

February 9, 2021

To: Members of the Washington State Business, Financial Services & Trade Committee

From: Washington State Budget & Policy Center

Re: Testimony against SB 5414

To Chair Mullet and Members of the Committee,

The Washington State Budget & Policy Center, a research organization working to build a just and prosperous future for all Washingtonians, submits this written testimony **against SB 5414**, which provides a tax preference for data centers in counties with a certain population (specifically Pierce County). This legislation proposes a wasteful \$13 million per biennium tax break that does not guarantee benefits to our state's residents or economy.

Data center tax preferences are expensive and ineffective at stimulating long-term job growth. The growth of data centers across the country in recent years has demonstrated the unfulfilled promise of robust and long-lasting job creation for the price paid in tax dollars. Nationally, data centers create a limited number of permanent jobs – only an average of 30 to 50 permanent jobs, with larger facilities creating up to 200 jobs.¹ In Washington state, the JLARC 2016 report on the "[Data Center Equipment | Sales and Use](#)" tax preference estimated that rural data center businesses granted the exemption certificate averaged to an exorbitant \$205,000 per job subsidy for each of 260 jobs they were required to create. To ensure that taxpayers can reasonably expect to break even on a data center subsidy, Good Jobs First (a national policy center promoting corporate and government accountability in economic development and smart growth for working families) recommends that states cap the total value of state and local subsidies at \$50,000 per permanent job created.²

Furthermore, if we compare the benefit of a data center tax preference to the economic impact of government investments, there is a more compelling case for government spending. In the 2016 JLARC report, staff conducted economic modeling to compare the estimated beneficiary savings of \$55 million to a \$55 million annual increase in government spending. They found that the increased government spending would have resulted in 1,057 jobs across the public and private sector -- **these were statewide jobs foregone due to the tax preference.**³

Washington state's existing incentive program is already the most expensive in the country with an estimated \$49,283,000 lost in revenue in 2019 with limited benefits.⁴ We urge you not to pass SB 5414.

Thank you for your time and consideration.

Submitted on behalf of the Washington State Budget & Policy Center

¹ Santa Fe New Mexican, "Data center deals can hurt more than help, report finds," October 11, 2016, https://www.santafenewmexican.com/news/local_news/data-center-deals-can-hurt-more-than-help-report-finds/article_a4986dd5-749a-5009-9ff3-500f91ec43fd.html

² Good Jobs First, "Money to the Lost Cloud; How Data Centers Benefit from State and Local Government Subsidies," October 2016, <https://www.goodjobsfirst.org/sites/default/files/docs/pdf/datacenters.pdf>

³ JLARC, “Final Report: 2016 Tax Preference Performance Reviews - Data Center Equipment | Sales and Use,” January 2017, <https://leg.wa.gov/jlarc/taxReports/2016/DataCenterEquipment/f/default.htm#Summary>

⁴ Good Jobs First, “Data Center Server Equipment and Power Infrastructure Sales and Use Tax Exemption,” https://taxbreaktracker.goodjobsfirst.org/prog.php?record_id=8902