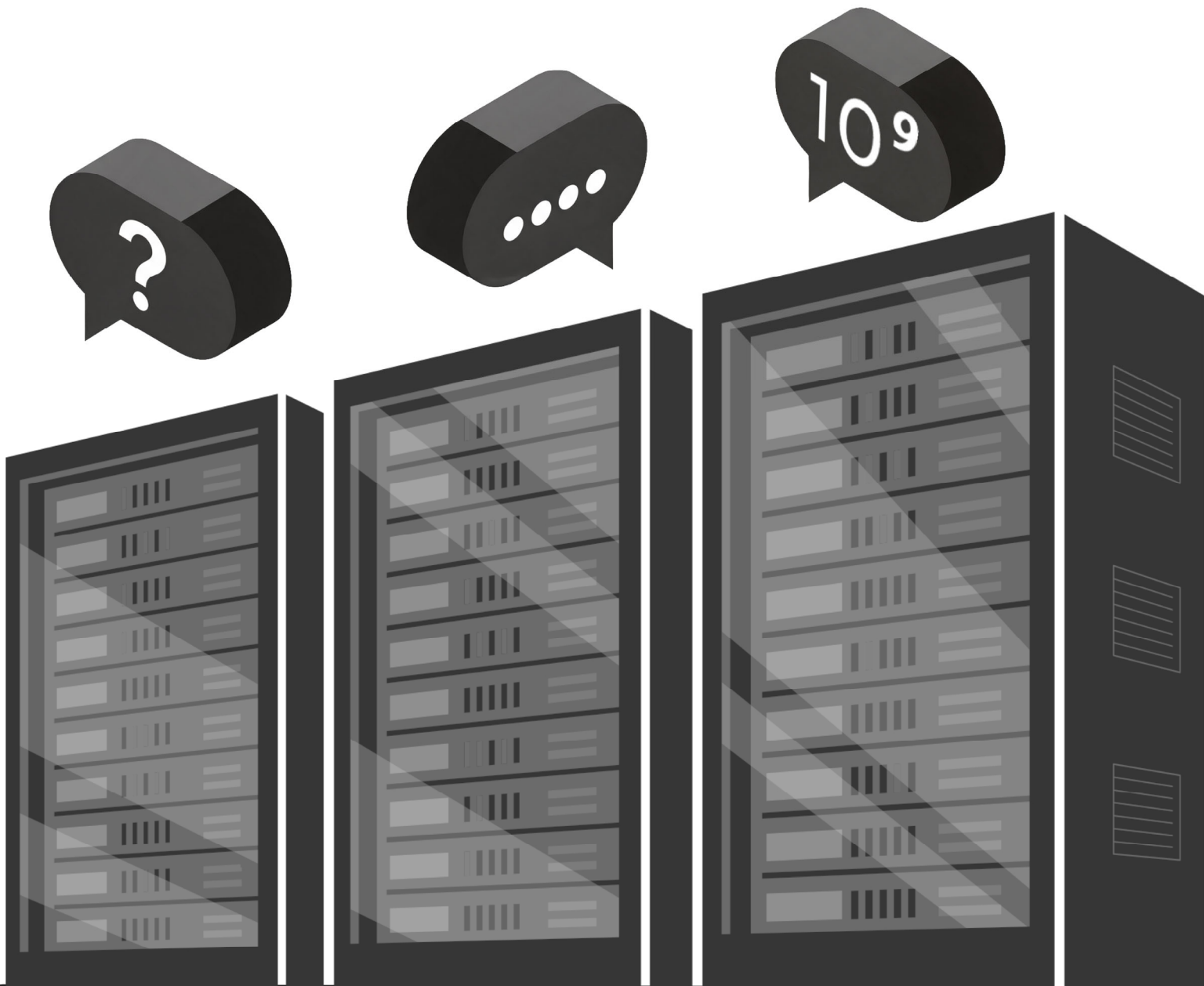


GROUNDING A CHARGED DEBATE

Data Centers in Wisconsin



WISCONSIN
POLICY FORUM

ABOUT THE WISCONSIN POLICY FORUM

The Wisconsin Policy Forum was created on January 1, 2018, by the merger of the Milwaukee-based Public Policy Forum and the Madison-based Wisconsin Taxpayers Alliance. Throughout their lengthy histories, both organizations engaged in nonpartisan, independent research and civic education on fiscal and policy issues affecting state and local governments and school districts in Wisconsin. WPF is committed to those same activities and that spirit of nonpartisanship.

PREFACE AND ACKNOWLEDGMENTS

We wish to acknowledge and thank the support for this research from the Metropolitan Milwaukee Association of Commerce, the League of Wisconsin Municipalities, the Wisconsin Realtors Association, the Greater Madison Chamber of Commerce, and Forward Janesville. We also thank those groups that shared or published data used in this report, including staff from the communities of Mount Pleasant, Beaver Dam, Port Washington, Janesville, and DeForest.





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INTRODUCTION

Rarely has an issue rocketed up out of obscurity and captured the mind of the public with the speed and intensity of data center development. Once a sleepy subject reserved for the systems administrators, network engineers, and data scientists who worked with smaller server farms, efforts to build a newer generation of massive data centers have attracted the attention of [legislators](#), [protesters](#), and even [comedians](#) in Wisconsin and around the nation. The question of whether to embrace or oppose these massive developments and the technology companies backing them has spurred fierce debate around the [state](#) and [country](#), with opponents gathering momentum.

The upsurge in attention is understandable given the eye-popping scale of some data center investments in computing hardware, buildings, and land, which are expected in at least two cases in Wisconsin to exceed \$10 billion. Though it is not an apples-to-apples comparison, that level of investment exceeds the real estate values of land and buildings in all but the largest communities in Wisconsin. These “hyperscale” data center projects bring change to a community as well as some additional risk, a large demand for electricity, and the potential for positive and negative effects.

In Wisconsin, reactions to data centers have varied widely. Mount Pleasant and Port Washington are moving forward with the construction of hyperscale centers, while Madison and Douglas and Outagamie counties have placed moratoria on the construction of large data centers before any proposal to build one was even put forward in those communities. Competing bills to regulate data centers have also been considered in the Legislature.

During the debate over these projects and resolutions, many conflicting claims have been made. Artificial intelligence and data centers are relatively new concepts for many policymakers and the public, and confusion about them is common. With this report, we seek to explain some of the key local and state issues surrounding these projects. Support for this study came from the Metropolitan Milwaukee Association of Commerce, the Greater Madison Chamber of Commerce, Forward Janesville, the League of Wisconsin Municipalities, and the Wisconsin Realtors Association.

Our principal research questions include:

- How could data centers affect property values, tax rates, and the overall tax levies and revenues within a municipality and county?
- What additional costs and risks could data centers bring for local governments?
- To what extent are resources such as electricity and water used by data centers?
- What policies should be considered by state and local officials such as electric rates for data centers, development moratoria, and changes to tax increment financing rules?

In short, our study focuses on data centers, not the broader issues around artificial intelligence such as employment impacts or safety concerns. These are crucial debates for federal and state officials and society at large, but they lie outside the scope of this report.

As always in our work, we neither advocate for nor against data centers. Instead, we hope this study will inform and serve legislators, municipal and county board members, and the general public as they grapple with the potential benefits and risks of data centers in the months and years to come.



PART ONE: A DATA CENTER BOOM

The rise of artificial intelligence and the demands for cloud-based storage and processing have driven a boom in data center construction around the country. Over the past several years, the trend has ramped up in Wisconsin. Data centers are being built at a cost in the billions of dollars in Mount Pleasant, Port Washington, and Beaver Dam, and others have been proposed in communities such as Janesville, DeForest, Menomonie, Kenosha, and [two towns near Beloit](#) (see Figure 1), in some cases drawing significant opposition. The projects in DeForest and Menomonie have been halted, and other communities have passed moratoria to block data centers from being built.

Here, we explore what data centers are, which factors have fueled their rise, and how Wisconsin compares to the nation. We then turn to what this trend means for our state.

The Basics on Data Centers

These centers combine computing resources with data storage systems and network connections both within the facility and with the outside world to allow users to process, store, and retrieve data and perform tasks. In addition to servers, routers, and storage devices, data centers contain power systems and backups along with ventilation, cooling, and fire suppression systems.

Data centers are not new and, even before the recent rapid growth in artificial intelligence (AI), demand for their services had been rising due to cloud computing, streaming services, and the rise in internet commerce and applications.

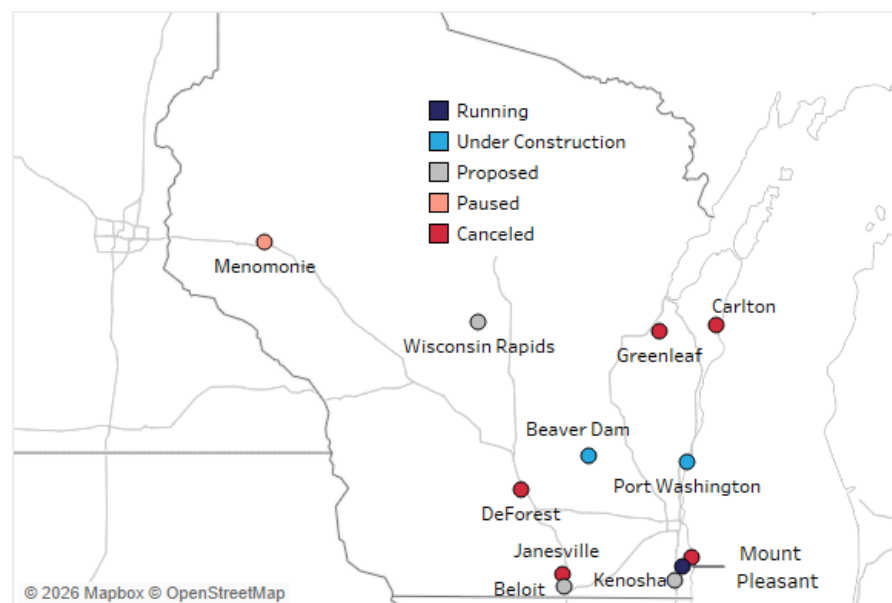
According to the University of Virginia, Wisconsin is home to at least 30 of these data facilities – most are older and much smaller than the largest centers now being built. The current need to train and operate AI models has supercharged the growth in data centers. The facilities being built by Microsoft Corp. in Mount Pleasant in Racine County and by Vantage, Open AI, and

Data Centers Versus Artificial Intelligence

In this report, we focus on the siting and regulation of data centers by local and state governments and related issues – a huge topic in itself. The regulation of artificial intelligence lies outside the scope of this report. However, the Forum recognizes the need to discuss AI issues such as potential job loss, data privacy, intellectual property, safety, misinformation, and many more.

Figure 1: Status of Major Data Center Projects

Location of large-scale data centers operating, proposed, under construction, or halted



Source: datacentermap.com, news reports, and WPF research as of August 2026.



Oracle in Port Washington in Ozaukee County are particularly massive, with each of them involving billions of dollars in investment and large amounts of power and land.

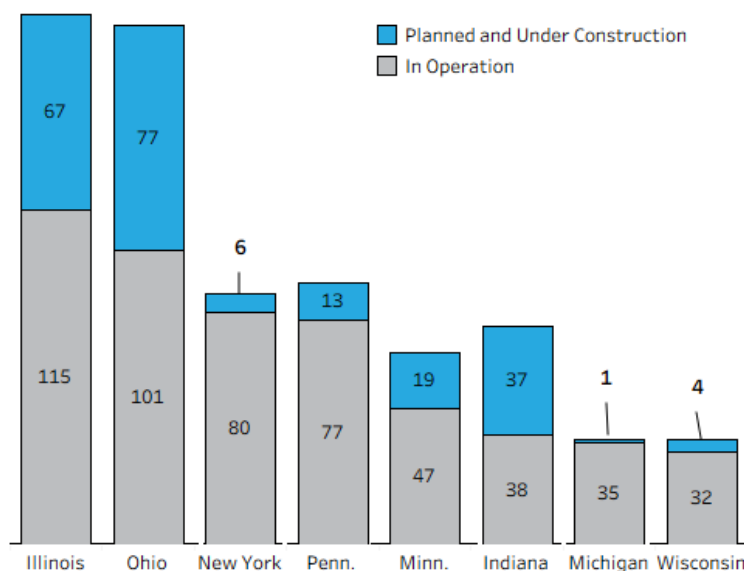
The Fairwater AI data center in Mount Pleasant is being billed by Microsoft as the [world's most powerful AI facility](#). The New York Times [reported in July](#) that it could be 100 times more powerful than the data center that trained an early version of ChatGPT, the large language model that is the flagship service of OpenAI. The company has said the Mount Pleasant facility will house hundreds of thousands of the most powerful Nvidia graphics processing units – computer chips that were originally created to process images but which are now commonly used for AI tasks because of their speed and power. The facility can store exabytes of data – each one of those exabytes is equal to the storage capacity of about eight million typical smart phones.

However, Wisconsin should not be seen as having an unusually large concentration of data centers. In fact, the opposite appears to be true. A [January 2026 study](#) led by the Weldon Cooper Center for Public Service at the University of Virginia for the Joyce Foundation reviewed data from Standard & Poor's on facilities around the nation ranging from 7,500 square feet in size up to 1.2 million. The researchers found that in 2024, Wisconsin had the smallest share of data centers in operation among eight Great Lakes states that also included Illinois, Ohio, New York, Pennsylvania, Minnesota, Indiana, and Michigan.

This lag in Wisconsin is notable, particularly given that other states outside the Great Lakes region such as Virginia and Texas have even more data centers. However, it is not necessarily surprising. Data centers have typically been built near large urban centers – rural areas have made less sense since it is more difficult to extend power and internet connections to these locations. In this region, many data centers were constructed along the [Interstate 80 corridor](#) prior to 2023, and these efforts are now extending into Wisconsin as companies look for available power and land.

As Figure 2 shows, the Weldon Cooper Center report found that Wisconsin had 32 operating data centers, which was fewer than both Michigan at 35 and Indiana at 38. Twenty-eight of Wisconsin's data centers currently in operation were classified as less powerful retail facilities of between a few thousand and tens of thousands of square feet. Though data centers and AI are commonly lumped together in the public mind, they can be quite different in size and scope and built for different applications (see the text box on the next page). Even among centers designed for AI, facilities can be used to train models to learn to solve problems or to actually perform

Figure 2: WI Has Fewest Data Centers in Operation in Region
of data centers in operation or being planned and under construction



Sources: University of Virginia Weldon Cooper Center and Joyce Foundation



work for a wide base of users by employing existing models to carry out tasks through a process known as inference.

