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INTELLIGENCE UPDATE

US data center critics pivot from moratoria to regulations

Rose Weinschenk 6 May 2026

In April 2026, the US state of Maine's governor vetoed a state-level data center moratorium bill, the latest in a series of similar regulatory actions across the US. Moratorium bills aim to pause data center construction long enough for local governments to establish regulations — or impose an outright ban — but most have failed to pass. As state-level attempts to advance data center bans falter, opposition groups are pivoting toward other targeted regulatory strategies.

Targeted regulatory bill proposals are surging in 2026. US state lawmakers have already introduced hundreds of bills in more than 25 states. Most will be debated in legislative chambers, but few will pass into law. Those that do make it through committees, such as those recently passed in Oregon, Texas and Arizona, target electricity costs, operating restrictions, environmental protection and tax policy.

Although state-level moratoriums appear to be losing momentum, data center regulations are just beginning to take shape. Owners and operators should monitor which bills are currently being debated and anticipate legislation with similar criteria in their own jurisdictions.

Bill momentum

State legislators have already enacted many of the regulatory bills introduced in 2026. Over the course of the year, this rapid legislative pace is likely to continue. **Table 1** details the progress of various statewide bills that address major categories of public concern.

Table 1 Status of US state data center regulations (May 2026)

State	Bill/key measure	Type	Status (May 2026)
Alabama	SB 270: large load power rate class		Passed
Arizona	HB 2756: no cost shifts		Active
California	SB 886/887: grid tariff plus emissions reporting		Active
Georgia	SB 476: repeal data center tax break		Stalled in house
Idaho	H 895: Limits on water consumption		Passed
Illinois	Power Act (SB 4016/HB 5513): grid cost fairness		Active
Indiana	HB 1210: reinvest 1% of tax savings locally		Passed with strong support
Kentucky	HB 531: energy surcharge for large loads		Denied
Maine	LD 307: statewide moratorium >20 MW (until 2027)		Vetoed
Maine	LD 713: bars data centers from tax incentives		Passed
Maryland	SB 596/HB 940: demand response and grid rate policy		Stalled
Minnesota	HF 245: environmental disclosure by data centers		Denied
New York	A 10141/S 9144: 3-year moratorium on new builds		Stalled
Oregon	HB 3546: grid reform		Passed
South Dakota	SB135: local zoning authority for projects		Passed
Texas	SB 6: grid oversight and end of tax holiday		Passed
Utah	HB 76: Data Center Water Transparency Amendments		Passed
Vermont	S. 205: AI/hyperscale construction pause		Stalled
Virginia	HB 897/961: repeal tax credits; HB 1393: cost-shift ban		Active
Washington	HB 2515: cap-and-invest rate alignment		Denied
West Virginia	HB 4983: microgrid approval to power data centers		Passed

Environmental *Grid reform* *Grid hybrid* *Local control* *Moratorium* *Tax repeal*

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Cost recovery bills

Several states — including Washington, Oregon and Virginia — have advanced bills that shift grid infrastructure costs from ratepayers to data center operators. This can be achieved by legislation, or through the state Public Utilities Commission's (PUC's) interpretation of an existing legislative mandate. Wisconsin's PUC recently set a precedent by requiring that two data center projects absorb the total cost of energy transmission and generation. Other state PUCs may choose to apply this principle as well.

Impact assessment and reporting bills

Illinois, New Jersey, Washington and California have advanced bills requiring data center operators to track and disclose emissions and natural resource consumption. These bills increase transparency and generate the data needed to understand energy and water use, and support future cost recovery policies tied to grid usage. As a result, operators in these states may face future cost recovery proposals.

Tax policy

Bills to repeal or renegotiate data center sales tax exemptions represent a newer and increasingly popular strategy. Several bills are advancing with bipartisan support, in part because they are politically feasible. They signal action on constituent concerns without making the state appear anti-development by imposing caps on resource use or halting projects altogether.

Regulations versus moratoriums

Despite strong local support for moratoriums, state policymakers have been reluctant to enact this category of legislation. Many states see data centers as anchors for broader economic development, especially in the technology sector. As a result, policymakers worry that strict limits on growth could deter investment and undermine efforts to position their state as a technology hub. Even in Maine, where a moratorium bill cleared both chambers, the governor vetoed it to protect a data center project offering jobs to a struggling community.

States with an existing data center presence may also face paying more if facilities halt operations or relocate. For example, states such as Virginia rely heavily on data center tax revenue to fund infrastructure including schools, emergency services and public sector salaries. If companies leave due to a moratorium, the state would likely need to offset the resulting shortfall — potentially through higher residential property taxes.

A similar dynamic applies to electricity costs. PUCs often allocate 75% of infrastructure costs to new users and 25% to existing users. If facilities leave, utilities will shift costs onto the remaining ratepayers. These costs exceed a return on investment, and include a 20-year paydown on bonded capital.

Many of the bills intended to address these cost shifts require data centers to pay upfront infrastructure and utilities fees and to secure binding agreements that prevent those costs from being transferred back to the community. Others mandate that data centers cover 100% of the new infrastructure costs.

Fragmented laws and transparency demands

Local governments, state legislatures, PUCs and federal regulators, including the Federal Energy Regulation Committee (FERC) and the North American Electric Reliability (NERC), all play a role in shaping US data center regulations.

At the federal level, the current administration has enacted an executive order that encourages federal agencies to study AI's infrastructure needs and collaborate on solutions for managing AI growth. However, nothing in this executive order is legally binding. In the absence of consistent regulatory oversite, data center companies are also delivering nonbinding promises to the public (see *Microsoft's Community First Plan needs more work*).

Many companies are utilizing community engagement campaigns that pledge to address local concerns but ultimately lack enforceable written guarantees. In turn, communities are demanding transparency into facility-level data from operators, including water use, energy consumption, emissions and system performance. When companies fail to meet these demands, community backlash can stall or cancel projects.

Delays and cancellations that stem from resistance to community requests for transparency often rival or exceed the friction of the original permitting process. Early compliance with some of the more common reporting requests such as energy and water use may save time and money in the long run.

Data center providers can consider the following methods to prepare for new legislation and engage with the public's growing demands for accountability:

- Select a trusted third party to conduct environmental impact assessments.
- Consider a hybrid approach to prefunding infrastructure upgrades — one that protects residential ratepayers while keeping upfront capital requirements reasonable.
- Collaborate on a community benefits agreement early in the project.
- To meaningfully address community concerns, operators should publish expected facility-level energy and water use data.

ABOUT THE AUTHOR

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