The Race to Win ~~AI~~ JOBS

The case for building data centers used to be made as a national race against China, and voters have stopped listening to it. The argument that is working is about paychecks, and it is being made by construction unions whose members depend on this work. We think that changes the map: the states and districts where organized labor is strongest are the ones most able to turn local opposition into approved projects, which is why we expect them to add the most new capacity from here, while Texas stays open on tighter terms than it offered a year ago.

IN BRIEF

01 Voters approved 40 of 41 local measures to restrict data centers this month, and in a national poll taken in March, 71% said they would oppose one near their home. The one organized group arguing the other way is the building trades.

02 Data-center construction spending grew 46% in the year to June while the rest of private nonresidential building fell 7.9%. One union's own survey found its members on more than 90% of U.S. data-center projects.

03 In Pennsylvania, support for new data centers rose from 36% to 80% once the projects came with commitments on power costs, tax breaks and union jobs.

04 Texas keeps the country's largest pipeline, about 34 gigawatts, and permitted projects will finish, but new approvals face a pledged pause and conditions that look like those of union states.

Why the argument is changing

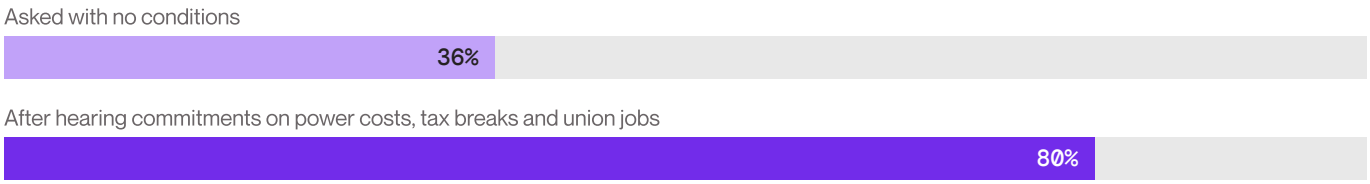
For most of the past two years the case for data centers was made in the language of a race, in which the United States had to build faster than its rivals or lose its lead in artificial intelligence. That case has not survived contact with voters, who worry about power bills, water and deals struck behind closed doors far more than they worry about who leads in AI. What has taken its place is an argument about work, and today's events in Illinois show both sides of it. Nearly 600 advocates were expected at the Capitol in Springfield to support a bill that would make large data centers pay for their own grid connections and contribute to help with household utility bills. The same bill stalled in the spring because unions, industry groups and local officials warned about what it could cost in jobs and tax revenue, and no vote is planned this week.

Why the building trades care this much

The reason is visible in the spending data. Data-center construction grew 46% in the year to June while every other kind of private nonresidential building shrank, which means that for many union locals this is where the growth is. Membership in construction unions rose by 79,000 last year and lifted the unionized share of the industry from 10.3% to 11.1%, the first meaningful gain in years. The unions' own surveys show how much of the work is theirs: the pipefitters' union found its members on more than 90% of the data-center projects in the country, and a contractors' survey puts about one-third of data-center construction under union agreements, which is three times the rate for construction as a whole. In central Ohio, data centers account for at least 40% of the hours worked by building-trades members, and for one electricians' local near Washington the share is at least half.

That dependence has turned into political effort. The number of unions lobbying Congress in favor of data centers rose from one to six over the past year, the largest electrical workers' union asked its 900,000 members to press their representatives against a national moratorium, and several locals have said they will withhold endorsements from candidates who block projects. Labor is not united on this, a point we return to on page three, but the trades are the only organized group in the debate that actively wants these buildings.

EXHIBIT 1 **Conditions move voters from opposed to supportive** PENNSYLVANIA VOTERS · % IN SUPPORT



SOURCE: SUSQUEHANNA POLLING AND RESEARCH, OCTOBER 2026. POLL COMMISSIONED BY AN INFRASTRUCTURE ADVOCACY GROUP.

