



Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Public Hearing on Data Centers

Before the:
Pennsylvania Senate Republican Policy Committee

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Archbald, PA
August 11, 2025

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Good morning, Senator Argall, Senator Brown and members of the Senate Republican Policy Committee.

Thank you for the opportunity to appear before you today. My name is Neal Leshner, Director of Government Affairs for the Pennsylvania Chamber of Business and Industry, the largest, broad-based business advocacy organization in the Commonwealth. Our nearly 10,000 members are of all sizes, of all commercial and industrial sectors, and include companies involved in all aspects of the technology and energy industries, and beyond.

Thank you for the opportunity to speak with you today about an issue about an emerging transformative opportunity: the expansion of artificial intelligence (AI) and data centers, and why Pennsylvania is poised to lead this effort nationally, and even globally.

AI is the fastest growing tech sector and is increasingly integrated into industries ranging from healthcare to manufacturing, driving an unprecedented demand for data processing, storage, and real-time computing. To underscore the scale of this tech revolution, Richard Kerris of AWS and NVIDIA recently noted:

"Artificial Intelligence will transform society more than the industrial revolution did."

This is not just a technological shift, it is a generational change and requires a level of infrastructure readiness that few regions can provide. Meeting this demand means building robust, scalable systems that can support the energy, water, land, and workforce needs of large-scale data centers. As companies search for ideal locations to power this technology revolution, Pennsylvania stands out as a prime location thanks to our unique combination of abundant natural resources, infrastructure, and workforce.

Pennsylvania's History of Energy and Innovation Leadership

Pennsylvania has consistently been a driving force in American industrial innovation. As the “Keystone” of the nation’s energy, manufacturing, and technology landscape, the Commonwealth has played a pivotal role in powering economic growth throughout history. Coal-fired generation formed the foundation of Pennsylvania’s energy portfolio, delivering reliable electricity to homes, businesses, and industries across the state and beyond. As one of the country’s top coal producers, Pennsylvania supplied a resource that fueled national economic expansion and industrial development for decades.

However, over the past twenty years, the energy landscape has undergone a historic transformation. A combination of market forces and a shifting regulatory environment has led to the retirement of many coal-fired power plants. At the same time, the rapid development of natural gas, particularly from the Marcellus Shale, has made natural gas the dominant source of energy in the Commonwealth. This shift has not only redefined Pennsylvania’s energy mix but reinforced our position as a global and national energy leader. Today, Pennsylvania is the number one exporter of electricity, second-largest natural gas producer, and third largest energy producer in the nation.¹

From the coal and steel that powered the industrial revolution to the natural gas and advanced technologies that define our economy today, Pennsylvania has always been a leader in times of change. Now, as we enter this new era defined by digital infrastructure, where data is becoming as essential as electricity or water, Pennsylvania is once again poised to lead. The rise of data centers marks the next phase in our technological evolution, and with our abundant resources, the

¹ <https://www.eia.gov/state/analysis.php?sid=PA>

Commonwealth is uniquely positioned to become a national hub for this next generation of investment.

Pennsylvania's Competitive Advantages

Energy and Water

Pennsylvania's status as an energy powerhouse is not just a point of pride, it is a strategic advantage that sets us apart in the race to attract next-generation digital infrastructure. The Commonwealth's ability to produce, export, and deliver reliable, affordable energy makes it an ideal location for supporting the power-intensive needs of data centers.

In today's digital economy, where constant uptime and high-performance computing is essential, access to stable, scalable energy and sufficient water resources is non-negotiable, and Pennsylvania's abundant energy assets and infrastructure offer the reliability companies demand. Equally important is our plentiful water supplies, which give us another critical edge, particularly as data centers face growing scrutiny over water usage for cooling and thermal management.

Water, like energy, is essential infrastructure for data centers and AI-driven technologies. Pennsylvania's natural water abundance provides a level of long-term security that many other states cannot offer. In addition, many of our communities, particularly those with a legacy of industrial activity, already have robust water infrastructure in place. This makes it easier and more cost-effective for data centers to locate and operate here, without putting added strain on municipal systems. Few states can match Pennsylvania's strengths in energy, infrastructure, and water, making it an ideal environment for high-impact investments. However, to fully realize this opportunity, we must take proactive steps to ensure these critical assets can meet growing demand, not just from anticipated data center development, but also from

broader energy system needs. PJM Interconnection, which manages the grid across Pennsylvania and much of the Mid-Atlantic, has already warned of potential generation shortfalls in the coming years, driven by accelerating demand and the retirement of dispatchable baseload generation.

