

State Legislative Recap

Major State Issue Trends in 2026

MULTISTATE

This report organizes the high-level legislative trends we saw in the 2026 state sessions, compiled by our team of experts who read thousands of bills daily when states are in session. Here, we discuss the most prevalent issues considered by state policymakers, in addition to some of the more surprising emerging trends we noticed. We also explore what to expect in 2027 for these policy areas. **Click on the links below to jump between sections.**

Last updated November 1, 2026.

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Consumer Issues

Pricing

Consumer protection legislation relating to pricing has rapidly transformed throughout the 2020s, driven by heightened cost-of-living concerns. The pricing transparency trend from years past expanded from basic price disclosure to include additional fees, algorithmic pricing, and most recently, surveillance pricing in 2026. Legislation targeting pricing models began to gain traction in 2025, following the surge of artificial intelligence (AI) regulation. Concerns surrounding automated systems setting or adjusting prices with minimal human involvement prompted lawmakers to consider measures addressing algorithmic pricing.

One of the first issues state legislators addressed was pricing of important necessities like food and grocery products. Such legislation in 2025 was relatively limited and emerged mainly in Democratic-trifecta states like California, Hawaii, Maine, Massachusetts, New Mexico, and New York. The bills would have prohibited grocery stores and other food-related establishments from utilizing algorithmic pricing models to set or change product prices.

In the fall of 2025, consumer concerns relating to the use of personal data in price setting as well as the use of personal data to raise prices, combined with increasing efforts to improve affordability, led to a surge of pricing model legislation introductions in 2026. While the issue spread to statehouses across the country, it became evident that this is where consensus ended. This year, legislators grappled with balancing the use of technology while regulating, defining, and enforcing pricing activity.

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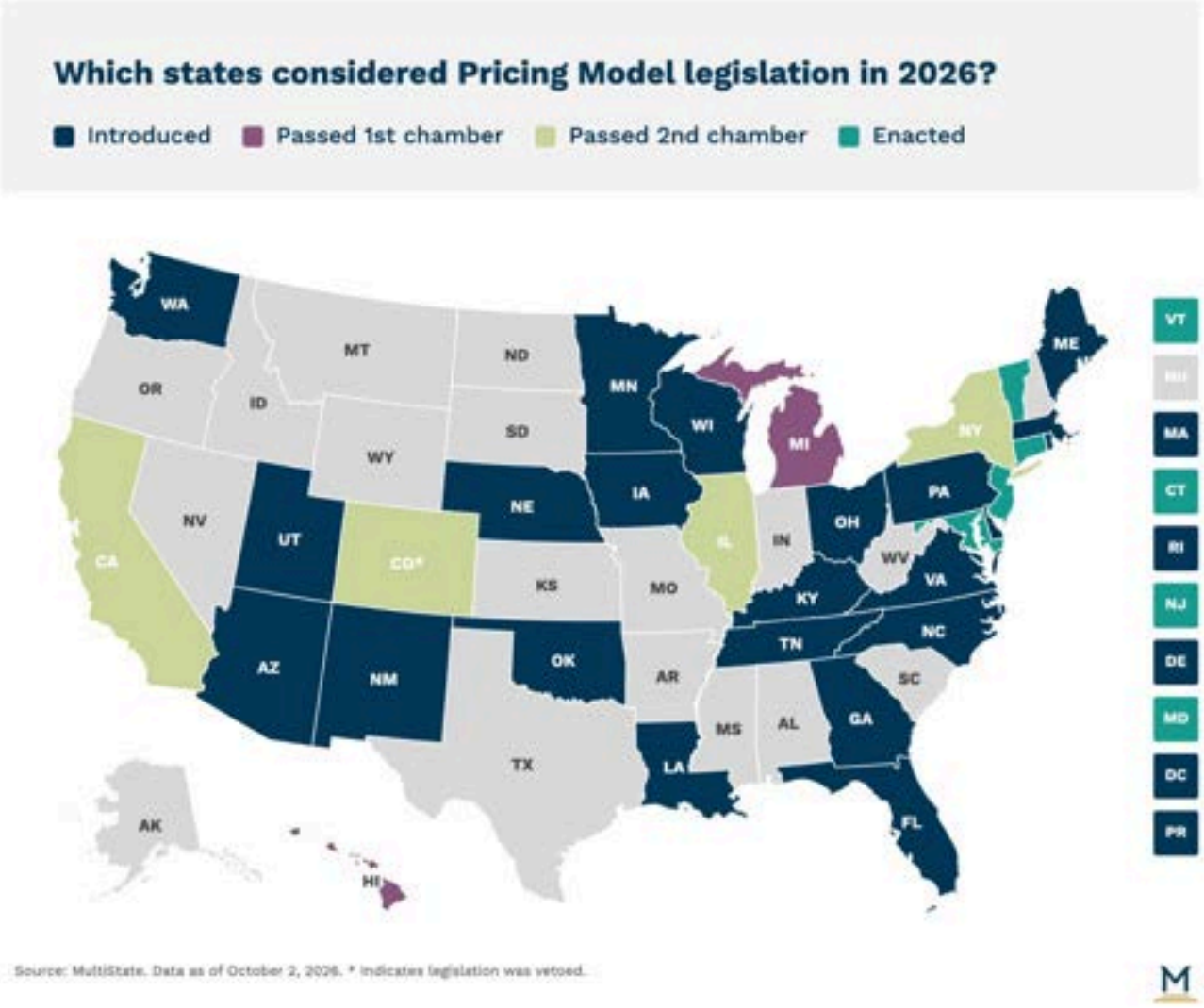
Surveillance pricing emerged as the dominant term of art for price-setting regulation in 2026, yet state lawmakers across the country have proposed and passed inconsistent terminology and overlapping definitions, causing a complex patchwork of legislative proposals and new laws. 2026 legislation includes dynamic pricing, algorithmic pricing, and surveillance pricing, which, while similar, are distinct methods of determining price. North Carolina's SB 839 defines dynamic pricing as "the practice of varying the prices of consumer goods or services within the same business day based on demand or other factors, including the use of algorithmic pricing." Although the practice of dynamic pricing is not novel, many states do not have the term codified within their statutes, leaving state legislators to consider applicable complex technologies while approaching the drawing board. Limited guidance led to definitional inconsistency within the same state as some lawmakers in Tennessee (TN HB 2052) would define dynamic pricing as pricing that fluctuates based on algorithmic models in near real-time, whereas others would define the term (TN HB 1468) more broadly as pricing that fluctuates based on conditions generally. Dynamic pricing can be thought of as an umbrella term under which other pricing models may fall, most analogous to the relationship between rectangles and squares — all squares are rectangles, but not all rectangles are squares.

Kentucky's HB 33 included the most commonly proposed definition of surveillance pricing: "offering or setting a customized price for a good or service for a specific consumer or group of consumers, based, in whole or in part, on personal data collected through electronic surveillance technology." Connecticut adopted the same definition in CT SB 4, signed by Governor Ned Lamont (D), which will take effect on July 1, 2027. In contrast, Maryland's HB 895 defined dynamic pricing in terms that closely resemble other states' definitions of surveillance pricing. Notably, although HB 895 is recognized as the first surveillance pricing statute enacted in 2026, the term "surveillance pricing" does not explicitly appear in Maryland's new law. Garden State lawmakers introduced a unique definition of surveillance pricing in NJ A 4085, specifically emphasizing food sales in the term's language. In addition to surveillance pricing, legislators in Oklahoma (OK HB 3959) and Tennessee (TN HB 1468) explored regulating "personalized algorithmic pricing," defining it as dynamic pricing determined by algorithms that utilize personal data. These varied approaches highlight the ongoing challenge of creating consistent standards to regulate emerging pricing practices and compliance across states.