Though retail data centers were the largest type in each state, Wisconsin was listed as having only one each of the four other types such as hyperscale and wholesale (see box). Other states had substantial numbers of the other generally larger types. Ohio, for example, had 29 hyperscale centers and 10 wholesale centers, or more than all of Wisconsin's data centers combined. New York has 11 data centers doing just cryptocurrency mining and hosting (see Figure 3).

Types of Data Centers by Power Usage

Highest Usage

- **Hyperscale:** Advanced and large-scale facilities operated by major providers that exceed several hundred thousand square feet with megawatts of power use to provide services such as AI, cloud applications, and content streaming
- **Cryptocurrency:** Centers designed to efficiently and consistently mine or host cryptocurrencies

Medium Usage

- **Wholesale:** Centers that provide sizable power, computing, and cooling to a single tenant or a small number of them

Least Usage

- **Telecom:** Facilities owned by telecom providers that allow for the sharing of data at the edge of networks and prioritize connectivity and low latency
- **Retail:** Facilities that serve smaller clients

Source: University of Virginia Weldon Cooper Center

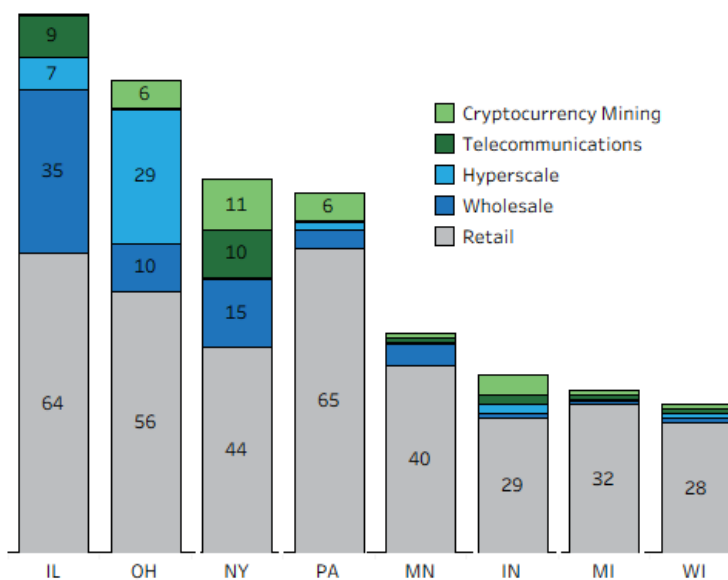
In other words, Wisconsin appears far from the dreams of those who want to make the state a data center leader or the concerns of those who worry they will upend our way of life. Though several hyperscale data centers are currently being built in Wisconsin, that may not greatly change our standing in the region or the nation given that many other large facilities are being built elsewhere.

Wisconsin Developments

The data center developments in Mount Pleasant, Beaver Dam, and Port Washington are vast in scale and will involve thousands of construction workers laboring over a period of several years to build. Table 1 on the next page lays out some of the key details for each project based on local agreements and tax increment district plans as well as public statements by the companies.

The biggest of the projects is being built by Microsoft in Racine County. So far, the company and the village of Mount Pleasant have stated that over the next several years, the various phases of the data

Figure 3: Wisconsin's Current Data Centers Are Mostly Small
Number of data centers in operation by state and type



Sources: University of Virginia Weldon Cooper Center and Joyce Foundation



center will add up to a campus with \$8.4 billion in taxable land and buildings. The projected real estate values may change as the new projects are completed and subjected to the property assessment process. We have already seen assessed values come in higher than expected in some cases.

Table 1: Major Data Center Projects In Wisconsin

Aspect of Project	Port Washington	Beaver Dam (With Phase Two)	Mount Pleasant
Developer or Company	Vantage/Oracle/OpenAI	Meta	Microsoft
Stated Intended Investment	\$15 billion (Phase One)	Over \$2 billion	\$20 billion
Projected Real Estate Value	\$2.1 billion*	\$1.3 billion	\$8.4 billion*
Size in Square Feet	2.5 million	1.4 million	11.2 million
Construction Jobs at Peak	4,000	1,000+	2,960 (Phase One)
Ongoing Operations Jobs	1,000	200+	550 by end of 2026 with more coming
Project Phase	Under construction	Under construction	First phase completed; rest under construction

Source: WPF research. *Reflects preliminary estimates that will be revised and may increase.

State Regulation of Data Centers

Data centers call for massive construction projects, and when they are finished and operating, they draw a large amount of electricity from the grid and could send wastewater into sewer systems or stormwater into lakes and rivers. Their backup generators and other operations could potentially emit pollution into the air, and their construction and operations could create noise and traffic.

As a result, data centers are subject to a wide range of local, state, and even federal regulations. These range from rules like the state building code, local zoning laws, and federal laws like the Clean Water Act. Here we review some of the most important local, state, and federal issues and regulations to understand how they apply and which level of government is responsible for them.

Power Demand Sparks Debate

Electricity arguably represents the single biggest challenge for large data centers and the single biggest issue for policymakers. (We deal with economic questions in detail in the next section.) Prior to the advent of data centers, power usage in Wisconsin was falling due to the loss of industry, conservation efforts, and slowing population growth. As the Forum [noted in a January brief](#), electricity sales in Wisconsin in megawatt hours have fallen by 9% over the past 20 years, limiting the revenues that utilities use to help maintain and upgrade generation and transmission assets in the state. When adjusted for inflation, utility revenue has declined by 2.4% since 2005 and by 15.3% from its peak in 2011. That decrease has reduced the revenues available for investments such as renewable energy facilities or other upgrades to the state's overall power system.



Peak demand from all customers dropped by less but still fell 2.6% from a high of 15 gigawatts in 2006 to 14.6 gigawatts in 2024 (see Figure 4). Data centers are reversing that trend along with other new sources of demand such as electric vehicles. Based on the latest draft [utility projections](#) reported to the state Public Service Commission (PSC), peak demand is expected to increase to 19.9 gigawatts by

2030, an increase of 3 GW over the previous [state estimates in 2024](#). The PSC projection suggests Wisconsin could add roughly 15 to 20 million megawatt hours in data center demand for electricity between 2024 and 2030.

For example, the large center being built in Port Washington is expected to add up to 900 MW in peak demand to the system, an increase of about 9% over 2024 levels. However, research also suggests data centers do not typically run at peak capacity. [The University of Virginia study](#), for example, found data centers in that state ran on average at about 62% of their peak energy use. Running at that rate of capacity, the Port Washington facility could use approximately 5 million MWh over the course of a year.

The thorny question then arises of who will pay for this added capacity to be built by We Energies, which serves the Port Washington and Mount Pleasant facilities; Alliant Energy Corp., which serves the Beaver Dam center; and the American Transmission Company (ATC), which oversees the transmission lines. Typically, the costs of these investments would be borne by all of the companies' respective ratepayers. The sheer size of these expenditures, however, has led ratepayers' groups in

How Usage of Electricity is Measured

Typically, sales of electrical energy are measured in the amount used per hour:

[Kilowatt-hours \(kWh\)](#) - Most utility customers are billed per kWh and single-family homes use between 10,000 and 11,000 kWh per year.

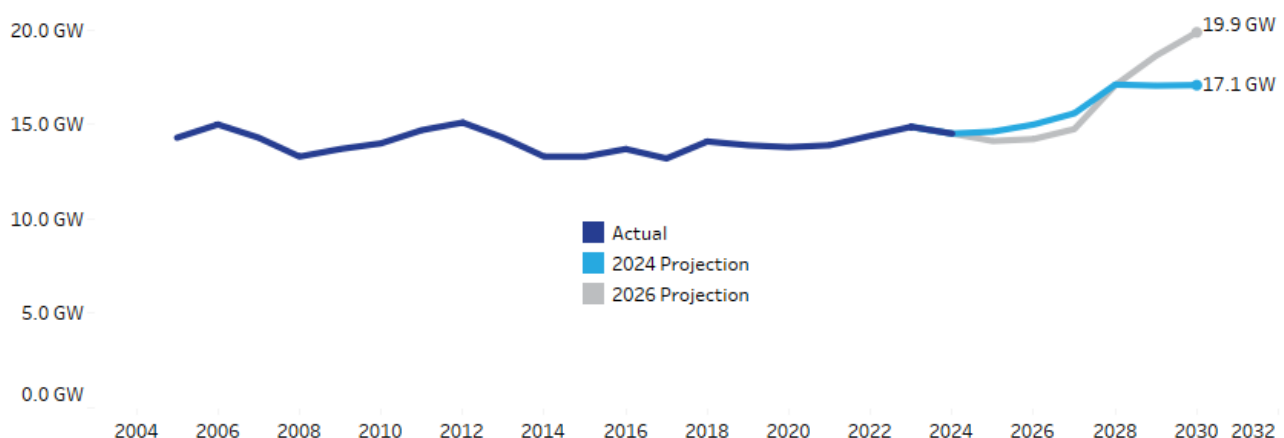
[Megawatt-hours \(MWh\)](#) - Each one equals 1,000 kilowatt-hours.

[Gigawatt-hours \(GWh\)](#) - Each equals 1,000 megawatt-hours.

In addition, we can also measure the amount of electricity used or generated at one time using the related terms kilowatt, megawatt, or gigawatt. For example, "hyperscale data centers" can use one [gigawatt of electricity at once](#), which is similar to the amount of generating capacity from a new powerplant.

Figure 4: Peak Demand for Electricity Expected to Grow Rapidly as Data Centers Come Online

State data and projections of Wisconsin peak electricity demand, 2005 to 2030



Source: Wisconsin Public Service Commission



Wisconsin such as the Citizens Utility Board to call for the data center customers to cover the costs on their own – a responsibility that some large customers such as [Microsoft have publicly accepted](#). The data center customers in the cases above have been required to pay those costs even if they fail to fully use or close their facilities, which would leave “stranded” assets and debt that either the utilities’ remaining ratepayers or shareholders would have to amortize.

In Wisconsin, utility rates and the construction of generation plants and transmission lines are regulated by the PSC. Each of the major electric utilities that will serve the state’s data center projects has created special “very large customer” rates for data centers and other large users that aim to recoup the added costs of serving data centers. In recent months, the commission has made critical rulings that have strengthened the protections for other ratepayers within those plans. An [April decision](#) by the PSC made these changes to the We Energies plan to serve its two data centers:

- Lengthened by five years the time that the data centers had to pay for the additional assets serving them, raising it from 10 years to 15 years
- Lowered the threshold for applying this so-called “very large customer tariff” to clients using 100 MWh of electricity each year, down from 500 MWh
- Required the data centers to pay 100% of the costs of two natural gas plants serving them, up from 75%
- Required additional reporting and transparency measures
- Raised the requirements on large customers to show financial strength and blocked the ability of We Energies to waive those requirements

This last action led the database and technology company Oracle to [sue the PSC](#), which had required companies to have a strong A- credit rating from Standard & Poor’s or A3 rating from Moody’s. Oracle, which has a lower BBB rating, sued to remove the rule, but then [dropped the suit](#) and agreed to set aside the amount needed to meet the requirement. In addition, the PSC in May decided on Alliant’s application to serve the Beaver Dam facility. In that decision, the commission acted to:

- Strengthen a termination charge, adding a safeguard in case the data center closes
- Require additional reporting and allow the PSC to make future adjustments
- Require contributions to the state’s energy efficiency and renewable energy program

These rulings for We Energies and Alliant suggest the current PSC commissioners are likely to take the side of smaller ratepayers in future cases in the territory of other utilities. However, other issues remain unresolved, including decisions on ATC’s transmission rates. The Federal Energy Regulatory Commission (FERC) – not the PSC – sets those rates and the Midcontinent Independent System Operator (MISO) implements them. The federal commission has [ordered](#) independent system operators across the country to demonstrate how the operators intend to ensure that data centers pay their own way on transmission costs. In [August](#), ATC asked FERC for approval of a rate structure that would ensure data centers and other very large customers pay the costs of transmission infrastructure associated with these new customers.

The PSC does have authority over the routes that transmission lines follow, and in August 2026 revoked a decision about the completeness of an ATC application for a high-voltage transmission project associated with the Port Washington facility. An administrative law judge from the PSC

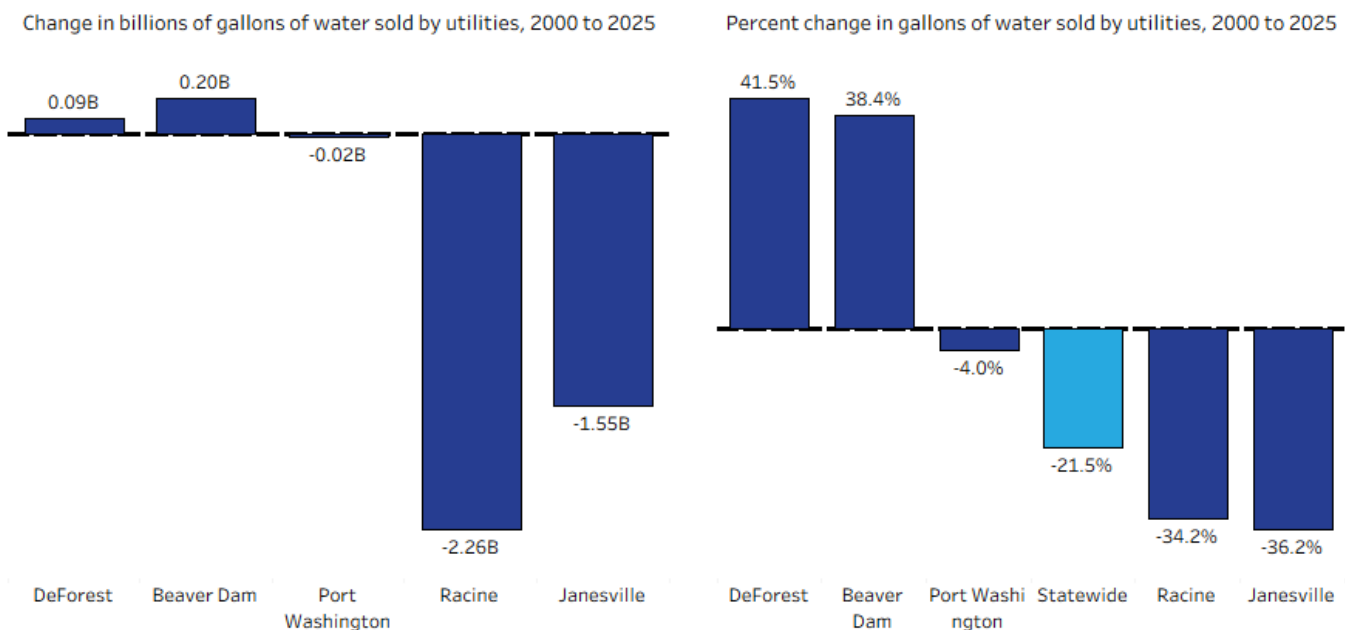
decided the application lacked sufficient information because of repeated changes to the route that the transmission line would take, plus concerns about its impact [to sensitive conservation](#) areas. As a result, ATC must resubmit the application for PSC review, delaying the project by up to 180 days.

