



Data Centers

Key Questions to Ask When Considering Data Centers in Your Community | MARCH 2026

Data centers are the physical infrastructure underpinning data storage, cloud computing, artificial intelligence (AI), and other internet applications. Most data centers house data storage systems and servers (connected or networked computers) capable of vast numbers of calculations and computing applications. Data center construction in the U.S. has grown rapidly in recent years and is expected to continue to grow in future years to meet demands for digital infrastructure and AI expansion. As states and local communities are considering policy choices related to data center development, they must balance economic and other benefits with the potential impacts of their accelerated growth.

INTENDED USERS AND USE CASES

What follows are some questions that decision-makers and community members can ask when considering siting new data centers.* These questions might be asked during town halls, public outreach sessions, government briefings, or in

conversations or negotiations with data center developers and operators. Many local and state decision-makers will be involved in deliberations about siting data centers. This resource is written primarily for mayors and city councilmembers, county commissioners, governors, state legislators and other elected officials. Respondents should be able to answer these questions in non-technical language. Respondents for the questions are data center developers and operators, but in a few cases, the questions could also be directed to the power and water utilities, public utility commissions, or government entities like the revenue, health, or environmental agencies or departments.

* These questions are provided as a starting point and are not comprehensive of all the inquiries that could be made before siting a data center. None of these questions obviate government responsibility for conducting their own assessments and independent evaluations of data center benefits and impacts before approval. Each location has different climate, energy, grid, and ecological variables. Technical experts with knowledge relevant to particular locations should be consulted when considering a specific data center siting.

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GENERAL

Background: From the outside, data centers often look like typical warehouses. Inside, they house hundreds or thousands of stacks of computing equipment that require specific environmental conditions and security to protect the cutting-edge hardware. Understanding the type of data center and its physical components can inform decisions about the infrastructure and resources needed to support the data center.

Questions

What type of data center is it? Will it primarily be used for AI training or inference? Data storage? Cloud services? Cryptocurrency? Is the data center owner-operated (e.g. operated directly by a technology company such as Google, Amazon, Meta, or Microsoft) or is it a shared colocation facility (e.g. operated by a third party such as Equinix)? (The answers to these questions have implications for energy use patterns.¹)

What is the land currently used for? What zoning rules apply to that location? (Existing zoning rules may or may not be suitable for the special characteristics of data centers, which require more energy than most operations of the same size.)

What is the estimated increase in noise associated with the data center? What are the plans to keep the associated noise to a minimum? (Onsite cooling units, generators, and servers can all be sources of noise from an operating data center.)

Is there an existing or proposed Community Benefits Agreement between the data center operator and local communities? What does it include?

ENERGY

Background: Inside each data center are many rows of servers (networked computers), each composed of multiple processing units like CPUs and AI chips (typically graphics processing units or GPUs) that perform myriad computing tasks. In general, more complicated computing tasks require more power and energy. Data centers come in many sizes. While small data centers draw a few megawatts, the largest ones can draw over one gigawatt (GW) of electricity—enough to power nearly 800,000 homes.

Questions

How much energy will the data center use at its peak?

What will be the annual usage? (Note that the peak electricity usage, not average usage, is the most important factor for grid stability. Peak electricity usage often occurs during the hottest days of the year.)²

What are the sources of electricity? Are they mostly renewables (e.g., solar, wind, hydropower) or fossil fuels (e.g., coal, natural gas), or nuclear?

¹ See Energy section for why AI data centers have higher energy needs than cloud computing data centers and why co-location data centers have different approaches to adjusting their electricity use than do owner-operated data centers.

² Peak electricity usage is often on the hottest days when energy-intensive cooling systems need to work harder to keep data centers from being overheated. These periods frequently overlap with peak electricity demand from homes, businesses, and other critical services, potentially placing additional strain on the power grid.

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Will the data center draw power from the main grid, or will it have its own energy source? (In some cases, data centers can source their power from plants that are isolated from the main grid. These are sometimes referred to as “behind the meter” set ups or “microgrids” built solely for the data center.)

Will additional power infrastructure (such as new power plants or transmission lines) be required to deliver the electricity? If so, who is paying for the build out? Will residential rate payers be charged more for electricity? (Note that the evidence base is mixed on the question of whether data center growth is the main cause for increases in electricity rates. Rate impacts depend on a variety of factors and differ according to utility policies.)

What are the backup sources of electricity for the data center? (Often data centers install diesel generators onsite to serve as backup power during grid outages.³ See Air Quality section below for follow up questions about onsite generators.)

