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Monterey Park is not often called the New York of California, but the city resembles New York—the state, that is—in one big way: Both have passed moratoria on data center development. When Monterey Park passed its ban in 2025, it was the first municipality in California to do so. Nationwide, however, [hundreds of localities](#) have passed bans or moratoria on data centers. New York secured another first by becoming the inaugural state to impose a statewide moratorium on data center development. Politically, these are clever moves: Americans, regardless of their party affiliation, [really dislike data centers](#).

Yet I'm not sure how optimistic I am about this piecemeal, geographically heterogeneous approach to data center regulation. [Fourteen states](#) have introduced legislation to bar or temporarily halt data center construction, most of which are blue states. In states where Republicans control state government, these bills seem to fail [more often than not](#). When bills are introduced, their sponsors also tend to be Democrats. Even though there may be bipartisan support from voters to restrict data center development, the issue remains a partisan one for elected representatives.

If restrictions on data center construction continue to be issued at the state level, we could see data center developers simply choose to relocate to less restrictive, Republican-controlled states. Tennessee, for example, has been more than happy to host xAI's massive server complexes, and to turn a blind eye to the pollution those facilities are imposing on Memphis' [working-class communities](#). Also in the South,

Louisiana has [adopted a rule suspending some consumer protections](#) to streamline utility projects for data centers in a bid to attract industry to the state, a boon for developers that may well harm regular ratepayers.

Blue states should not want that to happen for a couple of reasons. First, red states (with Texas as a notable exception) remain generally more reliant on fossil fuels for their energy generation. They are also less likely to have green energy procurement goals. This is especially true for the states that have been most welcoming to data center construction. Alabama, Tennessee, and Louisiana, for example, have some of the [lowest renewable energy penetration in the country](#). By driving data centers out of “cleaner” states, blue states risk exacerbating nationwide carbon emissions as energy demand will be filled in fossil fuel-dependent states. Next, enforcement of air pollution standards and other environmental regulations [tends to be weaker](#) in red states. By shifting data centers there, local communities will have to bear comparatively worse environmental pollution, and blue states may still suffer from cross-state air pollution.

And while many of these moratoria are justified on the basis of protecting ratepayers, the interconnected nature of our grid means that a single state can’t necessarily control what rates its residents will be charged. Take the PJM grid: [its region-wide capacity market partially determines prices for all customers within](#) its footprint. Unless each PJM state commits to halting data center construction, a moratorium in one state won’t meaningfully reduce the aggregate capacity that must be paid for. If data centers continue being built in neighboring states, residents could still see their rates increase.

On the positive side, there are real economic benefits associated with data center investment. We should be wary of turning away the construction jobs and locally spent dollars these projects could generate. If harnessed properly, the data center boom could create numerous well-paying jobs, as the IRA funds did in many red states. [Unions in New York have already expressed dismay](#) over the moratorium. A blanket ban leaves an opportunity to deliver jobs and income to constituents on the table.

Ultimately, this is a coordination problem. If only a few states (or even only a few municipalities) implement bans on data centers, these facilities will just be built in the next state over. What we need is coordination between states to prevent a race to the bottom. States could collaborate on setting standards around how data centers’ energy should be supplied, and how the costs of supplying that energy

should be borne. In the meantime, blue states may wish to work with data center developers to try and have facilities built in their state according to strict environmental and fiscal standards, rather than have them migrate a few hundred miles and avoid regulation altogether. The fact that not a single person seems to like data centers gives politicians enormous leverage to extract concessions from developers looking to build facilities as fast as possible. Why not require them to build the types of data centers that could be palatable to Americans, rather than push the issue to a neighboring state?