

THE TEXAS AI MACHINE

How artificial intelligence is reindustrializing
America through Texas.

INSIDE THIS REPORT

OVERVIEW	04
KEY TAKEAWAYS	05
INTRODUCTION	06
PART ONE — THE AI REVOLUTION IS A CONSTRUCTION STORY	12
PART TWO — THE AI REVOLUTION IS AN ENERGY STORY	13
PART THREE — THE AI REVOLUTION IS A MANUFACTURING STORY	15

PART FOUR — THE AI REVOLUTION IS A MAIN STREET STORY	17
PART FIVE — THE GEOGRAPHY OF AMERICAN AI	19
PART SIX — WHAT TEXAS SHOULD DO NOW	21
CONCLUSION	22
METHODOLOGY & APPENDIX	24

OVERVIEW

Artificial intelligence is often described as a software revolution, but Texas shows that it is equally an energy, construction, manufacturing, and workforce breakthrough. The state is becoming a critical hub for the physical infrastructure that enables AI, from data centers and semiconductor facilities to power generation, transmission, logistics, and advanced manufacturing. Those systems connect in Texas to create a broader economic opportunity for businesses and communities. Texas must lead the way in taking intentional steps to address emerging constraints that ensure the benefits of AI-driven growth extend beyond major technology companies and to the hands of every American.

KEY TAKEAWAYS

State of Play

Texas is already competing across the full AI value chain. The state has more than \$140 billion in major announced investments, ranks second nationally in AI job postings, and is seeing widespread adoption among businesses across the state.

Main Challenge

The state's opportunity depends on whether Texas can expand and modernize the physical and institutional systems beneath AI, especially power generation, transmission, grid interconnection, workforce training, and local infrastructure, fast enough to keep pace with demand.

Path Forward

Texas should build the grid that powers AI, help small businesses and workers adopt the technology, require major projects to demonstrate public value, improve economic transparency, and use the government as a responsible first customer.

INTRODUCTION

MOST PEOPLE PICTURE ARTIFICIAL INTELLIGENCE AS SOMETHING THAT APPEARS ON A SCREEN. A CHATBOT ANSWERS A QUESTION.

A MODEL WRITES A MEMO. A PROGRAM ANALYZES A FILE. IN THE PUBLIC IMAGINATION, AI FEELS WEIGHTLESS.

Texas shows why that image is wrong.

Before AI reaches a screen, someone has to pour concrete. Someone has to build a substation. Someone has to manufacture chips. Someone has to run transmission lines, cool data centers, wire buildings, move freight, train technicians, secure networks, and keep power flowing. The AI revolution is not floating above the real economy. AI is becoming part of the real economy.

| That is the story Texas is beginning to tell.



In Abilene, crews are building an AI data-center project on a scale that would have seemed improbable for the city even one generation ago. Project Radiance is described by the Development Corporation of Abilene as an eight-building, 4 million-square-foot AI data-center expansion with a \$47 billion investment, 400 direct jobs, and more than \$4 billion in estimated direct and indirect economic impact to the community over 20 years.¹

In Taylor, thousands of construction workers are building semiconductor facilities tied to AI, high-performance computing, defense, aerospace, automotive, and consumer technology. Samsung Austin Semiconductor's 2024 economic-impact report says the Taylor campus generated 8,868 direct onsite construction jobs, 9,768 indirect and induced jobs, and \$8.61 billion in total construction output in 2024.²

In Houston, AI is not an abstraction. It is giving doctors time back. Houston Methodist reports that roughly 500 doctors use ambient-listening AI in outpatient settings. Some of these doctors report two to four hours less daily note-writing time, 90% are better able to engage with patients, and 92% of doctors say the technology saves time in charting.³

In Dallas, AI is beginning to move freight. Aurora launched a commercial driverless trucking service in Texas in May 2025. Within the first week, the service had made regular driverless customer deliveries between Dallas and Houston and completed more than 1,200 miles without a driver.⁴

The hard work of building this infrastructure is beginning to pay dividends for Texans as the human experience of AI becomes more than mere chatbots.

This is just some of the early data showing the growing story of the future of AI in Texas.

The central thesis of this report is simple: Texas is not just adopting AI. Texas is building the physical economy that makes AI possible and that promises to make the lives of Texans, and indeed all Americans, better off.

While California had a head-start in building the software era, Texas will build the infrastructure era. That is not a slogan. Economic research has revealed for decades that innovation happens where the local conditions make building and collaboration possible, and Texas is positioned to be a central hub. The state has the ingredients that are all in high demand for leading-edge AI deployment: energy, land, construction capacity, industrial labor, semiconductor investment, data-center growth, logistics corridors, advanced hospitals, major companies, universities, public institutions, and more than 3.5 million small businesses.⁶

The scale is already difficult to ignore. A conservative floor from four named AI or AI-adjacent Texas projects and commitments exceeds \$140 billion: Google's \$40 billion Texas cloud and AI infrastructure investment through 2027,⁷ Abilene's \$47 billion Project Radiance expansion,⁸ Hut 8's approximately \$17 billion first two Beacon Point phases in Nueces County,⁹ and Samsung's statement that it will invest more than \$37 billion in the Central Texas region in the coming years.¹⁰

The workforce signal is also clear. Stanford's 2025 AI Index found that Texas recorded 57,785 AI job postings in 2024, second only to California and representing 8.77 percent of all U.S. AI job postings.¹¹ At the same time, AI is spreading far beyond the technology sector. Dallas Fed survey data show that 59.1 percent of Texas Business Outlook Survey respondents used AI in May 2025, up from 38.3 percent in April 2024.¹²

This is why the Texas story matters now. Infrastructure is being allocated now. Energy deals are being signed now. Workforce pipelines are being built now. Semiconductor and data-center supply chains are being established now.

