

TOP 10 STATE LEGISLATIVE TRENDS FOR 2026

A 50-State Overview from BGR's State & Local Advocacy Practice

January 7, 2026

This overview outlines the political and policy landscape anticipated in the states in 2026. Republicans and Democrats will pursue differing legislative priorities across several major policy areas, shaped in part by November's elections and by responses to a shifting federal landscape, economic pressures, and emerging technologies. In 2026, the GOP will control 57 state legislative chambers and have governing trifectas (governor + legislature) in 23 states. Democrats will hold majorities in 39 state legislative chambers and have trifecta control in 16 states.

In addition to states like California, Florida, Texas, and New York, which exert outsized influence because of their sheer size and ability to shape private sector decision-making at scale, several other states will be important to watch for emerging policy trends and shifts in legislative priorities. **Arizona** will be in focus due to its closely divided legislature. **Virginia** will be front and center following Democrats' victories in the governor's mansion and establishment of trifecta control. **New Jersey** will welcome a new Democratic governor with Mikie Sherrill's election. In several states, Republicans lost state legislative supermajorities as a result of the 2025 elections, including **Iowa** (State Senate), **Mississippi** (State Senate), and **North Carolina** (State House).

TOP ISSUES TO WATCH IN 2026

As states gear up for 2026 legislative sessions, policymakers face a wide range of issues reflecting both immediate pressures and long-term strategic priorities. Health care will be front and center as lawmakers navigate Medicaid reforms and associated budget constraints. Make America Healthy Again (MAHA) legislation will also continue to proliferate. Nearly every state legislature will have to pass a budget while considering the fiscal impact of new spending, tax cuts, and revenue generation. Housing affordability, education and workforce development, energy and infrastructure development, and technology regulation will receive significant attention.

- #1 BUDGET CHALLENGES
- #2 HEALTH CARE COST & ACCESS
- #3 MAHA AT THE STATE LEVEL
- #4 TAXES: RELIEF OR REVENUE
- #5 HOUSING AFFORDABILITY
- #6 ENERGY & INFRASTRUCTURE
- #7 AI, TECH, & SOCIAL MEDIA
- #8 CHINA, CYBER, & STATE SECURITY
- #9 EDUCATION & TEACHERS
- #10 SKILLED TRADES & WORKFORCE

COMMON THEME

In 2026, the most common theme expressed by governors and lawmakers is likely to be:

Affordability

From health care to housing to utilities, taxes, and education, states will convene legislative sessions around a shared emphasis on lowering the cost of living for American families. The political focus on affordability follows five years of inflation since COVID, with inflation currently sitting at 3.01%, even as unemployment has declined to pre-pandemic levels, currently at 4.6%. As the economy remains a top issue for voters, gas prices are down, consumer spending is up, wages are rising, and the stock market is reaching record highs. Kitchen table issues like affordability traditionally take center stage during election years, and 2026 will be no different.

FEDERAL-STATE NEXUS

What will be unique to 2026, however, is the shifting landscape of the state-federal nexus.

Preemption vs. Devolution

While the Trump administration has leaned toward federal preemption in areas of AI and energy, it has also shown a predilection for devolving programmatic responsibilities to the states in areas including Medicaid, education, cybersecurity, emergency management, environmental protection, and transportation. As the federal government attempts to decentralize more authority to the state level, governors and legislatures must acclimate to new responsibilities with new budget demands.

MIDTERM ELECTIONS

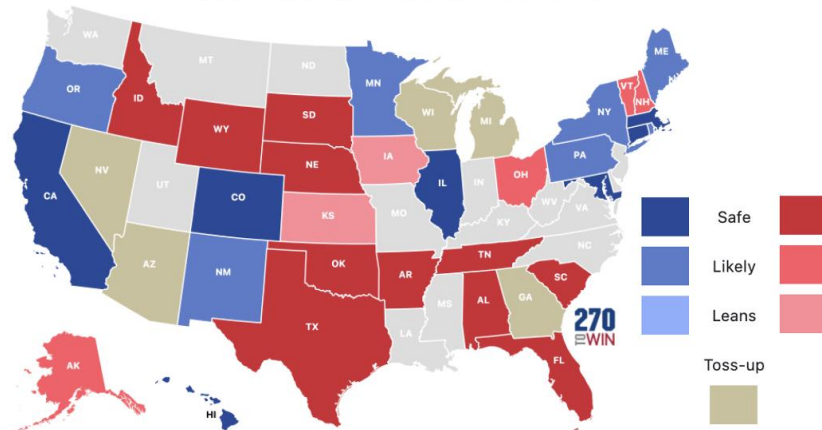
The 2026 legislative session season will serve as the backdrop for primary elections and general campaigns across the country. While national attention will focus on the midterm elections for control of Congress, November 3rd will also mark the biggest election day in the four-year cycle for state politics, with **36 governorships and thousands of legislative seats** at stake. In total, **46 states** will hold either gubernatorial elections, legislative elections, or both, making the cycle a broad referendum on the **Trump administration** and **Republican control of Congress**. *Note that no gubernatorial or legislative elections will be held in LA, MS, NJ, or VA.*

Governors

36 governor's races will be on the ballot, including **18 open seats** (currently, **8 Democratic held states vs. 10 Republican held states**) and **18 incumbents (10 Democrats vs. 8 Republicans)**. As the power of the gubernatorial incumbency has increased in recent years, reaching an 89%-win rate over the past decade, **Republican candidates** will face a more challenging map. [Rutgers](#)

2026 Governor Elections Map

36 governorships to be contested in 2026



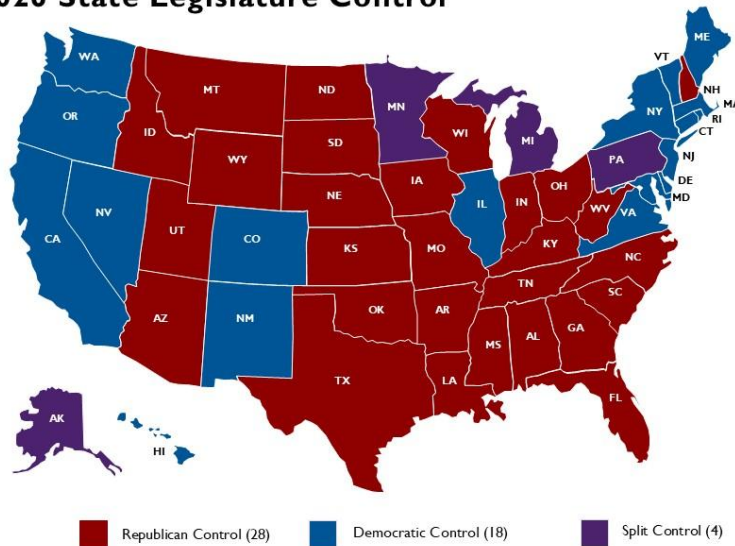
Source: [270 to Win](#)

Legislators

46 states will hold elections for **6,122 legislative seats**, representing 82% of the nation's lawmakers. [NCSL](#) Beyond the 11 states with divided legislatures, **Republicans** currently control 57% of state legislatures, while **Democrats** control 31%. [NCSL](#) In states where neither party holds full control, the 11 states with divided governments indicate a greater likelihood for toss-up elections: AZ, KS, KY, MI, MN, NV, NC, PA, VT, VA, and WI. *Note that Nebraska has a nonpartisan unicameral legislature.*

2026 State Legislature Control

BGR GROUP



Attorneys General

30 states will hold elections for state attorneys general, including 14 seats currently held by **Republicans** and **16 by Democrats**. Note that **5 Attorneys General** are running for governor: GA, CO, OK, SC, and NV.

#1 BUDGET CHALLENGES

States are currently experiencing tightening budget conditions. In this environment, new funding is limited, revenue growth has slowed, and in many states, general fund expenditures are outpacing revenues. States are also contending with economic uncertainty, declining federal funding, and revenue impacts associated with the One Big Beautiful Bill Act (OBBB). As states move through Fiscal Year 2026, they will continue to manage expectations, make decisions on what areas to prioritize, and remain committed to fiscal responsibility.