WATER

Background: *The servers in data centers produce a lot of heat and require extensive cooling systems to maintain performance and reliability. Data centers use a variety of cooling mechanisms to achieve target temperatures and humidity. Some of those cooling systems consume large amounts of water—especially evaporative cooling—to dissipate heat from data centers to the*

outside environment. In many cases, these systems use potable water that comes from public water systems. Other systems, like closed loop cooling systems or dry coolers, consume less water on-site but typically require more energy, especially during the summer months. It also is important to distinguish between water withdrawal and water consumption. Water withdrawal refers to the volume of water taken from a source, typically public water systems, and is a key metric for water infrastructure planning. Water consumption refers to the portion of withdrawn water that does not return to the source and is effectively lost, for example through evaporation in data center cooling systems, and is a critical metric for assessing impacts on water resources. In addition to the type of cooling system, the specific hydrology and climate of a region and the water source are important factors for consideration. Arid regions will require different approaches than humid climates. Regions with vulnerable ground or surface water supplies also require special consideration.

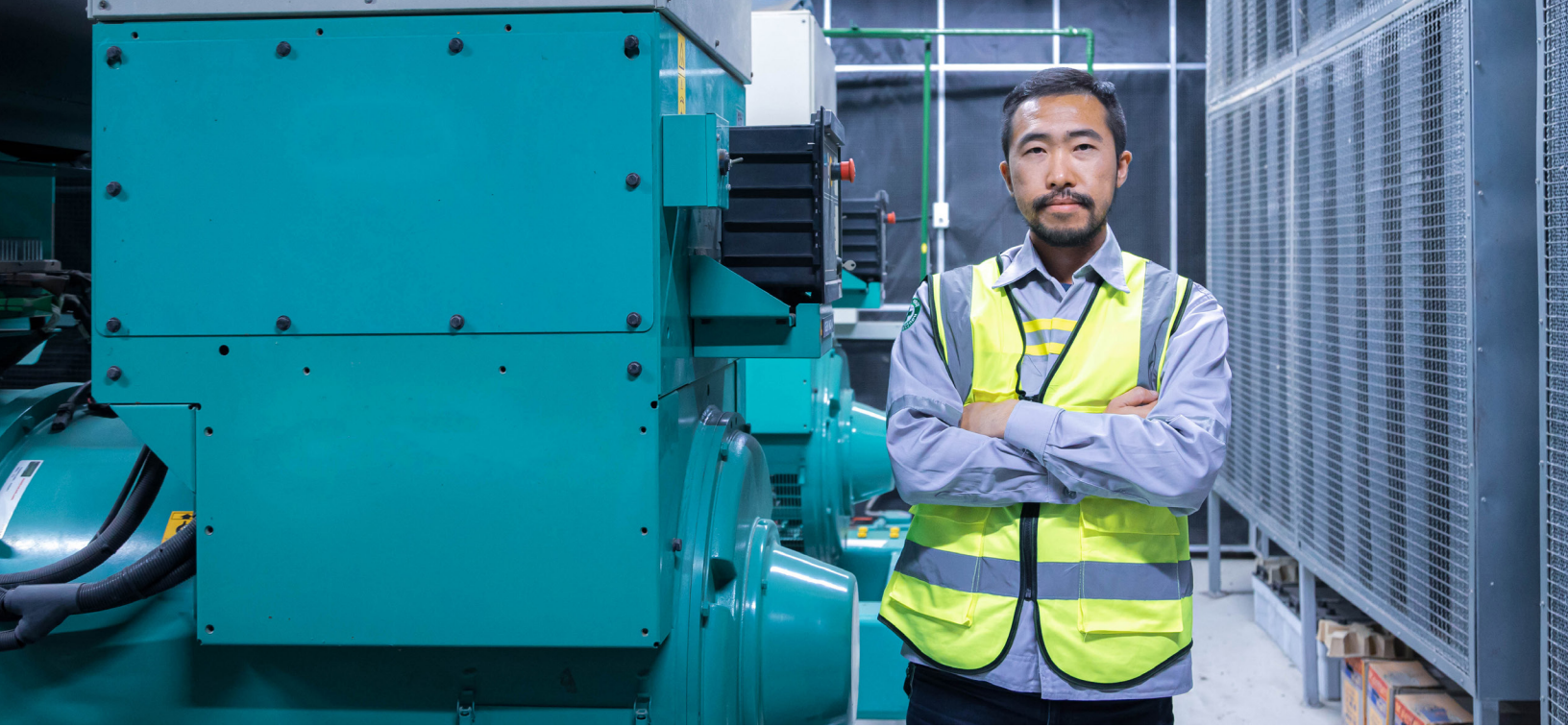
Questions

What cooling systems will be used by the data center?
Evaporative, closed-loop, hybrid, immersion, other?