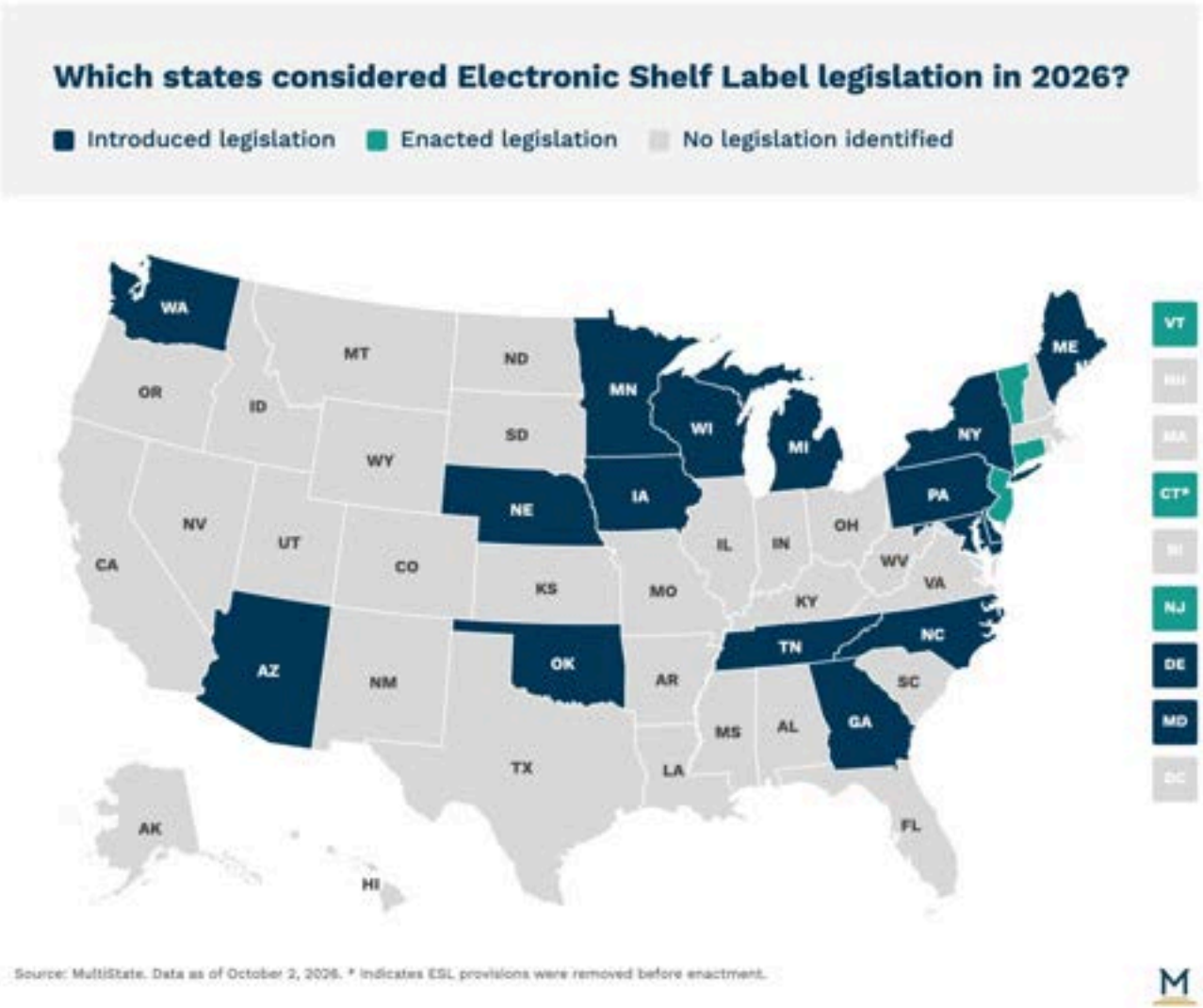


Grocery Stores

While surveillance pricing bills generally fell into three categories — limited permission with disclosure, grocery sales, and outright prohibitions — 32 of the 120 bills introduced this year sought to restrict the use of surveillance pricing in retail food stores. Most grocery surveillance pricing measures were introduced in Democratic-trifecta states (Hawaii, Illinois, Maryland, Massachusetts, New Jersey, New York, and Washington) or by Democratic sponsors (Michigan, North Carolina, Oklahoma, Tennessee, and Wisconsin), reflecting anticipated partisan efforts to regulate pricing on essential goods. These proposals specified which establishments would be subject to the ban, often based on store size and the percentage of sales from food. Most commonly, surveillance pricing prohibitions would apply to brick-and-mortar retail food stores with a footprint of 15,000 square feet or larger that sell primarily household food items for off-premise consumption. More stores would have qualified as food retailers under NE LB 1006, as the measure proposed a lower threshold of only 10,000 square feet. Unlike most grocery store surveillance pricing legislation, New Jersey's newly enacted law specified the applicable goods, groceries and foodstuffs, but did not define or establish qualifying requirements for applicable retail establishments.

Electronic Shelf Labels (ESLs)

A new trend relating to digital price tag displays emerged this year from surveillance pricing legislation. Although implementation of ESLs in stores has occurred throughout the past decade, the convergence of AI technology and affordability concerns led legislators to address technology on store shelves themselves. Like surveillance pricing bills, ESL provisions predominantly fell into three categories. Some measures such as DE HB 453 and IA SF 2278 would have banned the use of ESLs in retail food establishments, while AZ HB 2299 would have banned businesses generally from using the price display technology. In New Jersey (NJ A 4085) and Washington (WA HB 2481 / SB 6312), state lawmakers considered moratoriums to give lawmakers time to study the devices' impact on prices. Washington's proposed moratorium would have been the strictest, a full stop on ESL use for four years. In New Jersey, legislators initially introduced a one year ban on the use of all ESLs, which was later amended to narrow the one year ban to only apply to the new implementation and use of ESLs prior to enactment. Businesses with existing ESLs are permitted to continue their use and purchase new devices or equipment for necessary repairs.



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A handful of statehouses aimed to greatly limit ESL use without banning them entirely. In Vermont, Governor Phil Scott (R) signed VT HB 942 into law. While the measure includes ESL restrictions, the devices will still be permitted. However, retail establishments are prohibited from using real-time dynamic pricing and ESLs to increase product prices while the business is open to the public. Retailers are only exempted from increasing a price on an ESL during business hours if they are correcting a genuine documented pricing error, and will be required to notify consumers in the store of the correction and price change. A bill in Minnesota (MN HF 3408) would align with Vermont's once-a-day price change policy, but would go further by requiring a non-digital price display for each item where an ESL is in use. Whereas GA HB 1439 would have required ESLs to display a maximum daily price on the digital shelf label. Retail food stores in Maryland (MD SB 899) and Wisconsin (WI AB 1190) would be allowed to use ESLs so long as their prices are not subject to dynamic or personalized algorithmic pricing.

Electronic shelf labels (ESLs) became a point of contention in several state legislatures. In Connecticut, the initial version of SB 4 included a ban on ESLs, but these provisions were later stripped from the bill. In neighboring New York, lawmakers introduced two sets of companion bills under the "One Fair Pricing Package." While NY A 9349 / S 8623 passed in the final hours of the 2026 legislative session, the companion bills NY A 9396 / S 8616—which sought to restrict ESLs—never received a final vote and ultimately failed to advance.

