construction permit for large computational-load sites, with an administrative penalty; its sponsor describes coordination with TCEQ. The full eligibility and adjudication details require bill-text review before a formal compliance guide is issued. SB 33 would establish a cost-allocation mechanism for transmission costs attributable to computational-load sites, beyond costs already recovered under existing law. The agency would need transparent definitions of attributable investment, rate class membership, non-grid power arrangements and recovery periods. [2][3]

Texas SB 34 and HB 706: local decision-making

SB 34 would authorize counties to establish zoning districts for certain large computational-load developments in unincorporated areas, with hearings, site and water-related requirements, setbacks, noise and lighting standards, special-use permits, mitigation, and enforcement. The bill expressly disclaims county authority over electric rates and interconnection standards. HB 706 is narrower than a general construction ban: it would require at least five hearings and a local election before a municipality enters into certain Chapter 380 development agreements for a defined data center. Regulatory review should distinguish siting permissions from decisions to provide public incentives. [4][10]

Texas SB 35 and HB 529: different information governance models

SB 35 would require ERCOT large-load information sharing with TWDB for water planning and designate that shared information as confidential under Texas public-information law. HB 529 would instead create specified nonconfidential public facility-level data, a TCEQ registry, water resource assessments, conservation plans, monthly water reporting and public hearings for new/expanded covered facilities. HB 529 defines coverage using 75 MW aggregate demand or 300,000 gallons obtained over a consecutive 30-day period; detailed reporting includes purchased water, direct withdrawal, consumption, returns, reuse, wastewater and estimation methods. [5][6]

As introduced, HB 529 schedules TCEQ rules by May 1, 2028; a transition for qualifying facilities operating before January 1, 2029; and a first annual reporting deadline of March 31, 2030 for calendar-year 2029. These are proposed future dates contingent on enactment; they do not presently require action. [6]

Texas SB 36 versus SB 293: incentive decisions

SB 36 would prohibit certain new or renewed Chapters 380/381 development agreements and specified tax abatements involving certified data centers, and alter eligibility rules where overlapping incentive agreements are involved. SB 293 would repeal Tax Code §§151.359 and 151.3595, end existing qualifying exemptions on its effective date, and deny pending certifications. The two mechanisms have different transition, contractual and budget implications; they should not be grouped as an identical "tax repeal." [8][9]

4. Cross-jurisdiction comparison

Dimension	Federal proposal	Texas proposal(s)
Coverage threshold	S. 4213: ≥25 MW peak demand	HB 529: ≥75 MW aggregate demand **or** ≥300,000 gal/30 days
Primary recipient	State; federal EPA/DOE/USDA fallback	TCEQ; nonconfidential data shared with local entities and TWDB
Public information	Annual federal regional aggregates; proprietary protection	Facility-level water registry, assessments, hearings and comments
Electric costs	Energy-use data; not a Texas rate tariff	SB 33 proposes separate attributable transmission cost allocation
Local siting	No comprehensive federal county zoning rule in S. 4213	SB 34 permits county controls in unincorporated areas
Economic incentives	S. 4213 does not repeal Texas tax benefits	SB 36 restricts some incentives; SB 293 proposes repeal
Confidentiality	Anonymized aggregation and proprietary limitations	SB 35 confidential ERCOT–TWDB exchange; HB 529 public records

Interpretation: complementary reporting systems could reduce duplicate effort if definitions, units and confidentiality rules are reconciled; without harmonization, multiple thresholds and agency reports could increase complexity. This is an analytical inference, not a documented implementation cost estimate. [1][3]–[9]

5. Documented evidence and its limitations

5.1 Preliminary Texas interconnection data

At a November 5, 2026 PUCT presentation, ERCOT reported 433 responses to 465 data-center community-impact requests for information, covering approximately 177 GW of **requested interconnection capacity**. All 245 large-load projects (75 MW or greater) responded; 32 medium-load responses were outstanding. ERCOT also reported that some projects expected to energize in 2028 or later had not finalized equipment or cooling information. These are a preliminary project pipeline and RFI dataset—not operating demand, completed water use, or a forecast that every project will be built. ERCOT targeted a final report for December 10, 2026. [14]

5.2 National electricity projections

Lawrence Berkeley National Laboratory’s June 2026 update estimates that data centers could account for **11.8% of U.S. electricity in 2030** in a reference case, with a scenario range of approximately **9.5%–15.3%**. National modeled projections do not establish demand in any particular Texas county or prove a given proposed project will energize. They support the need for site-level, regional and national modeling that makes assumptions visible. [15]

5.3 Existing incentives are real; outcomes require evidence

The Texas Comptroller's published certification guidelines specify, among other conditions, minimum job and capital-investment commitments for certain data-center exemptions. This demonstrates the intended development rationale behind the program, but commitments are not a substitute for independently evaluated jobs created, local tax receipts foregone, net utility costs, water availability or opportunity costs. A sound fiscal review should use a documented counterfactual instead of assuming that all investment would disappear with an exemption. [13]

5.4 Evidence that is not yet available

As of publication, no independent statewide estimate in this report resolves how many proposed Texas data centers will actually energize, what share of water use will be consumptive, or the net ratepayer effect of individual sites. An impact forecast must state baseline demand, credible project-realization scenarios, meteorological and drought assumptions, and an uncertainty range. GLAA does not estimate these figures without facility-level data and professional modeling.