This is not a distant concern, but a near-term reality requiring immediate attention. As the rapid deployment of AI, cloud computing, and other data-intensive technologies continue to increase energy consumption, we must not only plan for the related impacts of this development, but we must also act decisively to address the forecasted gap in generation capacity by adding more reliable baseload resources to the grid regardless, including coal, natural gas, and nuclear energy.

To position Pennsylvania for long-term economic growth, we must leverage our energy assets strategically and wisely. While our vast natural gas supply, strong pipeline network, and existing generation capacity form a foundation that few states can rival, we must ensure we have policies in place that continue to support investment in reliable, dispatchable generation and a resilient electric grid. This includes streamlining permitting processes, investing in transmission infrastructure, and supporting the development of both traditional and emerging energy technologies. With thoughtful planning and forward-looking policy, Pennsylvania can turn a looming energy challenge into a long-term competitive advantage.

Location

In today's digital economy, where speed and resiliency are paramount, Pennsylvania stands out as an ideal hub for next-generation technology deployment. Our combination of physical and digital infrastructure, paired with a strategic location in the Northeast, gives us a distinct competitive edge. Within a day's drive of major population centers like New York City, Washington, D.C., and Philadelphia, Pennsylvania is exceptionally well connected by road, rail, and air. Our position along

the regional internet corridor, which provides high-speed, low-latency connectivity that is essential for cloud computing, financial services, and AI applications depending on real-time data transfer.

In addition to physical location and connectivity, Pennsylvania offers the space and development-ready land needed to support data center development and growth. The Commonwealth features a wide range of siting options, from rural greenfields to redeveloped brownfields, many of which are already located near key infrastructure such as electric substations, transmission lines, highways, and fiber-optic networks. This infrastructure-ready land streamlines development, offering flexibility and potentially reducing both permitting timelines and construction costs.

Workforce

As we explore these opportunities, it is essential to recognize that workforce development is a foundation of this growth. No matter how much is invested in the development of data centers, we will only be successful if we place a strong emphasis on a robust pipeline of qualified workers. From HVAC technicians to engineers, every component of a data center's construction and operation depends on a wide array of professionals with differing degree and credential requirements, from skilled trades to advanced STEM degrees.

We are already hearing from employers that talent is a limiting factor. Companies want to grow in Pennsylvania, but they need confidence that the workforce will be available. That's why this moment requires proactive partnerships between industry, educators, and policymakers to scale training programs, modernize curriculum, and build our future workforce. Thankfully, Pennsylvania is well equipped to meet this moment, with a strong foundation of world-class educational institutions and workforce training programs. From globally recognized leaders in AI and computer science like Carnegie Mellon University to hands-on, career-ready technical

schools like Penn College of Technology, our state offers the full spectrum of talent development. This diverse and robust ecosystem positions Pennsylvania to lead in building, maintaining, and innovating the infrastructure behind AI and data centers.

Enabling Economic Opportunity

From a fiscal perspective, data centers can be a powerful economic engine, delivering significant revenue with minimal strain on infrastructure or services. In jurisdictions like Loudoun County, Virginia, tax contributions from data centers totaled \$875 million in 2024, accounting for 38% of the county's overall tax revenues, while only comprising 3% of the land in Loudoun County². Pennsylvania stands to realize similar benefits.

Data centers contribute through multiple channels, including real estate and property taxes, payroll and income taxes, and indirect local spending that supports small businesses, service providers, and construction trades. These facilities also tend to be long-term, capital-intensive investments that bring sustained tax revenues for decades, even after the initial construction boom. Additionally, many of these projects are well-suited for the redevelopment of former industrial or underutilized brownfield sites, properties that often sit vacant and are not on the tax rolls. By repurposing these sites for modern infrastructure, data center development can help revitalize communities, improve land use, and restore a critical revenue stream for local governments.