Market Pricing and Discounts

Retail prices are determined by complex, ever-changing factors: supply chain disruptions, demand-based shortages, perishability, seasonality, raw material availability, geographic location, and government action (e.g., tariffs, taxes, regulations, etc.). State lawmakers across the country attempted to balance surveillance pricing regulation and protecting price-saving opportunities such as discounts and loyalty or rewards programs. Legislation in California, Illinois, and Maryland clarified that surveillance pricing does not include well-established pricing actions like the adjustment of a price due to the cost of providing a good or service or the offering of a discounted price due to a consumer's membership in a broadly defined group (e.g., students, teachers, seniors, veterans, etc.). Price differentiation due to a consumer's voluntary participation in loyalty or rewards programs also does not constitute surveillance pricing in those states.

Supporters of surveillance pricing legislation consistently argued that such measures are necessary to combat rising prices for consumers. Opponents, however, cautioned that these laws could have unintended consequences, potentially limiting businesses' ability to lower prices. Most legislation defines surveillance pricing as the offering or setting of "a price," leaving the language open to mean the setting of any price, whether higher or lower. To address this, Maryland legislators amended HB 895 to prohibit using dynamic pricing to increase the price of food. Colorado's HB 1210 was not amended to include language explicitly addressing higher prices before it reached Governor Polis' (D) desk, causing him to veto the measure. In Polis' explanatory veto message, he emphasized this point, stating, "instead of specifically defining and targeting unethical conduct and practices, the bill takes a broader approach…many Coloradans won't get discounts on items they buy if [he] were to sign this."

Additional Policymakers

Surveillance pricing bills garnered support from all three branches of government at the state level in 2026. Beyond legislators, state attorneys general in New York and North Carolina advocated for passage of the measures. One of the year's most prominent pieces of legislation, MD HB 895, was introduced as part of Governor Moore's 2026 agenda. In January, California's Attorney General Rob Bonta (D) announced his office would initiate an investigative sweep centering on businesses' use of surveillance pricing. New York's Attorney General Letitia James (D) championed surveillance pricing legislation and rallied in both the Bronx and Syracuse. If Governor Hochul (D) signs NY A 9349 / S 8623 into law, Attorney General James will have enforcement authority to bring cases against alleged violators. In late May, North Carolina's Attorney General Jeff Jackson (D) joined a bipartisan coalition of attorneys general urging the Federal Trade Commission (FTC) to regulate the disclosure of personalized pricing technology and price differentiation in food and grocery delivery service platforms.

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Surveillance pricing shows no sign of slowing down in 2027, particularly in California. CA AB 2564 failed to pass in the final hours of the session. The bill was sponsor Assemblyman Christopher Ward's (D) second attempt at creating a surveillance pricing law after CA AB 446 failed at the same stage in 2025. Ward issued a press release on the bill's defeat stating he's "profoundly disappointed that AB 2564 did not make it to the Governor" and he will "build on this year's progress, and carry this fight into next year," setting the stage for surveillance pricing round three in California's 2027 legislative session. Virginia Senator Russet Perry (D) announced that she will be introducing surveillance pricing legislation in 2027, in addition to VA HB 121 and VA SB 615 which failed to pass, but were continued to the 2027 session.

We expect increased legislative activity, with lawmakers at the federal, state, and local levels stepping up efforts to regulate these practices. The New York City Council recently considered a surveillance pricing ban, and in late September, Seattle became the nation's first city to prohibit surveillance pricing in grocery stores. At the federal level, regulators have entered the discussion, as the FTC issued a policy statement on enforcing personalized pricing and launched a public comment period.

Looking ahead, surveillance pricing is likely to expand beyond groceries and traditional consumer goods, potentially affecting sectors such as travel, entertainment, insurance, and digital services. Similar to CO HB 1210, legislators may consider the use of personal data in wage setting for employees. Nevada lawmakers prefiled NV BDR 268 for 2027 which proposes to prohibit surveillance pricing and wage-setting like Colorado's bill.

Ongoing technological development is expected to drive further legislative responses as state lawmakers struggle to balance affordability, innovation, and consumer rights. Another way we expect AI regulation in retail settings to evolve is through legislation related to agentic commerce. This year, AI developers in the technology industry began implementing AI shopping assistants, or "agents," that search, shop, and order on internet websites on behalf of consumers. In 2027, state lawmakers may attempt to update statutes to apply to the newly implemented AI technology.

Make America Healthy Again (MAHA)

During the 2024 presidential election, Robert F. Kennedy Jr. repurposed President Trump's "Make America Great Again (MAGA)" slogan and coined "Make America Healthy Again (MAHA)" to package and promote his public health issues. After withdrawing from the race, Kennedy threw his support behind President Trump's bid for reelection. President Trump swiftly incorporated food safety and chronic disease reduction into his own policy platform and formally established the MAHA Initiative once in office in 2025. The Initiative's overarching goal is to improve public health and reduce chronic disease rates, particularly in children. As the newly appointed Secretary of the Department of Health and Human Services (HHS), President Trump charged Kennedy with developing and implementing the MAHA policy umbrella, which encompasses a broad range of medical, nutritional, agricultural, educational, and environmental issues, taking a holistic approach to public health policy. In 2025, state lawmakers predominantly focused on food nutrition measures. This year, lawmakers broadened MAHA policies at the state level by introducing legislative proposals concentrating on nutritional, healthcare, chemical, and agricultural issues.

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Federal Influence

Uniquely, MAHA activity not only illustrates strong alignment between federal and state policies, but also reflects a sustained collaborative relationship between the tiers of government. Secretary Kennedy coordinated with state entities to launch new nationwide MAHA initiatives. In July, Kennedy announced the rollout of the new voluntary Make Hospital Food Healthy Again Pledge at Tampa General Hospital, the first facility to sign on. Participating hospitals will transform their menus to reduce the use of ultra-processed foods (UPFs) to prevent chronic illness and shift nutrition to the center of patient care. The Centers for Medicare and Medicaid Services (CMS) issued a memo in March alerting hospitals that federal standards require patient meals to align with the 2025–2030 Dietary Guidelines for Americans. Failure to comply could jeopardize hospital participation in Medicare and Medicaid, their largest public payers.

Federal grant and funding opportunities have become an effective way to further the MAHA agenda as states search for new revenue streams amid budget cuts. Congress established the Rural Health Transformation Program (RHTP), enacted in the One Big Beautiful Bill Act (OBBBA), to distribute $50 billion, half of which will be allocated equally over the course of five years, to all 50 states. CMS will determine the distribution of the other 50 percent of funds based on annual state scores, which include, amongst other metrics, consideration of a state's MAHA policies. By implementing MAHA agenda items, state lawmakers will be able to improve their scores, thereby increasing the potential to receive additional RHTP funding through Fiscal Year 2031.

HHS and the U.S. Department of Agriculture (USDA) are also offering new funding opportunities through federal school meal programs to improve childhood nutrition. In August, Secretary Kennedy and USDA Secretary Brooke Rollins announced the Harvest to Hallways Grant Program to align the National School Lunch and Breakfast Programs with the MAHA Initiative. The agencies plan to apportion, in three distinct rounds, up to $70 million for school cafeteria upgrades, $30 million for research into removing UPFs from school meals, and up to $25 million for farm-to-school grants.

