Tomorrow's Affairs
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By: TA | AP Insight

Are AI data centers the losers of the American election?



After a campaign season filled with outrage against artificial intelligence data centers, the midterm elections ushered in a wave of Democrats pledging to clamp down on the energy-hungry behemoths.

A tougher regulatory environment for AI giants and data center developers is expected to follow, even if President Donald Trump — perhaps the industry's biggest champion — stalls any federal crackdown.

Data center regulation itself was not on most midterm ballots, and it wasn't among the top issues for most voters.

But hard-line stances against the server warehouses were woven into the platforms of many candidates, including the Democrats who upended longtime Republican control of the governorships in Texas, Ohio, Georgia, Nevada and Iowa, many of which are data center hot spots.

Skepticism of data centers, and their impact on electricity prices, often blended with the fight for affordability — a key campaign talking point for Democrats.

In Texas, Clayton Tucker, the first Democrat elected state agriculture commissioner since 1986, said his pledge to fight data center development was critical to his victory.

Everywhere he went, he said, ranchers worried that data centers posed an existential threat to their dwindling water supplies.

"You know, there's an old saying around here that 'whiskey's for drinking and water's for fighting,'" Tucker told The Associated Press. "And that's exactly what happened."

Data centers were a persistent bogeyman in attack ads

According to data from AdImpact, campaigns large and small spent more than $380 million on television ads mentioning data centers.

Democrats outspent Republicans on the topic by a more than 3-to-1 ratio.

Sweeping wins by Democrats could have far-reaching implications for data centers.

Besides taking control of Congress, Democrats flipped at least five governors' offices and took full control of state governments in five more states: Wisconsin, Minnesota, Pennsylvania, Nevada and Michigan.

Data Center Watch, a project of AI security consultancy 10a Labs, said it tracked winning candidates for Congress and governorships and found the vast majority had expressed support for stronger regulation or even a moratorium.

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Among governors, 32 of the 34 victorious candidates in races where AP called a winner support stronger regulation or restrictions. Twelve of the 34 support bans or moratoriums, it said.

During the campaign, Wisconsin Gov.-elect David Crowley, a Democrat, changed his position under pressure from his Republican opponent to take a harder line against data centers.

Initially opposed to any moratorium, Crowley later said he supported one as well as abolishing the state's sales tax exemption for data center operators and developers.

In an interview Thursday with AP, Crowley said he's having discussions now about what he'll propose once he takes office.

In the mix are things like requiring developers to disclose more about their water and energy consumption, ensuring a community supports a project before it can go forward and insulating ratepayers and taxpayers from the energy costs of the projects, Crowley said.

The industry sees a need to build trust

AI giant OpenAI published a framework Thursday enumerating new commitments to the communities where it develops data centers.

The company said it was asking federal, state and local policymakers to write “clear rules for how the industry builds.”

“Lawmakers should establish rules to advance responsible investment, protect residents, and ensure that the benefits of AI infrastructure are broadly shared,” the post said.

An industry association, the Data Center Coalition, echoed the sentiment that developers need to keep trying to build trust with public officials and communities.

> The industry is aware many midterm winners have vowed to impose a moratorium - Dan Diorio

A coalition official, Dan Diorio, said the industry is aware many midterm winners have vowed to impose a moratorium.

“We should expect them to want to deliver on those promises, but there are going to be real world consequences of that,” Diorio said in an interview.

Those consequences, Diorio said, could include host communities missing out on tax revenue or payments from tech companies.

Data centers are also driving a broader economic expansion that encourages investment in domestic manufacturing, he said.

Wall Street sees red lights ahead after the election

The election of data center skeptics adds challenges to stock markets riding high on the AI boom.

On Thursday, the Nasdaq, which is full of AI-related and other tech stocks, sank 11% below its all-time high amid worries that data center construction may slow because it’s getting costlier to borrow money.

AI data center construction is driving much of the U.S. economy’s growth, and any slowdown could have a broader chilling effect.

In an analyst report, Morgan Stanley said decisive results for Democrats carry "greater expectations for data center restrictions" that, under new state regulations, could “split the country into areas that are open to new data centers and those without.”



Gina Hinojosa has said she’d block a permit for a data center if it wasn’t a good deal for Texans

It singled out Texas' election of Democrat Gina Hinojosa for governor as the “most important election result" for data center development.

Hinojosa has said she’d block a permit for a data center if it wasn’t a good deal for Texans or residents hadn’t gotten a say in the matter.

She defeated Republican Gov. Greg Abbott, who had touted Texas as "the epicenter of AI development” before trying to clamp down on it late in the campaign.

Morgan Stanley also said Ohio's election of Democrat Dr. Amy Acton as governor “creates significant risk of data center project delays in the state.” Acton has pledged to block a data

center project unless it meets certain standards.

Voters in local referendums cast ballots overwhelmingly in favor of restricting data centers, according to an analysis by polling and data science firm Redbud Consulting.

Redbud tracked 47 referendums in 44 municipalities in 12 states, including 21 in Ohio alone, eight in Maine, seven in Illinois and four in Kansas.

Restrictions were approved in 44 of the 45 elections where counting was complete, Redbud reported.

Most voters don't want a data center built near them

About three-quarters of U.S. voters oppose the construction of a new data center in their community, according to The AP Voter Poll.

In red and blue states alike, majorities of voters were opposed to adding a data center where they live.

Support was higher in some traditionally red states, including Wyoming, West Virginia, Louisiana and Mississippi.

In Texas, voters in the Senate race were similarly likely to say they oppose a new data center being built in their community.

> Texans were especially attuned to the issue because of talk that data centers pose a threat to their electricity and water in the drought-stricken state - Stephen Sanders

Despite voters' deep opposition to data centers near them, The AP Voter Poll suggests it was not a particularly motivating issue in this election.

About one-quarter of U.S. voters said AI data centers were "crucial" to their vote for Congress, which is well below the shares that said government corruption or the cost of living were highly important to their vote.

Texas is poised to overtake northern Virginia as the largest global data center market by 2030, according to a report by commercial real estate giant JLL.

In the campaign, Hinojosa aggressively attacked Abbott as having rolled out the welcome mat for data centers.

Stephen Sanders, a Republican who co-founded a data center protest group in Lubbock, said Texans were especially attuned to the issue because of talk that data centers pose a threat to their electricity and water in the drought-stricken state.

"I would say data centers were on the ballot," Sanders said.