¹ Development Corporation of Abilene, <https://developabilene.com/2025/05/01/project-radiance-powering-the-future-of-ai-in-abilene-texas/>

² Samsung Austin Semiconductor, https://download.semiconductor.samsung.com/resources/others/Samsung_Austin_Semiconductor_2024_Economic_Impact_Report_10149411000944.pdf

³ Houston Methodist, <https://www.houstonmethodist.org/leading-medicine-blog/articles/2025/sep/ambient-tech-in-hospitals-lightening-the-note-taking-load/>

⁴ Aurora, <https://ir.aurora.tech/news-events/press-releases/detail/119/aurora-begins-commercial-driverless-trucking-in-texas-ushering-in-a-new-era-of-freight>

⁵ <https://laweconcenter.org/resources/infrastructure-is-destiny-the-geography-of-the-next-technology-race/>

⁶ SBA Office of Advocacy, https://advocacy.sba.gov/wp-content/uploads/2025/06/Texas_2025-State-Profile.pdf

⁷ Google, <https://blog.google/company-news/inside-google/company-announcements/google-american-innovation-texas/>

⁸ Development Corporation of Abilene, <https://developabilene.com/2025/05/01/project-radiance-powering-the-future-of-ai-in-abilene-texas/>

⁹ Hut 8, <https://www.hut8.com/data-centers/beacon-point>

¹⁰ Samsung Austin Semiconductor, https://download.semiconductor.samsung.com/resources/others/Samsung_Austin_Semiconductor_2024_Economic_Impact_Report_10149411000944.pdf

¹¹ Stanford HAI AI Index, https://hai.stanford.edu/assets/files/hai_ai-index-report-2025_chapter4_final.pdf

¹² Dallas Fed, <https://www.dallasfed.org/research/economics/2025/0717>

Small businesses are deciding now whether AI will be a tool they use or a capability only larger competitors can afford. The winners of the AI decade will not be chosen after the technology is mature. They are being chosen while the physical economy around AI is still being built.

If Texas succeeds, the country will learn something important: AI is not only a software revolution, it is an American industrial opportunity. It is a chance to build, power, manufacture, deploy, and commercialize the next generation of technology with American workers and American infrastructure.

AI IS ABOUT MUCH MORE THAN SOFTWARE

Software is the last visible link in a much longer chain when it comes to AI. Before an AI tool writes a sentence, reads an X-ray, optimizes a route, drafts a contract, answers a customer, or helps a small business produce an estimate, it needs a physical system to exist beneath it.

That system includes power plants, transmission lines, substations, semiconductor fabs, advanced packaging, data centers, cooling systems, fiber routes, construction crews, electricians, logistics networks, cybersecurity teams, technicians, and public agencies capable of permitting and managing growth. The more powerful AI becomes, the more important that physical system becomes. Moreover, AI promises to power much more than just AI.

Economists have a name for technologies like this: general-purpose technologies. These are the rare innovations, like the steam engine, electricity, and the computer, that reshape the whole economy, not just a single industry.¹³ What makes them transformative is not the core invention but everything others build on top of it. That same generality runs downward as well as upward: because a general-purpose technology touches so much of the economy, it also becomes a consumer and demand driver of generalized inputs – energy, materials, capital, and skilled labor – on a scale that reshapes the industries feeding it.¹⁴ AI behaves the same way. It is less a finished product than a platform: its value compounds as businesses, developers, hospitals, and public agencies invent new uses around it, and its ability to perform this function is dependent on a large array of infrastructure and raw material inputs.

It is helpful to put this into context. On the output side, one analysis found the share of U.S. work tasks meaningfully affected by large language models rises from roughly 15 percent to between 47 and 56 percent once the software and tools built on top of the models are counted.¹⁵ In effect, that means the consumption value of AI is relatively low as compared to how AI augments subsequent software and business processes.

On the input side, history is a helpful guide. General-purpose technologies tend to pay off only when paired with generalized inputs: the infrastructure, capital, skilled labor, and organizational change that let the core technology do real work. Electricity was available for decades before it showed up in

factory productivity, because firms first had to rebuild their operations around it.¹⁶ AI is no different, and the generalized inputs it depends on are stubbornly physical: power, chips, data centers, fiber, and the workers to build and run them. That is how an abstract software breakthrough becomes a concrete industrial opportunity, and why the places that supply those inputs, not only the labs that train the models, will help decide how the technology pays off.¹⁷

Texas is critical in this context because it is a strong driver to the inputs that are often silently essential to developing and deploying AI. Oil fields are not usually described as part of the AI economy, neither are transmission corridors, freight routes, chip fabs, construction sites, electricians, or water-planning debates, but they must be added to this discussion because AI cannot scale without them.

That is the surprise within this report: the AI revolution is also a construction story, an energy story, a manufacturing story, a logistics story, and a workforce story.

Texas is not merely a place where AI products will be used. Texas is becoming one of the places where the AI economy is being assembled.

This reframing matters politically. As only a software story, AI belongs to a narrow set of companies and workers. If it is an industrial story, it belongs to construction workers, energy producers, manufacturers, truckers, nurses, doctors, small-business owners, public servants, students, and communities trying to capture the next wave of American growth.

THE TEXAS AI MACHINE

The AI Story in Texas should be understood as a machine. A machine where energy becomes power, power feeds data centers, data centers create compute, compute trains and runs AI models. Those AI models become tools that raise productivity in small businesses, hospitals, manufacturers, logistics companies, public agencies, and professional services.

The machine is not automatic. Every link can become a bottleneck. Power can be unavailable. Transmission can lag. Chip supply can tighten. Data centers can strain local infrastructure. Workers can lack training. Small businesses can be left behind. Public agencies can move too slowly. The policy challenge is to strengthen the whole machine, not just one piece of it.

¹³ <https://www.nber.org/papers/w4148>

¹⁴ By generating massive derived demand for their inputs, platform-scale AI pulls both demand and innovation upstream — “boosting demand for critical inputs” and “upstream suppliers.” <https://www.federalreserve.gov/econres/notes/feds-notes/the-global-trade-effects-of-the-ai-infrastructure-boom-20260213.html> At the same time, scale and knowledge spillovers also lower input costs over time: semiconductor manufacturing runs on a steep experience curve so sustained demand “amplif[ies] and accelerat[es] cost reductions as experience accumulates.” https://www.nber.org/system/files/working_papers/w32651/revisions/w32651.rev0.pdf On upstream demand, nowhere is this more evident currently than in the energy industry. See <https://arxiv.org/pdf/2509.07218> (“The rapid growth of artificial intelligence (AI) is driving an unprecedented increase in the electricity demand of AI data centers”).