Grocery

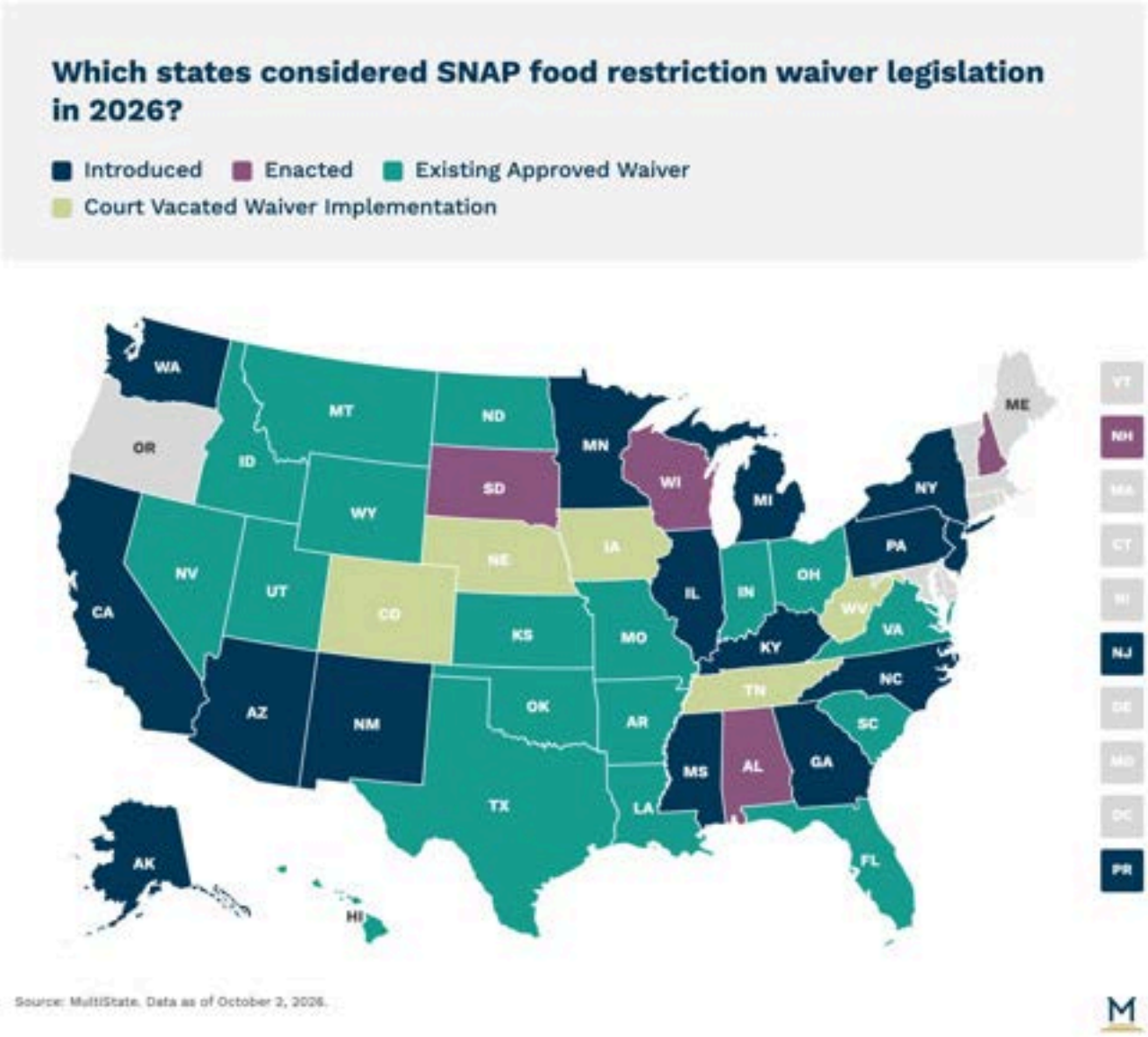
In 2026, the three main MAHA food policy trends from 2025 — food additive restrictions, Supplemental Nutrition Assistance Program (SNAP) waivers, and MAHA-related commissions — remained state legislative priorities. Prominent MAHA states Iowa (IA HF 2676), Louisiana (LA SB 219), and West Virginia (WV HB 4982) enacted comprehensive MAHA laws establishing public health offices charged with developing and strengthening MAHA-related recommendations and programs, namely physical health, nutrition, and healthcare. Alaska (AK SB 187), Nebraska (NE LB 940), and Tennessee (TN SB 2423) enacted laws restricting petroleum-based color additives in schools, while lawmakers in Utah and West Virginia introduced measures to expand the list of additives prohibited under school food laws their states enacted in 2025.

Additive legislation also extended beyond bans to pre-market review. Bills in California (CA AB 2034) and New York (NY S 1239 / A 1556) targeted substances designated as "generally recognized as safe" (GRAS), an FDA classification established in the late 1950s that exempts commonly used substances, such as salt, from premarket Food and Drug Administration (FDA) review to reduce regulatory burdens for manufacturers and the agency itself. Under New York's bills, which passed the legislature but have yet to be sent to Governor Hochul (D), food manufacturers would have to report a product's GRAS ingredients, including their levels, purposes, and basis for use, to the state Commissioner of Agriculture and Markets before sale. Similarly, California's measure would have also implemented a pre-market notification and review process, but it was ultimately held under review in committee. This year, state legislatures also continued to consider food additive bills that would define UPFs.

Lawmakers in Illinois, Kentucky, Missouri, New Jersey, New York, and West Virginia introduced bills to define UPFs and limit their availability in schools participating in federal meal programs. Indiana's HB 1137 initially included a UPF definition, but like several 2025 bills, lawmakers amended the measure to strike definitional language and only restrict listed additives in school food and beverage products. However, the lack of a standardized nationwide definition remains a significant challenge.

During 2026, continued delays occurred at the federal level. More than a year after Secretary Kennedy announced the first step toward a national UPF definition, regulators are still reviewing a draft which is yet to be published publicly. The delay has impacted state activity, as the Texas Nutrition Advisory Committee (TNAC), established by TX SB 25 (2025), recommended that the state align future action with forthcoming federal guidance on regulating UPFs.

By March of this year, nearly half of all states received USDA approval for SNAP waivers barring recipients from using benefits to purchase non-nutritive items such as candy, pre-packaged desserts, soda, and energy drinks. Efforts to require state agencies to seek these waivers continued in over 10 states, including Illinois and New Jersey, and were enacted in Alabama, South Dakota, and Wisconsin. The first round of approved waivers took effect at the start of the year, but legal challenges soon followed. On March 11, plaintiffs from Colorado, Iowa, Nebraska, Tennessee, and West Virginia sued the USDA and Secretary Rollins, arguing the agency exceeded its statutory authority and failed to follow proper administrative procedures in approving such waiver requests. A judge on the U.S. District Court for the District of Columbia found for the plaintiffs, granting their motion for summary judgment and halting the SNAP waiver pilot programs in the five states.



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Health Care

Vaccines have become a divisive issue among MAHA constituents. Last year, Secretary Kennedy, in conjunction with the Centers for Disease Control and Prevention (CDC), modified the recommended immunization schedule for COVID-19 and routine childhood vaccines, and announced changes to research funding for mRNA vaccines. While vaccines are central to Secretary Kennedy's agenda, the issue has also split the MAHA movement. A poll conducted by Politico this spring found that 14 percent of MAHA supporters do not support reducing vaccines, while a further 20 percent remain neutral on the subject.