6. Relevant perspectives and unresolved tradeoffs

6.1 Business development and economic competitiveness

Potential benefits argued by development proponents: construction investment, tax base, demand for engineering and skilled trades, enhanced computing infrastructure and technology clustering. Texas House State Affairs' August 2026 interim charge explicitly examined economic growth, competitiveness and workforce development as well as appropriate regulation. **Questions:** What is the incremental, sustained employment benefit? What portion of capital investment is taxable? What public infrastructure is required? Are incentives cost-effective relative to other uses? [13][18]

6.2 Reliability and ratepayer protections

Potential benefit of cost attribution: assigning demonstrably attributable transmission and interconnection costs to large users may limit transfers to other customers and address stranded infrastructure when projects are canceled. **Potential costs/risks:** complex causation methods, project delays, administrative disputes, and definitions that may not fit all operating models. Review should include utility tariffs, peak timing, ramp schedules, flexibility during emergencies, and sensitivity to project cancellations. Existing SB 6 requirements are the baseline. [3][11]

6.3 Water security and environmental stewardship

Potential benefit of disclosure: project-specific information may strengthen drought planning, wastewater capacity decisions and accountability for water sources. **Potential costs/risks:** duplicative submissions, estimation error for new projects, public confusion between withdrawal and consumption, and disclosure of legally protected information. HB 529's separate reporting categories offer a framework for precise terminology; TWDB's survey program shows that statewide data collection already exists. [6][12][16]

6.4 Local self-government and procedural efficiency

Arguments favoring local review: residents and emergency-service providers may experience noise, traffic, land-use, fire protection and water-service effects. SB 34/HB 706 provide different channels for local review. **Countervailing questions:** whether repeated processes delay investment, create inconsistent county/city requirements, or duplicate state and utility oversight. In HB 706, the proposed election applies to specified municipal development agreements; it is not an automatic referendum on every data-center operation. [4][10]

6.5 Transparency and legitimate confidentiality

SB 35 would protect ERCOT-to-TWDB data from Texas public-information disclosure, while HB 529 proposes specified facility-level public datasets with legal redactions. Both seek to address information management, but from different starting points. Decision-makers must identify which data elements are essential to public understanding, which could compromise commercial/security interests, which are already public, and who is accountable for redactions and corrections. S. 4213 proposes aggregated public information and a proprietary-data exclusion. [1][5][6]

7. Operational implementation and GLAA review framework

The following is a structured due-diligence checklist for public agencies, regional planners, utilities, institutional partners and affected communities. It is not an instruction to implement unpassed bills.

- **Gate 1 - Legal mapping.** Record the enacted baseline, the date/version of each proposal, the agencies named, relevant definitions, legal deadlines, and the specific actions that would require rulemaking or appropriations.

- **Gate 2 - Project and utility facts.** Separate operating facilities from applications and speculative requests; identify ownership, utility service territory, anticipated energization, on-site power, firm/flexible demand and cancellation risk.

- **Gate 3 - Water accounting.** Distinguish withdrawals, water purchased/received, consumptive loss, return flow, reuse, wastewater discharge, source, metering method and drought sensitivity. Avoid double counting transferred water.

- **Gate 4 - Cost and fiscal analysis.** List incremental transmission/distribution upgrades, who initially pays and who bears cancellation risk; identify existing incentives, compliance costs, assumed jobs and independent verification methods.

- **Gate 5 - Data stewardship.** Establish public, protected and confidential fields; identify authority for every claimed exemption; define correction, secure transmission, quality assurance, source traceability and accessible publication.

- **Gate 6 - Civic process.** Provide plain-language descriptions and documented notice, opportunities for residents and businesses to ask questions, interpretation and accessibility, and a public record of issues and agency responses.

- **Gate 7 - Coordination and evaluation.** Design a PUCT/ERCOT/TWDB/TCEQ/local-government contact map, common reporting definitions, performance measures and a schedule for revision when bill language or agency rules change.

8. Questions public officials and communities should ask

- What evidence distinguishes planned interconnection requests from committed projects and operating loads?
- Which existing SB 6 or TWDB requirements already address the proposed obligation?
- How would a 25-MW federal reporting threshold interact with Texas HB 529's dual threshold?
- Which water figures reflect withdrawal, consumption, discharge, reuse or supplier purchases?
- Who bears the cost if a proposed project is abandoned after utility upgrades are approved?
- What share of public incentive costs and local benefits can be independently verified?
- Which nonconfidential project facts should be available before hearings or agreements?
- Would proposed county authority conflict with a state utility or permitting responsibility?
- How are protected business/security records redacted and how can errors be corrected?
- What implementation dates would apply if enacted, and which agencies need funding or rules?

