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February 26, 2025

Chair Davids and Members of the Committee,

I am writing to express our strong opposition to expanding the data center tax credit in Minnesota Statutes Section 297A.68, subdivision 42 or to reducing the transparency of its administration.

When created in 2011, this tax credit was envisioned as being a relatively modest economic development investment designed to attract "low-profile facilities" positioned as "the industry of the future". For example, during a May 4, 2011 hearing in the House Taxes Committee, the Department of Employment and Economic Development testified that, without this tax credit, major technology companies located data centers in Nebraska, Iowa, and North Carolina, rather than Minnesota.

In 2025, the future has arrived. **Data centers are very much the industry of the present, and the ballooning cost of this credit reflects it.**

In 2011, the credit was estimated to cost roughly $7m - $10m per year, specifically, $10.05m in FY 2012, $8.04 in FY 2013, $6.77m in FY 2014, and $8.57m in FY 2015.

By 2024, the Tax Expenditure Review Commission had revised those estimates up more than tenfold, estimating that this credit would cost $112.3m in FY 2022, $110.3m in FY 2023, $103.6m in FY 2024, and $104.2m in FY 2025.

The number and scale of data centers is expected to grow massively.

According to Datacentermap.com, Minnesota currently has at least sixty-one data centers. Forty-one of those are considered qualified data centers by our current statute. In addition to these, the Minnesota Star Tribune reported on January 10, 2025 that another ten data centers are in development.

Likewise, the scale of data centers has grown, creating a new category of data centers: hyperscale.

A 2024 Lawrence Berkeley National Laboratory report sorts these categories by square footage, finding data centers "can be considered as either small, with an average square footage less than 150 (Telco Edge, Commercial Edge, SMB, and Enterprise Branch), midsize, with an average square footage of 2700 (Internal) and 6900 (Comms SPs), or large-scale, with average square footages of 11,000 for the colocation space types and 30,000 for hyperscale facilities (average square footage per module, not per entire facility/campus)". **Per the Star Tribune article, Amazon, Microsoft, and Meta have large-scale facilities in development in Minnesota.**

With their increasing number and scale, the energy use of data centers is also growing very rapidly. The same Lawrence Berkeley National Laboratory found that "the electricity consumption of U.S. data

centers is currently growing at an accelerating rate." Their study showed "a compound annual growth rate of approximately 7% from 2014 to 2018, increasing to 18% between 2018 and 2023, and then ranging from 13% to 27% between 2023 and 2028." In other words, total U.S. data center energy demand more than doubled between 2017 and 2023 and could triple by as soon as 2028.

With these trends in mind, it is important to take a hard look at the value of this tax credit. **Every dollar given to a data center owner is a dollar we are not investing in a public school, a nursing home, or a clean energy solution.**

Unfortunately, if enacted, House File 1277 / Senate File 769, as introduced, would make these trade-offs harder to evaluate, in particular, for large data centers. In lines 1.17 - 1.20, the bill (by inference) proposes exempting large data centers from the same transparency measures that already apply to qualified data centers and qualified refurbished data centers. In other words, the corporations claiming the largest tax benefits from Minnesotans would be the least transparent.

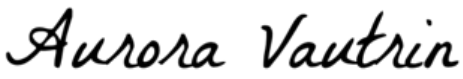
Then, in lines 3.32 - 3.33, this bill (by inference) removes the existing law's 2042 sunset, but only for large data centers. If enacted, growth of this credit for large data center owners would be open ended and hidden from public view.

These two changes would be expensive and secretive. They are the wrong direction for Minnesota. We ought to be limiting (or ending) these tax credits rather than expanding them.

However, the bill's effort to distinguish large data centers from smaller ones is not without merit. Though this thriving industry no longer needs Minnesota's economic development assistance, the policy challenges posed by large data centers do need additional public review. Their land and water use, need for energy system redundancies, emissions impacts, and consequences for communities are sizable, complex, and different from those of smaller, enterprise data centers.

Minnesota ought to approach the siting of large data centers with care. Their impact on communities is big, as is their public price tag.

Thank you for your time and consideration,



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