In response to federal action, state officials have increasingly taken charge of their own vaccine policies, with 29 states and the District of Columbia rejecting the new federal guidance. A federal judge allowed a case petitioning to rescind the new federal vaccine guidelines filed by Pennsylvania's Governor Josh Shapiro (D) and 14 other Democratic-led states to proceed in part. The court dismissed the states' challenge to Secretary Kennedy's appointments to the Advisory Committee on Immunization Practices (ACIP). This year, Colorado (CO SB 32), New York (NY A 10711), and Washington (WA HB 2242) enacted laws to expand vaccine access and grant state boards of health the authority to consider recommendations beyond ACIP's. Colorado's and New York's laws specifically authorize recommendations from the American Academy of Pediatrics, the American Academy of Family Physicians, the American College of Obstetricians and Gynecologists, and the American College of Physicians. Similarly, Vermont Governor Phil Scott (R) signed VT H 545 into law, authorizing the state health commissioner to issue state immunization recommendations for adults and children. These laws, and the formation of the Governors Protect Public Health Alliance, reflect states' efforts to provide clearer guidance amid mixed federal messaging on vaccines and to coordinate and share public health information across state lines.

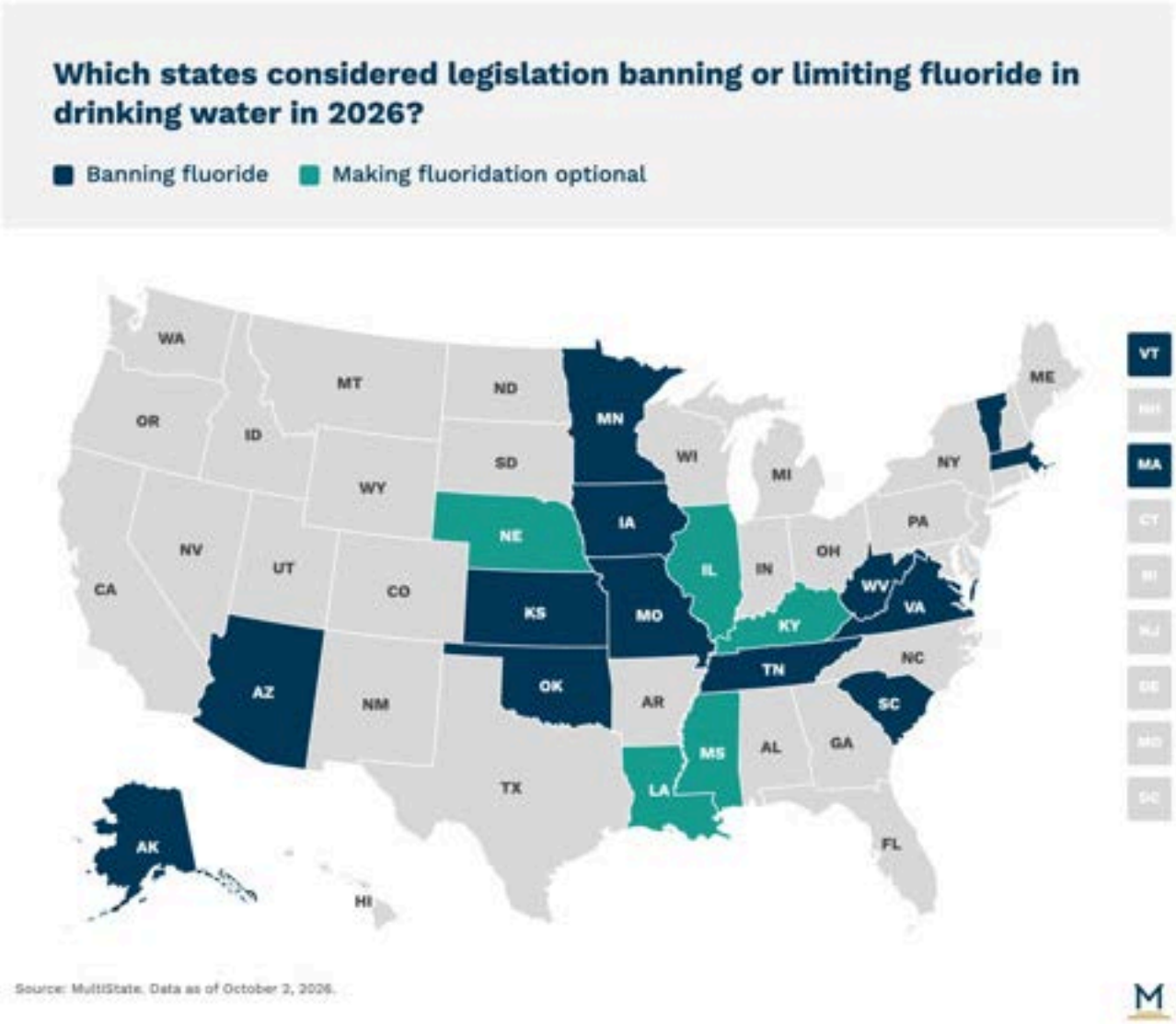
Policymakers in Florida took a different approach, aligning more closely with the new federal recommendations. The state Department of Health proposed a rule that would allow children to attend public school without receiving four currently required vaccines. Florida lawmakers also introduced FL SB 1756 to expand parental authority over children's medical care, including vaccines. The bill passed the Senate but died in the House after significant debate over parents' right to make medical decisions for their children.

Chemicals

Another top concern of proponents is the mitigation of Americans' exposure to chemicals in food and water. This focus has led to state and local bans or restrictions on fluoride in drinking water and on per- and polyfluoroalkyl substances (PFAS), referred to as "forever chemicals." Secretary Kennedy has repeatedly urged states to ban fluoride in drinking water, citing potential links to bone fractures, IQ loss, and developmental disorders. Contrarily, dental and health experts argue that fluoride is safe and helps prevent tooth decay. On August 3, the U.S. Environmental Protection Agency (EPA) released its Fluoride Human Health Toxicity Assessment Protocol, which outlines how the agency will study safe levels of fluoride in drinking water.

State activity relating to fluoride in drinking water in 2026 varied. Arizona (AZ SB 1019), Iowa (IA HF 2395), Kansas (KS SB 333), Missouri (MO SB 1548), and Tennessee (TN HB 2396) advanced outright bans, joining Florida and Utah, which became the first states to enact bans in 2025. Lawmakers in New York considered requiring customer notification before a water system discontinues fluoridation (NY A 8680/S 8283). Meanwhile, a Louisiana law (LA SB 4) allows water systems to opt out of fluoridation with voter approval, and similar opt-out bills were introduced in Kentucky (KY SB 55 and HB 103) and Illinois (IL HB 4321). Concerns about chemical exposure also extend beyond drinking water. Lawmakers in at least 20 states introduced bills addressing intentionally added PFAS in everyday products like cookware, cosmetics, cleaning products, and food packaging.

The MAHA agenda has also turned to safety testing for chemicals and drugs. Secretary Kennedy has made the reduction of animal testing of consumer products a priority across federal health agencies. The FDA updated its regulations to clarify and permit drug developers to use non-animal testing methods. States are pursuing similar goals. Lawmakers in Illinois, Kentucky, Minnesota, and Washington introduced bills that would restrict animal testing or require alternative methods. Maryland enacted a law this year (MD SB 423) that prohibits testing facilities from conducting traditional animal tests when a federally approved alternative exists.