Following passage of the OBBB, states began preparing new limitations on Medicaid provider taxes that will reduce states' federal matching funds. At the same time, states are facing increased administrative costs related to new Medicaid work requirements and expanded responsibility for Supplemental Nutrition Assistance Program (SNAP) administration. After the unwinding of COVID-era coverage, Medicaid enrollment dropped by 7.6% and is projected to remain flat in 2026, even as overall Medicaid spending continues to grow. [KFF](#) Despite reductions in federal Medicaid spending reductions, the program is expected to grow, albeit at a moderate pace (2-4%), and yet, many governors are cautioning legislatures about spending as well as proactively ordering their agencies to identify cuts.

TOPLINE TRENDS

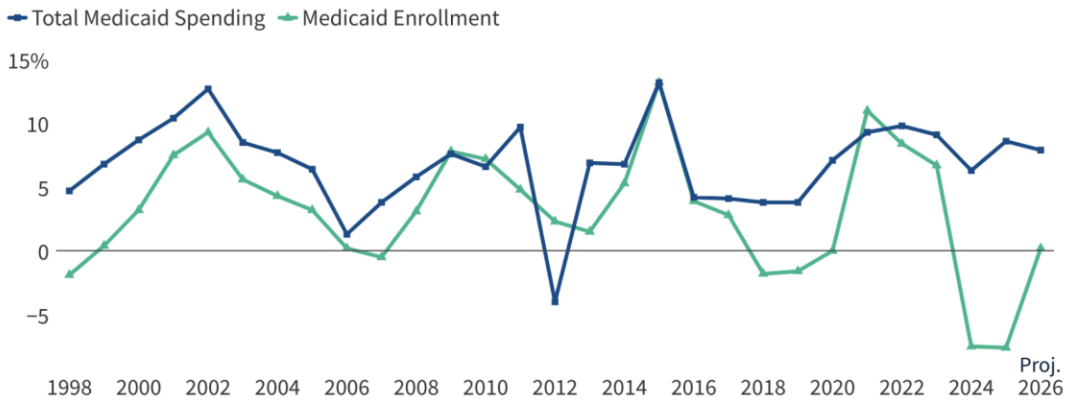
Blue States	Bipartisan	Red States
Protect Coverage; Delay Work Requirements; <i>Note</i> <i>Expansion States More</i> <i>Impacted</i>	Cut Spending to address Budget Shortfalls	Expedite Work Requirements; <i>Note</i> <i>Non-Expansion States</i> <i>Less Affected</i>

Likely Legislative Issues

Responding to federal spending reductions in Medicaid and SNAP, which will disproportionately impact expansion states; appropriating funds to offset rising insurance premiums absent Congress extending enhanced Affordable Care Act subsidies; implementing Medicaid work requirements by the national deadline of January 1, 2027, while assuming additional administrative duties at the state level; addressing challenges and decision points, such as targeted education investments, provider rate increases, pharmacy benefits, longer-term care needs, and behavioral health services; and submitting various Section 1115 waiver requests. *Note 10 Non-Expansion States: AL, FL, GA, KS, MS, SC, TN, TX, WI, and WY.*

State Medicaid Officials Project Flat Enrollment Post Unwinding but Upward Spending Pressures for FY 2026

Annual percentage changes in Medicaid spending and enrollment, state FY 1998 - FY 2026



Source: KFF

Lookahead to 2026

California lawmakers announced an \$18 billion budget deficit next fiscal year due to higher spending, the fourth shortfall in a year despite higher revenue growth and projected a \$35 billion deficit by FY27-28. **Governor Polis (D, CO)** proposed Medicaid funding cuts, reducing growth from 11.9% to 5.6%. **Governor Green (D, HI)** announced plans to scale back income tax cuts and tapping into reserves to balance the budget. **Governor Little (R, ID)** ordered state agencies to implement 3% cuts and extended the 4% Medicaid provider pay rate cuts for another year. **Governor Pillen (R, NE)** called for \$500 million in annual cuts due to revenue forecasts reduced by \$120 million this year and \$247 million next year. **Governor Stein (D, NC)** reversed Medicaid cuts and restored rate payments to providers from 3% back to 10% while negotiations with the legislature continue, calling for \$600 million in new funding amid a \$319 million shortfall. **Governor Kotek (D, OR)** convened a group of advisors to prepare for Medicaid cuts. **Governor Rhoden (R, SD)** announced plans to keep the budget flat, including Medicaid spending, which received criticism from a **Republican lawmaker** for being a cut. **Governor Morrisey (R, WV)** line-item vetoed \$110 million from surplus funds and redirects the savings to address a \$400 million budget deficit created by using one-time funds for ongoing expenses, like Medicaid. **Governor Ferguson (D, WA)** will back a new income tax proposal to impose a 9.9% tax on those earning more than \$1 million annually.

Lookback to 2025

Governor Hobbs (D, AZ) signed a funding bill to cover a \$122 million budget hole in the state's disability services program, backed by **bipartisan lawmakers**. **Governor Sanders (R, AR)** applied for Medicaid work requirements. **Governor Lamont (D, CT)** signed a declaration enabling the legislature to appropriate funding necessary to keep Medicaid fully funded for the remainder of FY25. **Governor Braun (R, IN)** signed legislation to promote transparency and data collection within the Family and Social Services Administration (FSSA), the state's Medicaid agency, following unsustainable growth in Medicaid spending driven by expanded access to home- and community-based services during COVID. **Governor Little (R, ID)** enacted legislation to shift Medicaid to managed care and created work requirements. **Governor Reynolds (R, IA)** announced that

Medicaid work requirements will go into effect on January 1st. **Governor Reeves (R, MS)** vetoed a bill that would have modified several provisions within the state’s Medicaid program and arguably expanded Medicaid. **Governor Gianforte (R, MT)** submitted a Section 1115 waiver for the Health and Economic Livelihood Partnership (HELP) Demonstration, seeking to require community engagement and enhanced cost-sharing for working-age, able-bodied adults. **Governor DeWine (R, OH)** submitted a waiver for work requirements, signed a two-year, \$60 billion operating budget, and vetoed the repeal of a requirement to seek a federal waiver to reduce administrative barriers for children under age 4 to remain continuously enrolled in Medicaid. **Governor Morrisey (R, WV)** submitted a Medicaid Aged and Disabled Waiver to focus on home health care.

#2 HEALTH CARE COST & ACCESS

States are expected to manage the shifting landscape of health care under the **Trump administration** by focusing on implementation and legislative oversight of the \$50 billion Rural Health Transformation Fund (RHTF); pharmacy benefit manager (PBM) and prescription drug affordability; commercial health insurance coverage mandates; and ongoing initiatives to address gaps in mental and behavioral health, infant and maternal care, and other rare disease or special populations. Notably, all states submitted state plans for the five-year RHTF program, and CMS [announced](#) awards on December 29, 2025. A snapshot of state RHTF submissions can be found [here](#). RHTF funds will be distributed to approved states over five years, with \$10 billion allocated annually from 2026 through 2030. *Note that the MAHA agenda, Medicaid changes, and AI in health care are all addressed elsewhere in the document.*

TOPLINE TRENDS

Blue States	Bipartisan	Red States
Resist OBBB Changes to Medicaid; Protect Abortion & Transgender Services	Implement RHTF Plans; Reform PBMs; Prioritize Mental & Behavioral Health	Tighten Eligibility Requirements. Innovate with More Medicaid Waivers under Trump Admin