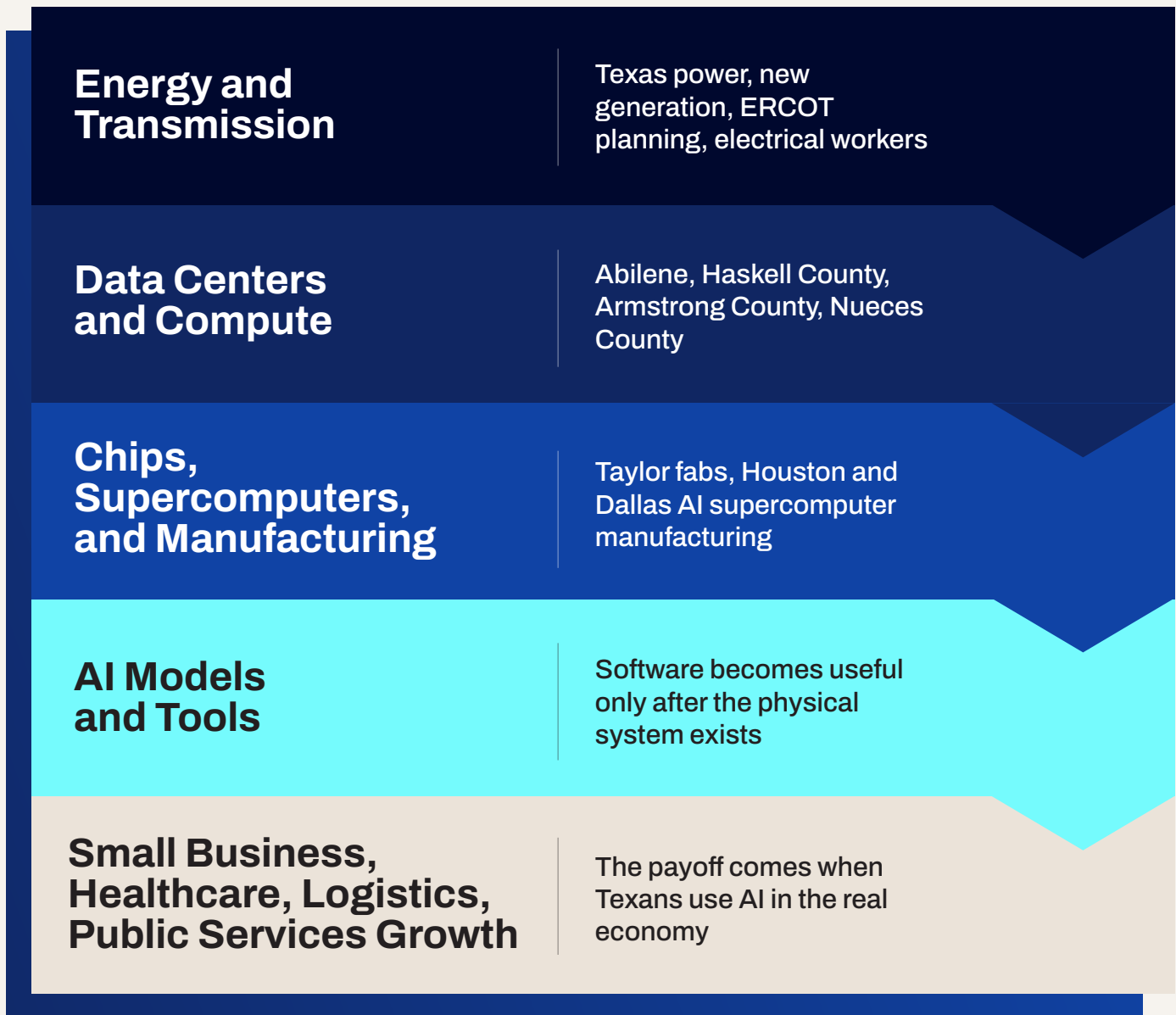
¹⁵ <https://arxiv.org/abs/2303.10130>

¹⁶ https://www.nber.org/system/files/working_papers/w11093/w11093.pdf

¹⁷ <https://laweconcenter.org/resources/infrastructure-is-destiny-the-geography-of-the-next-technology-race/>

That is what makes Texas different. The state has shown that it can compete across the whole chain. It can power AI, build AI infrastructure, manufacture AI hardware, move goods through AI-enabled logistics corridors, commercialize AI tools, and spread adoption to small businesses and public institutions. Few states can make that claim at the same scale.

The Texas AI Machine | AI is not just a software. In Texas, it is an industrial system



THREE NUMBERS THAT EXPLAIN TEXAS AI

Three numbers explain why Texas is becoming one of the places that will define the future of AI in America.

More than \$140B

WHAT IT MEANS

A conservative floor from four named AI or AI-adjacent Texas projects and commitments: Google,¹⁸ Project Radiance¹⁹, Hut 8 Beacon Point²⁰, and Samsung's Central Texas investment plans²¹

WHY IT MATTERS

AI is already becoming one of Texas's defining industrial-development stories.

57,785

WHAT IT MEANS

Texas AI job postings in 2024, second-most among states and 8.77 percent of all U.S. AI postings²²

WHY IT MATTERS

Texas is already a national labor market for AI skills.

Roughly 1.86M

WHAT IT MEANS

Estimated Texas small businesses already using an AI platform, based on the SBA's small-business count and the Chamber's Texas AI-platform adoption figure.²³

WHY IT MATTERS

AI is not only a big-company story. It is becoming a Main Street productivity tool.

Considered together, these numbers are not just a collection of facts; they describe an ecosystem. Capital is building the infrastructure. Employers are hiring the workforce. Small businesses are beginning to use the tools. Not simply AI adoption, economic transformation.

¹⁸ <https://blog.google/company-news/inside-google/company-announcements/google-american-innovation-texas/>

¹⁹ <https://developabilene.com/2025/05/01/project-radiance-powering-the-future-of-ai-in-abilene-texas/>

²⁰ <https://www.hut8.com/data-centers/beacon-point>

²¹ https://download.semiconductor.samsung.com/resources/others/Samsung_Austin_Semiconductor_2024_Economic_Impact_Report_10149411000944.pdf

²² https://hai.stanford.edu/assets/files/hai_ai-index-report-2025_chapter4_final.pdf

²³ According to the Chamber of Commerce, 53% of small businesses in Texas currently use an AI platform. <https://www.uschamber.com/assets/documents/20251621-CTEC-Empowering-Small-Business-Report-2025-v1-r10-Digital-FINAL.pdf> The Texas SBA Office of Advocacy reports that there are 3,517,343 small businesses in the state. https://advocacy.sba.gov/wp-content/uploads/2025/06/Texas_2025-State-Profile.pdf

PART ONE

THE AI REVOLUTION IS A CONSTRUCTION STORY

In Abilene, AI takes the form of construction.

The scale is hard to fit into the usual mental picture of artificial intelligence. Project Radiance is described locally as eight data-center buildings, 4 million square feet under construction, and a \$47 billion investment.²⁴ It is the kind of project that changes traffic patterns, land use, contractor demand, local tax projections, workforce needs, and how a city understands its place in the national economy. That is what makes Abilene such a powerful case. A city associated with cattle, oil, rail, and military strength is becoming part of the global AI economy. This is not the old story of technology concentrating only in a few elite software hubs. It is a new story about physical communities becoming essential to digital infrastructure.