Agriculture

MAHA priorities have also shaped agricultural policies. At the federal level, advocates influenced debate over the Farm Bill (US HR 7567) — the omnibus federal law governing agricultural and food policy. Congress is working to reauthorize the law after its initial expiration in 2023, which has been subsequently extended by lawmakers three times. The latest extension expired September 30, 2026. In April, the House passed the Farm Bill after MAHA supporters strongly pushed for the removal of provisions that would shield pesticide manufacturers from "failure-to-warn" lawsuits brought by consumers. Although MAHA staunchly objects to failure-to-warn liability protections for pesticide manufacturers, Georgia enacted such language in 2025, and Kentucky recently enacted a similar provision into law. Pro-MAHA states in the South, including Florida, Missouri, Oklahoma, and Tennessee, considered similar legislation this session.

Herbicides also came under scrutiny as a growing number of states considered restrictions on paraquat, a weed-killing herbicide used on farms that has been linked to an increased risk of developing Parkinson's disease. Lawmakers in several Northeast and Midwest states with large agricultural industries, including Illinois (IL SB 3161), Iowa (IA SF 2316), Michigan (MI HB 6114), New Jersey (NJ A 3086), and New York (NY S 9094), introduced bills that would prohibit the sale and use of any herbicide product containing paraquat. While most of these bills stalled in committee, Vermont became the first state to ban paraquat when Governor Phil Scott (R) signed VT H 739 into law.

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In 2026, the MAHA movement played a key role in the rise of populist issues within both parties. While MAHA is often seen as a Republican cause, many of its concerns also resonate with Democrats. This overlap opens the door for bipartisan cooperation at the state level. Despite differing philosophies, both Democratic and Republican lawmakers are likely to continue finding common ground on MAHA issues in 2027, especially with regard to food-related policies.

At the federal level, the rulemaking process is currently underway for the "Generally Recognized as Safe" (GRAS) rule, with the comment period closing on December 9, 2026. The FDA and HHS also submitted a white paper with their proposed definition of UPFs to the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA) for official review. However, after reports of discord between White House and HHS officials regarding future litigation risks, the publication and establishment of a uniform definition of UPFs may continue to face roadblocks.

Future legal developments are poised to shape the trajectory of MAHA. As a result of the recent summary judgment, the USDA has already postponed the rollout of new SNAP restriction waivers in South Carolina and North Dakota, and opened comment periods on all existing state waivers. With a court ruling halting pilot programs in five states, it remains to be seen whether beneficiaries in other states with approved waivers will pursue similar legal challenges. Federal regulators may need to revisit and revise waiver implementation in 2027 to ensure compliance with statutory and administrative procedures.

Beyond food policy, chemical and agricultural issues will also remain active in 2027. With Secretary Kennedy urging states to act and the EPA's fluoride toxicity review underway, more states are likely to consider fluoride bans or opt-out measures next session. The fight over pesticide failure-to-warn liability protections is likely to continue both in Farm Bill reauthorization and in state legislatures. Following Vermont's paraquat ban, other states may also revisit stalled herbicide restrictions.

The November midterm elections will be a key early indicator of MAHA's long-term influence. MAHA organizations have endorsed federal and state candidates nationwide. After making stops in California, Colorado, Michigan, Ohio, Pennsylvania, and Wisconsin, Secretary Kennedy is expected to continue traveling across the country this election season, emphasizing the Trump Administration's optimism that strong voter support for MAHA will translate into Republican victories in November. However, Secretary Kennedy's push on vaccines has slowed ahead of the midterm elections amid concerns about the impact on Republican candidates. Not only will the election results be a test for MAHA's influence in backing elected-official hopefuls, but their success will play a key role in anticipating which state legislatures will consider MAHA legislation in 2027.

Prediction Markets

Prediction markets are marketplaces where participants buy and sell contracts with other users based on the outcome of future events. While they have existed for decades, their popularity has exploded over the last few years as operators began offering event contracts involving sporting events. Operators, backed by the federal Commodity Futures Trading Commission (CFTC), argue they are not offering sports wagering, but instead providing a trading platform for a form of derivative under the exclusive jurisdiction of the CFTC. By some estimates, platform operators like Kalshi derive between 80%-90% of their revenue from sports contracts.

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Because prediction market platforms operate under federal authority, operators claim they are not subject to state sports wagering laws. States have asserted that prediction markets offer what amounts to sports wagering, and have exerted their authority in two ways: through executive actions by state Gaming Commissions and Attorneys General, and through legislation seeking to either ban or regulate prediction markets. Legislators in at least 14 states introduced prediction market legislation, and at least 20 states have filed lawsuits against or issued cease and desist letters to prediction market operators.

Prediction Market Bans

Several states attempted to ban some or all prediction market offerings in 2026. Minnesota legislators banned prediction markets on specified categories from operating in the state, but the CFTC sued to block implementation of the law. A federal judge granted a preliminary injunction prohibiting enforcement of the law while the case proceeds. The bill banned prediction markets on the following: athletic events; games played with cards, dice, or gaming equipment or machines; wars, states of emergency, natural disasters, mass shootings, acts of terrorism or public health crises; events happening to natural groups of persons; elections; civil or criminal lawsuits; deaths or assassinations; short-term weather events; popular culture events; and whether a person will make a particular statement. The bill does not impact traditional derivatives.

Legislators in Hawaii and Ohio introduced legislation that deems prediction markets as sports wagering. In Hawaii, that change would have banned prediction markets, where sports wagering is illegal. In Ohio, operators would need to be licensed under the state sports wagering law. Lawmakers in Illinois, New Jersey, New York, Pennsylvania, and Vermont have introduced bills that prohibit prediction markets on specified categories, usually including sports, disasters, or death. Other bills have more limited bans. Lawmakers in several states introduced bills banning public officials or employees from participating in prediction markets related to governmental actions. Some states, while not seeking to regulate or ban prediction markets, have bills that would set a 21-year age minimum for prediction market users.

