STATE OF MISSISSIPPI
DEPARTMENT OF AGRICULTURE AND COMMERCE
ANDY GIPSON
COMMISSIONER

Opinion Column

FOR IMMEDIATE RELEASE: July 20, 2026

Data Centers, Circular Financing, Closed Loop Valuations and the AI Bubble Financial Risk
By Commissioner of Agriculture and Commerce Andy Gipson

Unlike some politicians, I know how to read financial statements. In fact, I spent an entire career reviewing financial statements for investment risks, from the viewpoint of a reasonable investor. Last weekend, I reviewed a major AI player's financial statements for their AI segment, showing they lost $6.4 billion dollars in that segment, in 2025 alone.

The major losses AI companies like these are experiencing stem from their huge data center construction costs, with no significant "Return on Investment." In other words, there's been no profitability up to this point. Most AI companies are financing these data centers with enormous amounts of debt. To fund the debt, many companies are entering into data or compute contracts with related companies. Companies they hold significant interest in. Closed loop valuations and circular financing arrangements allow the bubble to continue to grow.

Thus, a growing concern is in this so-called "AI race" to build so many data centers, will there be a nationwide or global financial crash in the aftermath? In such a scenario, only a couple major players may be left standing.

With growing Wall Street financial concerns of an AI bubble along the lines of the "dot com" bust, or the WorldCom "off-balance sheet" disaster, or the housing market bubble of 2008, policymakers better wake up. But you don't have to take my word for it. The Bank for International Settlements (BIS) just issued a 56-page analysis based on concerns of related party transactions, closed loop valuations and circular financing. You can read a summary and the full report, "The AI investment race," here: https://www.bis.org/publ/work1367.htm.

According to the BIS abstract, "The AI build-out ranks among the largest technology-driven investment booms in U.S. history. Its scale, reliance on debt and circular equity ties, raise questions about the boom's sustainability and financial stability. We study a dynamic contest in which firms competing for a few dominant positions over-commit resources. The over-investment leaves the sector exposed to revenue disappointment that could turn boom into bust. The larger the boom, the deeper the eventual bust. The race to commit early through debt and circular financing also makes a bust more likely. Calibrated to balance sheet and deal data, the model points to over-investment of around 1.5 times the efficient level, rising to around three times where demand is less elastic. A network analysis shows that stress in one firm could cascade to others through chains of financial exposures."

From a July 15, 2026, *Tech Times* article summarizing the BIS report: "BIS has now placed the sustainability of AI investment on the same risk register as persistent inflation, deteriorating fiscal conditions, and global financial fragility. That is a formal systemic designation from the institution that coordinates the world's central banks – not a Wall Street opinion. Whether AI revenues arrive before the structural vulnerabilities of AI financing are tested is the defining economic question of the next three years."

I hope I am wrong, but the growing financial evidence and analysis seems to point to an "AI Bubble" that could lead to serious market reversals. Reversals such as what we saw with Enron and WorldCom – a house of cards comes crashing down.

What then?

As a member of the MDEQ Permit Board, this is a primary reason last week I announced my policy requiring basic water, energy, air quality and financial information and control persons of all data center projects coming before the MDEQ Permit Board. See attached.

My policy is simply this: if Mississippi taxpayers are being asked to invest our tax dollars, incentives, natural resources and utility costs into these projects, we the taxpayers deserve clear and honest answers before those investments are made. Not after. The Mississippi Legislature also deserves those answers.

Under the policy I've just issued, those answers will be provided to my office at least 30 days prior to any public hearing or vote on a future data center MDEQ permit, and I will be reviewing and assessing those risks in advance of the Permit Board meeting on their applications. I will ask questions. And my vote will depend entirely on the answers to those questions, or lack thereof. I'm only one vote out of seven, but I believe I can get some answers on the record.

Why? The People are fed up with all the secrecy surrounding these data centers. Our financial future is at stake, and the People have real and legitimate concerns about water, energy and utility rates, as well as public health concerns. I believe we need transparency and we need answers.