At a time when many municipalities are seeking stable sources of funding to support schools, emergency services, and infrastructure upgrades, data centers offer a compelling solution. To compete nationally and globally for these investments, it is

² Data Center Coalition- <https://www.datacentercoalition.org/cpages/faq>

essential that Pennsylvania provide a tax and regulatory environment that supports long-term capital deployment and operational growth.

The General Assembly should be applauded for their efforts in recent years to make Pennsylvania's tax code more competitive for businesses, starting with the enacted phase-down of the Corporate Net Income (CNI) tax from 9.99 percent to 4.99 percent in 2031. When fully implemented, we will have gone from the 2nd highest tax CNI tax rate in the nation to the 10th lowest, based on current rates. The legislature also enacted much needed improvements to Pennsylvania's treatment of Net Operating Losses (NOLs), increasing the allowable deduction from 40 percent to 80 percent over the next four years. For too long, Pennsylvania had the worst treatment of NOLs in the country, which penalized start-up companies. These changes make Pennsylvania more attractive for business investments and lawmakers should continue to work to ensure their full implementation.

With sound tax policy, data centers offer a reliable, long-term revenue stream to support critical public services, reduce fiscal pressure on residents and small businesses, and deliver broad-based economic benefits that extend well beyond the data center walls.

Ensuring Pennsylvania is Ready for Data Center Growth

While Pennsylvania's foundational assets are strong, capitalizing on this opportunity requires proactive leadership and a clear strategy. We must ensure that our permitting processes are efficient, coordinated, and predictable. Investors and developers often cite permitting uncertainty as one of the largest barriers to choosing a location. By streamlining the approval process and providing a clear path forward for energy-intensive infrastructure projects, Pennsylvania can become a top-tier destination for investment.

It is also imperative that we ensure continued investment in maintaining and modernizing our energy and other essential infrastructure. This means supporting investments in transmission and distribution systems that can handle new industrial loads, improving local water systems where needed, and expanding infrastructure access to sites ready for development. We must support and encourage coordination between utilities, municipalities, and private developers to reduce delays and align these critical resources.

Workforce development must also remain a top priority. Continued investment in training and certification programs, particularly through community colleges and apprenticeship partnerships, will help ensure that Pennsylvanians are equipped to fill the jobs these new facilities will create. Whether it's electrical work, control systems, cybersecurity, or systems engineering, the talent needed for data center infrastructure is diverse and growing, and Pennsylvania must be ready to supply a qualified and diverse workforce.

Data center growth is also closely tied to the demand for applied AI. If policymakers adopt overly prescriptive regulations on the use of AI, they risk dampening that demand and limiting the innovation AI can deliver across all sectors. The everyday practical uses by employers and employees, alike, is ultimately the driving force behind this economic transformation, and this demand depends on an environment that supports experimentation and growth. To fully capitalize on data center investment, Pennsylvania should embrace a balanced, flexible approach to AI policy that avoids unnecessary restrictions and encourages innovation.

As we build for the future, we must ensure that our growth is sustainable. This includes thoughtful planning around infrastructure and land management and includes policies that protect communities while allowing innovation and investment to move forward.

Conclusion

Pennsylvania is at a pivotal cross-roads. With our unmatched energy resources, reliable water supply, industrial and digital infrastructure, workforce potential, and strategic geographic location, we have all the ingredients to become a national, and even global, leader in data center investment and AI-driven innovation. But to make this potential into reality, we must act with urgency, coordination, and purpose.

This opportunity is about more than just data centers, it's about positioning Pennsylvania as a leader of the next major economic transformation. Doing so requires a clear and deliberate strategy: modernizing our energy and water infrastructure, streamlining permitting to reduce delays, investing in transmission and reliable baseload generation, and ensuring our workforce is equipped to meet the demands of a rapidly changing technological landscape.

Just as we led in previous eras of industrial and energy revolutions, Pennsylvania can lead again, this time in the age of AI and digital infrastructure. However, leadership does not happen by accident. We will need to make bold policy choices, form collaborative partnerships, and a shared commitment to economic growth that is both sustainable and forward-looking.

On behalf of the Pennsylvania Chamber of Business and Industry, I thank you for your time and leadership on this important issue. We look forward to working together to ensure that Pennsylvania remains a place where innovation is built, businesses thrive, and communities grow. I am happy to take any questions at this time.