Wisconsin Not Wanting for Water

Water use by data centers has represented another prominent concern for the public. Here, it is critical to note first the massive decline in water usage in Wisconsin over the past generation as some heavy industry has left the state, other industrial and residential users have become more efficient, and utilities have [shifted from water-intensive coal plants](#) to natural gas and renewable energy sources. Between 2011 and 2024, water withdrawals in Wisconsin fell by 506 billion gallons, or more than 23.5%, to 1.7 trillion gallons. The withdrawals were reported for more than 15,000 registered users, including electric utilities, municipal water utilities, farms, and industrial facilities, according to [reports published by the state Department of Natural Resources](#). That decrease was led by a drop of 434 billion gallons, or 26.5%, in water withdrawals over that same period by power utilities, the biggest single users of water.

These decreases are important context for understanding the potential water use by data centers, which may use a few million gallons of water annually. Most large municipal water utilities have seen massive drops in usage over the past generation and can accommodate the increase in water use by a large data center and still remain well below the amount of water pumped a generation ago (see Figure 5). For example, last year the city of Janesville Water Utility sold nearly 1.6 billion gallons of water less than it did in 2000, a drop of more than one third that reflects the loss of industrial users such as the former General Motors plant as well as a rise in water efficiency. That means that an increase for a data center in Janesville would still leave the city using far less water than in 2000. The Racine Water Works, the utility that supplies the village of Mount Pleasant, saw a drop of nearly 2.3 billion gallons in annual water sales between 2000 and 2025, which is more than 250 times the

Figure 5: Most Municipal Water Utilities Sell Much Less Water Today Than They Did in 2000



Source: Utility annual reports compiled by the Wisconsin Public Service Commission



8.4 million gallons per year that the new Microsoft data center is expected to use when fully operational.

Data centers have also become more efficient with their water usage. Newer, closed-loop cooling systems sharply lower the amount of water consumed by the facilities. These closed-loop systems can use more power than cooling systems that use evaporation, and therefore may add to the water used by utilities to generate electricity for the data centers. However, utilities are no longer building coal plants – the biggest users of water – and are often adding renewable sources that do not use water at all. So, despite increases for data centers, in five years the water usage by power utilities and the state as a whole should be substantially less than it was in past decades.

Some investments by local water utilities and treatment plants may still be needed to serve data centers. However, water utilities are also subject to regulation by the PSC and must seek approval to raise water rates or spend on infrastructure. Any rate increase must be justified based on costs, and infrastructure spending must be justified by demand. Water utilities are also subject to the federal Safe Drinking Water Act, and some utilities also must follow the Great Lakes Compact agreement that limits any diversions of water outside of the Great Lakes basin. All of these points provide added protection for consumers and to a lesser extent the environment.

Other State Rules Affecting Data Centers

Wisconsin law sets out standards for state Department of Natural Resources (DNR) oversight of large construction projects that impact wetlands, require environmental review, and could potentially release pollution. For example, the [Beaver Dam](#) and [Port Washington](#) projects required environmental analyses of potential harms reviewed by the DNR. Large-scale construction projects also must have permits aimed at minimizing the impact of stormwater from the site. Because of the large number of generators on site, the Port Washington site was required to obtain a permit and comply with federal Clean Air Act regulations.

Sewage treatment plants serving data centers are subject to the pollution protections in the Clean Water Act. Regional entities such as the Southeast Wisconsin Regional Planning Commission (SEWRPC) and the DNR also jointly review development projects to understand their impacts to the sewer service needs in an area. For example, Port Washington was required to submit a request to SEWRPC to amend its sewer service area. According to [that request](#), Port Washington's sewer system has excess capacity of 1.5 million gallons per day, and SEWRPC officials estimate that connecting the data center and other homes and businesses in the annexed area will add more than 500,000 gallons per day. When combined with a projected 320,000 gallons per day of additional sewer flows from other commercial and residential developments, the plant is expected to approach 75% of its total capacity, which may require plant upgrades to accommodate future development.

The state could also review data center impacts to other natural resources such as farmland, as at least one [candidate for office has suggested](#). However, the impacts of a data center appear modest on all cropland statewide. The [U.S. Department of Agriculture has estimated](#) that as of 2022, Wisconsin had 13.8 million acres of farmland. The Forum estimates the three data centers under construction would use about 3,000 acres in total, or 0.02% of the state's overall agricultural lands. The impact to total farmland would be even smaller in cases like the declined Janesville project, which would have used a former industrial site. The impact of powering these facilities with 100%

solar power, assuming [seven acres per megawatt](#) of power generation, would account for approximately 0.15% of the state's farmland, assuming each panel was built on farmland.

The state Department of Administration also approves all requests for annexation by any local government. We will review tax and financial oversight in Part Two. Though not an exhaustive list of state regulations of data centers, these examples illustrate the substantial oversight exercised by state officials under existing state law.

Local Regulations on Data Centers

Among their many duties, municipalities oversee the building permit rules governing data center construction, enforce other local rules around noise and other conditions, value properties, and levy taxes. Subject to oversight by the state, cities and villages can consider annexing land for a data center project, and municipalities also control how land within their territory is used through comprehensive plans, zoning codes, and building permits. Decisions about land use are made by staff in city departments, city councils, zoning commissions, and other local boards. Projects also need a number of specific permits for construction and other activities. Our March 2026 report on [zoning and permitting times](#) in the Milwaukee area details these complex processes.

Municipalities govern many other basic issues and services for data centers and other developments such as stormwater management, sewer fees and usage, garbage collection, and public safety. Fire protection and inspection is a notable issue for data centers given their size and use of electricity, generators, and batteries. Municipalities may also choose to create tax increment districts (TIDs) to help finance projects such as data centers, as we will discuss.

Local Communities Put Data Centers on Hold

Some Wisconsin communities have recently blocked the construction of large data centers, either by rejecting a specific proposal or approving a blanket moratorium. At this point, more communities have declined large data centers than have approved them, suggesting local officials may have some leverage with developers since there is a credible risk that these proposals will not be approved.

[Similar rejections](#) can also be [found nationally](#). Some examples from Wisconsin include:

- In January 2026, the village board of DeForest [dropped plans](#) for a \$12 billion data center following opposition in the community (see Part Three for more details).
- That same month, Cloverleaf, a data center developer, dropped separate plans for siting a facility in the [Brown County village of Greenleaf](#) and another in the [town of Carlton in Kewaunee County](#) in response to opposition in those communities.
- In December 2025 in Racine County, village of Yorkville officials [quickly rejected](#) an initial inquiry about a possible data center.
- In October 2025 in Racine County, Microsoft [opted not to pursue](#) a data center at a location in the village of Caledonia following concerns from some in the community.
- In September 2025, the Menomonie mayor [paused a proposed project](#) in the city following a move to annex and rezone land for the project from a neighboring town.
- In July 2025 in Wisconsin Rapids, the mayor said a proposed data center [would not proceed](#) because the developer and electric company did not come to terms.



- After a data center was proposed in the town of Cassville in Grant County, residents rejected it by approving a [moratorium](#) on data centers in May 2026.

Municipalities have approved moratoria even without any proposal to build a data center in their community. In January 2026, the Madison city council approved a [one-year moratorium](#) on zoning approvals for data centers with more than 10,000 square feet of floor space. City officials say they are using the year to research best practices concerning the facilities and to add a definition of data centers to the city's zoning code, with the draft regulation expected by this fall. Notably, [state law](#) limits municipal moratoria on development to one year with a six-month extension.

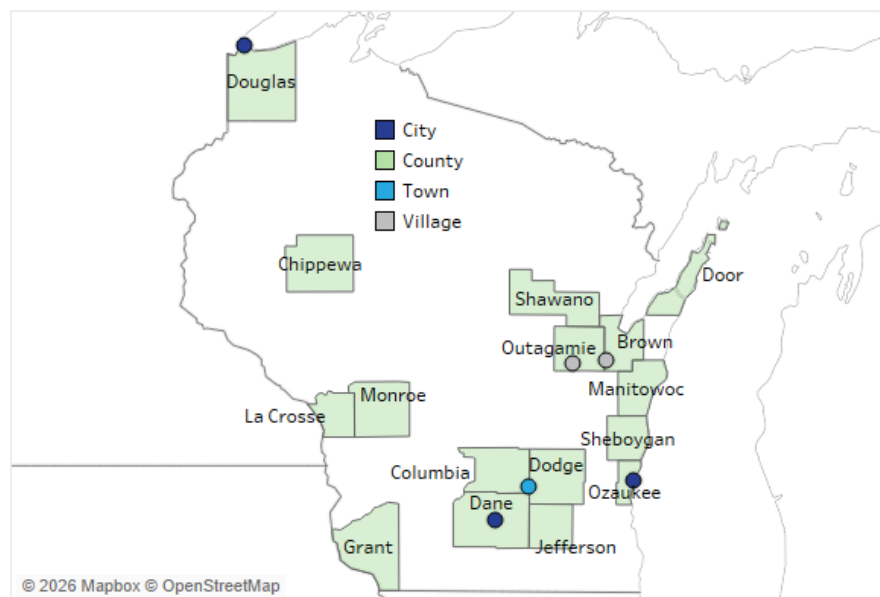
In June, the Dane County board approved an 18-month moratorium that applies to the 26 towns covered by county zoning. Cities and villages in Wisconsin are not covered by county zoning, and some towns also adopt their own zoning. As Figure 6 shows, other local measures include:

- An 18-month moratorium [approved in April](#) in Manitowoc County on data centers that can manage more than 1,000 terabytes of data
- A [one-year pause](#) approved in June in Shawano County prior to any [data center](#) proposal
- The city of Milwaukee is considering its own moratorium as well as [new zoning rules](#) that would put certain requirements on data centers of less than 60,000 square feet and prohibit larger ones unless they obtain a site-specific zoning approval

Democratic lawmakers in Wisconsin also unsuccessfully [proposed legislation](#) last session that would have placed a statewide moratorium on data centers with at least 5,000 servers, 10,000 square feet of floor area, or electricity demand of 100 megawatts. The moratorium would remain until the state had:

- Established a statewide data center planning authority
- Eliminated state and local financial subsidies
- Prohibited any water or energy costs from being shifted onto residential customers
- Mandated the use of renewable energy to supply all data centers
- Required data centers in each municipality to be approved by a local referendum

Figure 6: Data Centers Have Been Placed on Pause Across the State
Local governments that have enacted a data center moratorium



Source: News reports and WPF research as of August 15, 2026.



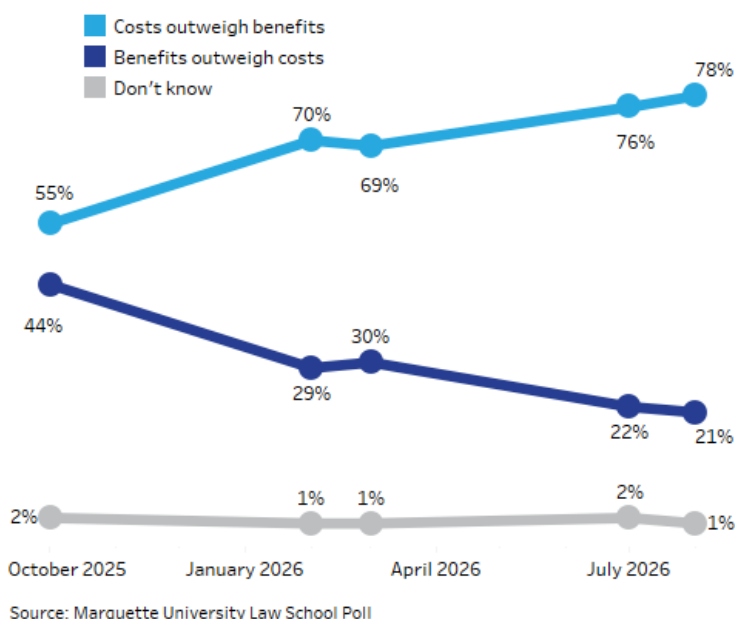
On the one hand, these moratoria allow elected officials and the public to learn more about data centers and better formulate local ordinances and policies. On the other hand, it is worth noting that data center investment has represented a [large component of overall economic growth](#) nationally over the past year and a half and could slow in the future. That means communities that opt out of this period of rapid expansion may never fully recoup the loss in potential investment.

Within a few months, some of these local moratoria will start to expire and local officials will have to decide whether to renew them. One consideration for them will be whether renewed pauses on data center development could begin to seem like de facto bans. Courts have generally supported the authority of local governments to use zoning to limit where some businesses such as adult entertainment establishments can operate, but have been [less supportive of outright bans](#) on activities involving lawful commerce and free expression.

Elected officials have a difficult balance to strike. An [August poll by the Marquette University Law School](#) found that 78% of registered voters in Wisconsin felt the costs of large data centers outweigh their benefits, while only 21% felt their benefits outweighed their costs (see Figure 7). Those numbers had shifted from an [October 2025 poll](#) that found that 55% of voters thought that the costs outweighed the benefits and 44% saw the benefits as being greater.

This shift in public opinion underlines the challenge faced by data center proponents to win over local residents. Public opinion on data centers appears to have been shaped by a range of concerns including potential impacts on energy prices and the environment, judgments about the wider impacts and value of artificial intelligence, and perceptions about the effect the centers could have on the local economy and quality of life. However, a July Marquette University poll also found that only 5% of voters listed data centers as the most important issue to them, suggesting that it was a concern for the electorate but a smaller one than other issues such as inflation, the cost of living, and the economy.

Fig. 7: More Voters Say Data Center Costs Outweigh Benefits
Share of registered voters agreeing with each statement about data centers



PART TWO: FISCAL & ECONOMIC IMPACTS OF DATA CENTERS

The massive investments in data centers spur a phenomenal burst of economic activity in a region but also carry some risk. Here, we seek to understand how much risk local communities are assuming, how much they will receive in benefits in return, and whether they will ultimately gain. We start with some of the characteristics of data centers and Wisconsin law that are key to understanding their impact on the regional economy and state and local finances.