The local stakes are concrete. The Development Corporation of Abilene estimates that the full eight-building expansion would generate \$22.6 million in annual property-tax revenue for the City of Abilene and \$18.0 million for Taylor County for 20 years once complete.²⁵ Those figures are not abstractions to a city government. They fund roads, schools, emergency services, water planning, housing, and the ability of a community to invest in itself.

The opportunity is real, but so is the tension. Large AI campuses can create tax revenue and skilled work, but they can also strain infrastructure, utility planning, housing, and local services. A serious AI policy cannot simply celebrate investment. It has to ask whether communities are prepared to absorb it, whether local workers can access the jobs it creates, and whether public incentives produce visible public value.

That is why Abilene should become a model, not just a headline. If smaller American cities are going to host the infrastructure of the AI economy, they need workforce partnerships, transparent fiscal reporting, community-benefit planning, local supplier pathways, and honest accounting of infrastructure costs. The construction story is inspiring because it is physical. It is also urgent because physical growth has consequences.

PART TWO

THE AI REVOLUTION IS AN ENERGY STORY

Every serious AI strategy is eventually premised upon an equally serious energy strategy.

AI models do not run on optimism. They run on power. Data centers need electricity, transmission, cooling, substations, interconnection, backup capacity, and long-term planning. That reality simultaneously gives Texas an advantage, and creates the state's most important bottleneck.

Google's Texas announcement makes the link clear. Google announced a \$40 billion Texas investment through 2027 to build cloud and AI infrastructure, including new data center campuses in Armstrong County and Haskell County.²⁶ Some of the company's promises to the state are that one Haskell County data center will be built alongside a new solar and battery storage plant, that it is creating a \$30 million Energy Impact Fund, that it will train existing electrical workers and more than 1,700 apprentices in Texas by 2030, and that it has contracted more than 6,200 megawatts of new energy generation and capacity through power purchase agreements.²⁷

That is what the AI economy now requires; it needs an energy plan, not just a server farm. Texas is well-suited for that challenge because they understand energy abundance, grid debates, large loads, and the politics of building. They know that the scale of AI demand means Texas cannot treat power as a background condition, it is part of the product.

The pressure is already visible. Reuters reported in June 2026 that Texas regulators approved an ERCOT framework to manage large-load power demands, with ERCOT tracking more than 438,000 MW of large-load requests and nearly 89 percent tied to data centers.²⁸ Not every request will become a real project, but the size of the queue shows the stakes.

The challenge is not only how much power these loads draw but how they behave, and this is where Texas is again ahead of the problem. For instance, because large loads, like those found in AI data center-dense areas, can drop offline in an instant, ERCOT has documented fault events in which the

²⁴ Development Corporation of Abilene, <https://developabilene.com/2025/05/01/project-radiance-powering-the-future-of-ai-in-abilene-texas/>

²⁵ Development Corporation of Abilene, <https://developabilene.com/2025/05/01/project-radiance-powering-the-future-of-ai-in-abilene-texas/>

²⁶ Google, <https://blog.google/company-news/inside-google/company-announcements/google-american-innovation-texas/>

²⁷ Google, <https://blog.google/company-news/inside-google/company-announcements/google-american-innovation-texas/>

²⁸ Reuters, <https://www.reuters.com/legal/litigation/texas-regulators-approve-framework-manage-data-centers-power-demands-2026-06-18/>

sudden loss of more than 2,600 megawatts moved system frequency enough to threaten reliability.²⁹ Rather than wait for a crisis, Texas is writing the rulebook other grids will soon need: ERCOT is moving toward “ride-through” standards so large loads help stabilize the grid³⁰, and the state’s 2025 Senate Bill 6 already requires big new loads to curtail and rely on backup generators during emergencies.³¹ The same scale that can create the problem is making Texas the first place to solve it.

The political choice is not between AI and the grid. The choice is whether Texas builds the grid fast and intelligently enough to support the AI economy without undermining reliability or public confidence. That means credible queue management, new generation, transmission planning, demand response, water-aware siting, and clear rules for who pays for upgrades.

If Texas gets this right, energy becomes a national AI advantage. If they get it wrong, energy becomes the limiting factor on the state’s AI leadership, making it necessary for AI policy in Texas to begin with energy policy.

²⁹ <https://arxiv.org/abs/2509.07218>

³⁰ <https://arxiv.org/abs/2509.07218>

³¹ <https://legiscan.com/TX/text/SB6/id/3248460> ³² Samsung Austin Semiconductor, https://download.semiconductor.samsung.com/resources/others/Samsung_Austin_Semiconductor_2024_Economic_Impact_Report_10149411000944.pdf

PART THREE

THE AI REVOLUTION IS A MANUFACTURING STORY

AI may appear as software, but its supply chain begins in factories.

The most advanced AI systems require specialized chips, high-performance computing hardware, networking equipment, power systems, cooling systems, and increasingly complex manufacturing ecosystems. A country that cannot build a larger industrial base will struggle to lead the AI era, no matter how many models it trains.

Taylor makes that point visible. Samsung Austin Semiconductor's 2024 economic-impact report says the Taylor campus construction generated 8,868 direct onsite construction jobs, 9,768 indirect and induced jobs, and \$8.61 billion in total construction output in 2024.³² Samsung states that the Taylor facility will expand U.S. capacity to manufacture essential chips across industries, including AI, high-performance computing, automotive, defense, aerospace, and consumer technology.³³

NVIDIA is building advanced manufacturing plants in Texas with Foxconn in Houston and Wistron in Dallas.³⁴ Those plants are now coming online roughly on schedule: the Houston site began assembling NVIDIA's GB300 NVL72 AI servers in early 2026 (reportedly the first NVIDIA products built with humanoid robots on the line)³⁵ and NVIDIA has booked Wistron's Dallas capacity through 2026.³⁶

This is the reindustrialization story hidden inside the AI story. Chips in Taylor. AI supercomputers in Houston and Dallas. Data centers in Abilene, Armstrong County, Haskell County, and Nueces County. Energy and transmission across the state. Logistics corridors connecting it all.

And independent evidence is beginning to test the announced numbers. A county-level analysis of the CHIPS and Science Act found robust early semiconductor employment gains on the order of an 11.8 to 12.7 percent increase over pre-Act levels, or roughly 15,000 to 16,000 direct semiconductor jobs nationally so far, plus another 15,000 to 30,000 in related sectors.³⁷ Those are real jobs that tend to concentrate in counties with fabrication facilities like Texas's, and they are only the first returns on a decade-long buildout.