How much water will the data center use at its peak? How much will it use over the course of a year (both withdrawal and consumption)? (Note that the peak water withdrawal is a key factor for water infrastructure capacity planning. Peak water

³ May 2025, the US EPA allows data centers to use onsite generators for load shedding during periods of high electricity demand [up to 50 hours per year](#). Load shedding is the intentional and temporary shut down of electricity to certain areas to prevent a grid failure or blackout when demand for electricity exceeds supply.

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withdrawal often occurs during the hottest days of the year when other users need water most.)

Do water withdrawal and consumption projections include the water used by the power plant(s) providing electricity to the data center? Is that accounted for in the calculations of potential impacts on water availability?

What will be the source of the water at the data center? Municipal? Surface water? Ground water? Recycled/reclaimed water?⁴

Will additional water infrastructure be required to deliver the water to the data center? If so, who is paying for the build out? Are there discounts on tap fees or water rates for the data center operator?

AIR QUALITY

Background: *Data centers can impact local and regional air quality. For example, if power from the grid is constrained, data centers use backup generators which are often powered by diesel, producing high emissions such as nitrogen dioxides, sulfur dioxide and fine particulate matter associated with poor health outcomes like asthma and heart disease. In the event of a prolonged outage, emissions from data center diesel generators could reach their maximum permitted levels within a few days. Tools are available to assess health risks of air pollutants.⁵ Additionally, the main power generation for the data center can also be a source of air pollutants, either through emissions from onsite power generation or from offsite power plants supplying electricity to data centers.*

Questions

Will there be onsite power generation? (Some data centers will co-locate a continuous power source on site such as a natural gas plant with associated air emissions.)

What are the backup sources of electricity generation?

If the data center uses diesel backup generators, what type are they? (Diesel emissions exposure is associated with health risks. Modern diesel generators (EPA Tier IV) have lower emissions than older versions (EPA Tier I-III).)

How many hours per year will on-site backup generators be expected to run in total? For testing and maintenance? For easing pressure on the grid? For backup power?

How often will NO_x, SO₂, and fine particulate emissions be measured on site, and will the results be reported publicly?⁶

⁴ Many traditional power sources such as natural gas, coal, and nuclear power plants use water while producing electricity. Water withdrawal and consumption can vary greatly at power plants depending upon the type of plant and especially the type of cooling system deployed at that plant. The water used by power plants is typically non-potable, but is an important metric when assessing the overall impact of data center operation on local water resources.

⁵ States such as California conduct health risk assessments for diesel generators as part of the permitting process. The EPA also offers modeling tools such as COBRA to estimate the health risks of air pollutants.

⁶ In January 2026, the [US EPA issued a final rule](#) specifying that new stationary generators, including those at data centers and those that are temporary or portable, must comply with the Clean Air Act.

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ECONOMICS

Background: Data centers can bring in substantial tax revenue and create jobs in communities. They can also propel investments in key infrastructure such as the power grid, water systems, and fiber optics for data transfer. The benefits of data centers are greatly impacted by the tax models applied and the scale and durability of workforce opportunities. Modern data centers are capital-intensive, not labor-intensive. Ongoing employment at a data center is typically small relative to facility size and the number of jobs during the construction phase. The size and type of data center being built impacts employment, tax revenues, and infrastructure.

Questions

How many jobs will the data center create? How many of those will be operational jobs versus construction jobs? Will they be contracted or long-term jobs? (Data centers create roughly [one direct permanent job](#) for every 5,000-10,000 square feet, depending on the type of data center. For example, hyperscale and cryptocurrency data centers have lower permanent jobs per square foot than a co-location data center.)

Will the jobs be sourced locally? What will be the average salaries for the operational jobs?

What are the estimated taxable assets of the data center?
Which taxes apply to data centers in your state/county/

municipality? (For example, in some counties, only real property taxes (land and buildings) apply to data centers. In others, business personal property or sales taxes (of the capital assets—such as the servers and other equipment inside the data center) are also applied.⁸)

If tax abatements are part of the incentive structure, are they scheduled to sunset? If so, when?

Will the data center operator contribute to costs for local infrastructure? (Such as power transmission, water lines, etc. needed for the increased resource draw of the data center.) (If such infrastructure is publicly funded, but the data center is not ultimately built, it could lead to “stranded assets” putting the financial burden on the taxpayer.)

Contacts

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⁷ Increases in tax revenue from businesses like data centers could decrease tax burden for residents.

⁸ Business personal property taxes can account for the largest share of data center taxation because servers and other computing equipment inside the facility have high capital value.

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SOURCES

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