

HARVEY KRONBERG'S QUORUM REPORT

TEXAS POLITICS REPORTING SINCE 1981

PO BOX 8 AUSTIN, TEXAS 78767

VOICE: 512.292.8191

EMAIL: KRONBERG@QUORUMREPORT.COM

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As data centers come under more scrutiny in Texas, lobby prepares for vigorous session and new clients

Modest but noticeable gains among lobbyists show companies are eager to capitalize on state's open arms despite significant resistance at the local level

Elections have hinged on them.

Some incumbents have lost because of them.

They've created a new type of single-issue voter.

Counties have defied state law and proposed moratoria on them.

They're data centers and they're all the rage – or rather, the source of it – right now across Texas and the country.

A **Gallup** poll showed seven in ten Americans oppose building them in their area.

You could see this new battle as the new version of the wars over eminent domain, which unlike most modern issues brought together a broad bipartisan coalition of Texans on the right worried about disruption to their way of life, concerns about their reliance on water and electricity, and some on the left calling the existence of these facilities the newest form of "environmental racism."

These hyperscale facilities house the infrastructure for websites, the cloud and, increasingly, artificial intelligence. In February, the **Texas Commission on Environmental Quality**

approved the air permit for **Pacifico Energy's GW Ranch** in Pecos County. At 8,000 acres it is the largest facility of its kind in the country. It's among the hundreds operating or planned for this state, which has the second largest number in the country following Virginia.

But in counties like Pecos and other rural areas, which have always promised residents a quiet life, public backlash has grown.

This is creating NIMBY on steroids.

From battles over local control, water consumption, grid capacity, workforce development and tax incentives, it seems everyone will have their hand in shaping policy around the booming industry ahead of the next legislative session.

Data centers are not new. They've been around for decades. But the ones causing uproar are the hyperscale (massive) centers that buzz, consume large amounts of water and strain the grid. Those of all sizes, instead of solely relying on allied organizations in manufacturing and energy, are preparing for the hottest issue of next session.

Some of the biggest operators – **Amazon Web Services, Google, Meta** and **Microsoft** – have long had a presence in the state. **Data Center Coalition**, a national trade organization that was formed in 2019 and is based in Washington, D.C., has had a presence in the state since 2023 when they hired **Longbow Partners**.

OpenAI expanded their presence in the state in 2025, as did **Vantage Data Centers**.

NTT Data first landed in 2018. **Iron Mountain** and **Stack AV** first flew in 2024. **Vantage** and **Prologis** in 2023, **Switch** and **Sabey Data Centers** in 2021.

They have a lot of work to do. Legislators have taken heat from their constituents who are worried about noise pollution and heavy consumption of water and electricity.

At a **House State Affairs** interim hearing in March, it was clear even the most seasoned legislators struggled to understand what they do. One CEO admitted they could have done a better job introducing themselves to communities and legislators.

At least one theory is percolating that could quiet the resistance.

Republicans including ***Texas House Natural Resources Committee*** Chair **Cody Harris** have suggested opposition in part has been ginned up by the ***Chinese Communist Party*** to give that country the global edge in data processing and artificial intelligence.

State-level lobbying is not new to the industry, though it might seem like it now. As **Tony Ortiz** of ***Current Revolt*** pointed out, ***Texas Connects***, formed by the Data Center Coalition, launched with the logo for the same group ***Virginia Connects***.

So far most of the legislative focus has been at the federal level.

Some of the biggest players have spent millions on lobbying and campaign donations for what some call the “digital gold rush.” That’s in part thanks to rules proposed by ***Trump Administration***, which sped up permitting for construction but also required they add generators to the grid, pay for their infrastructure and use the latest technology to reuse water. He also has proposed stripping them of their sales tax exemptions.

Those are largely in line with proposals released by Gov. **Greg Abbott** earlier in the month.

Despite its hue, legislators may want to not only listen to Abbott but look to Virginia where the lines may be drawn, and what lobbyists could be up against.

While everything seems to be on the table, signs of an intraparty fight was on display in that blue state. On Friday, Democrats there approved a temporary tax on data centers’ power use that would cost the industry an estimated \$600 million per year while maintaining its sales tax exemptions. A tax isn’t likely, but something has to give.

Take this as a refresher on at least one GOP player’s thoughts.

Former ***Republican Party of Texas*** Chairman **James Dickey** has been working on the issue and earlier this year highlighted efforts by rural counties to force the state to create a framework for regulating data centers.

“Texas developers can build datacenters in rural counties without telling anyone. No notice. No approval. No permission. Now rural counties are fighting back, and they've found a strategy that doesn't require any legal authority,” Dickey wrote.

“While counties can’t regulate construction of data centers, or, as Hood County tried to do and impose a moratorium, So what's the play for counties with no legal authority? Creating ‘political friction.’ A coalition of angry counties can't stop a shovel,” Dickey said. “But it can slow the political appetite for tax incentives, water permits, and grid priority that developers actually need. That's the pressure point. And developers underestimating it are reading the room wrong.”

By James Russell

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