Understanding the Regional Impacts of Data Centers

Most of the cost of a data center lies not in the building but in the equipment needed to run it. A December 2024 study by the [Virginia Joint Legislative Audit and Review Commission](#) found that 20% of the capital spending on data centers was for the construction and 68% was for equipment such as processors and electrical and cooling systems. That is worth highlighting, because while much of the spending on the building stays within the regional economy, much of the other spending goes to suppliers from outside the region such as semiconductor makers in Taiwan. In Wisconsin, this equipment, or personal property, is also not subject to the property tax; only land and structures are. So, when considering a data center's impact, observers must discount the overall investment to account for the fact that not all of it will benefit the local economy or property tax base.

In addition, data centers typically do not require as many workers to run them as a factory or distribution center of a similar cost. For example, the Virginia study estimated data centers operate with one employee per 5,000 square feet versus the one employee per 650 square feet required for some distribution centers. In other words, much of the economic activity from a data center is associated with construction and not operations, with the exception of electricity purchases. Still, those used to develop cutting-edge AI models, like the Microsoft facility in Mount Pleasant, or do other in-house tasks, may result in [greater employment numbers](#).

In addition, even if only a portion of a data center investment stays in the region, that portion could still exceed the other potential gains that could be made from the same parcel of land or the same set of local incentives. Data centers can also still employ hundreds of skilled and relatively well-paid workers. Next, even though not as much of the spending on data centers will remain in the community as with a typical construction project, an even larger portion of the capital investment comes from outside the community. In short, a massive factory or distribution center might employ more workers than a data center, but local or state officials may not be able to attract such a plant.

Impacts on Wisconsin Suppliers

Wisconsin builders, manufacturers, and other companies have benefited from data center business in recent years. Generac, a maker of backup power generators, has cited a \$1.6 billion backlog in [its data center orders](#) that does not include a [potential \\$700 million deal](#) with a single client for work in 2027 and now an \$8 billion [deal with Amazon](#). The town of Genesee manufacturer has [built a plant in Beaver Dam](#) and [purchased another in Sussex](#) to expand its capacity. Company officials say those expansions will add hundreds of jobs.



Modine, the Racine manufacturer of chillers, indoor air systems, and other cooling equipment, said in May it had reached an agreement to [supply more than \\$4 billion](#) in products to a [single data center customer](#) and had received a \$165 million up-front cash payment as part of the deal. In November 2025, Modine [opened a factory in Franklin](#) with plans to create 300 jobs within months to expand its production. [Innio](#), an Austrian maker of engines used in power generation, has seen rapid growth in the data center segment of its business and is seeking to [expand its Waukesha facility](#). These companies are not alone. [Trane](#), [Regal Rexnord](#), and Modular Power & Data are part of the growing supply chain supporting data center development.

This surge in business for state manufacturers is not necessarily contingent on data centers being built in Wisconsin. However, state and local officials could consider facilitating these expansions of manufacturing capacity through expediting land use approvals, offering state or local incentives, and providing worker training or apprenticeships.

Other Regional Impacts of Data Centers

In weighing data centers, we mainly focus on the core economic benefits and costs, but there are other considerations to note and we list a limited number here. One question is whether there is any meaningful advantage in terms of computational speed for the residents and businesses of a state to have a concentration of data centers. The short answer appears to be generally no, but there are some exceptions such as firms engaging in high-frequency financial trading, which locate [data centers near market exchanges](#) to reduce latency, or the wait between signals being transmitted and received. Other potential applications such as autonomous driving might also [benefit from low latency](#) and from at least some regional [data centers at the edge of networks](#). Large data centers may also spur additional spending on regional backbone connections for carrying internet traffic. Though data centers favor regions that already have [substantial connectivity](#), they may catalyze further investments in a region.

On the other hand, data centers may have some negative impacts. For example, the traffic from heavy construction vehicles and loads may accelerate wear and tear on local roads and infrastructure, though some data center developers have been willing to pay for repairs. In addition, the massive numbers of construction workers and pieces of equipment needed to build the data centers over a period of years may make it harder or more costly to obtain the labor, machinery, or land needed for other construction projects.

Fiscal Impacts of Data Centers

Here, we examine the fiscal impacts of data centers on state and local governments in Wisconsin. To do so, we consider both the revenues generated by data centers as well as any additional related costs such as new public infrastructure and any state and local incentives offered to data centers.

State Sales Tax Incentive

Compared to some industries such as manufacturing, Wisconsin provides fewer incentives to data centers. However, data centers do receive a sales tax exemption for materials used in their construction and operation that was included in the [2023-25 state budget](#). The exemption waives the 5% state sales and use tax and the 0.5% county sales and use tax for qualifying purchases of



computer servers, networking, energy, and security systems, electricity, building cooling and water systems, and chillers sold to qualified data center businesses and contractors. This exemption was approved before the data center boom had hit Wisconsin and has grown larger than expected.

To qualify, a data center project must invest at least \$50 million to \$150 million, depending on the size of the county in which it would occur. So far, at least four businesses have been certified for the exemption: Microsoft for its Mount Pleasant project, Epic Hosting in Verona, Meta subsidiary Degas LLC for its Beaver Dam project, and Green Chili Ventures, which is tied to the Port Washington project.

In a [March 2026 memo](#), the non-partisan Legislative Fiscal Bureau (LFB) estimated that these companies had committed to spend a total of \$36.9 billion on these projects between 2024 and 2028. Assuming \$40 million in forgone state sales taxes for each \$1 billion spent, the LFB estimated that over the five-year period, the data center construction would result in \$1.5 billion in forgone state tax revenues. In other words, this estimate assumes about 81% of the spending on a data center project would be for materials normally subject to the state sales tax, with only 19% for other spending including labor, land, and government fees. This assumption lines up reasonably well with a [recent Tax Foundation report](#) that estimated that 77.5% of the value of a \$1 billion data center would be for computers and other equipment. If accurate, this \$1.5 billion estimate would be roughly equal to 4% of all state sales tax revenues for the period in question. Over the five years, the uncollected state taxes would in turn be accompanied by \$150 million in forgone revenues from the county sales tax of 0.5% that is present in each of the project counties. Going forward, the state would also forgo an estimated \$369 million annually in sales tax revenues on the electricity and other purchases needed to operate the centers.

Deciding on Incentives

Here, we assess the impact of state and local incentives for data centers through the lens of their fiscal impact – whether they cost or gain money for taxpayers. Readers are not obligated, however, to judge these subsidies on those terms. For example, some may determine that AI data centers are meant to replace human workers and may object to subsidizing their development for that reason.

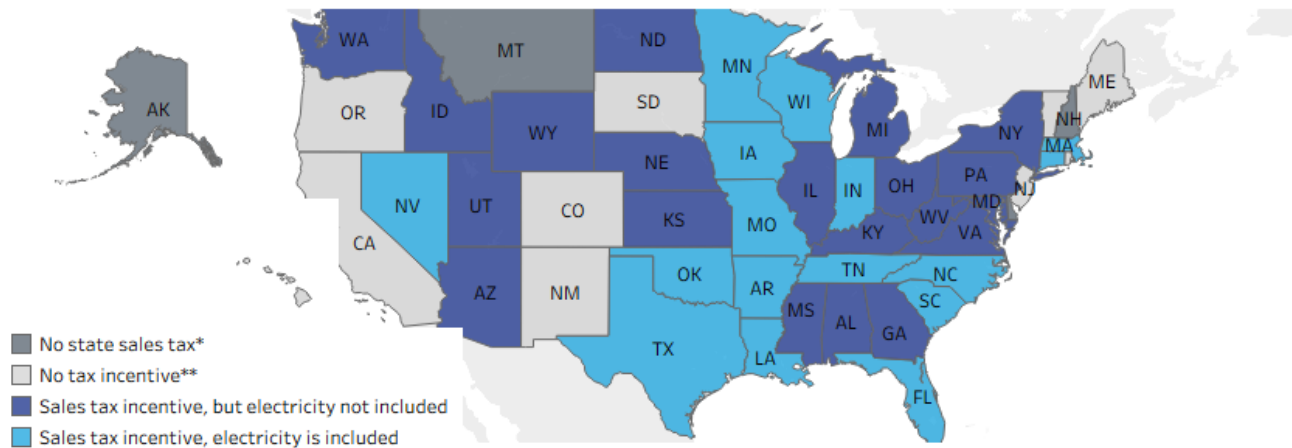
Though sizable, this exemption is not the only one of its kind in Wisconsin. For example, manufacturers do not pay [an estimated \\$259.6 million](#) a year in state sales taxes on the machines, equipment, and parts in their factories. Manufacturers also do not pay sales tax on fuel and electricity used in manufacturing (a \$184.7 million annual savings) and on raw materials and other manufacturing inputs. The state provides these sales tax exemptions despite the fact that factory owners in Wisconsin owe [little to no individual or corporate income tax](#) on manufacturing profits. The extent of the lost revenues for Wisconsin from the data center exemption is unclear since most states offer a sales tax exemption (see Figure 8 on the next page). Without this incentive, the companies may not have built data centers in Wisconsin at all or not invested as much in them. In fact, all of the three major data center announcements in the state were made within roughly two years of the approval of the exemption, suggesting that it played a role in these investments.

An April 2026 [report by the National Conference of State Legislatures](#) found 38 states offer tax incentives for data centers. All of those states offered at least some form of sales tax exemption on data center equipment. Fifteen of the states including Wisconsin extend that exemption to electricity used at the facilities (other states exempt all purchases of electricity). Eleven states also offer data centers property tax abatement (not shown on map). This type of incentive is not allowed under the Wisconsin constitution, which requires property taxes to be levied uniformly on landowners. Some



Figure 8: Most States Offer a Sales Tax Incentive for Data Center Construction

Tax incentives and laws related to data centers by state



Sources: National Conference of State Legislatures and WPF research. *Delaware has certain business tax credits for data centers. **New Jersey has a special tax incentive for AI businesses, including data centers.

states also put limits of years or decades on the incentives. In recent months, states such as [Illinois](#) and [New Jersey](#) have paused their incentive programs due to controversy over data centers and AI. Some Texas officials [are also reconsidering](#) their state incentives and Virginia kept its incentives but [passed a new tax](#) on electricity use by data centers.

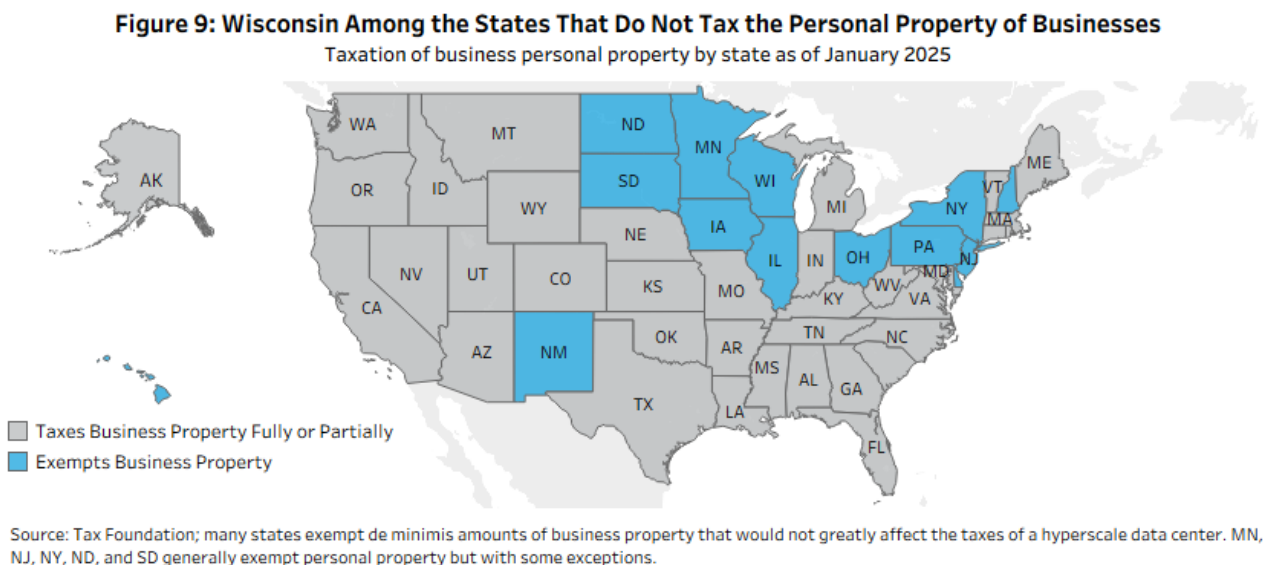
The state of Wisconsin will recoup a significant portion of the forgone sales tax revenues. The projects will generate one-time and ongoing state tax revenue through the income and sales taxes paid by construction workers earning money on the projects, corporate income taxes paid by construction firms and suppliers, and additional taxes paid by utilities serving the data centers. The data center operators themselves may also owe corporate taxes in limited cases depending on their business model. At the local level, municipalities, counties, and schools and technical colleges could receive substantial property tax revenues from these developments, and counties will also see some increase in sales taxes due to the purchases made by construction workers and others.

In all, if one assumes that Wisconsin's sales tax exemption did not attract additional data center investment, then we estimate the state is unlikely to recoup all the forgone state revenues. With reasonable agreements, local governments could recoup all of their costs and incentives from their potential increases in property taxes. However, it is reasonable to assume that a significant share of the data center investment is due to the tax exemption, given that it preceded all of the development. If one assumes two-thirds of the investment is due to the exemption, then state and local tax revenues would cover both the forgone state sales taxes and any local incentives.

Statewide Exemption of Personal Property

In Wisconsin, much of the data center debate focuses on the sales tax exemption along with the use of local tax increment financing. Little notice is taken of one of the biggest advantages for data centers: the state's elimination of personal property taxes that were once levied here on business equipment, machinery, and other types of property besides land and structures. Wisconsin gradually phased out this local tax and completely repealed it as of January 2024, as the [Forum has noted](#).

Most states tax personal property to some extent, and it is a major consideration for data centers, since most of a facility's cost is attributed to its computers, cooling equipment, generators, and other machinery rather than the building itself. [In its 2025 report](#), the Tax Foundation estimated that personal property taxes on average would account for just over one-fifth of all taxes paid by a hypothetical data center in 12 U.S. locations over its first decade of operations. That makes personal property taxes one of the biggest sources of tax liability for data centers nationally.



