



Chaska

To: Minnesota Legislature

Re: Support SF 4983/HF 4929 – Large-Scale Data Center

Date: March 25, 2024

The City of Chaska urges lawmakers to encourage large-scale data center investment and economic development in Minnesota by co-sponsoring SF 4983/HF 4929.

Minnesota is at a competitive disadvantage when it comes to attracting new large-scale data center investments and we have not benefited from the same economic growth occurring in this industry in nearby states. According to a 2022 Mangum Economics Report, since Illinois enacted their data center program in 2019, Illinois has seen \$4.2 billion in new data center investment and thousands of jobs in construction, plus an additional \$4.3 billion in announced data center investment. And Illinois is seeing clean energy investments and startups, spurred by the industry's commitment to renewable energy.

American tech companies that own and operate large-scale data centers have made significant investments in states with data center economic development programs that provide long-term certainty – like Illinois and Iowa – and recognize data centers as enablers of the digital economy that generate billions in investment, widespread economic activity, and high-tech jobs. In 2023, Wisconsin passed a permanent data center sales tax exemption program signed into law by Governor Tony Evers. Michigan is currently considering adoption of a large-scale data center program, further challenging Minnesota's competitiveness to attract these investments.

Companies are looking across the Midwest for places to grow their data center footprint, Chaska being one of them, but Minnesota currently doesn't offer the long-term certainty of its neighbors. The City of Chaska has been working on a mega data center project for over two years, it will likely be at least another year before construction even begins, and another 2-3 years to ramp up capacity on the site. This sort of schedule is not unusual. Because of Minnesota's data center program sunset date, companies who began looking today would only have 10 years to take advantage of the program. In Illinois, they'd have 20+ years; in Iowa and Wisconsin the programs are *permanent*. Minnesota's program simply doesn't provide enough long-term certainty to justify new large-scale investments, when competing states offer permanent sales tax exemptions.

For localities across Minnesota, like Chaska, to compete for these investments, the state needs to exempt data center equipment from sales tax - just like the state has long exempted business equipment for agriculture, manufacturing, and telecom. In addition, the administration of the program needs to be modernized. Nearly all of the states with a data center program have a tax *exemption* - not a refund. Refunds add administrative and compliance burdens for both the state and the company. An exemption paired with assurances the company will meet the thresholds required will be significantly more efficient and effective for developers and for state agencies.



Chaska

SF 4983/HF 4929, authored by Senator Grant Hauschild and Representative Dave Lislegard, seeks to change that by aligning Minnesota with 30 other states that offer long-term certainty with a tax exemption on data center equipment to attract large-scale data centers. Under the legislation, data center equipment would be treated the same as manufacturing equipment – by providing an exemption for equipment used by qualified data centers for the processing, storage, retrieval, or communication of data.

The economic and fiscal impacts of large-scale data centers that result from competitive economic tax programs include billions in economic output, thousands of employment opportunities, and a significant increase in state and local tax revenues.

| Incremental economic benefits of data centers | In Minnesota | Not in Minnesota |
|--|--------------|------------------|
| Income & spending by construction workers & contractors | + | 0 |
| Income & spending by data center employees | + | 0 |
| Revenue for local suppliers, contractors, lodging, and restaurants | + | 0 |
| High-tech training and experience for workforce | + | 0 |
| Make the state more attractive for tech business and education | + | 0 |

| Incremental tax revenue from data centers | In Minnesota | Not in Minnesota |
|---|--------------|------------------|
| Local real estate & personal property taxes | + | 0 |
| Personal income tax paid by employees and contractors | + | 0 |
| Corporate income tax from data center operators & contractors | + | 0 |
| Sales taxes on non-exempt equipment and supplies | + | 0 |
| Sales taxes on services related to tangible personal property | + | 0 |

According to a study by Mangum Economics done for Wisconsin, the economic impacts of just a single hyperscale data center include the following based on a \$750 million investment:

Construction Phase

- 1,740 - 1,800 jobs
- \$84 - \$99 million in pay and benefits
- \$240 - \$271 million in new economic activity
- \$3 - \$6 million in local tax revenue
- \$3 - \$4 million in state tax revenue

Ongoing Operations

- 250 - 300 jobs
- \$16 - \$23 million in pay and benefits
- \$63 - \$87 million in new economic activity
- \$600,000 - \$1,400,000 in local tax revenue
- \$1.1 - \$1.6 million in state tax revenue



Chaska

Additionally, for a community like Chaska, who has its own electric utility, data centers also add revenue from the electric usage on an ongoing basis. The combined revenue associated with local taxes and the electric revenue provide significant benefits to our community.

Research shows that data centers share the pool of high-tech labor with industries such as architecture, engineering, computer system design, software, telecommunications, scientific research & development, and technical consulting. The existence of a vibrant data center market helps to attract talent that supports all of these vital industries. Netchoice members have a demonstrated history of supporting trade Unions and their members, and highly value the quality of the training programs that trade Unions bring to these large scale data center construction projects.

Plus, in addition to the impact that data center development has on state and local economies and labor markets, large scale data centers in other states have also supported the development of renewable energy. In addition to prioritizing energy efficiency and sustainability in building their data centers, many large-scale data center operators have goals to support their operations with clean and renewable energy by adding new projects to the grid. In fact, large scale data center operators are some of the largest corporate buyers of renewable energy in the world. This is something that has been regularly communicated with the City of Chaska as we work with a potential new data center.

With a targeted and competitive tax exemption in place for large scale data centers, Minnesota can remain competitive with other states for billion-dollar investments and be in a position to realize an increase in revenue from taxes related to the growth these businesses promote.

Please consider co-sponsoring SF 4983/HF 4929 relating to a sales and use tax exemption for data center equipment to encourage large-scale data center investment and economic development in Minnesota.