More broadly, the national backdrop underscores the importance of this development. Industry figures compiled by the Semiconductor Industry Association show America's share of global chip-manufacturing capacity fell from 37 percent in 1990 to about 10 percent by 2022; in response, more than 100 projects across 28 states have been announced, representing over half a trillion dollars in private investment and a projected tripling of U.S. chipmaking capacity by 2032.³⁸ One major constraint will decide how much of that reindustrialization reaches Texas. The industry projects a shortfall of 67,000 technicians, computer scientists, and engineers by 2030, part of a 1.4 million-worker gap across the broader economy, which makes Texas's efforts to support a semiconductor workforce pipeline essential rather than optional.³⁹

TEXAS SEMICONDUCTOR WORKFORCE EFFORTS

Development of semiconductor training centers, advancement of curriculum and credentialing, and grants extended to colleges offering semiconductor technician programs.



Joint Semiconductor Training Center shared by University of Texas at Austin, Austin Community College District, and Texas Institute for Electronics.



\$3.5 million grant given to the Texas State Technical College for the Accelerated Semiconductor Technician Training Program.

Thus, the system is not guaranteed to succeed. Supply chains can be fragile. Workforce gaps can slow projects. Local communities can resist growth if they do not see benefits. International competition can shift investment.

But the opportunity is clear: Texas can be a place where America builds the material base of the AI age.

³³ Samsung Austin Semiconductor, https://download.semiconductor.samsung.com/resources/others/Samsung_Austin_Semiconductor_2024_Economic_Impact_Report_10149411000944.pdf

³⁴ <https://blogs.nvidia.com/blog/nvidia-and-partners-build-in-america-for-america/>; NVIDIA, <https://blogs.nvidia.com/blog/nvidia-manufacture-american-made-ai-supercomputers-us/>

³⁵ <https://www.assemblymag.com/articles/99628-foxconn-to-deploy-humanoid-robots-on-production-line-at-houston-ai-server-plant>

³⁶ <https://finance.yahoo.com/news/wistron-says-u-nvidia-server-195840749.html>

³⁷ https://www.nber.org/system/files/working_papers/w34625/w34625.pdf

³⁸ <https://www.semiconductors.org/wp-content/uploads/2025/07/SIA-State-of-the-Industry-Report-2025.pdf>

³⁹ <https://www.semiconductors.org/wp-content/uploads/2025/07/SIA-State-of-the-Industry-Report-2025.pdf>

PART FOUR

THE AI REVOLUTION IS A MAIN STREET STORY

The most common mistake in AI politics is to talk only about the frontier. Of course, frontier labs, large data centers, and semiconductor fabs matter, but the economic payoff comes when ordinary firms use AI to do ordinary work better.

This is where it becomes easier to see AI as a general-purpose technology. Like electricity or the personal computer before it, AI produces most of its value not as a standalone product but as a platform to build upon.⁴⁰ For an ordinary business, an AI model itself is almost beside the point; what matters is the growing stack of applications, tools, and workflows layered on top of it that allow real people to get real work done.

The scale of that leverage is easy to underestimate. One analysis found that large language models on their own could meaningfully affect about 15 percent of U.S. work tasks,⁴¹ but once the software and tools built on top of them are counted, that share jumps to between 47 and 56 percent.⁴² In other words, AI's value as a raw tool is modest next to its value as a platform that augments the software and business processes already run by firms. That is why adoption, not invention, is where the Main Street payoff lives.⁴³

That is already happening in Texas. In May 2025, 59.1 percent of Texas Business Outlook Survey respondents reported using either traditional or generative AI, up from 38.3 percent in April 2024.⁴⁴ Generative AI use rose from 20 percent in April 2024 to 36 percent in May 2025, and the Dallas Fed noted that generative AI reached that adoption level in its first three years, compared with the four years the first mass-market internet product took to reach a 36% adoption rate.⁴⁵

This is not an abstract adoption curve. It is a quiet change in how businesses operate. A contractor can draft estimates faster. A retailer can quickly write product descriptions. A clinic can reduce documentation. A manufacturer can flag anomalies. A logistics firm can optimize dispatch. A bookkeeper can reconcile records. A local government can answer routine questions faster. A family business can obtain capabilities that once required a large corporate staff.

The small-business numbers make the point. The SBA counts 3,517,343 Texas small businesses and 5,108,008 small-business employees in the state.⁴⁶ The U.S. Chamber reports that 53 percent of Texas small businesses currently use an AI platform, 40 percent use generative-AI chatbots, and 77 percent believe AI will help their businesses in the future.⁴⁷

Applied to the SBA's business count, the Chamber's 53 percent adoption figure implies roughly 1.86 million Texas small businesses already use an AI platform.⁴⁸ While not a state administrative count, this estimate is directionally important. AI is no longer only a tool for the largest companies.

The workforce story is also more optimistic than suggested by the public debate. In the Dallas Fed's May 2025 survey, only around 8 percent of respondents said generative AI decreased their need for workers, while a large majority of firms using generative AI said it increased productivity.⁴⁹ A National Bureau of Economic Research study of 5,179 customer-support agents found that access to a generative AI assistant increased productivity by 14 percent on average, with novice and lower-skilled workers improving 34 percent.⁵⁰

That same study found an effect that matters for a fast-growing state: access to the AI assistant cut attrition among the newest agents (those with under six months on the job) by about 40 percent, as the tool spread experienced workers' know-how to novices.⁵¹ Lower turnover and faster on-ramping are exactly the workforce gains that a growing Texas economy needs.

The firm-level evidence points in the same direction. A 2026 study linking observed AI spending at 21,559 U.S. firms to detailed workforce records found that AI adoption is associated with higher employment, especially among intensive adopters: firms making the largest AI investments grew employment by roughly 10 percent after adoption, including a 12 percent rise in entry-level headcount, and the authors report "no evidence that AI adoption is producing layoffs."⁵² Adoption is now broad rather than niche: as of late 2024, nearly 40 percent of Americans aged 18 to 64 used generative AI, and adoption at work spread faster than the personal computer did.⁵³

That does not mean transition will be painless. Dallas Fed research has found early evidence that AI may substitute for more codifiable, often entry-level tasks while complementing higher-experience work that relies on tacit knowledge.⁵⁴ The right response is not to slow adoption. It is to help Texans learn to work with AI as AI augments existing jobs and creates new types of jobs.