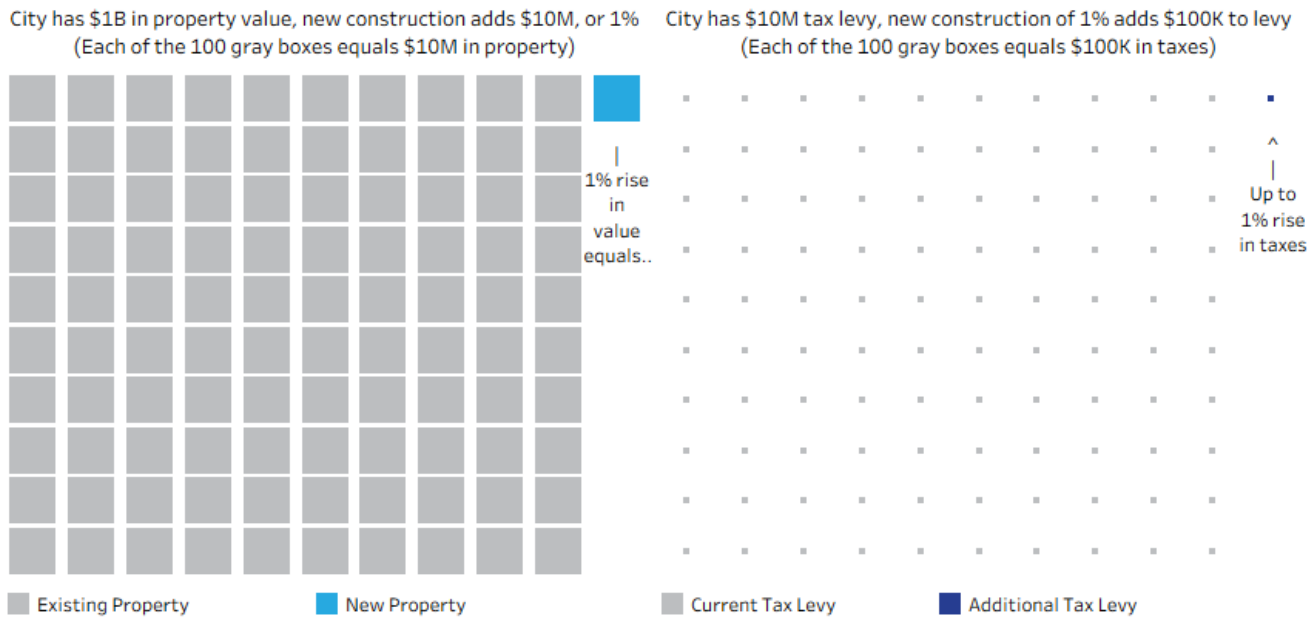
The [Tax Foundation has noted](#) that 14 states including Wisconsin broadly exempt business property from personal property taxes (see Figure 9). The other 36 states do tax this personal property to at least some extent. That does not mean that all states are equal in doing so – [data from the Lincoln Institute of Land Policy](#) detail many personal property tax exemptions. For example, Virginia has served as a leading site for data centers and, though it taxes personal property, local governments there can exempt the computers used in data centers. States and municipalities also differ in their property tax rates and reliance on the property tax as well as how they depreciate personal property, or lower its assessed value over time to reflect its deteriorating condition. Still, Wisconsin's policy clearly advantages data centers, though it does not treat them differently than other businesses.

Local Fiscal Impacts

To analyze the local fiscal impacts from data centers, we must first explain Wisconsin's relatively strict limits on local government revenues, which incentivize local development. For more detail on how development affects local government finances, see the Forum's [May 2026 brief on the subject](#).

The property tax accounts for almost all local tax revenues for municipalities, counties, and technical colleges. For these local governments, annual increases in the property tax for operations are generally limited to the percentage change in property values due to net new construction. In other words, if a city with \$1 billion in property value adds new buildings worth \$10 million and tears nothing down, then its net new construction equals 1% (see Figure 10 on page 20). This increase allows the city to raise its property tax levy by up to 1%, adding up to \$100,000 to an existing levy of \$10 million – a typical percentage that shows how levy growth lags inflation for most communities.

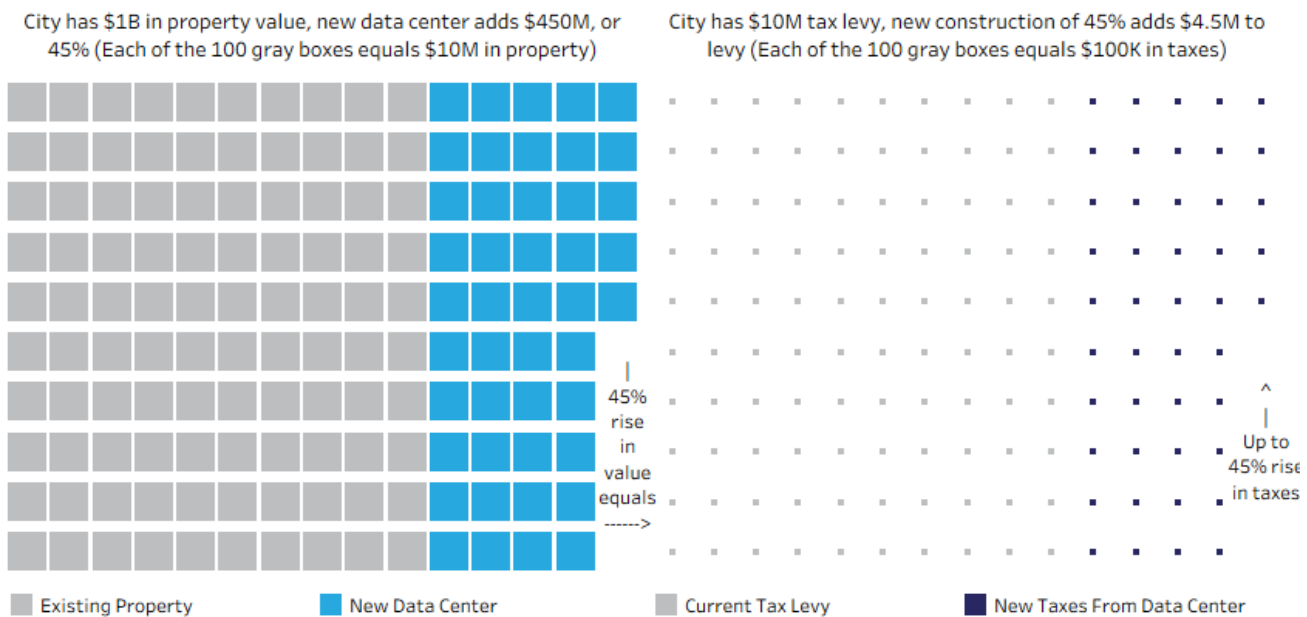
Figure 10: A Look at How New Construction Adds to Local Tax Bases and Tax Levies Under Wisconsin Law



Source: WPF calculations

Data centers can jumpstart local revenues by providing an influx of new construction. For example, Figure 11 shows what would happen in this same hypothetical community if a data center caused property values to rise by \$450 million, or 45%. That would allow the operating property tax levy to rise by up to \$4.5 million, though local leaders would likely choose a smaller bump. Any tax increase would essentially be paid by the data center provided there was no tax increment financing involved.

Figure 11: Data Centers Allow for Adding Large Sums to Local Tax Bases and Tax Levies Under Wisconsin Law



Source: WPF calculations



Though it may seem difficult to believe, this hypothetical example is not an exaggeration. As we will discuss in Part Three, for example, the city of Port Washington had equalized property values of \$1.9 billion as of Jan. 1, 2025. By 2031, the data center being built in the city and its contents are expected to cost \$15 billion. The real estate value of that property is expected to come in at \$2.1 billion, more than doubling the current value of all parcels in the community (see Figure 12). The data center would be worth more than all the homes in the city put together. Given that, [according to the U.S. Census Bureau](#), the median owner-occupied housing unit in Ozaukee County was worth \$390,200 over the most recent period, it would take nearly 5,400 of those homes to reach the value of the data center. That is more than the current number of just under 4,100 residential parcels in Port Washington that are [listed in state assessment data](#).

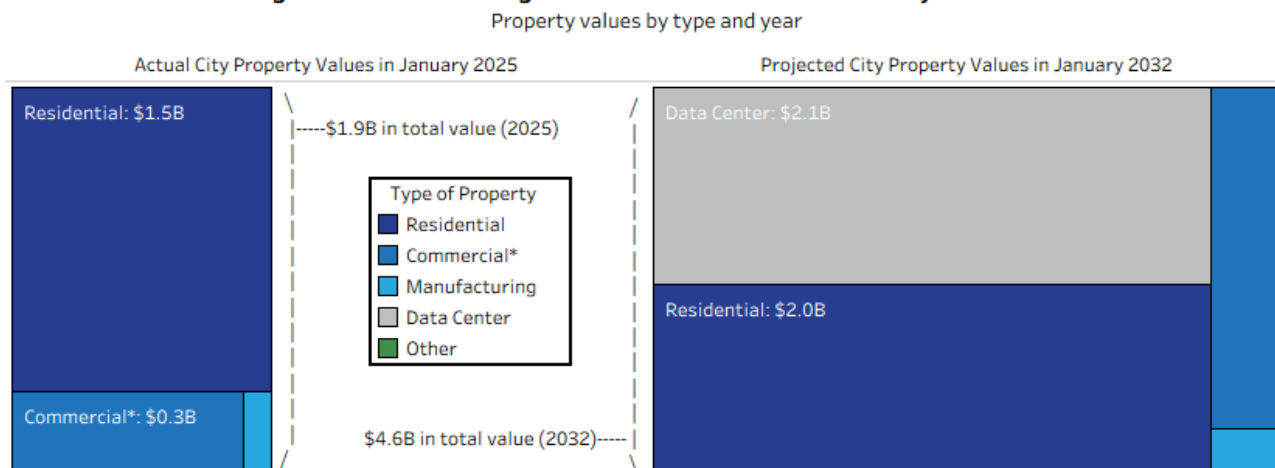
This growth in the tax base should help to sustain local services such as public safety, streets, the library, and the marina. Between December 2010 and December 2015 tax bills, the municipal levy in Port Washington rose by less than \$100,000 to just under \$5 million, a 1.8% increase over those years that funded at most a single new city position. The data center will loosen this state limit.

In December 2025, all local governments in the city of Port Washington (including Ozaukee County and the Port Washington-Saukville School District) levied a total of \$27.4 million in gross property taxes before accounting for state tax credits, [according to state DOR figures](#). That yields in turn a gross tax rate of \$14.45 for each \$1,000 of equalized property value in the city, which would translate into more than \$30 million in taxes if applied to a data center valued at \$2.1 billion.

To be sure, this figure likely overstates the eventual taxes on the data center since its higher property values would cause property tax rates to fall. But even half that sum - or \$15.2 million in taxes- would amount to just under \$1,200 for each of the nearly 13,000 current residents of Port Washington. In other words, it is reasonable to think that the data center being built in Port Washington could greatly change the funding available for public services in the city.

In theory, a data center such as the one being built in Port Washington could have this kind of effect without leading to an increase in the tax bills of current residents. Normally, the effect of the state limiting property tax increases to the rate of net new construction means that property taxpayers in a

Figure 12: Port Washington Data Center Would Add to City Tax Base



Sources: WI Dept. of Revenue & WPF calculations (residential, commercial, and manufacturing values projected using 20-year trend). *Commercial does not include data centers.

community collectively do not pay more for the operations of their municipality than they did in the previous year – any increase in the operating levy is borne by those who built additional homes or businesses. However, that general principle becomes more complicated if the development is built within a tax increment district, as we will discuss next.

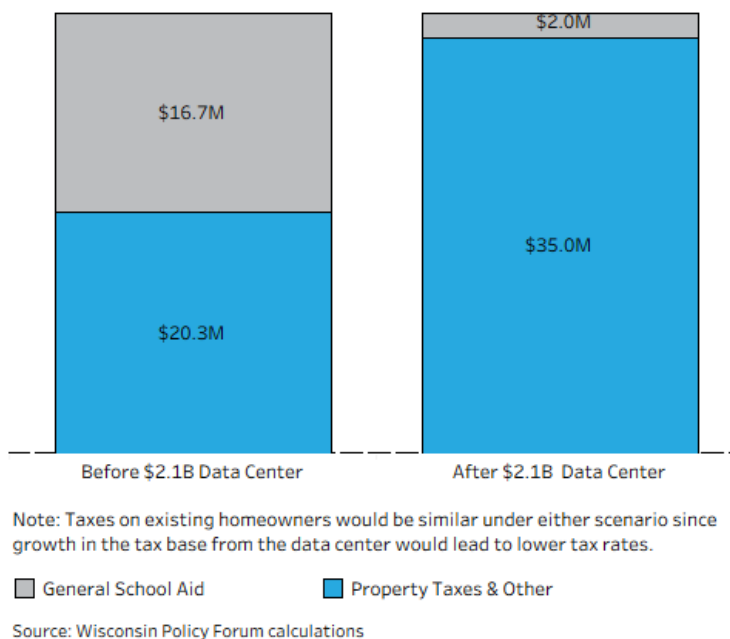
Any decrease in property taxes for current residents due to a data center would primarily occur in their municipal and county taxes and not their school levy. That is because when property values per pupil rise for a school district, then it typically loses general school aid, which in turn cancels out the decrease that would have otherwise occurred in its tax rate because of the additional tax base (see Figure 13). In theory, a data center could raise property values in a community so much that the local school district loses all of its general school aid and then begins to lower its property tax rates. However, this might be difficult to achieve in practice, based on Forum modeling of the data center developments in the communities of Port Washington and Mount Pleasant and would likely require beating current property value projections.

In terms of costs, data centers can add substantial infrastructure expenditures for communities, though the developer may also commit to pay a portion of them. The more modest number of new employees from data centers limits the costs for the local governments to serve new residents. The largest ongoing cost to serve a data center may be in the area of fire protection, since data centers are massive in size and can use large amounts of electricity as well as generators and fuel. Some data center operators may prefer to provide for much of their own fire protection, but it is still a significant public safety consideration for the local government.

Tax Increment Districts and Their Impact on Data Center Developments

Before discussing its use with data centers, we should explain tax increment financing (or TIF) in Wisconsin. When this tool is used, local officials set up a defined tax increment district (TID) within their community and then determine the existing base value of the property within it that will continue to support current local services. Going forward, any increase in the values of the property within the district (known as the increment) is taxed exclusively to pay for the cost of public infrastructure or other qualifying expenses such as developer incentives, which are meant to spur construction in the district and are often financed through borrowing. Once those TID expenditures and any debt and interest are repaid using taxes on the increased property values, then the district closes and the full value of all property in it can once again be used to pay for local services.