Prediction Market Regulation Bills

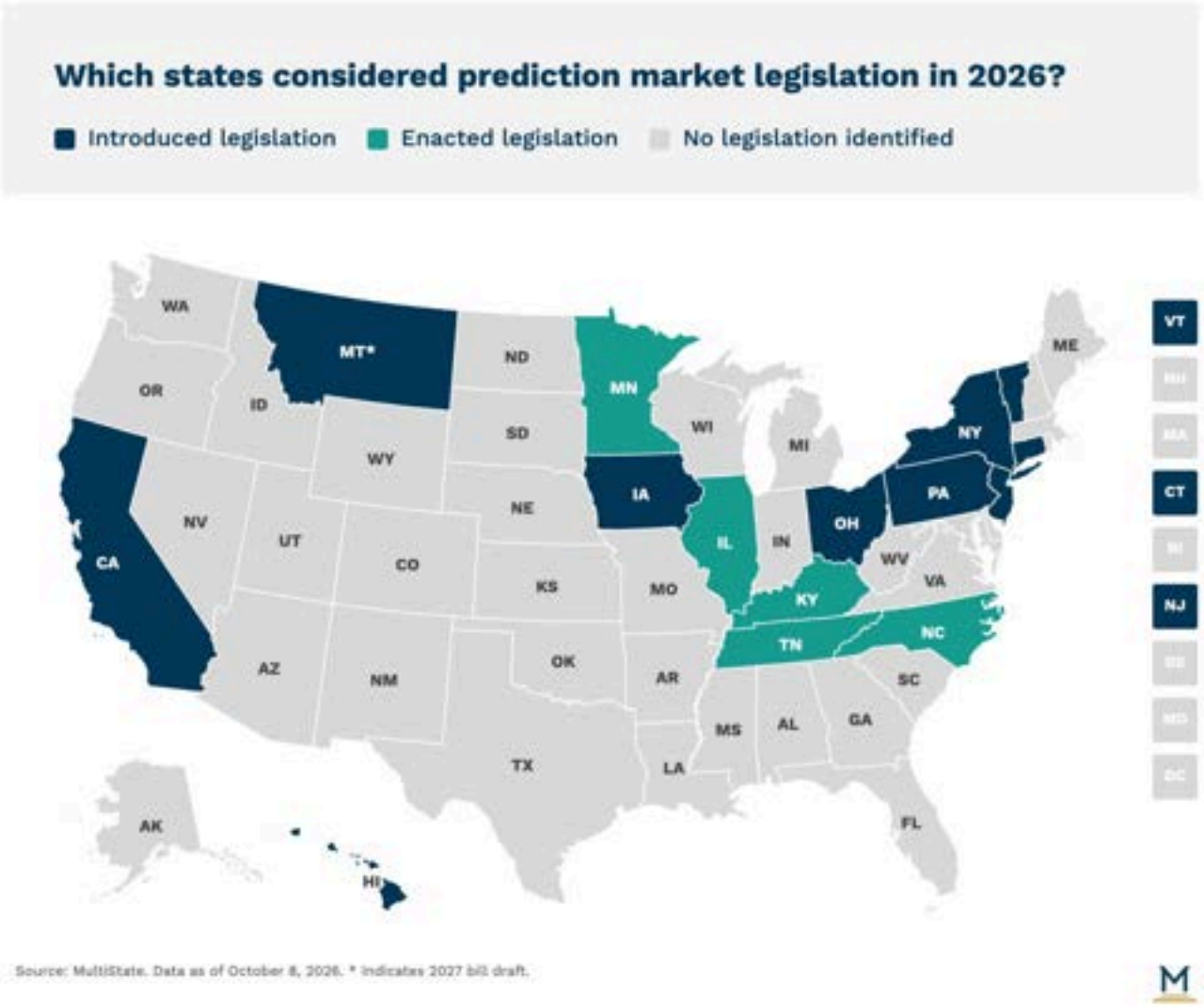
Despite the CFTC's claim of exclusive jurisdiction over prediction markets, several states considered legislation to impose authority over prediction markets. Legislators in three states, Illinois, Kentucky, and North Carolina, enacted legislation that imposes state taxes on prediction markets. The Illinois bill imposes a 2-tiered tax on operators based on the number of trades they process in the state. Kentucky taxes prediction market revenue at the same rate as the state mobile sports betting tax rate, and North Carolina taxes prediction markets well below the state online sports wagering tax rate. Kentucky legislators took steps to avoid impacting the traditional derivatives market, specifically exempting agricultural and other specified commodities from the bill. North Carolina legislators limited their tax provisions to sports contracts. Notably, all three states folded the prediction market provisions into larger revenue bills. Bills introduced by lawmakers in New Jersey, New York, and Pennsylvania that also tax prediction market operators remain under consideration.

Kentucky legislators enacted a second prediction market bill that prohibits existing gaming licensees from offering prediction markets in the commonwealth. New Jersey legislators have taken the opposite approach, introducing legislation that allows operators to offer sports-related prediction markets if they comply with sports wagering licensing requirements.

Executive Actions

Separate from legislative action, at least 20 states are involved in litigation with prediction market companies, and at least 11 state regulators have issued cease and desist letters to prediction market operators. Litigation has come from all involved parties, with states suing operators, operators suing states, and the CFTC also suing states. Most cases are in federal court, and three Circuit Courts of Appeals have already issued decisions. In April, the Third Circuit ruled in favor of federal preemption in a 2-1 decision, but more recently, both the Sixth and Ninth Circuits have ruled in favor of the states. The Ninth Circuit held that

the Commodity Exchange Act does not preempt Nevada's gaming regulations, and the Sixth Circuit found that Kalshi hasn't adequately shown that its products are swaps and protected under the CEA. At least five other circuits have pending actions. With these circuit splits, the issue will likely reach the Supreme Court in the near future.



2027 Outlook

With litigation unlikely to be settled before the 2027 legislative season begins, state legislators will continue to exert state authority over prediction markets. Montana legislators are working on a bill draft already, and a Texas Senate committee heard testimony on prediction markets in September. States that have legalized sports wagering have an incentive to protect their licensees. Traditional sports wagering companies pay large sums in licensing fees and taxes on their gaming revenue. If customers shift to prediction markets, states will lose gaming revenue. In states without legal sports wagering, state legislators will have an incentive to block what they see as illegal gambling.

Education

Screen Time and Phone Bans in Schools

As the 2026-27 school year gets underway, technology remains one of lawmakers' biggest concerns in the classroom. While interest in education technology (ed tech) has taken many forms, the focus is currently on cell phones and screen time limitations. Cell phone usage in schools has been heavily debated in recent years, with all but six states taking some kind of action. Proponents of cell phone bans include teachers and administrators, citing fewer distractions and better mental health outcomes for students. Parents often disagree, arguing that cell phones are a necessity for children due to safety and logistical concerns. Screen time limitations are a newer tool being used by lawmakers to regulate ed tech in the classroom. Parent advocacy groups argue that screens are distracting and reduce student interaction, while technology industry leaders support the individualized approach that ed tech can provide and criticize blanket measures for being too broad.