9. Monitoring milestones and revision triggers

November 2026: Continue monitoring federal S. 4213 and prefiled 90(R) Texas bills for substitutes, companion bills, fiscal notes or additional proposals. Texas SB 296 and SB 338 are related filings but are not analyzed in detail here. [1][19]

December 10, 2026 (target, not a guarantee): ERCOT anticipates a final public report on its community-impact RFI. GLAA should compare the final dataset with November preliminary counts before updating any figures. [14]

January 12, 2027: The Texas regular legislative session convenes; the relevant committee referrals, hearings, bill substitutes and fiscal notes should be reviewed as released. Prefiling should not be characterized as legislative approval. [20]

After any enacted change: Publish a revision showing the actual enrolled text, effective date, rulemaking and agency guidance. Do not state proposed rules as enforceable requirements before enactment.

10. Institutional conclusion

Data-center governance is simultaneously an energy, water, local-government, economic-development and public-trust matter. The overlapping federal and Texas proposals do not amount to a single regulatory package; they use different thresholds, agencies, procedural safeguards and transparency choices. GLAA's contribution is to clarify those differences and to give institutions an auditable list of questions and evidence needs before policy choices are made.

Editorial statement: This GLAA paper does not endorse or oppose legislation or any political actor. It is an initial independent working analysis rather than a board-approved resolution or government-sponsored report. It does not establish that GLAA has any governmental authority, contract, affiliation or accreditation.

Primary-source register and verification links

[1] U.S. Government Publishing Office — S. 4213, introduced in Senate (March 25, 2026)
https://www.govinfo.gov/app/details/BILLS-119s4213is

[2] Texas Legislature — 90(R) filed Senate bills (SB 32 caption/status); Texas Senate Zaffirini description
https://capitol.texas.gov/reports/Report.aspx?ID=senatefiled&LegSess=90R

[3] Texas Legislature — SB 33, introduced text
https://capitol.texas.gov/tlodocs/90R/billtext/html/SB00033I.htm

[4] Texas Legislature — SB 34, introduced text
https://capitol.texas.gov/tlodocs/90R/billtext/html/SB00034I.htm

[5] Texas Legislature — SB 35, introduced text
https://capitol.texas.gov/tlodocs/90R/billtext/html/SB00035I.htm

[6] Texas Legislature — HB 529, introduced official PDF
https://capitol.texas.gov/tlodocs/90R/billtext/pdf/HB00529I.pdf

[7] Texas Senate — Zaffirini Nov. 9 press release explaining SB 32-35
https://senate.texas.gov/press.php?id=21-20261109a&print=1

[8] Texas Legislature — SB 36, introduced text
https://capitol.texas.gov/tlodocs/90R/billtext/html/SB00036I.htm

[9] Texas Legislature — SB 293, introduced official PDF
https://capitol.texas.gov/tlodocs/90R/billtext/pdf/SB00293I.pdf

[10] Texas Legislature — HB 706, introduced text
https://capitol.texas.gov/tlodocs/90R/billtext/html/HB00706I.htm

[11] Texas Legislature — 89(R) SB 6 enrolled bill summary (effective June 20, 2025)
https://capitol.texas.gov/billlookup/BillSummary.aspx?Bill=SB6&LegSess=89R

[12] Texas Water Development Board — Digital Infrastructure 2026 Water Use Survey
https://www.twdb.texas.gov/waterplanning/waterusesurvey/digitalinfrastructure.asp

[13] Texas Comptroller — Qualifying data-center state sales-tax exemptions
https://comptroller.texas.gov/taxes/data-centers/

[14] ERCOT — Nov. 5, 2026 preliminary Data Center State and Community Impact RFI
https://www.ercot.com/files/docs/2026/11/05/Community-Impact-RFI-PUC-Update.pdf

[15] Lawrence Berkeley National Laboratory — U.S. Data Center Energy Usage Report: 2025 Update (published June 2026)
https://eta-publications.lbl.gov/publications/united-states-data-center-energy-2025

[16] Texas Water Development Board — 2027 State Water Plan Phase I (adopted July 23, 2026)
https://www.twdb.texas.gov/waterplanning/swp/2027/index.asp

[17] Texas Water Code, Chapter 16, including section 16.012
https://statutes.capitol.texas.gov/?code=WA&chapter=WA.16&tab=1

[18] Texas House — State Affairs interim hearing notice, August 19, 2026
https://capitol.texas.gov/tlodocs/89R/schedules/html/C4502026081908001.HTM

[19] Texas Legislature — filed Senate bills (90(R) SB 296 and SB 338)
https://capitol.texas.gov/reports/Report.aspx?ID=senatefiled&LegSess=90R

[20] Texas Legislative Council — 90th Legislature dates / official legislative calendar
https://lrl.texas.gov/sessions/sessionYears.cfm

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