Figure 13: Data Centers May Lead to Lower State School Aid
Share of a hypothetical's district shared costs covered by local taxes



It's important here to note that any development that occurs within a tax increment district is counted towards the community's rate of new construction subject to some differences based on when the district was created (see box). These percentage increases are then used to determine the allowable increase in the city or village tax levy.

However, to calculate the tax rate, this allowable tax levy is then divided by the assessed value in the community, excluding the increased values inside the TID. The owners of property within a TID are billed at the same tax rate as other taxpayers in the community, but their payments are used to cover the economic development costs within the district until the TID pays off its expenses and closes.

Calculating New Construction in TIDs

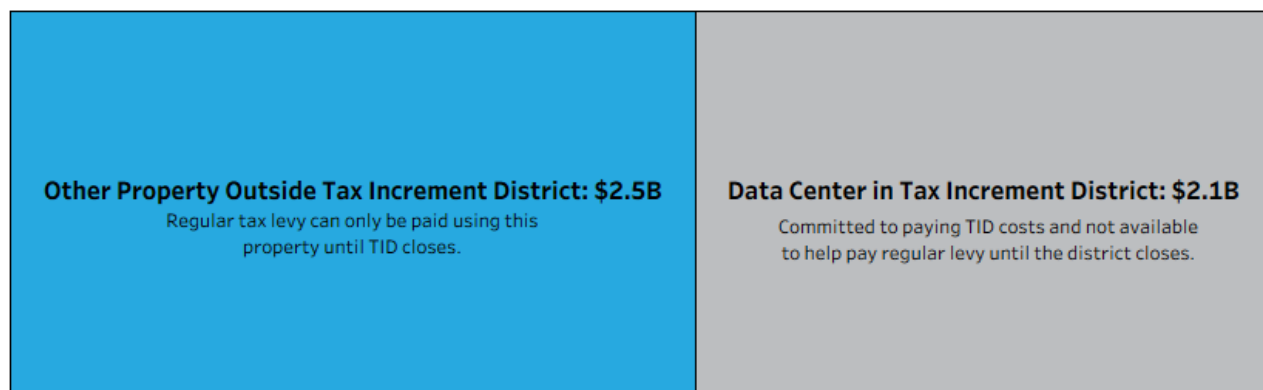
There are differences in how net new construction within tax increment districts is calculated depending on when the TIDs were created. For districts created before 2024, 100% of the value of the property created in the district each year is included in the new construction calculations. For newer districts, only 90% of the district's newly built property in a given year is included, but in the year when the district closes, 10% of the district's final valuation is added to the community's net new construction in that year.

In other words, even though new property within a TID raises the allowable increase in a local government's tax levy, that new property cannot be used to pay the extra levy until the district closes (see Figure 14). In the intervening years, the owners of existing properties bear the responsibility of paying these taxes. In most normal circumstances, the tax increases attributable to property within TIDs are relatively small and not burdensome. Data centers, however, are so large that their arrival gives cities and villages the option of approving large tax increases. In the long run, the data center owners should end up paying any higher taxes, but not until the TID closes.

In theory, local officials could simply wait to raise taxes until after the TID closes to protect existing property owners – in many cases they will not even initially need a large tax increase. Under state law, however, local officials can only wait five years to raise property taxes by the allowable amount. After that, they lose the ability to do so. Unfortunately, most TIDs take longer than five years to pay off their expenses and close – they can remain open for 20 years or more. With a good development agreement and project, data center TIDs could close earlier. But if they do not, local officials could be left with a difficult choice – either raise taxes on existing property owners by more than is needed in the short term or miss out permanently on revenue that the community may need later on.

Figure 14: Data Centers in TIF Districts Can Boost Regular Levy Immediately, But Not Help Pay It At First

Share of the tax base available to pay for core public services in a hypothetical small city with a data center



■ Data Center in Tax Increment District

■ Other Property Outside Tax Increment District

Source: Wisconsin Policy Forum calculations



In Part Three, we use the example of the Beaver Dam data center to illustrate this dilemma, and in Part Four, we note ways that state law could be changed to give local officials more flexibility. For now, however, we note that data center construction requiring TID investments could result in an initial tax increase on existing property owners followed by a decrease later.

Requiring Referenda for TIF

In April, residents of Port Washington reacted to the controversy over the data center by [voting to limit TIF](#) through a citizen-led referendum, which in Wisconsin can be triggered with a petition that receives signatures from at least 15% of voters. The April referendum required that voters in a general election approve all future TIDs “which require large capital expenditure or those with a base value projected to [sic] or exceeding \$10 million or project costs exceeding \$10 million.” Supporters of this requirement say that it would provide additional protections for residents and taxpayers in cases involving significant public subsidies and that relatively few large TIDs are opened in municipalities.

In January, however, a group of trade associations led by the Metropolitan Milwaukee Association of Commerce [sued the city of Port Washington](#) seeking [to block the ballot measure](#). They argued the referendum requirements conflict with state TIF law and would quash many types of development (though it will not affect the current data center project). City officials largely agreed but said they needed to comply with the citizen initiative to place the question on April ballots. The measure does seem likely to affect future TIDs in Port Washington, given that all three districts created in the city since 2000 have had a base value of more than \$10 million.

In a [March 2026 report](#), the Forum found that requiring construction plans to receive the sign off of political bodies such as zoning commissions and city councils adds to the approval time needed for projects such as housing and potentially raises costs. The Port Washington measure requiring a general election referendum appears to add significantly more time to the process. That’s because under Wisconsin law, general elections are only held in November of even-numbered years. Under the measure, if a developer approached the city about an \$11 million project requiring TIF support in January 2027, then that support could not be fully approved until at least November 2028.

Given these delays, developers would likely not pursue as many projects in Port Washington. Janesville voters are also considering a more limited referendum requirement for a large site in their city (see Part Three). If more communities take this path, then a number of projects that lead to new jobs and housing could face significant delays or even be lost entirely. These restrictions will ultimately be decided by local officials and voters as well as the state courts. As one option, communities seeking additional safeguards for TIF projects could choose to set those standards through discussions among stakeholders and elected officials rather than a referendum.

Non-Disclosure Agreements

The debate over data centers in Wisconsin communities has sparked discussions about other economic development practices, including the use of non-disclosure agreements (NDAs) with early project discussions. An important question is whether these fights will make it more difficult for local governments to pursue other types of development. With respect to NDAs, Wisconsin Watch [reported in January 2026](#) about their use by data center developers with several communities or related



development arms. The agreements were notable given both the size of the possible developments and the fact that some municipalities took actions to clear the general path for development such as signing predevelopment agreements and creating TIDs. The details of the projects were eventually released to the public prior to votes on them, but in some cases, it was months or in at least one case more than a year after the signing of the first NDA. The disclosures led to state [legislation](#) to ban NDAs between data centers and local governments, but the bill did not pass.

The use of NDAs by municipalities and developers is not new – companies may request them to avoid releasing their plans to competitors and to protect trade secrets. Blanket prohibitions on NDAs, particularly if they extend to all businesses, could have a chilling effect on development discussions in the state. At the same time, however, data center development involves complex agreements that require time for the public to digest. Some local officials such as those in Port Washington have also said that they discussed and negotiated their data center development [without using an NDA](#), and [Microsoft stated in March](#) that the company had decided to stop using NDAs and terminate existing ones with local governments where it operates or is seeking to operate data centers.

In debating the use of NDAs, local and state officials may wish to consider whether, if they oppose some uses of the agreements, they seek to end their use for all development or data centers specifically, or whether instead they might limit such agreements rather than ban them. They may also wish to consider [guidance from the League of Wisconsin Municipalities](#) that notes all NDAs must be approved by the municipality's board or council. The guidance also points out the agreements do not void the local government's duties under Wisconsin's open records and meetings laws.

Risks to Local Finances from Data Centers

As we have discussed, communities could reap enormous increases to their tax base from data centers. However, the addition of \$1 billion or more in property value from a single large customer also brings some risk. For example, when a paper mill closed in 2012 in the small village of Brokaw near Wausau, it devastated the village's finances and triggered a series of events that led to its [absorption by the village of Maine](#) six years later. This risk is greatest when the local government has borrowed money to build infrastructure for a development or provide incentives to the developer, typically through a TID, and will have to repay the debt even if the business closes.

Port Washington has sought to mitigate that risk. First, all of the borrowing for the project has been done by the developer rather than the city. The developer only receives the estimated \$455.4 million reimbursement for the project costs if it is complete enough to operate as a data center, providing some additional protection for the city (see Part Three). Other data centers have offered guarantees to pay a large minimum amount of property taxes for a period of time. In weighing these commitments, local officials also need to evaluate whether the company offering the guarantee has the financial strength to meet its obligations. In this respect, local officials may prefer guarantees from companies such as Microsoft or Meta that have a long history, strong balance sheet and brand, and lines of business that extend beyond AI.

Last, local leaders may want to consider the impact of a proposed data center on future growth in their tax levy. Under state law, adding more than \$1 billion in property value to a small community such as Beaver Dam or Port Washington could make it difficult for the community in the future to achieve a level of net new construction that can support cost increases of basic services.

PART THREE: CASE STUDIES

In protests against data centers, critics frequently claim that small communities are no match for sophisticated developers and are likely to sign ill-advised or even ruinous contracts. The Forum finds no evidence of that in a review of five different proposed developments around Wisconsin. The agreements do vary in their terms – those being negotiated more recently appear more favorable for communities, which may reflect the current headwinds faced by data center developers. It's also worth noting our examples from DeForest and Janesville are based on preliminary information about the project plans; these potential agreements could have changed substantially when finalized.

However, the terms of the proposals and agreements, if fulfilled, would all appear to leave the host communities in better economic and fiscal condition than before. In most of the cases, the developer agreed or was prepared to agree to a guaranteed valuation of the data center property that would increase the local tax base and deliver a large minimum property tax payment to the municipalities. The local governments also generally avoided major borrowing for the data centers specifically.

As we have noted, the use of a TID with a data center might result in a tax increase for homeowners in the short run. There are also still risks associated with data center development, but they come with billions of dollars in potential investment, downward pressure on property taxes later on, and other benefits such as the proposed remediation of a former manufacturing plant site in Janesville. In addition, the subsidies provided by these local communities compare favorably with those provided for other projects such as manufacturers.

Data center deals can also be less favorable than the ones we detail here. For example, Eagle Mountain, a Utah city of about 76,000 people, reached a deal with Meta to build a [\\$1.5 billion](#) data center there. The agreement exempts the facility from 80% of its real property tax liability and 100% of its personal property tax liability to defray the costs of infrastructure investments made by Meta. The total value of these tax subsidies could go as high as [\\$750 million](#), over 40 years, though Eagle Mountain officials indicate that there are contingencies to limit the length of the agreement. While property taxes are less important in Utah and only account for 3% of the city's budget, this deal appears on its face less favorable than the Wisconsin agreements that we detail below.

Beaver Dam (Including Phase Two)	
Total Equalized Value (2026)	\$2.2 billion
Population	16,678
Median Household Income (2024)	\$66,673
Data Center Developer	Meta
Data Center Size (MW)	440 MW
Building Size	1.4 million square feet
Development Acreage	390 acres
Total Data Center Investment	\$2 billion+
Expected Property Value	\$1.3 Billion
Peak Construction Jobs	1,000+
Ongoing Job Creation	200+
Tax Increment District?	Yes
Tax Increment Spending	\$110 million

Sources: WI DOR and DOA, U.S. Census Bureau, city of Beaver Dam, and [Meta](#)



Beaver Dam

The Beaver Dam project, located in central Dodge County, is the smallest of the three hyperscale data centers currently under construction in Wisconsin. With an investment of more than \$2 billion, this data center will be quite large but still smaller than the Port Washington and Mount Pleasant centers. Total real property value is expected to come in at \$1.3 billion, equal to approximately 59% of the city's current property value. The data center on Beaver Dam's north side continues the commercial and industrial development that has taken place there over the prior two decades with companies like Generac, Walmart, and Beaver Dam Cold Storage.

The data center is being built on land annexed from the town of Beaver Dam in August 2024 and placed into a TID. The project's first phase, expected to generate \$681.1 million in property value, is currently under construction, with completion expected in 2027. The second phase is expected to add property valued at \$600 million and finish in 2029. The project is being built by Degas, a subsidiary of Meta, the parent company of Facebook. The data center is expected to provide a combination of support for Meta's AI development and its online platforms like Facebook, Instagram, WhatsApp, Threads, and other services. Another smaller 90,000 square foot data center owned by [Oppidan Investment Co](#) has also been announced for development on an adjacent site.

Development Agreement

As part of the agreement, Beaver Dam committed to use its TID to reimburse Degas for up to \$10 million in infrastructure costs for the project to extend water mains and add a sanitary sewer main and lift station. The city also expects to spend \$10 million on public infrastructure updates.

Beaver Dam also committed to pay \$100 million in incentives to the developer in two installments if the project meets certain benchmarks. The first \$50 million payment is dependent on the development generating at least \$5.7 million in tax increment each year. If the revenue falls short, payments to the developer will be pro-rated by a similar percentage. The second \$50 million payment requires that the second project phase generate \$5.5 million in new revenue to receive the full amount. Degas has also committed to exploring renewable energy to power the data center and returning any water used by the facility to the local groundwater.

Projected expenditures from the TID total \$110 million, including the development incentives. The city is not responsible for any borrowing. Instead, the developer will pay for any infrastructure development costs and will be repaid using tax increment proceeds. The first phase is projected to add \$681 million in property value by 2027 and \$12.5 million a year in tax revenue. The second phase would add \$600 million of value, bringing total annual district revenue up to \$23.5 million per year. This would give the city the option of closing the district by 2033.