Likely Legislative Issues

Implementing state plans for the federal Rural Health Transformation Fund (RHTF) program, particularly to bolster mobile health and emergency services, address chronic diseases, and recruit and train more doctors and nurses; preventing rural hospital closures; investing in innovative health care delivery models such as outcome- or value-based care that can prevent hospitalization; closing gaps in maternal and prenatal health care; expanding investments in mental and behavioral health, including opioid and other drug addiction; supporting or opposing abortion services; reforming Certificate of Need (CON) laws; focusing on rehabilitation for incarcerated and formerly incarcerated individuals; addressing prescription drug costs through the 340B program, drug pricing, prescription drug access, out-of-pocket pricing; advancing PBM reforms such as price spreading bans, steering bans, and rebate pass-through requirements; and restructuring and retooling public

standard” for PBM reform to lower prescription drug costs by imposing fiduciary duty standards, licensure and oversight, quarterly reporting, price spreading ban, 100% rebate pass-through, steering ban, transmission fee bans, limitations on exclusive deals, and harsh penalties. **Governor Lamont (D, CT)** authorized the extension of autism services to age 26. **Governor Pritzker (D, IL)** signed legislation on PBM reform and prescription drug affordability, including \$25 million in grants to protect local pharmacies. **Governor Reynolds (R, IA)** codified the elimination of spread pricing, prohibiting PBMs from keeping the difference between what they pay the pharmacy and what they charge insurers. **Governor Pillen (R, NE)** legislatively required commercial and Medicaid insurance plans to cover biomarker testing. **Governor Kotek (D, OR)** legislatively required health plans, including the state employee health insurance program, to cover treatment for perimenopause and menopause. **Governor Abbott (R, TX)** signed legislation creating private rights of action for the manufacture, distribution, or prescription of medication abortion pills. **California** is also allocating nearly \$200 million to replace the expired federal subsidies for roughly 300,000 of its poorest residents.

#3 MAHA AT THE STATE LEVEL

State legislatures can expect a flurry of activity around various lifestyle, nutrition, and environmental reforms. The **Trump administration’s MAHA agenda** has accelerated these efforts, particularly among conservative legislators, although Democratic-led states like California, have also advanced related measures. Although opponents criticize the MAHA agenda for targeting longstanding public health standards, proponents aim to reform the national health system to identify the root causes of chronic disease. In 2025, more than 420 MAHA-related bills were debated across state legislatures, addressing issues such as vaccines, fluoride, masks, and food safety, such as dyes, additives, unpasteurized dairy. A key dynamic to watch is potential federal preemption, including in food labeling and safety. HHS Secretary Robert F. Kennedy, Jr. recently commented that discussions are focused on ensuring a standard that is “working for the states and working for the federal government and that works for industry.” Congressional authorization would be required.

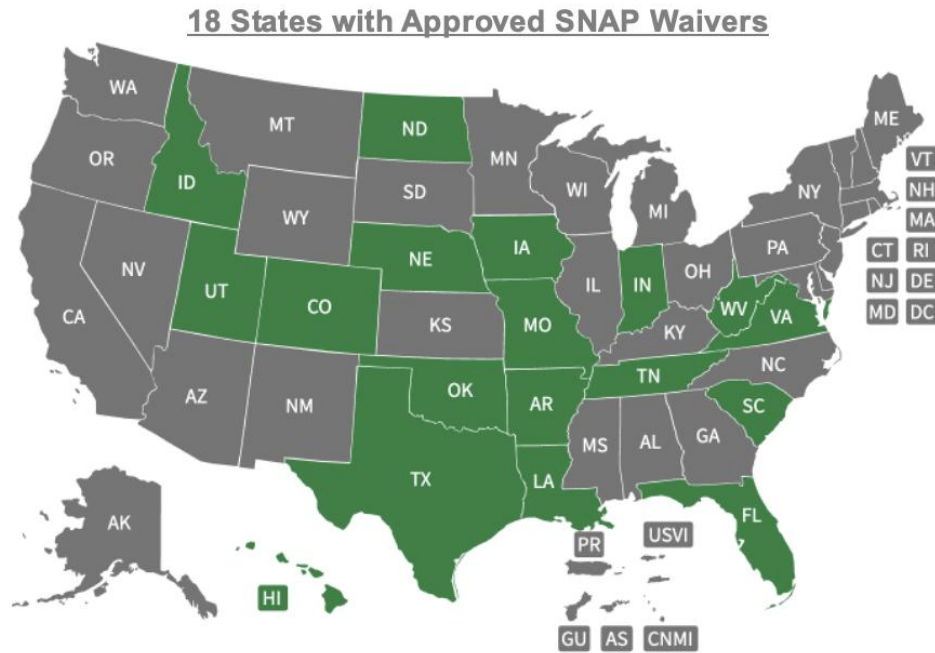
TOPLINE TRENDS

Blue States	Bipartisan	Red States
Resist Vaccine Mandate Changes; Prioritize PFAS Restrictions	Enact Bell-to-Bell Cellphone Bans; Seek SNAP Waivers for Unhealthy Foods; Focus on Chronic Diseases	Embrace the Full MAHA Agenda (<i>mixed resistance on vaccines</i>)

Likely Legislative Issues

Debating vaccine mandates, particularly for youth; banning fluoride in drinking water; examining a variety of food safety and labeling measures, such as dyes, additives, and unpasteurized dairy; enforcing consumer protections over additives and marketing to children; Supplemental Nutrition Assistance (SNAP) reforms, such as state waivers related to eligible purchases;; refocusing on physical education, such as reinstating the Presidential Physical Fitness Test; strengthening bell-to-bell cell phone bans in schools, enacted in 34 states;

investing in social media literacy for youth; focusing on specific chronic disease or “root cause” research unique to a state, such as cancer or heart disease; and banning or regulating PFAS or forever chemicals in consumer and industrial products.



Source: [USDA](#)

Lookahead to 2026

Governors Newsom (D, CA), Green (D, HI), Kotek (D, OR), Ferguson (D, WA) announced the formation of the new West Coast Health Alliance to represent a unified regional response to the Trump administration’s changes at the CDC, particularly related to recently released vaccine standard recommendations. **Governor DeSantis (R, FL)** led the removal of certain vaccine requirements in schools, strongly supported by HHS Secretary Kennedy Jr., and introduced a proposed budget that would boost spending for cancer research spearheaded by First Lady DeSantis. **Ohio lawmakers** announced plans to file multiple bills to ban certain food dyes, give local governments authority on water fluoridation, and reinstate the Presidential Fitness Test, among other MAHA-related initiatives; but **Governor DeWine (R, OH)** noted the state will retain existing vaccine requirements. **Governor Lujan-Grisham (D, NM)** previewed the release of an initial draft of rules to ban consumer products that contain PFAS or so-called forever chemicals, following legislation signed in 2025. **Pennsylvania Republican lawmakers** sought to advance legislation restricting the use of SNAP and food stamp benefits to purchase soda, candy, and other junk foods.

State	Notable State MAHA Actions	Significance
Texas	SB 25: requires warning labels on food products containing 44 listed food additives; educational requirements; restrictions under SNAP for candy & soda purchases.	Very broad law, large state market; early adopter of food labeling + SNAP purchase restrictions; strong legislative push.
Kentucky	SCR 61/HCR 41: Concurrent resolutions creating the "Make America Healthy Again Kentucky Task Force".	Resolutions explicitly align with MAHA movement's goals and creates dedicated task force to explore and recommend policies directly inspired by federal MAHA initiative.
Louisiana	SB 14: Requires warning labels; bans certain additives/dyes in schools; disclosure on seed oils; education & licensing requirements.	Close behind Texas; passed similarly sweeping legislation.
Utah	Passed ban on fluoride in drinking water; restrictions on additives/dyes in schools; restrictions on SNAP purchases of candy/soda.	Early mover on water & additive restrictions; comparatively broad set of laws across multiple MAHA issue areas.
West Virginia	Removed soda from SNAP eligibility; restricted chemical dyes; banned certain synthetic dyes / additives; enacted bills aligned with UPF regulation in schools.	Strong in SNAP and food additive spaces; repeatedly cited as a state with enacted policy.

