



Texas Capitol Report: Data Centers



This alert is part of Gray Reed's [GRIDS Initiative](#), the firm's dedicated effort to serve the Texas data center market.

Five legislative committees are actively examining the future of data center policy in Texas. These interim charges will directly shape major legislation filed in January 2027, and the most impactful window for shaping that legislation is now, not after session begins. Organizations that participate in the legislative process, build relationships and help frame the policy questions during the interim are far better positioned than those who wait. By the time a bill is filed, many key decisions have already been made.

Below is what to know and which types of companies and stakeholders are most likely to be affected.

Senate Committees

Senate Business & Commerce

Focus: Managing Data Center Growth – Hearing TBD

Evaluating whether existing frameworks can handle surging electricity demand from large loads, while balancing economic development against impacts on landowners, property rights, water, and communities.

Who This Impacts:

- Hyperscale and enterprise data center operators planning new Texas builds or campus expansions
- Energy-intensive technology companies (AI, cloud, blockchain, high-performance computing)

- Electric utilities, transmission providers and power generators navigating large-load interconnection risk
- Real estate developers and landowners involved in site selection and easement negotiations

Senate Finance

Focus: Data Center Investment & Fiscal Effects - Hearing: July 27, 2026

The state sales tax exemption for data centers has grown from \$14.6M (2014–15) to a projected \$3.3B (2028–29). This study examines the cost, consequences, and safeguards needed to ensure Texans benefit.

Who This Impacts:

- Data center owners and operators currently relying on Texas tax exemptions
- Out-of-state and international investors evaluating Texas versus competing states
- Companies making significant capital equipment purchases (servers, networking, cooling infrastructure)
- Private equity and infrastructure funds underwriting long-term project economics
- Economic development entities concerned about Texas’s incentive competitiveness

Senate Water, Agriculture & Rural Affairs

Focus: Assessing Water Demands - Hearing: September 1, 2026

Examining water consumption from data center cooling technologies. Focus on improving transparency for local water providers and ensuring industrial growth does not compromise affordability for residents and agriculture.

Who This Impacts:

- Data centers using water-based or evaporative cooling systems
- Developers targeting rural or exurban regions requiring new or expanded infrastructure
- Energy providers and grid planners – due to the link between data centers, power demand, and cooling needs.
- Economic development organizations focused on balancing industrial growth with resource sustainability.
- Engineering firms and infrastructure providers offering water-efficient cooling solutions

House Committees

House Natural Resources

Focus: Data Center Water Use & Conservation - Hearing TBD

Examining total direct and indirect water usage of Texas data centers. Evaluating regulatory and permitting considerations for water-efficient development, especially in water-stressed regions.

Who This Impacts:

- Data center developers planning projects in drought-prone or high-growth areas
- Environmental compliance and permitting specialists
- Economic development organizations focused on balancing industrial growth with resource sustainability.
- Technology providers offering closed-loop or alternative cooling systems

House State Affairs

Focus: Data Centers - Growth, Grid & Competitiveness - Hearing held April 9, 2026

The broadest study — covering economic impact, national security, grid reliability, ERCOT's large load batch process, workforce development, and streamlining regulations. Hearing already held April 9, 2026 with major industry stakeholders.

Who This Impacts:

- All data center stakeholders, particularly those with near-term expansion or site selection decisions
- Companies needing predictable ERCOT timelines for interconnection
- Defense, cybersecurity and sensitive-data operators
- Workforce development organizations, universities and technical colleges
- Regulated businesses seeking faster or more predictable permitting processes

Legislative Timeline



Now — Fall 2026

Committee hearings are underway. Agencies present findings; stakeholders invited to testify.

Fall 2026

Interim reports due; committees finalize recommendations. Pre-filing of legislation opens in November.

January 2027

The 90th Texas Legislature convenes.

Ready to Engage?

Gray Reed Advisory's Government Affairs team is actively tracking all relevant committee charges and can help your organization assess how these interim studies may affect your business — and identify the right moments to engage.

Reach out to learn more.



About the Government Relations Team



Adam Leggett | Managing Director of Government Affairs

Adam Leggett is a respected government professional with two decades of public service commitment and an extensive knowledge of the legislative process at the state and federal levels. Prior to joining our team, Adam served multiple senior-level positions in the Texas legislature, the Office of the Governor, and as a trusted aide in both the U.S. House of Representatives and Senate.

Contact

512.650.6109 | aleggett@grprpublicaffairs.com



Alyssa Villarreal | Government Relations Associate

Alyssa Villarreal leverages extensive legislative experience gained through strategic roles in both federal and state government to help clients navigate complex business challenges in an evolving legislative landscape.

Contact

512.650.6109 | avillarreal@grprpublicaffairs.com

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