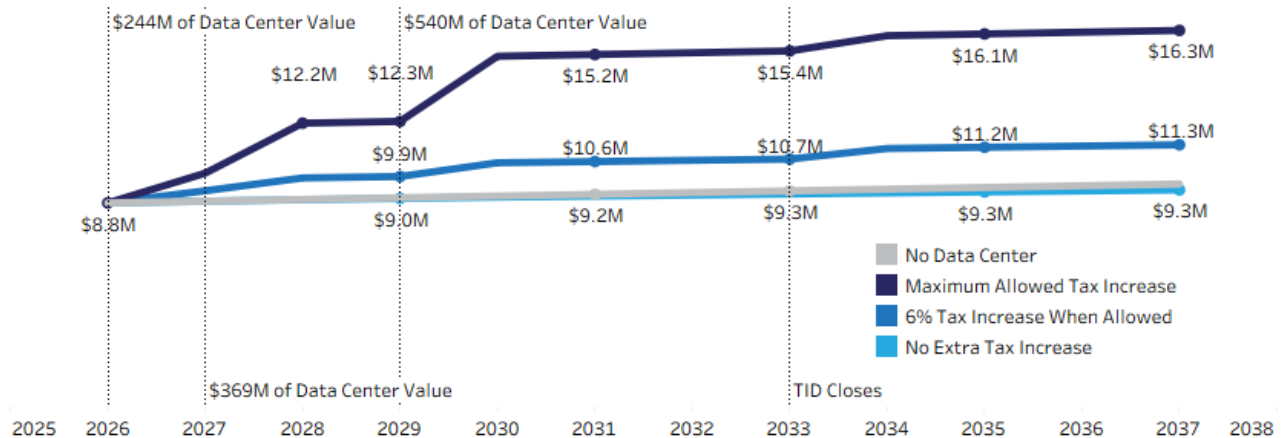
Property Tax Scenarios

We can project the impact of the data center on both city property tax revenues and Beaver Dam taxpayers under three scenarios (see Figure 15 on the next page). These calculations are meant to illustrate the effect of state law and do not represent any plans by Beaver Dam officials. The baseline scenario shows levy growth in Beaver Dam under the long-term average rate of new construction of 0.8% per year, yielding \$800,000 in new revenues by 2037 – or less than inflation. In the next



Figure 15: City Could Raise Taxes Substantially With Data Center

Estimated operating property tax levy (blue lines show scenarios with a data center)



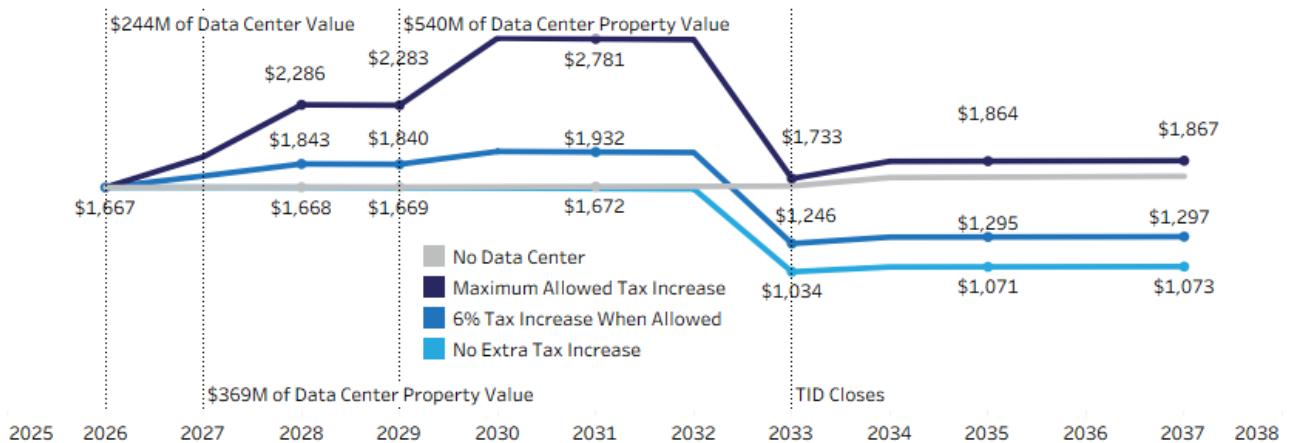
Source: City of Beaver Dam and WPF Calculations. Note: Calculations do not account for other tax increment district closings.

scenario, city leaders would use the data center development to increase property taxes by the maximum amount allowed under state levy limits. By 2037, the city's operating levy would rise from \$8.8 million to \$16.3 million, as shown by the dark blue line. The third scenario assumes the levy would grow by 6% in years in which the data center would add more than 10% in new construction. In this scenario, the levy would grow from \$8.8 million to \$11.3 million over the next 10 years. The last scenario shows slow growth in tax revenue, and limited growth in property tax rates until the tax increment district closes in 2033, followed by a rapid drop in property taxes paid by the average taxpayer in the community.

Existing taxpayers could see tax increases and decreases as the proposed data center is completed. Figure 16 shows how these changes could impact an average home in Beaver Dam, valued at \$211,500 in 2026. These figures also illustrate how current state law makes it challenging for local officials to use a TID and raise revenues while fully protecting homeowners, as explained in Part Two.

Figure 16: Municipal Taxes on Single Family Homes Could Rise then Fall Dramatically

Municipal taxes* on average value home in Beaver Dam (blue lines show scenarios with a data center)



Source: City of Beaver Dam and WPF Calculations. *Operating property tax levy only.



Mount Pleasant

The hyperscale data center in the Racine County village of Mount Pleasant came online last spring, and expansions are already under construction. As we have noted, this complex is intended to be used to train models rather than perform tasks through inference with existing models. Together the facilities are expected to be the largest in the state and among the largest in the world. Total real property value has been estimated at \$8.4 billion, which is nearly equal to the village's current property value, which is in turn triple what it was 10 years ago. When completed, these facilities will cover more than 11 million square feet.

These data centers are being developed on land originally intended for the construction of a massive Foxconn manufacturing plant, as discussed in our [2020 fiscal analysis](#) of the village. As that development did not go forward at the initially announced scale, Mount Pleasant had a substantial amount of land that was zoned for industrial development, was already part of a TID created for Foxconn, and had infrastructure available. That made the property appealing for Microsoft.

The project is planned over four phases. The first phase has been completed, generating \$1.87 billion in real property value from a total investment of \$3.3 billion. The next phase, on that same location, will also add approximately \$2.34 billion in property value and raise the total investment for the first two phases combined up to \$7 billion. When completed, these projects will cover 2.4 million square feet. This second phase is under construction and is expected to be completed in 2028. The next two parts of the project are expected to add an additional 8.7 million square feet of data center buildings split between two

locations. These projects were approved by the village in 2026, and some site preparation work has begun. These additional development phases could total \$4.4 billion, based on current projects underway. Additional developments could push values even higher.

Development Agreement Details

The agreement between Microsoft and Mount Pleasant is relatively limited in scope, in part because much of the infrastructure, land acquisition, and land-use decisions were completed a decade ago for the proposed [Foxconn factory](#). Microsoft pledged to create a total of \$1.4 billion in taxable property in the TID and as of 2026, the property value in the district totals \$2.4

Mount Pleasant (All Phases Unless Otherwise Noted)

Total Equalized Value (2026)	\$8.5 billion
Population	28,636
Median Household Income (2024)	\$91,616
Data Center Developer	Microsoft
Data Center Size (MW)	1 GW+
Building Size	11.2 million square feet
Development Acreage	1,896 acres
Total Data Center Investment	\$20 billion+
Expected Property Value	\$8.4 billion
Peak Construction Jobs	2,960 (Phase One)
Ongoing Job Creation	550+ (Phase One)
Tax Increment District?	Yes
Tax Increment Spending	Up to \$115 million

Sources: WI DOR and DOA, U.S. Census Bureau, village of Mount Pleasant, Microsoft, and WPF Calculations



billion. In return, Mount Pleasant has agreed to provide up to \$5 million per year as long as the district is open, up to \$115 million in developer subsidies, though Microsoft has said it intends to redirect them back to local governments. Microsoft is continuing to build within the TID but will not receive additional payments.

Tax Increment District Details

These data center projects make up a small share of public spending in the Foxconn TID. Of the total district expenditures of \$1.33 billion, \$1.29 billion was committed as part of the initial Foxconn plan. In other words, the village did not commit to much additional spending for Microsoft. The first two phases of the district are projected to add about \$4 billion in property value by the end of 2029, generating more than \$114 million in annual tax revenue – more than most Wisconsin cities get from all taxpayers. Current projections suggest the TID could close in 2032 – earlier than originally anticipated. The date will depend on the TID’s financial performance and decisions by village leaders and the district’s joint review board since the TID might take on additional projects or spending.

Microsoft Project Required Extensive Approvals

The Microsoft development required many approvals despite all the previous work to prepare the property for Foxconn. Since February 2023, the Village Board, Plan Commission, Community Development Authority, and the Zoning Board of Review voted 20 times on aspects of the first phase of the data center project alone, excluding the actions that came before Microsoft.

The decisions included approving the initial land sale and development agreement with Microsoft, approving amendments to the village zoning code and comprehensive plan to allow data center development, the initial site plan, and multiple amendments to that plan. Most of these actions were taken in open meetings by both the village plan commission and village board, as shown in Figure 17. The village also provided the opportunity for public comment on each of these actions. Since the TID’s creation in 2017, more than 60 public meetings have been held to discuss these projects and village bodies have voted more than 50 times to approve them.

Figure 17: Mount Pleasant Officials Voted 20 Times on Phase One Data Center Project Alone

Dates of village governing body votes by governing body



Source: Village of Mount Pleasant



Janesville

The data center proposal in Janesville faced criticism, and the city allowed its letter of intent with the potential developer [to expire in June](#). However, we can still analyze the development plan submitted by Viridian Partners in response to a city request for proposals for the redevelopment of the site of the former General Motors assembly plant. The factory [operated for 90 years](#) before [shutting down in 2009](#) and being demolished in 2018 and 2019, leaving behind a polluted site. The proposal was for building an 800 MW data center with up to 11 individual buildings totaling 3.3 million square feet. The project would have included total costs of more than \$8 billion and produced an estimated \$700 million in real property value – just under 8% of the city’s total current value.

Janesville	
Total Equalized Value (2026)	\$9.1 billion
Population	66,809
Median Household Income (2024)	\$73,446
Data Center Developer	Viridian Partners
Data Center Size (MW)	800 MW
Building Size	3.3 million square feet
Development Acreage	250 acres
Total Data Center Investment	\$8 billion
Expected Property Value	\$700 million within four years
Peak Construction Jobs	1,200 per building
Ongoing Job Creation	600
Tax Increment District?	To be determined
Tax Increment Spending	To be determined

Sources: WI DOR and DOA, U.S. Census Bureau and Viridian Project Proposal

Project Details

Viridian also pledged to remediate the GM site as part of the redevelopment, addressing pollutants such as PCBs, volatile organic compounds, and heavy metals. Viridian said it would pay for the cleanup on its own without taxpayer assistance, something another user such as a factory would be unlikely to do. The proposal did not speak to the potential use of TIF or any incentives. Details on community commitments, tax impacts, and other factors would have been determined if the project had advanced, along with plans to secure access to sufficient electricity and fiber-optic lines.

This proposal’s use of an existing urban property poses questions for the community, including whether residents might want to use the site for another industrial or commercial use or even for housing. However, rejecting a data center would likely mean giving up on the idea of a developer paying for the site cleanup. In that event, the city would likely need either funding from taxpayers or a federal or private grant to remediate the property.

Project opponents also successfully put the [following question](#) on the Nov. 3 ballot to require a referendum on future major redevelopment of the GM site: “Should approval of proposed development agreements, development projects, sales, and leases of the GM/JATCO sites for projects exceeding \$450 million in project costs be decided by a majority vote of the electors?” [This ballot question](#) is much more targeted than the Port Washington referendum rule. However, if it passes, then Janesville will be trying to market a polluted site that has remained unused for a



decade and a half and that carries an unusual referendum requirement. That could curtail its marketability for any type of development, not just a data center.

Port Washington

A massive data center is being built on the outskirts of Port Washington, a city in Ozaukee County on the shore of Lake Michigan. With total phase one construction valued at \$15 billion, this data center could be the largest stand-alone facility in the state when completed, though the overall Microsoft complex would be larger. Total real property value is expected to come in at \$2.1 billion, more than doubling the community's 2025 property value.

Port Washington (All Phases Unless Otherwise Noted)	
Total Equalized Value (2026)	\$2.2 billion
Population	12,952
Median Household Income (2024)	\$81,948
Data Center Developer	Vantage/Open AI/Oracle
Data Center Size (MW)	900 MW
Building Size	2.5 million square feet
Development Acreage	672 acres
Total Data Center Investment	\$15 billion (Phase One)
Expected Property Value	\$2.1 billion (Preliminary)
Peak Construction Jobs	4,000
Ongoing Job Creation	1,000+
Tax Increment District?	Yes
Tax Increment Spending	\$635.5 million

Sources: WI DOR and DOA, Census Bureau, and city of Port Washington

The project sits within a 1,674-acre TID to the north of the city along Interstate 43, though the development would cover only 672 acres. The land was annexed in January 2025 from the town of Port Washington and had been intended for commercial and industrial use since the adoption of a comprehensive plan in 2009. The development is planned in two phases, with the first expected to increase real property by \$1.1 billion by 2027. The next phase would add \$977.4 million more, and would begin construction in 2030 and end by 2031. Current values are based on the city's TID plan, and the estimates may grow as assessors review property values early next year.

Development Agreement and Tax Increment District Details

The deal specifies the developer initially will pay \$175 million for sewer and water main extensions and other infrastructure. The city will reimburse the developer with TID proceeds and pay 7% interest once benchmarks have been met. As part of this arrangement, the developer will be paid all property taxes in excess of the amount that would have been paid if the property had been valued at \$120 million for the life of the TID. The developer also must pay for roads damaged during construction and cover nearly \$7 million in estimated impact fees, assuming a [2.5 million square foot](#) building.

Port Washington's TID number 5 was created in 2025 and is projected to close in 2045. Expenditures from the district are estimated to total \$635.5 million, including \$455.4 million in developer payments. The district is expected to generate an estimated \$16.5 million in new revenue per year after the first phase and \$30.7 million after the second.



DeForest

This proposed data center project in DeForest was rejected, but the initial proposed commitments show the developer, QTS, planned to invest more than \$12 billion. The Forum estimates the facility's potential real property value at \$2.3 billion, equaling most of the village's existing value. The intended project would have sat on 1,570 acres in the town of Vienna that was to be annexed by the village. But many local residents criticized the plan, and the state [Department of Administration did not support](#) the annexation request, saying the village had not yet demonstrated it was in the public interest. Within days, village officials dropped the project.