Lookback to 2025

Governor Hobbs (D, AZ) signed a bill prohibiting schools from serving or selling ultra-processed foods. **Governor Newsom (D, CA)** signed the first-in-the-nation ban on ultra processed meats in school lunches as well as vetoed legislation banning PFAS in cookware and food packaging due to affordability concerns for citizens. **Governors DeSantis (R, FL) and Cox (R, UT)** enacted legislation banning fluoride in public drinking water, making their states the first in the nation to do so. **Governor Little (R, ID)** codified the first-in-the-nation ban on vaccine mandates in both the public and private sectors. **Governor Reynolds (R, IA)** announced \$1 million in funding for cancer research focused on behavioral, genetic, and environmental factors, including potential links to agricultural chemicals and high alcohol consumption. **Governor Kelly (D, KS)** vetoed a bill that would have required a waiver for SNAP benefits for candy and soda. **Governor Landry (R, LA)** signed legislation requiring warning labels, banning certain additives and dyes in schools, and disclosing seed oils. **Governor Lujan-Grisham (D, NM)** enacted a bill to set independent immunization standards amid turmoil at the CDC. **Governor Shapiro (D, PA)** issued an executive order directing agencies to create vaccine information hubs and safety net programs separate from federal rule. **Governor McMaster (R, SC)** received approval to ban sugary drinks and candy from SNAP benefits. **Governor Abbott (R, TX)** signed legislation establishing a nutrition advisory committee to focus on metabolic health, functional medicine, and chronic disease, including the effect of ultra-processed foods and food additives, as well as requiring warning labels on food products containing 44 listed food additives.

#4 TAXES: RELIEF OR REVENUE

Signed in July 2025, the One Big Beautiful Bill (OBBB) enacted the most significant changes to federal tax policy since **President Trump's** earlier signature legislation, the 2017 Tax Cuts and Jobs Act (TCJA). Providing important context for state tax codes, the OBBB avoids a tax increase for 62% of tax filers by making the TCJA tax cuts permanent and is expected to reduce federal taxes by an average of \$3,752 per individual in every state. [Tax Foundation](#) However, states must decide whether to pass along additional tax relief or protect state revenues, 20 states operate under rolling conformity, 17 states under static or fixed-date conformity, 4 states under selective conformity, and 9 states levy no income tax. Many of the OBBB's provisions, particularly those

Lookahead to 2026

Georgia lawmakers discussed using the state's \$30 billion in tax credits and exemptions to eliminate the individual income tax. **Idaho lawmakers** discussed whether to adopt federal tax changes. **Governor Reynolds (R, IA)** announced that property tax cuts and reform would be the top priority for 2026 following the final report from the Iowa DOGE task force. **Governor Beshear (D, KY)** warned legislators against pursuing drastic income tax cuts. **Governor Pillen (NE)** outlined property tax reform as his top priority ahead of 2026, potentially including the elimination of certain sales tax exemptions to generate revenue. **Governor Kehoe (R, MO)** stated that gradually phasing out the state's income tax is a key 2026 priority. **Governor Kotek (D, OR)** proposed increasing the gas tax by 6 cents to 46 cents, raising title registration fees, and doubling the payroll tax for transit to prevent layoffs at the Oregon Department of Transportation. Although the proposal passed the legislature, it has since received 200,000 voter signatures backed by **Republican lawmakers** and may not go into effect. **Governor McKee (D, RI)** announced plans to pursue tax cuts for retirees as part of a larger affordability agenda for his re-election campaign. **Governor Abbott (R, TX)** rolled out a property tax reform initiative as a central reelection platform, which would require two-thirds supermajority requirement for local tax increases; cap local government spending growth at 3.5%; lower the burden for citizen petitions to call for elections to lower taxes; move to a five-year appraisal cycle; and lower the appraisal cap to 3%. **Governor Hochul (D, NY)** has proposed legislation in her FY 2027 Executive Budget to eliminate state income tax up to \$25,000 of tipped income for tax year 2026.

Lookback to 2025

Colorado rejected the OBBB tax cut on overtime. **Governor Meyer (D, DE)** signed legislation partially decoupling the state tax code from the federal system to address a projected \$410 million budget shortfall caused by federal changes to the corporate income tax code. **Governor Little (R, ID)** codified \$400 million in property and grocery tax cuts. **Governor Pritzker (D, IL)** signed a \$55.1 billion budget that included \$700 million in new taxes (tobacco, vape products, sports betting, etc.) and \$500 million in one-time revenues without **Republican** support. **Governor Beshear (D, KY)** signed legislation lowering the income tax rate from 4% to 3.5%. **Maine** rejected the OBBB tax cuts on overtime and tips. **Governor Reeves (R, MS)** signed legislation eliminating the individual income tax by phasing out the current rate of 4% to 3% and then adopting a growth trigger to reach 0%. **Governor Gianforte (R, MT)** enacted a 18% reduction in homeowner property taxes while increasing taxes on second homes and short-term rentals by 68%, delivering rate cuts between 4.7-5.65% at every income level. **New York** rejected the OBBB tax cuts on tips and overtime. **Governor Armstrong (R, ND)** signed a landmark property tax relief and reform package as his No. 1 priority this session, tripling the primary residence tax credit to \$1,600 and capping future local property tax increases at 3%.

#5 HOUSING AFFORDABILITY

States are expected to elevate housing affordability as a central policy issue, particularly among younger Americans concerned about homeownership. Home prices have risen approximately 50% since the COVID pandemic, and in 2025 the median homebuyer reached 40 years old, the highest ever on record. Additionally, the construction worker and skilled labor shortage is estimated to have reduced housing production by thousands of homes annually, representing \$10.8 billion in lost output per year. [National Homebuilders Association](#) Meanwhile, homelessness continues to challenge state and local governments, with mental and

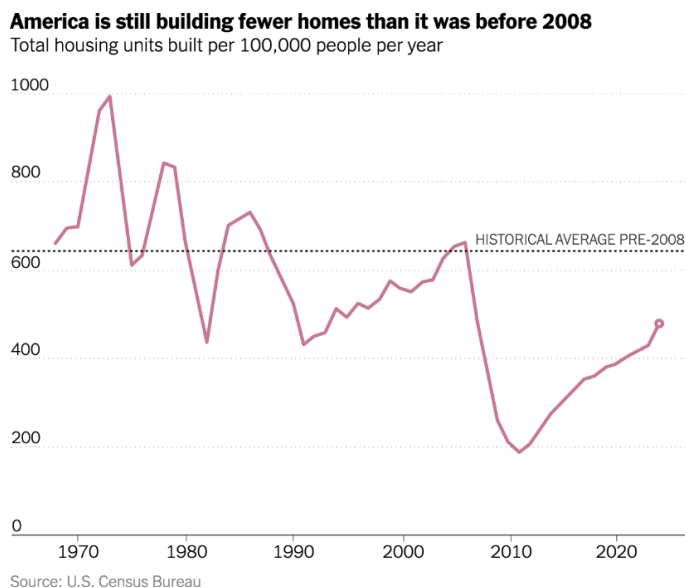
behavioral health services and accountability increasingly viewed as key components of long-term solutions. The Trump administration is also expected to rollout policy on housing affordability in early 2026. Specific proposals under consideration include easing zoning restrictions through a national framework to streamline residential permitting and expanding longer-term mortgage products. Trump’s first term can also be a guide, when the administration took several housing-related actions, including establishing the White House Council on Eliminating Regulatory Barriers to Affordable Housing.