Why union-heavy states end up ahead

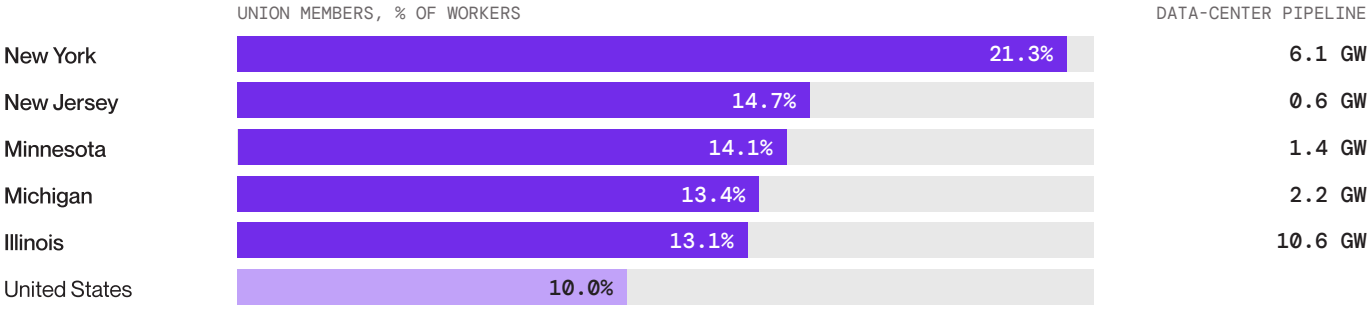
We think the states and districts with the strongest building trades will add the most data-center capacity from here, even though they are also the places writing the most rules. Exhibit 1 shows the mechanism in a single state. Only 36% of likely voters in Pennsylvania supported new data centers when asked cold, and 80% did once the project came with commitments to pay the full cost of its power, give up special tax breaks and create union jobs, with support above 70% among Republicans, Democrats and independents alike. Polling in Ohio by a coalition of developers and unions found the same reversal, from 67% unfavorable to a majority in favor once those pledges were attached.

What a strong labor movement adds is someone at the table with both the motive and the standing to turn a refusal into an approval with terms. Those terms, a labor agreement, full payment for power and public disclosure, are ones the largest developers have already accepted elsewhere, so the negotiation tends to end in a project. New York wrote prevailing wages into its data-center law this year, Ohio's governor-elect campaigned on approving projects that hire union workers and build on industrial land, and in Illinois the governor paused data-center tax credits in July after the bill stalled, which opened talks that include labor. Where no such broker exists, local opposition meets no organized support, and a project is more likely to be turned away than renegotiated.

Which states could follow

If the pattern holds, the next states to move are the ones where labor is large and most of the pipeline is still on paper. Union membership is concentrated, with seven states holding more than half of the country's members, and Exhibit 2 sets the union share of the workforce beside the data-center pipeline for five states where both are meaningful. New York leads the group with 21.3% of workers in a union, followed by New Jersey at 14.7% and Illinois at 13.1%, against a national rate of 10.0%. Illinois is furthest along, with about 10.6 gigawatts in its pipeline and 758,000 union members who have a stake in the bill now in Springfield. New York is the one we would watch most closely, because it combines the highest union share in the group with a pipeline of roughly 6 gigawatts, of which less than half a gigawatt is under construction, and it has already written prevailing wages into law. Michigan and Minnesota sit above the national average as well and have smaller pipelines that are beginning to fill, while Pennsylvania and Ohio are already among the largest markets and have trades councils strong enough to keep the debate on conditions.

EXHIBIT 2 **Strong labor, and room to build** SELECTED STATES



SOURCE: U.S. BUREAU OF LABOR STATISTICS (2025; MINNESOTA AND MICHIGAN 2024); US DATA CENTER MAP, OCTOBER 2026.

Texas stays open, on tighter terms

Texas shows how far this has travelled. It still has the largest pipeline in the country, and the governor-elect has said that projects already holding permits will be allowed to finish, which covers most of what is due through 2027 and a good part of 2028. State regulators have also returned to normal permit reviews after the audit ordered in September, which leaves a window before she takes office on January 19. The state is nonetheless less open than it was a year ago, when a new project needed little more than land and a request to the grid operator. She has pledged to halt new approvals until the legislature, which meets from January to May, writes rules on subsidies, power and water costs, confidentiality agreements and union labor. The most open state in the country is moving toward the terms that union states already use, and that narrows the advantage it has held over them.