⁴⁰ <https://www.nber.org/papers/w4148>

⁴¹ <https://arxiv.org/abs/2303.10130>

⁴² <https://arxiv.org/abs/2303.10130>

⁴³ The Dallas Fed summarizes outside estimates that AI adoption could boost productivity growth by 0.3 to 3.0 percentage points annually in the decade after widespread adoption. Applied to Texas's \$2.904 trillion gross state product, even that range's floor implies roughly \$8.7 billion in additional annual output — the midpoint, roughly \$43.6 billion. These are scale illustrations, not forecasts.

⁴⁴ Dallas Fed, <https://www.dallasfed.org/research/economics/2025/0717>

⁴⁵ Dallas Fed, <https://www.dallasfed.org/research/economics/2025/0717>

⁴⁶ SBA Office of Advocacy, https://advocacy.sba.gov/wp-content/uploads/2025/06/Texas_2025-State-Profile.pdf

⁴⁷ U.S. Chamber of Commerce, <https://www.uschamber.com/technology/empowering-small-business-the-impact-of-technology-on-u-s-small-business>

⁴⁸ SBA Office of Advocacy, https://advocacy.sba.gov/wp-content/uploads/2025/06/Texas_2025-State-Profile.pdf; U.S. Chamber of Commerce, <https://www.uschamber.com/technology/empowering-small-business-the-impact-of-technology-on-u-s-small-business>

⁴⁹ Dallas Fed, <https://www.dallasfed.org/research/economics/2025/0717>

⁵⁰ NBER, <https://www.nber.org/papers/w31161>

⁵¹ NBER, <https://www.nber.org/papers/w31161>

⁵² <https://ramp.com/data/ai-jobs-impact>

⁵³ Bick, Blandin, and Deming, "The Rapid Adoption of Generative AI" (NBER Working Paper 32966), source packet, p. 2.

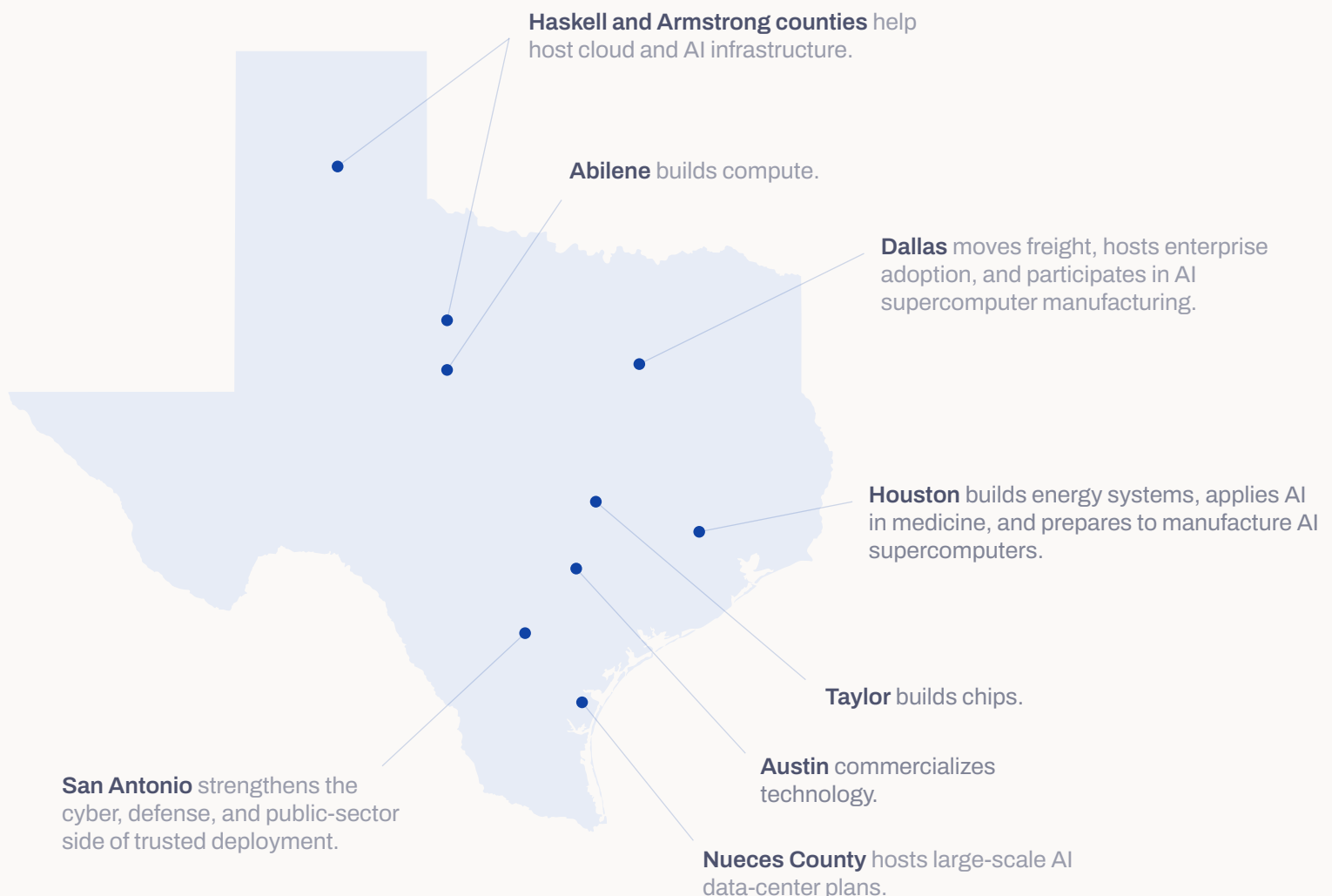
⁵⁴ Dallas Fed, <https://www.dallasfed.org/research/economics/2026/0224>

PART FIVE

THE GEOGRAPHY OF AMERICAN AI

Texas should not describe its AI opportunity as a list of metros. Lists are easy to forget. Systems are harder to ignore.

The geography of American AI is beginning to look like a Texas map.



Each city and county plays a different role, but not in a silo. Each role connects to the others.

Energy supports compute. Compute supports models. Models support tools. Tools support businesses. Logistics moves the goods. Manufacturing builds the hardware. Institutions prepare Texans to operate the entire system.

A much more interesting story than “Austin has startups” or “Houston has energy,” is the story about Texas as an operating system for the AI economy.

