STATE POLICY TOOLKITS FOR DATA CENTER REGULATION

Water Impacts

THE ISSUE

Data centers can require an immense amount of water to **cool their servers**, threatening to diminish local water supply, **overwhelm wastewater treatment facilities**, **pollute waterways** with toxic **discharge**, and raise water rates for other customers. This rising water usage exacerbates existing water supply and quality crises across the country, with many regions experiencing drought and coastal flooding and waterway contamination by pollution, alongside aging, corrosion-prone pipes in use in every state.

FOR MORE DETAIL ON THESE POLICIES, see our complete State Data Center Policy Toolkit on Water Impacts. These tools should be considered in tandem with the **full collection of toolkits**, addressing issues of energy affordability and reliability, taxes, transparency, and emissions. This work does not assess the wider societal and economic impacts of AI. **Learn more about our approach.**

CLIMATE X CHANGE

THE TOOLKIT

States have direct jurisdiction over many aspects of water use and rates, and to a lesser extent, water quality. States should mandate water protections through the provision and renewal of water use permits and business licenses, or as a last resort, tax and permitting incentives for data centers. Policy tools include requiring data centers to:

Meet water efficiency standards (e.g. Virginia's **SB 1448**) and use specified water efficiency technologies (e.g. Illinois' **SB 3830**).

Maximize the use of non-potable water, stormwater runoff, and water recycling.

Meet wastewater quality standards exceeding federal baselines for pollutants like PFAS.

Conduct a full environmental review of their impacts (e.g. Maryland's **SB 978**) and implement a plan to mitigate potential adverse water impacts, alongside relevant community engagement.

Disclose their water usage, sources, discharges, and conservation efforts (e.g. Virginia's **HB 2035**).

Assess and pay for any costs incurred by providing water to, and treating wastewater from, data center facilities, protecting other customers from water rate increases (e.g. Illinois' **SB 4016**/**HB 5513**).

Additionally, states should:

Provide permits to data centers only if they do not cause adverse impacts to watershed health and water supply (e.g. Minnesota's **HF 16** and West Virginia's **HB 4832**).

Conduct their own assessments of data centers' water impacts to watershed health, water supply, and costs of water service (e.g. Maryland's **HB 270**/**SB 116**).

Utilize all information on data center impacts to inform future water regulation and management planning (e.g. Illinois' **SB 2181**).

Utilize fees, tax revenue, and noncompliance fines from data centers to invest in water conservation and infrastructure (e.g. Arizona's **HB 2893** and Illinois' **SB 4016**/**HB 5513**).

Through 2025 sessions, state policies have focused mainly on the *consideration* of water conservation and the disclosure of only certain water uses by data centers, often attached to *incentives* rather than mandating standards across all operating facilities. States must enact more robust, enforceable policies to protect water, ensure data centers pay their own way for their water usage, and require a full environmental review, alongside deep community engagement and disclosure of impacts, prior to construction.