TOPLINE TRENDS

Blue States	Bipartisan	Red States
Support Renters with Subsidies & Price Controls; Offer Homeowner Assistance	Reform Permitting & Zoning Regulations; Address Homelessness; See also #10 Skilled Labor Shortage	Cut Property Taxes; Fast-track Construction; Offer Incentives to Developers

Likely Legislative Issues

Enacting property tax relief and reform, often a complex issue impacting local governments and school budgets (*note that property taxes rose 30% nationwide in the past five years*); preempting zoning reforms to mitigate burdensome local regulations and NIMBY restrictions that reduce supply, such as expanding multifamily housing, allowing ADUs, etc.; fast-tracking construction permitting and offering incentives to expedite new builds, particularly workforce housing; limiting or regulating private equity ownership; targeting key populations for homestead exemptions, such as veterans or the elderly; addressing homelessness and encampments, including debating housing-first policies and addiction and behavioral health services; and advocating or opposing rent controls, tenant protections, and homeowner subsidies.



Source: [The New York Times](#)

Lookahead to 2026

Governor Reynolds (R, IA) held roundtable meetings with local government and business leaders to discuss property tax reforms ahead of the 2026 legislative session. **Governor Healey (D, MA)** launched a new campaign to make it easier and cheaper to build accessory dwelling units (ADUs) across the state by helping homeowners design, finance, and build. **Governor Moore (D, MD)** signed an executive order aimed at increasing housing production across Maryland by reducing state permitting timelines, among other actions. **Governor Ferguson (D, WA)** signed an executive order forming a task force dedicated to the creation of a cabinet-level housing agency. **New Jersey Democratic lawmakers** advanced legislation allowing local officials to charge new fees to fund affordable housing, rental vouchers, and hotel stays to reduce homelessness. **Governor Abbott (R, TX)** rolled out a property tax reform initiative as a central part of his reelection campaign, which would require two-thirds supermajority requirement for local tax increases; cap local government spending growth at 3.5%; lower the burden for citizen petitions to call for elections to lower taxes; move to a five-year appraisal cycle; and lower the appraisal cap to 3%. **Governor Cox (R, UT)** proposed \$25 million in one-time funding and \$20 million in ongoing funding for homelessness and criminal justice high utilizers, such as building a pilot homeless campus.

Lookback to 2025

Governor Hobbs (D, AZ) enacted a bill preempting how counties can regulate backyard casitas or accessory dwelling units. **Governor Polis (D, CO)** signed a trio of priority bills to cut red tape, support residential stair modernization, expand townhome construction through middle market housing, and promote modular housing to reduce costs with factory-built structures. **Governor Lamont (D, CT)** enacted a priority housing bill requiring all municipalities to create housing plans and meet growth goals, which **Republican lawmakers** criticized as statewide zoning, while also easing regulations on converting commercial buildings into residential housing and eliminating off-street parking requirements. **Illinois lawmakers** debated legislation to ban home insurers from raising rates. **Governor Gianforte (MT)** enacted additional pro-housing reforms to eliminate artificial height restrictions, allow accessory dwelling units (ADUs) on county-zoned parcels, and remove costly administrative fees, following recommendations from a 2022 state housing task force. **Governor Hochul (D, NY)** signed legislation providing a 65% property tax exemption for seniors and codifying disincentives for large private equity entities that own 10+ single- and two-family homes with various regulations, e.g. waiting periods and prohibitions on depreciation or interest tax deductions. The Governor also announced the allocation of nearly \$2 billion in housing bonds and subsidies to support 24 housing developments across New York State. **Governor McMaster (R, SC)** enacted legislation to create more housing options by revitalizing communities in areas of rapid population growth. **Governor Cox (R, UT)** signed legislation adopting new rules for homeless shelters, including zero-tolerance drug policies and other enforcement measures. **Governor Ferguson (D, WA)** signed a bill allowing counties to authorize multifamily housing on single-family parcels in certain urban and rural areas.

Note that ALEC adopted a series of model bills in 2025, which Republican lawmakers are likely expected to champion: The Fairness, Accountability, and Integrity in Rezoning (FAIR) Act to prohibit or limit zoning protests to expand uses of private property; and the Ending Housing Extortion Act to promote the production of housing by banning unconstitutional housing exactions, such as fees, conditions, or allocations.

#6 ENERGY & INFRASTRUCTURE

States are expected to focus on lowering energy costs by increasing power generation and/or delaying climate standards to meet rapidly rising demand from AI data centers, industrial needs, and residential consumption, while continuing to address traditional infrastructure and transportation priorities. However, **Blue States and Red States** will undertake vastly different responses to the energy and infrastructure strategies advanced by the **Trump administration**, which reverses or undermines many Biden administration priorities. While 73% of Americans are concerned about rising electric and gas bills, 86% of states with electricity prices above the national average are reliably **Blue States**, creating additional challenges in meeting generation goals under a new administration.

TOPLINE TRENDS

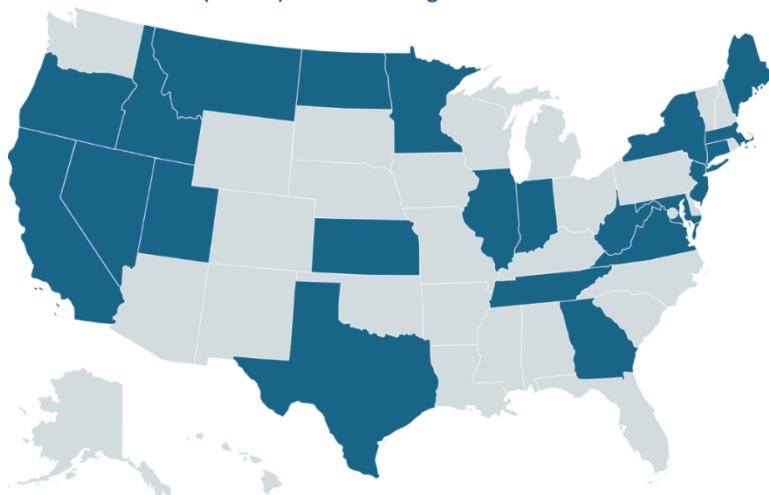
Blue States	Bipartisan	Red States
Align Data Centers with Climate Goals; Protect Climate Initiatives; Expedite Clean Energy Projects; Favor Renewables	Meet Electricity Demand; Advocate for Permitting Reform; Advance Nuclear Technology	Recruit Data Centers (<i>mixed skepticism</i>); Reignite Oil & Gas Production (<i>mixed approach to wind</i>); Extend coal plants

Likely Legislative Issues

Authorizing new energy generation, such as nuclear, natural gas, solar, wind, and other renewables, *with growing support from Democratic policymakers for mixed use*; managing data center growth by balancing energy consumption, job creation, and state incentives; meeting state climate and emissions goals with a shift in federal priorities under the Trump administration; leveraging the Trump administration’s renewed focus on fossil fuel development, oil and gas, critical minerals, and other industrial use of federal lands; addressing changes in electric vehicle (EVs) and smart city incentives and use; strengthening cybersecurity for critical infrastructure, including utilities, in response to growing cyberattacks; migrating state mainframe systems to cloud-based platforms; advocating for federal permitting reform and streamlining regulatory processes for critical infrastructure projects, especially the National Environmental Policy Act (NEPA); and investing in traditional environmental and transportation issues, such as road and bridge repair, broadband expansion, storm recovery, wildfire prevention, and emergency response upgrades.

Data Center Bills

At least 22 states (in blue) introduced legislation in 2025 on data centers.



