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SENATE COMMITTEE ON COMMERCE

Proponent, Written-Only Testimony SB 51 – Sales Tax Exemptions for Qualified Data Center Materials

January 30, 2025

**Presented by:
Reagan McCloud, Director of Government Relations
Kansas Electric Cooperatives, Inc.**

Chairman Alley, Vice Chair Owens, Ranking Member Ware, and members of the Senate Committee on Commerce, thank you for the opportunity to submit proponent testimony on behalf of Kansas Electric Cooperatives, Inc. (KEC) and our members concerning SB 51. I am Reagan McCloud, and I serve as Director of Government Relations for KEC, the statewide service association for 29 member, not-for-profit cooperatives providing electric service in 103 of 105 Kansas counties.

KEC supports the intent of SB 51. The future of Kansas relies on embracing technology, connecting our communities, and harnessing the power of data to improve the lives of Kansans. Data centers are not high employment developments, but they represent a large capital investment that can help rural areas of our state greatly. For KEC these data centers represent large volume users of power that—when long term and stable—can drive investment in our grid which provides significant economic benefit to our members.

For these reasons we support the intent of SB 51 to drive the construction of data centers and make Kansas a leader in the next generation of electronic infrastructure in our country. However, we must also sound a note of caution. Not all data centers are the same. There are companies that have built data centers to use computational power for crypto mining and then shut down. Our cooperative members have an obligation—and desire—to serve all customers. Without long-term and stable data center customers, our members could spend limited resources to increase capacity and deliver power, only to have those costs stranded when the customer pulls up stakes.

One possible option would include the committee considering whether there is a mechanism to recapture some of the exempt sales tax if the applicant fails to maintain its investment in Kansas for a certain period of time. We are also open to working with the Department of Commerce and any interested party to help improve SB 51 and protect our members while still doing all we can to encourage data center developers to make their investments in Kansas.

Thank you, Mr. Chairman and members of the committee, for your consideration of our support for and concerns with SB 51.

Reagan McCloud

Director of Government Relations
Kansas Electric Cooperatives, Inc.