

Study Resolution

Data Centers

Authorized by the Commission on December 11, 2023

WHEREAS, there has been substantial growth in the data center industry in Virginia, particularly Northern Virginia which has the largest concentration of data centers in the world, Southern Virginia, the Greater Fredericksburg region, and the Greater Richmond region; and

WHEREAS, growth in the data center industry is expected to continue with increasing demand from deployment of advanced and innovative technologies used by individuals, business of all sizes across all industries, government agencies, and other organizations that require the digital infrastructure that data centers provide; and

WHEREAS, data centers can bring economic benefits to localities because they can create significant economic activity during construction, they can increase property tax revenue for local governments without placing high demands on government services like schools, and the clustering of data centers can make a region more attractive to other high tech businesses and help support ecosystems of vendors, service providers, and suppliers; and

WHEREAS, concerns exist over data centers because they require large amounts of energy, which can affect the broader energy market; they may have impacts on natural, historical, and cultural resources; and some citizens have expressed opposition to having data centers located near residential areas due to concerns over issues such as noise and the adverse visual impact; and

WHEREAS, the data center sales tax exemption is Virginia's largest economic development incentive, and JLARC conducted an in-depth review of the exemption in 2019; now, therefore, be it

RESOLVED by the Joint Legislative Audit and Review Commission that staff be directed to review the overall impacts of the data center industry in Virginia and state and local policies regarding the industry. In conducting its study staff shall (i) research recent and expected trends in factors impacting data center industry growth and forecast future growth of Virginia's data center industry, taking into account how various factors may affect these projections; (ii) assess impacts of the data center industry on Virginia's natural resources, as well as historic and cultural resources, and identify potential technologies that could reduce their impacts on these resources; (iii) assess the impacts of the data center industry on current and forecasted energy demand and supply in Virginia, including how data centers will likely affect future energy infrastructure needs, energy rates paid by customer classes and whether cost allocation methods ensure no single customer class is unreasonably subsidized by other customer classes, and the state's ability to transition from fossil fuels to renewable energy sources; (iv) estimate the impact of the data center industry on local revenue and assess how local tax policies may affect data centers; (v) identify how data centers may impact local residents, including concerns such as noise pollution, decreasing property values, and the adverse visual impact; (vi) identify considerations around the construction and siting of data centers, and review how zoning and regulatory restrictions and requirements can affect data center deployment; (vii) identify guidance and assistance state agencies could provide to local governments for use in making decisions about the location and expansion of data centers; (viii) assess whether more geographically diverse data center industry growth would provide greater economic benefits to the

Commonwealth, and if so, identify obstacles to attracting data centers to other areas, particularly economically distressed or rural regions of the state, and policy changes that could increase geographic diversity, such as changes in electricity policy, tax policy, and broadband infrastructure policy; (ix) compare Virginia's competitiveness in attracting data centers with other states; and (x) determine if Virginia's data center tax exemption could be improved, including whether the exemption could be better targeted, the level of benefit is appropriate given the cost, or other changes should be considered.

JLARC may make recommendations as necessary and may review other issues as warranted.

All agencies of the Commonwealth, including the Virginia Department of Energy, the Virginia Department of Environmental Quality, the State Corporation Commission, the Virginia Economic Development Partnership Authority, the Virginia Department of Taxation, and Virginia local governments shall provide assistance, information, and data to JLARC for this study, upon request. JLARC may use consultants as necessary to complete the study. JLARC staff shall have access to all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.