Source: [NCEL](#)

Lookahead to 2026

Governor Ivey (R, AL) supported Alabama Power’s new two-year rate stability plan to manage cost-of-living pressures and maintain economic competitiveness. **Governor Newsom (D, CA)** issued an executive order to bolster the state’s clean energy deployment ahead of the implementation of the One Big Beautiful Bill (OB BB), which eliminates federal tax credits for clean energy projects that do not begin construction by July 2026. **Governor DeSantis (R, FL)** proposed an AI Bill of Rights that includes provisions affecting data centers, such as prohibiting utilities from raising rates to support hyperscalers; banning taxpayer subsidies for Big Tech; allowing local governments to prohibit data centers; protecting water resources; and preventing data centers owned or operated by foreign principals on protected lands. **Illinois lawmakers** advanced legislation to boost battery storage and energy efficiency. **Governor Landry (R, LA)** announced a moratorium on the state’s review of new applications for carbon dioxide injection wells to provide a clear roadmap and ensure compliance with existing law. **New Jersey lawmakers** announced plans to introduce legislation to improve state energy planning in response to rising electric bills. **Governor Hochul (D, NY)** announced a state energy plan that notably included a diverse mix of resources, including a continued commitment to renewables while advancing nuclear and natural gas to help the state meet its overall energy needs. **New York lawmakers** urged **Governor Hochul (D, NY)** to call a special session to repeal all-electric building mandates to protect citizens from higher costs. **Governor Lee (R, TN)** secured a \$400 million federal grant from the U.S. Department of Energy to advance the development of a small modular reactor. **Lt. Governor-elect Hashmi (D, VA)** vowed that data centers will pay their “fair share” in energy costs.

Lookback to 2025

The NARUC-NASEO Advanced Nuclear State Action Tracker identified more than 170 state activities that may impact states’ advanced nuclear efforts as of September 2025. **Governor Sanders (R, AR)** enacted the Generating Arkansas Jobs Act to modernize the state’s regulatory framework for energy infrastructure projects. **Governor Kelly (D, KS)** signed legislation creating a 20-year sales tax exemption for data centers investing \$250 million within five years. **Governor Moore (D, MD)** enacts the Next Generation Act to address

data center impacts on the energy grid by establishing a new rate structure to control consumer costs (1st of its kind). **Governor Stitt (R, OK)** expressed disappointment with Trump administration efforts to block wind energy. **Governor McMaster (R, SC)** enacted the State Energy Security Act to authorize additional power generation, promote nuclear technologies, streamline regulatory processes, and convert a retired coal station to a natural gas facility. **Governor Morrisey (R, WV)** signed a bill enacting a one-stop permitting process to support data centers. **Governor Whitmer (D, WI)** enacted tax credits to new nuclear power plants. **Governor Cox (R, UT)** assumed the role of Western Governors Association (WGA) chair for the next year and announced that his year-long Chair’s initiative, “Energy Superabundance: Unlocking Prosperity in the West,” focused on examining challenges and opportunities for expanding production, modernizing transmission, and supporting advanced generation technologies, with the objective to build the backbone of a more reliable, affordable, and secure grid.

#7 AI, TECH, & SOCIAL MEDIA

States are expected to advance a wide range of AI, tech, and social media legislation, notwithstanding the possibility of federal preemption. Lawmakers in both **Blue States** and **Red States** are likely to pursue AI regulation regardless of **President Trump’s** December 2025 Executive Order and ongoing discussions with **Congress** on a potential federal framework. In addition to obvious opposition from **Democratic governors and lawmakers**, **17 Republican governors**, led by **Governor Sanders (R, AR)**, signed a joint letter in June 2025 opposing a federal moratorium on state AI legislation ahead of passage of the One Big Beautiful Bill (OB BB). Texas and California remain key states to watch. In California, the State Senate established a new Committee on Privacy, Digital Technologies, and Consumer Protection. Social media policy will also remain in focus with state lawmakers, particularly legislation addressing youth mental health through age verification, parental consent, algorithm restrictions, cell phone bans in schools, and warning labels.

TOPLINE TRENDS

Blue States	Bipartisan	Red States
Prevent Algorithmic Bias; Focus on Fairness; Support Broader Frameworks & Oversight	Protect Consumers, particularly Youth; Advance Transparency & Disclosures; Codify Criminal or Civil Misuse	Protect Intellectual Property & Innovation; Focus on Privacy; Support Narrow Regulatory Approaches

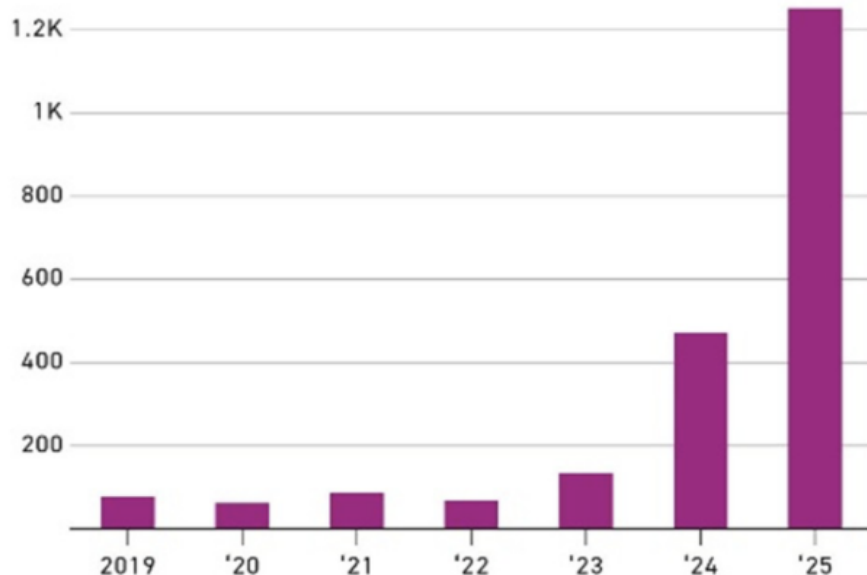
Likely Legislative Issues

Regulating youth social media use, including age verification, time limits, account restrictions, warning labels, and “addictive” algorithm bans (*of note, many already passed measures, like those in Arkansas, Florida, and Virginia, are currently being litigated*); regulating clinical notifications when interacting with AI systems; restricting or regulating chatbots, particularly in mental health contexts (*note that 51 bipartisan state attorneys general warned against chatbots leading to domestic violence incidents, hospitalizations, murders, and suicide*); prohibiting discrimination by AI tools and other ethics measures; banning “deepfake” fraud and

impersonations; protecting intellectual property and creative works of art to ensure likeness, voice, and image security; safeguarding sensitive personal and biometric data; addressing worker displacement and job losses; establishing liability standards for AI-driven decisions; limiting facial recognition use by law enforcement; restricting AI use in employment decisions and AI disclosures in resume screening; requiring human-in-the-loop mandates for AI use, especially in state and public agency settings; labeling AI-generated political ads; limiting insurers' use of AI to deny coverage; restricting AI data collection on children and students; and protecting the "right to compute" to attract AI companies, which includes software, hardware, algorithms, machine learning, cryptography, platforms, services and quantum applications (*note this is model legislation endorsed by the American Legislative Exchange Council (ALEC)*).

AI bills introduced by states have more than doubled since last year

Number of AI-related bills introduced in states, by year



Lookahead to 2026

Colorado lawmakers approved a bill to delay the implementation of the State AI Act, previously enacted by **Governor Polis (D, CO)**, by five months due to industry concerns. **Governor DeSantis (R, FL)** proposed an AI Bill of Rights aimed at protecting residents from the overreach of tech giants against the rapid advancement of technology by endorsing a set of principles that would work to enhance, rather than replace, human experiences. **Georgia lawmakers** pushed a bipartisan plan to make social media and AI tools safer for children by targeting addictive platform designs and testing chatbots for safety. **Governor Moore (D, MD)** promoted investment in AI and quantum computing investment as an economic growth strategy amid budget challenges. **Governor-elect Sherrill (D, NJ)** named transition action teams to prioritize kids' mental health and online safety. **Governor Abbott (R, TX)** appointed members to the state's new Public Sector AI Systems Advisory Board, an oversight entity tasked with guiding state government's use of AI tools, which was an outgrowth of the TX AI Advisory Council created by legislation in 2023. **Governor Cox (R, UT)** ordered his administration to expedite implementation of the state's AI consumer protection framework.

