Environment

Washington Governor Orders Team to Study Data Centers' Impact on Energy Use, Job Creation and Tax Revenue

Last year, The Seattle Times and ProPublica reported on how the state created a massive tax break for data centers, encouraging the growth of an industry whose energy use conflicts with a goal for utilities to go carbon neutral by 2030.

Washington Gov. Bob Ferguson Lindsey Wasson/AP Photo

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Washington Gov. Bob Ferguson on Tuesday signed an executive order forming a team to evaluate the impact of data centers on energy use, state tax revenue and job creation.

The order follows a Seattle Times-ProPublica investigation last year into the clean-energy and economic impacts of the state's power-guzzling data center industry, the backbone of the modern internet. Data centers — warehouse-like structures filled with computer servers — receive some of Washington's largest corporate tax breaks. They require enormous amounts of electricity, a need that is only expected to grow with increasing reliance on artificial intelligence.

"We must ensure Washington remains a leader in technology and sustainability — these experts will help us do that," Ferguson said in a news release. "This group will help us balance industry growth, tax revenue needs, energy constraints and sustainability."

Ferguson's order, one of his earliest actions since he took office this year, authorizes a workgroup of state officials and industry stakeholders to study the impact of data centers and recommend policies that balance industry growth with tax revenue needs, energy constraints and sustainability, according to the executive order. That includes evaluating the state's robust tax incentives for the data center industry, according to the governor's office.

State lawmakers encouraged the dramatic growth of the data center industry by offering lucrative tax breaks in the name of bringing jobs to rural areas. The Times and ProPublica reported last year that data centers have grown into a major consumer of electricity in some of Washington's greenest counties, threatening the region's ability to meet power demand while phasing out fossil fuels.

In 2022, then-Gov. Jay Inslee blocked efforts to study data center electricity use, the news organizations reported. State lawmakers included a provision to measure how much power data centers use in a bill that expanded tax breaks for the industry. Inslee signed into law the tax break expansion but vetoed the study.

Inslee's office said last year that the study would have duplicated work underway by regional power planners, who have produced wide-ranging forecasts about data centers' power use in the Pacific Northwest. Still, no agency or entity has assessed the industry's growing energy demands in Washington specifically or the impact of the state's tax break on its power grid.

As of July, Washington was home to at least 87 data centers, according to the industry-tracking website Baxtel.

Ferguson's workgroup will be led by the Department of Revenue, the state agency responsible for determining the eligibility of data centers for tax breaks.

Ferguson's team will include participants from state agencies responsible for tax incentives, clean energy goals, the environment and utility regulation, as well as private representatives from labor organizations and the data center industry.

In addition to examining energy use, Ferguson's office said the workgroup will review data on job creation in the industry — a key measure for understanding the success of Washington's tax incentive program, which has been shielded from transparency and accountability for years.

It's unclear how many high-paying tech jobs the tax break has created at individual data centers because state revenue officials aren't allowed to say.

The group is tasked with producing findings and recommendations by December, according to the governor's office.