The geography also creates a political opening. AI should not be presented as something that happens to Texans from far away, but as something Texans are building, powering, moving, using, and improving. That matters because movements are built around ownership. People support a future more strongly when they can see their place in it.

Smaller metros and rural counties may be the most important test. Abilene, Taylor, Haskell County, Armstrong County, Nueces County, Sherman, Red Oak, Denton, and other communities are receiving or pursuing the physical infrastructure, semiconductor, optical-networking, and data-center investments that make AI possible.⁵⁵ If the AI economy can create visible benefits in these places, the politics of AI become broader, more durable, and more American.

⁵⁵ Google, <https://blog.google/company-news/inside-google/company-announcements/google-american-innovation-texas/>; Samsung Austin Semiconductor, https://download.semiconductor.samsung.com/resources/others/Samsung_Austin_Semiconductor_2024_Economic_Impact_Report_10149411000944.pdf; Hut 8, <https://www.hut8.com/data-centers/beacon-point>; Development Corporation of Abilene, <https://developabilene.com/2025/05/01/project-radiance-powering-the-future-of-ai-in-abilene-texas/>

PART SIX

WHAT TEXAS SHOULD DO NOW

The urgency is not theoretical. Other states are competing. Infrastructure is being allocated. Power contracts are being signed. Workforce programs are being designed. Supply chains are being established. Small businesses are deciding whether to adopt early or fall behind.

Texas should act as if the AI decade is already underway because in many ways, it is.



BUILD THE GRID THAT BUILDS AI

Texas should treat energy and transmission as an AI competitiveness policy. The state needs credible large-load interconnection rules, a faster review process for projects, stronger transmission planning, new power generation, water-aware siting, and transparent cost allocation.

The reason is simple. AI infrastructure cannot scale without power. According to Reuters, ERCOT was tracking more than 438,000 MW of large-load requests, nearly 89 percent tied to data centers.⁵⁶ That is a bottleneck that will become a crisis if Texas waits.

Moreover, transmission matters just as much as generation. In a study of the largest U.S. grid, the median cost to interconnect a new generator was about \$0.05 million per megawatt, but the 90th percentile reached \$0.41 million, roughly a quarter of a wind or solar project's installation cost. Generators facing the highest interconnection costs were far more likely to abandon the queue entirely.⁵⁷ Congestion compounds the problem: as of 2023, hundreds of U.S. locations, including many in wind-rich areas like West Texas, saw negative wholesale electricity prices more than 20% of the time, a sign that cheap generation can be stranded without proper transmission capabilities.⁵⁸

PUT AN AI ADVISOR WITHIN REACH OF EVERY TEXAS SMALL BUSINESS

Texas should create a practical AI adoption network through Small Business Development Centers, chambers of commerce, community colleges, workforce boards, libraries, industry associations, and local economic-development organizations. The goal should be simple: any Texas small business that wants help using AI should be able to find it.

More than just generic seminars, this would mean practical help with customer service, quoting, bookkeeping, marketing, inventory, permitting, safety documentation, scheduling, translation, analytics, and cybersecurity. Texas's 3.5 million small businesses, 53% already using an AI platform,⁵⁹ should be able to find help if they need it. The next step is to make adoption safer, more productive, and more accessible.

TEACH TEXANS HOW TO WORK WITH AI

Texas should build short-cycle, occupation-specific AI credentials through community colleges, technical schools, workforce boards, employers, and public universities. A useful credential teaches not vague awareness, but how to verify AI outputs, protect data, redesign workflows, preserve human judgment, and use AI in specific jobs.

Retraining is possible and it works. A Federal Reserve study of 1.6 million training spells found that between 25 and 40% of occupations are "AI retrainable," which means that their workers earn more after moving into more AI-intensive work, with an average return of roughly \$1,470 per quarter.⁶⁰

The labor market is already changing. The Texas Workforce Commission projects more than 2.1 million additional jobs from 2022 to 2032 and says nearly 71 percent of expected job growth will require education or training beyond high school.⁶¹

The Higher Education Coordinating Board has emphasized credentials of value, work-based learning, flexible short-term credentials, and upskilling for Texans with some college and no credentials.⁶²

Texas has already built part of this lever. In 2023, the state enacted House Bill 8, a performance-based funding model that rewards community colleges for credentials in high-demand fields; South Texas College used that framework to develop one of the first “AI in manufacturing” courses in the country.⁶³ The opportunity for Texas is to scale occupation-specific AI credentials on that existing foundation.

MAKE EVERY MAJOR AI PROJECT PROVE ITS PUBLIC VALUE

Texas should publish a public AI project ledger for major AI, data-center, semiconductor, AI-manufacturing, and AI-infrastructure projects. The ledger should distinguish announced, under construction, energized, operational, and fully operational status. It should list capital expenditures, jobs, incentives, exemptions, local revenues, utility demand, water demand where available, school-district impacts, and compliance milestones.

This would make Texas the national leader in AI economic transparency. The Comptroller already publishes data-center exemption rules, and local sources such as Abilene and Samsung publish some project-level impact data.⁶³ The problem is that the data are fragmented. Texas should make the full picture visible.

MAKE TEXAS GOVERNMENT A RESPONSIBLE FIRST CUSTOMER

Texas should use state and local government as a responsible first customer for AI that improves public service delivery. The goal should be faster response times, better fraud detection, improved permitting, clearer resident communication, better transportation operations, and lower administrative burden, with procurement rules that require privacy protections, auditability, human oversight, cybersecurity, and performance measurement.

Texas already has institutional infrastructure for this. The Department of Information Resources created the Texas Artificial Intelligence Center of Excellence in 2020 to accelerate innovation and adoption of AI technologies and support state and local governments and public institutions of higher education in exploring AI for digital transformation exploration.⁶⁵ DIR’s AI and Innovation division describes its role as helping Texas government entities evaluate and integrate emerging technologies and innovative service models safely and effectively.⁶⁶

⁶² Reuters, <https://www.reuters.com/legal/litigation/texas-regulators-approve-framework-manage-data-centers-power-demands-2026-06-18/>

⁶³ <https://www.nber.org/papers/w31946>

⁶⁴ <https://www.nber.org/papers/w31377>

⁶⁵ SBA Office of Advocacy, https://advocacy.sba.gov/wp-content/uploads/2025/06/Texas_2025-State-Profile.pdf; U.S. Chamber of Commerce, <https://www.uschamber.com/technology/empowering-small-business-the-impact-of-technology-on-u-s-small-business>

⁶⁶ <https://www.nber.org/papers/w34174>

⁶⁷ Texas Workforce Commission, https://lmi.twc.texas.gov/shared/PDFs/Workforce_Report.pdf