Lookback to 2025

Governor Newsom (D, CA) signed a package of technology legislation addressing artificial intelligence, data privacy, and child online safety, including the *Transparency in Frontier Artificial Intelligence Act*, the first U.S. law to directly regulate AI models developers. Newsom vetoed other bills, including one restricting youth access to AI tools for being overly broad and another, the “No Robo Bosses Act”, that would have made California the first state to impose sweeping limits on workplace AI. **Governor Hochul (D, NY)** signed bills requiring disclosure when users interact with chatbots, mandating warning labels for minors on social media platforms, and prohibiting the use of social media for debt collection. She also signed a landmark AI safety bill, the Responsible Artificial Intelligence Safety and Education (RAISE) Act, modeled on CA SB 53. **Governor McMaster (R, SC)** enacted new penalties for revenge porn and using AI to create false intimate images. **Governor Abbott (R, TX)** codified age verification for AI-generated sexually explicit content and banned AI-generated child sexual abuse material. **Governor Youngkin (R, VA)** codified a limitation on minors’ social media use to one hour per day, becoming the second state after Utah to do so. **Governor Ferguson (D, WA)** shared his desired balance of AI policy to maximize benefits while minimizing harms, supporting the \$300,000 AI House, a new state-funded waterfront startup hub.

#8 CHINA, CYBER, & STATE SECURITY

States are likely to address a broad range of security issues aimed at countering threats from foreign adversary nations such as China, Iran and North Korea. Cyberattacks targeting state and local governments have increased significantly since the COVID-19 pandemic, driving higher costs related to breach incidents, data recovery, and prevention software. States are also acting to protect procurement systems, pension funds, state technology and equipment, and land near critical infrastructure and military installations from surveillance or sabotage, while navigating unknown economic development concerns related to supply chain challenges, foreign direct investment, and job creation.

TOPLINE TRENDS

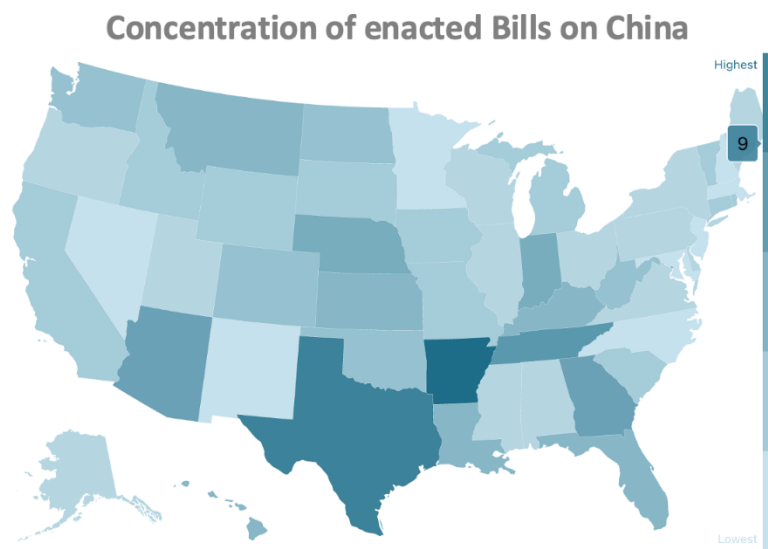
Blue States	Bipartisan	Red States
Targeted Restrictions on Foreign Adversaries; Oppose Trump Tariffs	Strengthen Cybersecurity	Actively Counter Potential Threats from China

Likely Legislative Issues

Prohibiting state and local government entities from contracting with foreign adversary entities, specifically including drone manufacturers; requiring background checks for access to critical infrastructure; banning equipment or software that would give a foreign adversary access to critical infrastructure; restricting foreign ownership of agricultural land or property near a military bases and critical infrastructure installation; mandating divestment of public pension funds from foreign adversary companies; creating state-level Foreign Agents Registration Act (FARA) requirements to require registration and transparency disclosures from lobbyists for corporations from adversary nations; ordering data collection, policy formation, and prosecution

and punishment related to crimes of transnational repression; prohibiting state higher education institutions from accepting any gifts or grants from a foreign adversary entity, including scholarships, endowments, travel, cultural exchanges, or other recruitment programs; ordering Pacific conflict stress tests to identify and compile vulnerabilities to critical infrastructure, state supply chains, and state financial holdings in the event of a Pacific conflict.

Note that the conservative think tanks such as America First Policy Institute and the American Legislative Exchange Council (ALEC), have promoted several model bills to counter potential threats from China including: protecting critical infrastructure and building resilient supply chains; protecting farmland and other sensitive sites; combating covert influence; protecting data and IP security; and exercising state authority to investigate, enforce, license, legislate, procure, and appropriate against threats from Chinese entities



Source: [State Armor Action](#)

Lookahead to 2026

Governor Hobbs (D, AZ) announced the Blocking Adversarial Nations (BAN) Act after vetoing a similar bill, to crack down on China, Russia, North Korea, and other foreign adversaries by prohibiting land ownership near military bases and critical infrastructure. **Idaho lawmakers** prepared to face budget cut decisions related to cybersecurity protections across state agencies amidst growing cyberthreats. **Governor Landry (R, LA)** signed an executive order to ban the use of free AI tools created and operated by China and other hostile foreign governments from public schools, colleges, and state agencies.

Lookback to 2025

Governor Sanders (R, AR) announced and enacted a Communist China Legislative Defense package, which divested state resources from China; banned foreign adversaries from buying land around critical infrastructure, such as military bases and electric substations; and passed a first-in-the-nation restriction on force labor in the electric vehicle (EV) supply chain. **Governor Kemp (R, GA)** signed a bill boosting state

contract and procurement prohibitions on technology or other products and services originating from China or other countries that threaten national security. **Governor Braun (R, IN)** codified a restriction on foreign adversary owned companies from operating data centers with exceptions for self-generation that do not affect the state’s load supply. **Governor Healy (D, MA)** signed a budget to continue operating the Digital Accessibility and Equity Governance Board and established a Chief IT Accessibility Officer to support state technology and communications. **Governor Whitmer (D, MI)** enacted a budget authorizing \$29 million for cybersecurity and homeland security IT initiatives to protect state networks and additional funding to strengthen elections security through cybersecurity testing and voting equipment upgrades. **Governors Pilleen (R, NE) and Abbott (R, TX)** enacted first-in-the-nation Foreign Agents Registration Act (FARA) requirements at the state level. **Governor Lombardo (R, NV)** codified a centralized Security Operations Center, requiring annual reporting and school district utilization of state cyber services, and established the Cybersecurity Talent Pipeline Program. **Governor Hochul (D, NY)** announced \$13.9 million in cybersecurity grants for local governments from the federal program, State and Local Cybersecurity Grant Program (SLCGP), aimed to bolster cyber defenses by providing multifactor authentication tokens. **Governor Gavin Newsom (D, CA)** emphasized the state's commitment to maintaining open trade relations with China. **Governor Katie Hobbs (D, AZ)** vetoed a Republican-backed bill that would have sharply limited the ability of Chinese entities to own land in Arizona. Hobbs proposed expanding the bill to bar land ownership by any nation deemed a foreign adversary,

#9 EDUCATION & TEACHERS

States are expected to tackle a variety of education reforms in response to declining test scores, ongoing parental rights debates, incidents of campus violence, teacher shortages, and lingering effects of COVID. According to the National Assessment of Educational Progress (NAEP), while achievement gaps narrowed, 2024 results showed 12th graders at historic lows in reading and math. To address learning loss, states are likely to focus on math and literacy instruction, funding formula adjustments, investments in teachers, pave student pathways to careers, and, in **Red States**, expanded school choice. As the **Trump Administration** decentralizes education by devolving more power from the U.S. Department of Education to the state-level, state policymakers are expected to closely track any potential changes to block grant funding, which likely require Congressional approval.

