Tennessee should reject the data center gold rush: Lessons from Virginia's costly experiment

As Tennessee lawmakers pursue data centers as the next great engine of economic development, state leaders should take a hard look at what happened in Virginia before Tennessee repeats the same mistakes.

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Northern Virginia became the world's "Data Center Alley," hosting hundreds of massive facilities that process a significant share of global internet traffic. Politicians promised jobs, investment, and prosperity. What many Virginians received instead were soaring electricity demands, enormous tax subsidies for Big Tech, strained water resources, environmental concerns, and growing pressure on residents' utility bills.

Tennessee now appears headed down the same road.

Recent legislation expanded tax incentives for data centers while reducing investment thresholds and job requirements. Additional laws allow certain facilities to generate portions of their own power. Supporters claim these projects will fuel economic growth. Virginia's experience suggests otherwise.

Data centers create substantial construction activity during initial development, but long-term operational employment is surprisingly limited. Most facilities require only a relatively small number of highly specialized workers once operational.

Virginia's own studies found that many economic benefits were front-loaded during construction phases while ongoing returns to taxpayers proved far more modest than advertised. Meanwhile, local communities were left carrying the burden of expanded infrastructure demands for decades.

Tennessee taxpayers should ask a simple question: Are we giving away billions in incentives for projects that create relatively few permanent jobs?

Virginia's data center tax exemptions have ballooned into one of the largest industry-specific tax breaks in the state, costing an estimated \$1–\$1.9 billion annually in lost revenue.

That means ordinary taxpayers effectively subsidize some of the wealthiest corporations in the world.

Tennessee has already begun expanding similar exemptions. While local officials often highlight property tax revenues, the broader statewide picture is far less impressive once lost tax revenue, infrastructure costs, and utility expansion are factored in.

The reality is that many of these companies are not choosing Tennessee because of our workforce or long-term economic fundamentals alone. They are coming because taxpayers are footing part of the bill.

Perhaps the most alarming lesson from Virginia involves power consumption.

Data centers now consume an enormous share of Virginia's electricity supply, forcing costly grid expansion projects and increasing pressure for additional generation capacity. Wholesale electricity prices near major data center regions have surged dramatically, and residents increasingly face the prospect of higher monthly utility bills.

Artificial intelligence is accelerating this problem nationwide. AI-driven facilities consume vastly more electricity than traditional data centers, creating unprecedented strain on regional grids.

Tennessee's TVA system is not immune.

Although recent Tennessee legislation attempts to require large facilities to cover portions of direct infrastructure costs, broader system-wide expenses can still fall on ordinary ratepayers. As demand increases, Tennessee families and small businesses could ultimately bear the financial burden through higher electric bills and reduced grid reliability.

The environmental costs are also substantial.

Virginia's data centers consumed billions of gallons of water in a single year, placing growing stress on local watersheds and public infrastructure. Backup diesel generators, natural gas turbines, and cooling systems have also generated increasing concern over air quality, emissions, and public health impacts.

Tennessee is already seeing similar warning signs.

In Memphis, concerns surrounding xAI's "Colossus" facility have triggered lawsuits and public scrutiny over power generation and air quality impacts. Large-scale evaporative cooling systems could place additional strain on local water supplies as Tennessee continues to grow.

Communities across the country are also increasingly reporting complaints involving noise pollution, land disruption, and declining quality of life near large facilities.

Our area is seeing water issues and drought conditions currently, we've had brown outs during high usage periods. This could strain both of these critical infrastructure and citizens will pay.

Tennessee conservatives have long believed in responsible government, fiscal discipline, and protecting taxpayers from corporate welfare schemes disguised as economic development.

Virginia's experience demonstrates that unchecked data center expansion often produces highly concentrated benefits for tech corporations and select local governments while dispersing the long-term costs across ordinary citizens.

Tennessee should not blindly follow that model.

Economic development should strengthen Tennessee communities, not overwhelm them.

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