How blue states could repair the image of AI

There is an irony here that we think matters well beyond construction. Artificial intelligence has an image problem in the United States, and it runs deepest among voters who lean Democratic: in the March poll cited earlier, 75% of Democrats said they would oppose a data center nearby, against 63% of Republicans, and a survey in July found 63% of voters concerned about AI and only 14% excited by it. For most people the data center is the one part of AI they can actually see, and what they have seen so far is a windowless building that arrived quietly, hired few of their neighbors and seemed to push up their bills. In one national poll in September, nearly a fifth of those opposed to new data centers gave distrust of AI itself as their main reason.

The states now attaching conditions are changing what people see. A project that pays for its own power, publishes its water use and is built under a labor agreement gives a doubtful community a visible stake in the technology, in the form of apprenticeships, paychecks and tax revenue for schools, and it puts the local union hall in the position of vouching for it. In Pennsylvania, support among Democrats reached 75% once those conditions were attached. So the drift of new building toward Democratic-led states, which looks at first like a setback for the industry, may do more to rebuild public consent for AI than any national campaign has managed, and a buildout that has consent behind it is one that can run for longer.

The case against

The opposing case deserves a fair hearing. Public opposition is broad and has been rising all year, and the building trades do not speak for all of labor: teachers' and nurses' unions lobby against data centers, and one poll found a majority of union households in New York opposed to them. Critics are also right that most of the jobs are in construction and not in operation, since one Illinois study counts 688 construction jobs and 50 permanent ones for every $1 billion invested. Union labor and the loss of tax breaks raise the cost of building, and Texas still offers land and power that few states can match.

> "We are dependent on these jobs."
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> BUSINESS MANAGER OF A PIPEFITTERS' LOCAL IN THE WASHINGTON, D.C. AREA · REPORTED AUGUST 2026

None of these objections changes the direction, in our view, and the argument about consent suggests the direction is healthier than the headlines imply. A buildout that spreads into states with strong labor and clear rules is slower to approve and more expensive per site, but it rests on agreements that voters, unions and developers have all signed, which makes it harder to reverse at the next election.

Why we stay constructive

We weigh those points against a plain observation, which is that large projects get built where someone with political standing wants them built. A construction job that lasts two years matters a great deal to a local whose members move from one campus to the next, and the trades say their contracts now run years ahead. That is why we read this month's votes as a change in the terms of the buildout and not as the end of it. Voters asked for projects that pay their own way, and labor asked for the work, and neither of those is a request to stop building. Demand for computing has not fallen, and the capacity will be built somewhere; what is being decided is which states get it and what they ask in return. For investors, we think the lesson is to hold the companies that supply data centers and the grid in every region, from chips and cooling to transformers and switchgear, because they are paid wherever the next campus is approved.

What We Are Watching

DEC 1–3	The last days of the Illinois veto session. A House leader has said January is more likely for a vote, and the signal to watch is whether labor supports the final text.
JAN 19	The Texas governor-elect takes office. What matters is whether the pause on new approvals comes with an end date and how many projects are permitted before then.
JAN–MAY 2027	The Texas legislative session, where any rules on subsidies and labor have to pass a legislature her party does not control.
2027	Labor agreements on newly announced campuses, which are the clearest sign of where developers expect approvals to come most easily.

WHAT DOES THIS MEAN TO CLIENTS?

- The argument for data centers used to be about beating other countries in AI. It is now about jobs, and the people making it are the construction unions whose members build them.
- Voters tend to oppose data centers until the projects come with conditions, such as paying their own power costs and hiring union workers. States with strong unions have someone to negotiate those conditions, so we think they will add the most new capacity.
- Many of those states lean Democratic, where doubts about AI run deepest. Data centers that arrive with union jobs and bill protections could do a lot to improve how Americans feel about the technology.
- Texas is still building and permitted projects will finish, but it is harder to start a new one there than it was a year ago. The buildout is moving around the map, not stopping, and the companies that supply every region benefit either way.

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