TOPLINE TRENDS

Blue States	Bipartisan	Red States
Decline to opt into Federal tax-credit scholarship for private school choice Scholarships; Defend Equity Programs and Resist Rollback of Federal Programs	Prioritize Literacy; Improve School Safety; Raise Teacher Pay; Address Teacher Shortage	Expand ESAs & opt into OBBB Vouchers

Lookback to 2025

Governor Sanders (R, AR) signed the ACCESS Act to overhaul higher education and accelerate high school coursework and announced that more than 4,200 teachers will receive merit bonuses up to \$10,000, representing a 30% increase since last year following the passage of the LEARNS Act in 2023. **Governor Newsom (D, CA)** authorized additional funding for student literacy and phonics lessons following increases in test scores. **Governor Polis (D, CO)** codified a requirement that students complete financial literacy coursework before graduating high school. **Governor Landry (R, LA)** highlighted some of the most significant academic progress in the nation, as 4th and 8th graders earned the state’s highest national rankings across reading and math, improving by 2 to 26 positions. **Governor Moore (D, MD)** rolled out the nation’s first state-sponsored registered teacher apprenticeship program to close the educator gap, allowing apprentices to work in the classroom while earning their degrees. **Governor Reeves (R, MS)** continued celebrating student achievements in reading and math, known as the “Mississippi Miracle”, crediting legislation enacted in 2012 and 2013 that provided reading coaches and promoted literacy by 3rd grade. **Governor Lombardo (R, NV)** enacted a school safety bill following a special session to increase penalties for violations in school zones, with **bipartisan legislative** support. **Governor Ayotte (R, NH)** vetoed a schoolbook removal bill. **Governor Lujan-Grisham (D, NM)** signed legislation raising base teacher pay by \$5,000. **Hochul (D, NY)** authorized Title VI coordinators to address discrimination on college campuses. **Governor Shapiro (D, PA)** signed a bill requiring parental notifications when weapons are found in schools. **Governor Lee (R, TN)** signed legislation allowing school districts to offer merit-based pay for high-performing teachers. **Governor Abbott (R, TX)** codified a school voucher program providing up to \$10,000 per student for school choice. **Governor Ferguson (D, WA)** signed a bill improving school security systems by adding panic buttons and live feeds for law enforcement. **Governor Morrissey (WV)** signed legislation creating a Troops to Teachers program for veterans to help with the teacher shortage.

#10 SKILLED TRADES & WORKFORCE

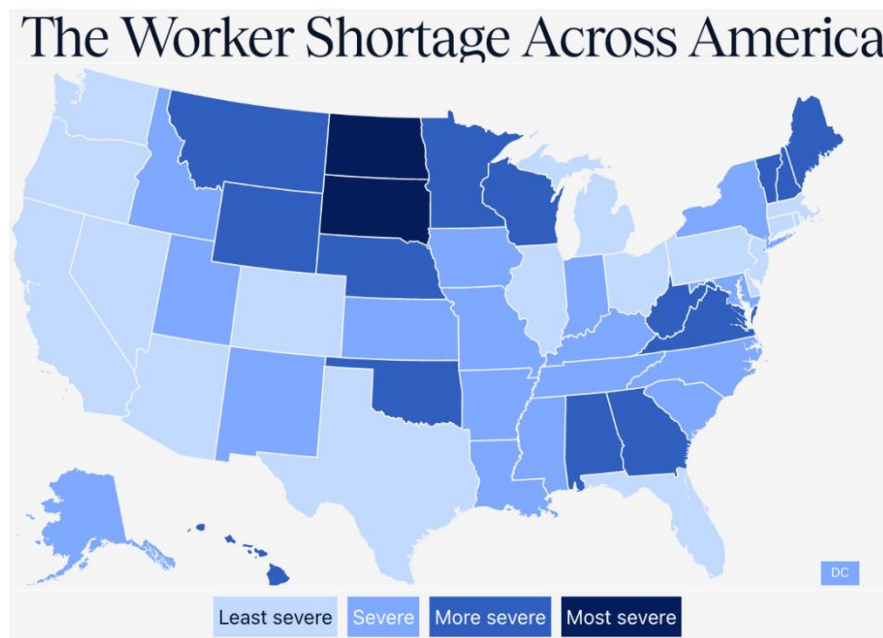
States are expected to strengthen workforce initiatives, particularly in skilled trades, with largely unified bipartisan support. A growing focus on apprenticeships and career and technical education (CTE) reflects a broader shift away from aligning K-12 education solely with traditional college pathways and toward vocational and skills-based careers instead. *Note that the United States is estimated to need an additional 5.25 million skilled workers by 2032 as Baby Boomer retirees outpace new hires from younger generations.*

TOPLINE TRENDS

Blue States	Bipartisan	Red States
Support Union Labor; improve access to affordable, childcare	Fill In-Demand Job Shortages; Re-Entry, & Apprenticeships; Reform & Consolidate Workforce Agencies	Support Right to Work; Return to In-Person Work; Invest in Vocational Education

Likely Legislative Issues

Focusing on the talent pipeline to meet in-demand careers through CTE, career pathways, and apprenticeships; expanding childcare support and incentives to reduce barriers to the workforce; strengthening state employee recruitment and retention initiatives, such as expanding paid family leave, offering signing or tenure bonuses, and eliminating degree requirements; targeting education and training investments to state-specific industries such as biotechnology, semiconductor manufacturing, nursing, and AI; debating minimum wage requirements or prevailing wage laws; recognizing universal occupational licensure; removing four-year degree requirements for specific licenses or public employee jobs; navigating or extending remote work or in-person work requirements for state employees; reforming or expanding reentry services for the incarcerated to reduce recidivism; and restructuring state workforce and education agencies to consolidate programs and funding streams for improved service delivery.



Source: [U.S. Chamber of Commerce](#)

Lookahead to 2026

Alabama lawmakers released the final report from the Alabama Commission on Reentry, proposing expanded reentry programs that include transportation support and workforce licensing reforms, with the goal of reducing recidivism by half by 2030. **Governor Newsom (D, CA)** announced \$30 million in apprenticeship funding to address high-demand jobs in health care, education, and technology. **Governor Polis (D, CO)** released a 125-page report proposing legislation for a unified agency, the Colorado Department of Higher Education and Workforce, to address a growing talent gap and reduce fragmentation across federal and state funding streams, higher education, apprenticeships, and labor market data. **Governor Healy (D, MA)** celebrated the announcement of \$10 million in investment for workforce training for English learners. **New York lawmakers** called for the passage of a brownfield prevailing wage bill to support union workers. **South Dakota Republican lawmakers** guaranteed widespread support for a bill addressing inmate rehabilitation and recidivism, which arose during debate for a new men’s prison. **Governor Lee (R, TN)** issued his first veto,

which has not yet been sustained or overridden, rejecting a bill that would have expanded state parole board discretion to deny parole to state prisoners, citing concerns that it would roll back key elements of a 2021 criminal justice reform law.

Lookback to 2025

Governor Ivey (R, AL) launched the Unified Alabama Department of Workforce to transform the state's economic future by removing barriers, creating pathways to employment, and consolidating fragmented programs. **Governor Polis (D, CO)** signed legislation funding peace officer recruitment through bonuses, tuition assistance, and other incentives. **Governor Landry (R, LA)** signed legislation requiring annual return-on-investment analyses of industry-based credentials offered in high schools. **Governor Moore (D, MD)** signed legislation expanding expungement eligibility and removing barriers to employment, housing, and education. **Governor Gianforte (R, MT)** announced the "406 Jobs" initiative to strengthen Montana's workforce in line with Trump administration goals to "Make America Skilled Again" by focusing on trade jobs, AI in education, advanced manufacturing, and other high-demand sectors. **Governor Lujan-Grisham (D, NM)** signed a bill making New Mexico the first state in the nation to offer universal childcare. **Governor Abbott (R, TX)** enacted legislation aimed at enabling 60% of working-age Texans earn a postsecondary degree or credential by 2030, targeting workforce gaps in skilled trades such as plumbing and welding. **Governor Evers (D, WI)** vetoed legislation requiring a return to in-person work for state employees, citing cost savings and recruitment associated with flexible work policies.

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