⁶⁸ Texas Higher Education Coordinating Board, <https://reportcenter.highered.texas.gov/agency-publication/miscellaneous/building-talent-strong-texas/>

⁶⁹ <https://pw.hks.harvard.edu/post/community-colleges-advancing-economic-mobility-volume>

⁷⁰ Texas Comptroller, <https://comptroller.texas.gov/taxes/data-centers/>; Development Corporation of Abilene, <https://developabilene.com/2025/05/01/project-radiance-powering-the-future-of-ai-in-abilene-texas/>; Samsung Austin Semiconductor, https://download.semiconductor.samsung.com/resources/others/Samsung_Austin_Semiconductor_2024_Economic_Impact_Report_10149411000944.pdf

⁷¹ Texas Department of Information Resources, <https://dir.texas.gov/news/dir-announces-creation-texas-artificial-intelligence-center-excellence>

⁷² Texas Department of Information Resources, <https://dir.texas.gov/ai-and-innovation>

CONCLUSION

TEXAS NO LONGER NEEDS TO ASK WHETHER AI WILL RESHAPE THE ECONOMY. IT ALREADY HAS.

THE QUESTION IS WHETHER TEXAS WILL MERELY HOST PART OF THAT FUTURE OR LEAD IT.

The evidence suggests Texas has an opportunity unlike any state in America: to become the place where AI is powered, built, manufactured, deployed, and commercialized. Texas has the energy base, the industrial land, the construction capacity, the semiconductor investment, the logistics corridors, the healthcare systems, the public institutions, the small-business density, and the workforce scale to make AI real in the physical economy.

That is a story worth telling. AI is not only a chatbot. It is concrete in Abilene, chips in Taylor, power in West Texas, freight between Dallas and Houston, clinical time in Houston hospitals, supercomputers in Houston and Dallas, and productivity inside small businesses across the state.

If Texas succeeds, the benefits will not be limited to technology companies. They will reach small businesses, hospitals, manufacturers, logistics companies, construction workers, electricians, energy producers, public agencies, and communities across the state.

That is the Build American AI argument. AI is not only a software revolution. It is an American industrial opportunity. It is a chance to build, power, manufacture, and deploy the next generation of technology here, with American workers, American infrastructure, and American institutions.

***THE AI DECADE IS ALREADY UNDERWAY.
TEXAS IS BUILDING IT.***

METHODOLOGY & APPENDIX

METHODOLOGY

This report uses a measured-versus-modeled framework rather than presenting a single AI “impact number” as if it were an official forecast. The measured layer includes state GDP, employment, AI job postings, small-business counts, Texas firm adoption surveys, company-announced investments, project-level economic-impact reports, and public agency sources. The modeled layer includes reasonable inference about productivity gains, sector exposure, supply-chain effects, and long-run fiscal implications.

APPENDIX

The topline productivity illustration in this report is intentionally simple. The Dallas Fed summarizes outside estimates that AI adoption could boost productivity growth by between 0.3 and 3.0 percentage points a year over the decade following widespread adoption, with a median estimate of 1.5 percentage points.⁶⁷ Applying that range to Texas’ 2025 current-dollar gross state product of \$2.904 trillion produces an illustrative one-year output-growth equivalent of roughly \$8.7 billion to \$87.1 billion, with a midpoint of roughly \$43.6 billion.⁶⁸ This calculation is not an observed forecast. It is a scale illustration showing why even cautious productivity assumptions matter in a state economy of Texas’ size.

The small-business adoption estimate is also a transparent arithmetic illustration. The SBA counts 3,517,343 Texas small businesses, and the U.S. Chamber reports that 53 percent of Texas small businesses use an AI platform and 40 percent use generative-AI chatbots.⁶⁹ Multiplying those figures implies roughly 1.9 million Texas small businesses using an AI platform and roughly 1.4 million using generative-AI chatbots. These figures should be read as survey-based estimates, not as a state administrative count.

The capital-commitment figure is a conservative floor, not a comprehensive statewide total. It adds four named AI or AI-adjacent Texas projects and commitments for which public sources provide dollar figures: Google’s \$40 billion Texas cloud and AI infrastructure investment, Abilene Project Radiance’s \$47 billion data-center expansion, Hut 8 Beacon Point’s approximately \$17 billion first two phases, and Samsung’s statement that it will invest more than \$37 billion in the Central Texas region in the coming years.⁷⁰ The resulting figure exceeds \$140 billion, but it excludes other announced or potential AI, data-center, semiconductor, energy, software, public-sector, and small-business investments.

The main limitation is that Texas does not yet publish an official AI satellite account. There is no state-maintained dataset that cleanly links AI-related capital investment, tax incentives, project-level tax revenue, utility load, construction jobs, permanent jobs, small-business adoption, productivity gains, and workforce outcomes. This absence is itself a policy finding. Texas can lead the national AI economy more credibly if it also leads in measuring that economy.

Future Texas AI reporting should prioritize six datasets. First, the state should track AI-related job postings by occupation, industry, county, and wage band. Second, it should survey small-business AI adoption by firm size, sector, geography, owner demographics, and use case. Third, it should publish project-level data-center and semiconductor incentive data in a standardized ledger. Fourth, it should link large-load interconnection data to project status and local fiscal reporting. Fifth, it should measure workforce-training completions and placements in AI-relevant credentials. Sixth, it should track public-sector AI use cases by agency, purpose, safeguards, performance outcomes, and resident benefit.

⁶⁷ Dallas Fed, <https://www.dallasfed.org/research/economics/2025/0624>

⁶⁸ FRED, <https://fred.stlouisfed.org/series/TXNGSP>

⁶⁹ SBA Office of Advocacy, https://advocacy.sba.gov/wp-content/uploads/2025/06/Texas_2025-State-Profile.pdf; U.S. Chamber of Commerce, <https://www.uschamber.com/technology/empowering-small-business-the-impact-of-technology-on-u-s-small-business>

⁷⁰ Google, <https://blog.google/company-news/inside-google/company-announcements/google-american-innovation-texas/>; Development Corporation of Abilene, <https://developabilene.com/2025/05/01/project-radiance-powering-the-future-of-ai-in-abilene-texas/>; Hut 8, <https://www.hut8.com/data-centers/beacon-point>; Samsung Austin Semiconductor, https://download.semiconductor.samsung.com/resources/others/Samsung_Austin_Semiconductor_2024_Economic_Impact_Report_10149411000944.pdf

A BAAI PUBLIC REPORT AUGUST 2026