Development Agreement Details

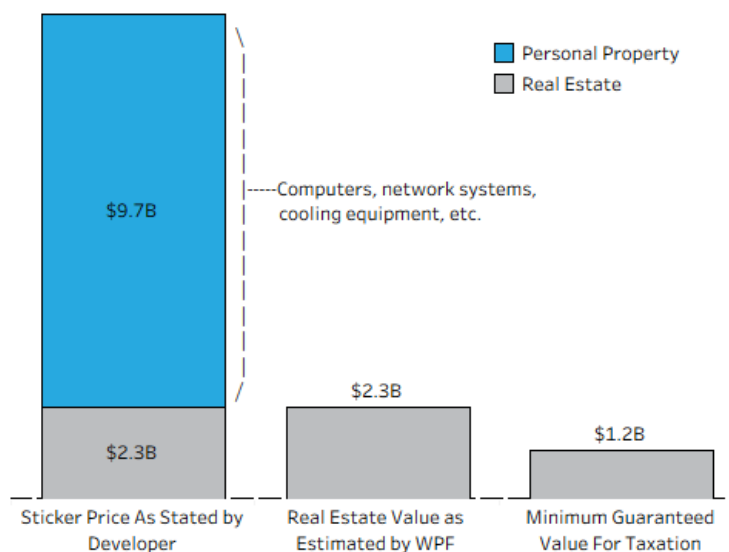
In the pre-annexation agreement with DeForest, QTS committed to a \$1.2 billion minimum valuation for the center for 15 years. The property owner would have had to pay taxes on at least \$1.2 billion in property value for that period regardless of its assessed value. Figure 18 compares estimates for the total cost and property value with the minimum guaranteed value. QTS also committed to pay for any public infrastructure needed for the development without a TID; use at least 45% renewable energy to power the facility; pay for a local highway interchange; and provide \$100,000 per year in funding for a local watershed group.

DeForest	
Total Equalized Value (2026)	\$2.9 billion
Population	13,101
Median Household Income (2024)	\$106,419
Data Center Developer	QTS
Data Center Size (MW)	1 GW+
Building Size	Unknown
Development Acreage	1,570 acres
Total Data Center Investment	\$12 billion
Expected Property Value	\$2.3 Billion
Peak Construction Jobs	5,000
Ongoing Job Creation	Hundreds
Tax Increment District?	No
Tax Increment Spending	None

Sources: DOR, DOA, Census Bureau, DeForest, [news reports](#), WPF

Fig. 18: Data Center Costs and Values Differ Based on Context

Cost to build the canceled DeForest data center, estimated real estate value, and guaranteed value for taxation



Sources: Village of DeForest and Wisconsin Policy Forum calculations



Takeaways

These data center projects and proposals bring risk for communities – no multi-billion-dollar project could be secured without that. These deals would tie a massive portion of the tax base in these communities to the facilities. However, the communities did not commit to substantial permanent spending for the data centers and have negotiated protections such as guaranteed property valuations, borrowing by the developer, and pay-for-performance triggers for incentives. That increases the odds that these communities will profit from the massive boost to their property tax base from the data centers. To be sure, many communities will not embrace the large-scale disruptions that these facilities entail. Yet those that do appear to be making a rational and defensible decision.



PART FOUR: POLICY OPTIONS

In laying out policy options, we start with those aimed at state lawmakers and policymakers, and then extend our discussion to alternatives for local elected officials, particularly in communities where a data center has been proposed. We note that these are not recommendations, only options for policymakers to consider. Some of them are mutually exclusive by design to give a full spectrum of choices. For each issue, policymakers may also opt to retain the status quo.

In their deliberations, local and state officials may wish to reflect on whether they are concerned about data centers or AI itself. If AI is their greater concern, state officials may wish to consider specific regulations or policies to control the use of the technology in specific areas such as the courts or in loan underwriting. Ultimately, rejecting data centers in a single community is at best a limited tool in curtailing or influencing the rise of AI.

Options to Change State Law

State Levy Limits

For local elected officials and taxpayers, state levy limits may represent the biggest challenge related to data centers. As discussed in Part Two, at present increases in local levies for operations are limited to growth from new construction, and local elected officials have five years to use the massive new construction from data centers to raise taxes before losing the revenue. In practice, that means local officials are either raising property taxes more than is needed initially or giving up additional revenue that they may eventually need. This choice is especially painful in cases where the data center construction takes place within a TID that will not close until after any tax increases are approved, potentially forcing existing homeowners to pay for the additional levy for a period of years.

Option 1) Change state law to give municipalities a ten-year period to use new construction from development such as data centers to raise their levy, rather than the current five-year period.

Option 2) In cases of development within TIDs, allow local officials to wait until the district closes to use the net new construction from that development to raise the operating levy.

Option 3) Change state law to allow both Options 1 and 2.

Tax Increment Districts

To control financial risk, state law prohibits municipalities from creating new TIDs if doing so would cause 12% or more of their total equalized property value to be within these districts. That makes it difficult for municipalities to use TIDs with data centers because of their massive size. Even a community as big as Green Bay or Madison might not have enough capacity under state law to fit a large data center under the 12% cap, and no smaller community can do so. As a result, communities that wish to use a TID to help finance improvements for a data center have to lobby for the Legislature to approve a specific exemption for them.



Option 4) In cases of proposed development of more than \$500 million that accounts for 12% or more of the equalized value in a municipality, lawmakers could allow the municipality to petition DOR for an exemption to the current state cap on property value within TIDs. Lawmakers could direct DOR officials to only approve exemptions for projects with substantial protections in place, such as guaranteed property valuations and borrowing by the developer rather than the municipality.

State Sales Tax Exemption

Under a state sales tax exemption for data center materials and equipment, the Legislature's budget office has estimated there would be \$1.5 billion in forgone state sales tax revenues over a five-year period, plus an estimated \$369 million annually thereafter. Thirty-eight states offer tax incentives for data centers (see Part Two), with all of them offering some form of sales tax exemption on data center equipment such as computers. Fifteen of the states extend that exemption to electricity used at the facilities. State officials need not make any change to the exemption, but could consider:

Option 5) Apply the sales tax exemption currently provided for purchases by manufacturers, data centers, and other entities such as nuclear fusion firms to all capital investment. Though this might be seen as prohibitively expensive, it would avoid the government picking winners and losers.

Option 6) Repeal the sales tax exemption for future data center projects and use the additional revenues to lower the overall state sales tax rate or support economic development. Under this option, the government would continue to pick some other winners such as manufacturers.

Option 7) Pare back a portion of the sales tax exemption, such as the portion of the incentive that applies to purchases of electricity, as some other states do. Another alternative would be to consider treating all industries the same with respect to taxes on energy purchases.

Option 8) Include performance requirements such as minimum job creation thresholds, tax revenue minimums, or the reuse of industrial sites on any sales tax incentives. Since the Wisconsin Economic Development Corporation is already involved with ensuring eligibility, the additional administrative burdens related to reporting performance would be limited.

Non-Disclosure Agreements (NDAs)

Opponents have sharply criticized the use of NDAs by data center developers with municipalities during the first part of their negotiations, while others have pointed out that NDAs are common in economic development work and cannot override state open meetings and records laws. Some local officials such as those in Port Washington have also said that they discussed and negotiated their data center [without using an NDA](#), and [Microsoft has said](#) it will stop using NDAs. Pennsylvania Gov. Josh Shapiro also [signed an executive order](#) in August that imposes new standards on data centers, including a prohibition on NDAs.

Option 9) Ban the use of local government NDAs for data center development except in certain limited circumstances such as to protect trade secrets, or put broader restrictions on all local NDAs.

Option 10) Limit the extent or duration of data center NDAs, such as restricting them to six months.

Power and Water Usage

Recent decisions by the state Public Service Commission have taken a strong stance in asserting that data centers and not ordinary ratepayers should pay for the costs of new power plants and lines to serve them. However, details such as transmission rates still need to be worked out, and the risk remains that not enough new capacity will be built to meet the added demand from data centers.

Option 11) Either through state law or PSC decisions, ensure that the approach to utility rates used in recent PSC rulings is extended to proposed data centers in the territory of other utilities.

Option 12) Work to ensure that federal regulators extend the principle of data centers paying their own costs to transmission rates and not just state-regulated generation rates.

Option 13) Ensure state policy allows for the timely siting of generation and transmission assets to meet the growing statewide demand.

Option 14) Consider public or private agreements whereby data center operators agree to throttle back their power usage at moments of peak demand such as very hot summer days.

Option 15) Provide for annual PSC reports on water usage by data centers that also provide context for the public about how overall water use in a given community compares to a generation ago.

Statewide or Local Moratoria

Local moratoria on data center construction have now passed around the state and nation. New York Gov. Kathy Hochul [approved a one-year statewide moratorium](#) in July [through an executive order](#). These delays may give policymakers more time to enact regulations and [appear popular in national polling](#). However, as we have noted, the cost of a moratorium in lost economic activity could be unusually high, and [litigation is also possible](#) if they are mishandled.

Option 16) Policymakers may wish to consider whether they need a moratorium to regulate or reject data centers, or whether they could simply enact whatever zoning and other policies they deem appropriate.

Option 17) Elected officials may wish to weigh the benefits of a pause against the potential impact from lost economic activity. They may also want to assess any possible legal exposure, particularly if they are renewing an existing moratorium or taking other actions suggesting a de facto ban.

Handling Shuttered Facilities

Hyperscale data centers are still too new to know what will happen to them at the end of their useful lives. On the one hand, the Forum could not turn up any instances of massive data centers closing, and computing power seems more widely useful than a manufacturing plant built for one purpose.

Data centers also seem less likely to result in a polluted site than factories. On the other hand, the servers and processors within a data center have shorter lives than most manufacturing machinery.

Option 18) The state could spell out in law the obligations for owners who close their data centers, particularly in cases where construction on a facility was begun but not completed. Local officials may also wish to resolve that issue in their development agreements.

Options to Guide Local Policy

Unlike Congress or even the state Legislature, municipal and county officials have limited power to address the hopes and concerns that the public has about AI. However, local officials have a substantial role to play in considering and siting any development within their borders.

Limit Risk and Impact to Local Finances

When considering data center agreements, local officials may wish to take concrete steps to limit their exposure to financial risk through options such as these:

Option 19) Negotiate a guaranteed assessed property value for the proposed data center that is sufficient in size and duration to cover all local outlays on infrastructure, incentives, and other costs. Prioritize working with developers that have the financial strength and market position to make good on their obligation for the life of the contract.

Option 20) Limit developer incentives provided through tax increment financing or other means.

Option 21) Limit local government borrowing for a data center project. If borrowing is needed, local officials may wish to explore whether the developer could take out the loan and assume the risk.

Option 22) Explore whether the developer would be willing to contribute toward other local costs or needs, such as repairing damage to existing roads and other infrastructure due to construction.

Consider the Impacts to TIF

Tax increment financing is an important tool for spurring local development and addressing needs such as housing and jobs. Development may also be delayed or stymied by moves to require referenda approvals before TIF can be used on some projects.

Option 23) Local voters and officials can consider whether requiring a referendum is the right way to limit the use of TIF locally, given this policy could delay projects such as housing by more than a year or even derail them entirely. State officials might consider whether to limit such referenda, though they would also have to consider the question of local control.

Maximize Local Benefits

Option 24) Look for other potential local benefits from a data center developer, such as paying for workforce training, environmental remediation or improvements, or other community needs.



Be Thoughtful About Non-Disclosure Agreements (NDAs)

Local governments have used NDAs for years, but they now face additional scrutiny. For this reason, local officials may wish to take care in agreeing to them.

Option 25) Ban or avoid NDAs when possible and limit their scope and duration if they are used.

Option 26) Adopt a proactive policy on the use of NDAs and then explain that policy to local officials and the public along with the limits of such agreements. Make sure local residents understand that NDAs do not override state open records and meetings laws. Consider establishing a minimum length of time between the introduction of a project covered by an NDA and a final legislative vote.

Consider a Project Regionally, Not Just Locally

Opponents of data centers in a given community often cite concerns such as higher utility costs, water usage, and state tax exemptions that a single village or city may not be able to address simply by rejecting them inside their territory. A final consideration for local officials would be to reflect on whether rejecting a data center would protect a community from concerns such as utility costs or state tax incentives or whether the center could still be sited nearby and the local residents exposed to similar risks but with fewer benefits.

CONCLUSION

After years of lagging many other states in data center deployment, Wisconsin is now home to several massive projects of its own, raising the prospect of rapid development but also potential challenges, including rising power demand. As the debate over the issue intensifies, our review finds:

- With energy issues paramount, state regulators have put safeguards in place to ensure new generation costs are not passed on to other ratepayers. However, the question of added transmission costs remains unresolved, and the state must still ensure adequate power to serve existing users and the new facilities, regardless of who pays.
- Most communities building or considering data centers are taking reasonable steps to address fiscal risks through guaranteed property values and limited direct borrowing.
- The short window within the state's levy limit law may put pressure on local officials to use the new construction from data centers to increase short-term property taxes more than they otherwise would. If TIF is involved, this could affect the bills of homeowners.
- Responding to data centers with changes to TIF policies, such as requiring referenda for all large projects, could have a chilling effect on other types of development.
- Most states offer a sales tax exemption to data centers as Wisconsin does, and other industries such as manufacturing receive similar treatment here. But the cost is notable.
- Sales by most Wisconsin water utilities are down sharply since 2000, and usage is also down after accounting for agricultural and electric utility users. The current crop of data centers will add to the usage but it is unlikely to return to 2000 levels.
- Data centers offer an unusual and possibly unique way to remediate polluted urban sites.

In responding to growing public concern over data centers, elected officials – particularly those at the local level – will have to grapple with the fact that they may not always be able to address the deeper misgivings over AI that help drive sentiment over data centers. Still, we identified some options for policymakers to consider:

- Giving local elected officials more time under state levy limits to decide whether tax increases are needed, particularly in cases involving TIDs.
- Limiting direct borrowing by local governments to support data center projects.
- Tying the sales tax exemption to whether projects meet certain benchmarks.
- When passing or renewing a moratorium on data centers, considering any potential legal exposure, particularly if actions such as renewing a pause suggest a de facto ban.

For communities such as Beaver Dam or Mount Pleasant, data centers offer the prospect of development at a level that few if any other industries can currently provide. This is worth considering for any community, particularly in Wisconsin where under state law new development is needed to raise local tax revenues and sustain crucial public services. However, data centers bring certain change to communities along with some risks – the ultimate decision is one for residents and their elected officials. In advancing this study, we aim neither to promote data centers nor to limit their development. Instead, we hope this report will provide state and local leaders and voters alike with better information to decide for themselves what is right for their community and state.