I will require both, because Mississippians deserve to know the risks of our tax dollar investments beforehand, not after the fact. Let's do our proper due diligence now – in advance. Let's learn from the past, and not wait until after it all might come crashing down with a possible mess to clean up.

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Contact: Hannah East, Communications Director
Mississippi Department of Agriculture and Commerce
(601) 359-1179 / (662) 816-3230
E-mail: HannahE@mdac.ms.gov

Photo and Memo attached:

STATE OF MISSISSIPPI
DEPARTMENT OF AGRICULTURE AND COMMERCE

ANDY GIPSON
COMMISSIONER

TO: MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY PERMIT BOARD AND MDEQ STAFF

FROM: COMMISSIONER ANDY GIPSON

DATE: JULY 14, 2026

RE: COMMISSIONER REQUIREMENTS OF FACTUAL INFORMATION FOR ALL DATA CENTER AND RELATED PROJECT MDEQ PERMITS

In my capacity as a statutory member of the Mississippi Department of Environmental Quality ("MDEQ") Permit Board, and pursuant to the provisions of Miss. Code Ann. § 49-17-29(3)(c), this Memorandum sets out information deemed relevant and necessary to me as Commissioner of Agriculture and Commerce for the future consideration of MDEQ permits for the new and emerging data center industry and its potential effects on agriculture and commerce. Effective as of the date of this Memorandum, at least thirty (30) days prior to any public hearing or vote on any MDEQ permit(s) for any data center or related project within the State of Mississippi, I am requiring the following factual information to be provided to the MDEQ Permit Board for my advance review by each data center or related plant operator, to the full extent applicable to any such requested MDEQ permit:

1. WATER IMPACTS

a. Sources and estimated uses of water and types of water for all purposes, including data center cooling purposes and water discharge.

b. Any and all effects on Mississippi water utility ratepayers and availability of water for other purposes in the area.

c. A clear description of the type of water and cooling system utilized by the particular data center.

2. ENERGY AND ELECTRICAL GRID IMPACTS

a. Sources and uses of energy for all purposes, including data center operations.

b. Any and all effects on Mississippi energy utility ratepayers.

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c. A clear description of the type of energy for each plant being utilized, and whether on the electrical power grid or "behind the grid."

d. Any effects on electrical grid reliability for Mississippi rate payers.

3. HEAT/AIR QUALITY/NOISE IMPACTS

a. The known or estimated heat production of the area around the data center upon completion of the project.

b. The known or estimated impact on air quality of the area surrounding the data center and related on-site energy plants upon completion.

c. The known or estimated decibel level of the data center operations and/or any on-site energy plant utilized by the data center upon completion of the project.

4. FINANCIAL STATEMENTS AND OTHER RELEVANT INFORMATION

a. Audited financial statements to include a balance sheet, statements of income, cash flows and stockholders' equity for each of the last two (2) fiscal years, or for the period of the company's existence if less than two (2) years; and unaudited financial statements for any interim period, as of the most recently completed fiscal quarter. If company financial information is publicly available in a registration statement on file with the United States Securities and Exchange Commission ("SEC"), such financial information may be incorporated by reference to any such filings with the SEC.

b. Identification of any person(s) or entity(ies) with the power to direct or cause the direction of the management and policies of the applicant, whether through the ownership of ten percent (10%) or more of voting securities, by contract, or otherwise.

c. The total number of jobs to be created by the data center, upon completion of the project and any on-site energy project, excluding construction jobs.

d. If the data center is a wholesaler of data center services, a complete description of the customers known or expected to be served by the data center, and copies of contracts with such customers.

To the extent applicable, this information should be provided directly by the data center applicant (or by the underlying data center related to another entity's application) to P.O. Box 2261, Jackson, Mississippi 39225 not less than thirty (30) days prior to any public hearing or vote on the related MDEQ permit. The information should be provided pursuant to the provisions of the Mississippi Public Records Act, Miss. Code Ann. § 25-61-1, *et. seq.*

Andy Gipson

Andy Gipson, Commissioner