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In first hearing on it, Texas House lawmakers start to scratch the surface of simmering controversy over data centers

Worth noting that no local elected leaders were invited to testify and there was little if any mention of recent headlines about tax incentives for these projects; some in the industry said they'll accept some blame for the spread of misinformation

The Texas Miracle. China. Taxes. National security. Misinformation. Water. The grid. Senate Bill 6. Those buzzwords dominated today's House **State Affairs** hearing on the proliferation of data center development.

But the best word to describe the hearing was confusion about the impact and scope of the quickly proliferating industry lobbying up ahead of the next legislative session.

Under Senate Bill 6, passed last session, the **Electric Reliability Council of Texas** has more oversight of high energy users like data centers. The problem, said ERCOT representatives, is data centers can be built faster than other similar projects using high amounts of energy. To keep up with the speed of data center construction while balancing the grid's capacity, ERCOT representatives proposed batch studies, or clustering multiple projects together for review at once.

It's fiscally responsible, too, because they can weed out reviews of projects weak on capital investment or sustainable infrastructure. The idea is to study all developments and analyze their impact over five years. They could identify transmission capacity for the grid and the project, which is not what they currently do.

For economic development purposes, it creates certainty and doesn't hurt investors.

But the communication problem hasn't been limited to ERCOT.

As Rep. **Richard Peña Raymond** pointed out, developers haven't communicated with legislators nor local communities, leading to misinformation. That was clear in the hearing, where legislators even with the most information did their best, relying on some talking points about sapping natural resources.

Kirk Offel, with *Overwatch Mission Critical*, said the industry can take some blame for the proliferation of misinformation.

“As an industry, we didn't communicate early enough or clearly enough when data center development began accelerating. We didn't explain what we were building, why it mattered, or how communities would benefit. In some cases, we relied on trust we hadn't yet earned. That created concern in Hometown America, and that, and that concern was justified. And on behalf of the entire industry, we sincerely apologize,” he said. “We're correcting that by showing up early, communicating clearly, and engaging communities and policy makers before decisions feel final.”

He made this plea: “Framing matters, global competitiveness and national security are the right starting point, because when infrastructure is understood as strategic, it's governed seriously, explained clearly, and managed with structure instead of blunt reactions. AI infrastructure isn't just an economic asset, it's a national security asset. If we don't build it and scale it here, it doesn't disappear. It moves offshore and the jobs will follow.”

Despite the lack of critical witnesses – all testimony was invited, after all – data center skeptics have been on the campaign trail recently.

Good Jobs First, a Washington, D.C.-based organization that's skeptical of economic development incentives, “the cost of the sales tax exemption for qualifying data centers has risen from an estimated \$14.6 million for the 2014–15 biennium to a projected \$3.3 billion for the 2028–29 biennium – an astounding 22,503% increase.” They pointed to Rep. **Helen Kerwin**'s support for a moratorium on data center development citing water and energy resources earlier this year. It's the kind of thing that forces even some of the most staunch

conservatives into a corner alongside Sen. Bernie Sanders, the socials lawmaker from Vermont.

Thankfully more information will be laid out as the hearings progress through the interim.

By James Russell

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