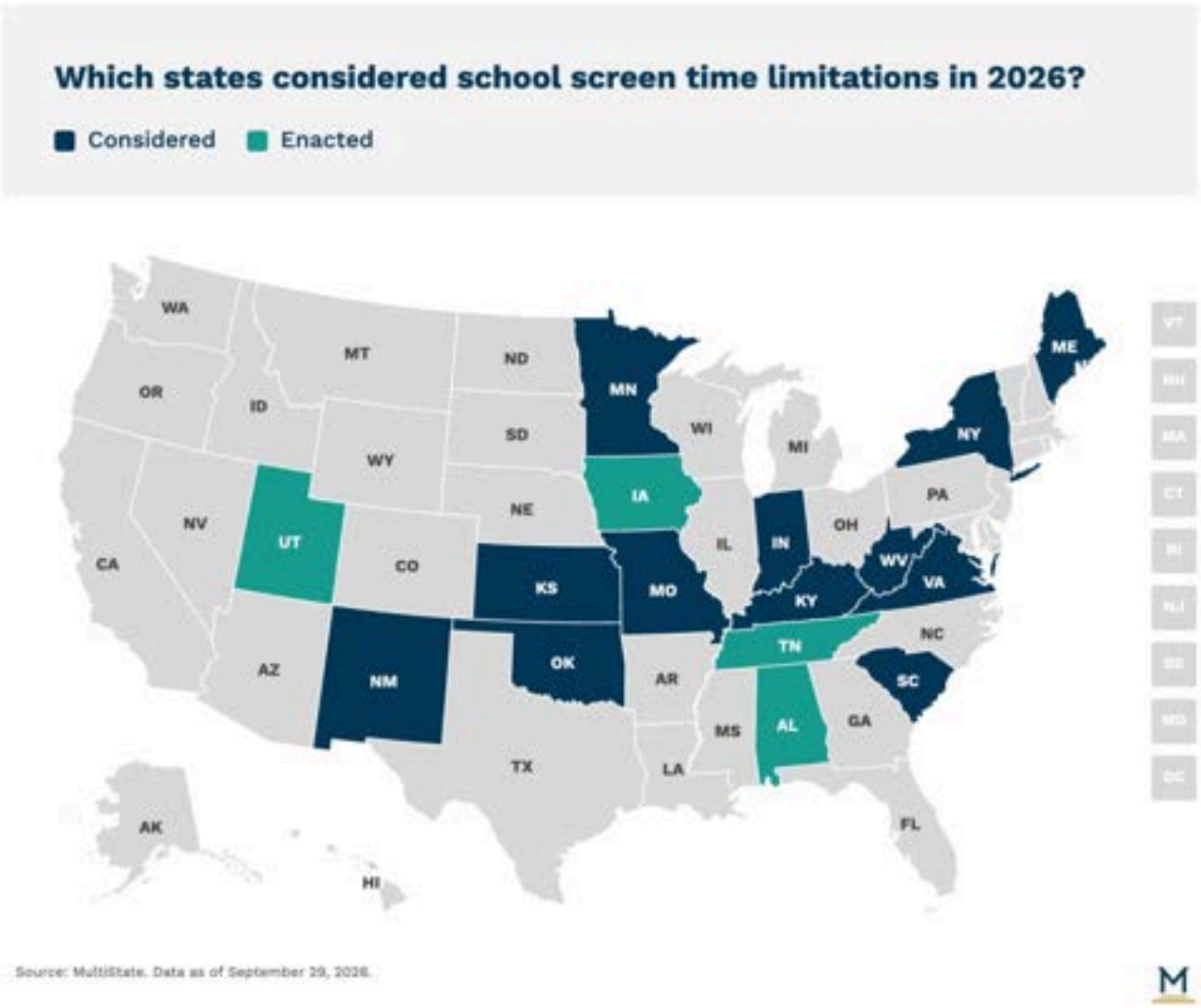
2026 Recap

Cell Phone Bans

Currently, only six states – Montana, South Dakota, Pennsylvania, Massachusetts, Connecticut, and Maryland – remain without laws addressing cell phone usage in classrooms. In 2026, over 20 states passed cell phone legislation, with many unique approaches to curbing cell phone use during the school day. The majority of states enacting policies in 2026 require school districts to develop and implement their own requirements for students' devices, including the new laws in Delaware and Illinois. The legislation typically requires school districts to develop policies detailing exemptions to the restrictions, usually for medical reasons or emergencies. Twenty-one states had their laws become effective in the middle of the 2025-26 school year or at the start of the 2026-27 school year. Results have been mixed thus far, with some schools seeing increased disciplinary incidents and others citing more engaged students during class. The effectiveness of the bans depends on teachers and administrators enforcing the rules, and students complying.

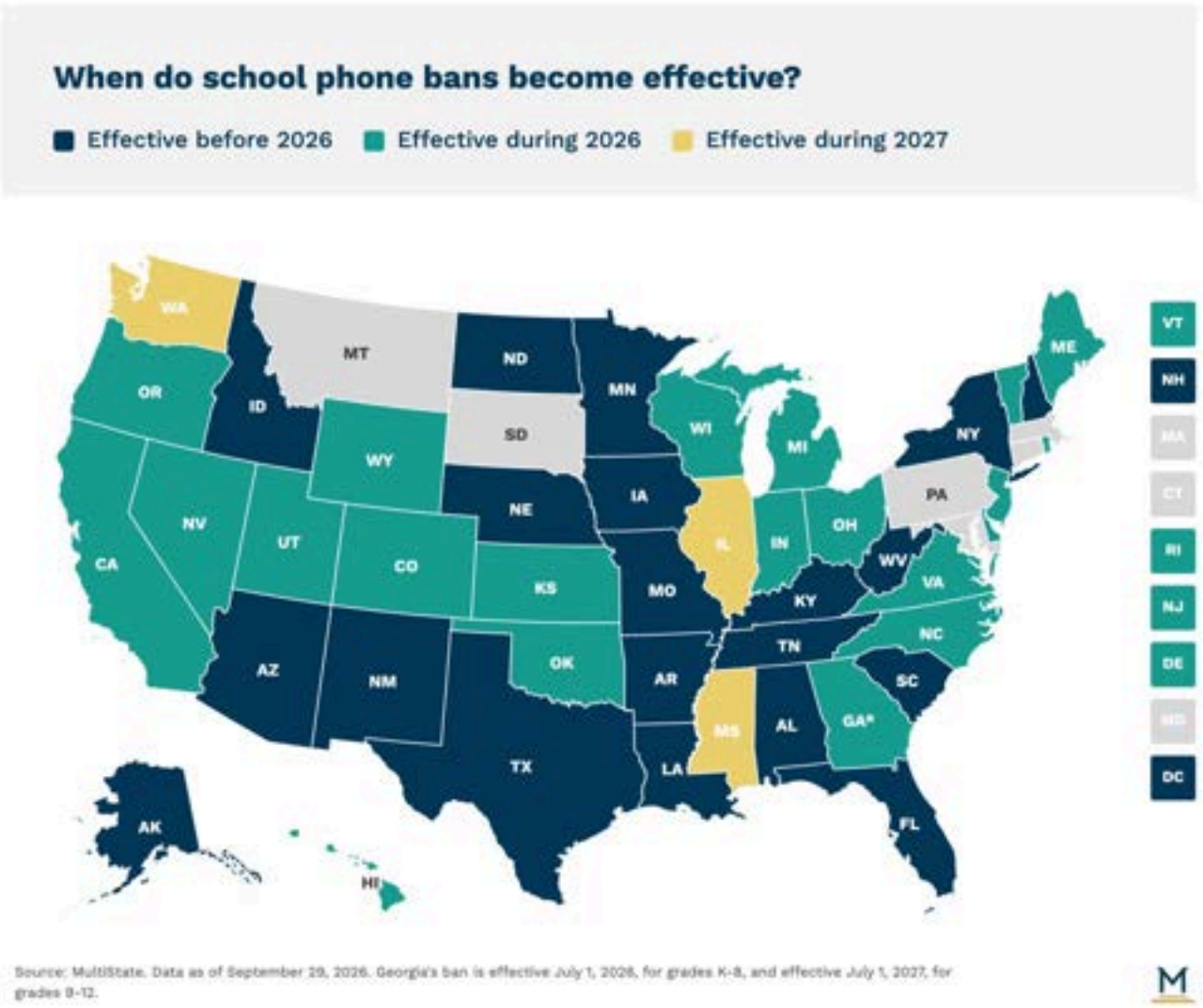
Screen Time Limitations

Screen time limitations became the latest form of regulating technology in schools during the 2026 sessions. Sixteen states considered screen time limitation legislation, with four enacting bills and one (Maine) requiring a legislative study. Much of the rise in legislation addressing classroom screen time restrictions can be attributed to the Make America Healthy Again (MAHA) movement. MAHA advocates, including Secretary of Health and Human Services Robert F. Kennedy Jr., support the reduction of children's screen time, especially in educational settings. They argue that high device usage strongly correlates with students' issues relating to physical and mental health, academic performance, and social development. The laws in Alabama and Utah center on early elementary-aged children, and parental concerns that replacing instruction from a qualified teacher with an ed tech product will negatively affect students' ability to learn and interact, siloing each student in their own technology bubble. While ed tech comes in many forms, 2026 regulations on screen time were consistently a blanket measure placing limitations on how long a screen could be used each day.



2027 Outlook

Of the remaining states without cell phone bans, all but Montana saw bills introduced in 2026 that later died in the legislature. Four other states – Georgia, Illinois, Mississippi, and Washington – have laws that go into effect in 2027. As more state bans become effective, and more information is published on the effectiveness of certain types of bans, schools will likely begin amending their policies.



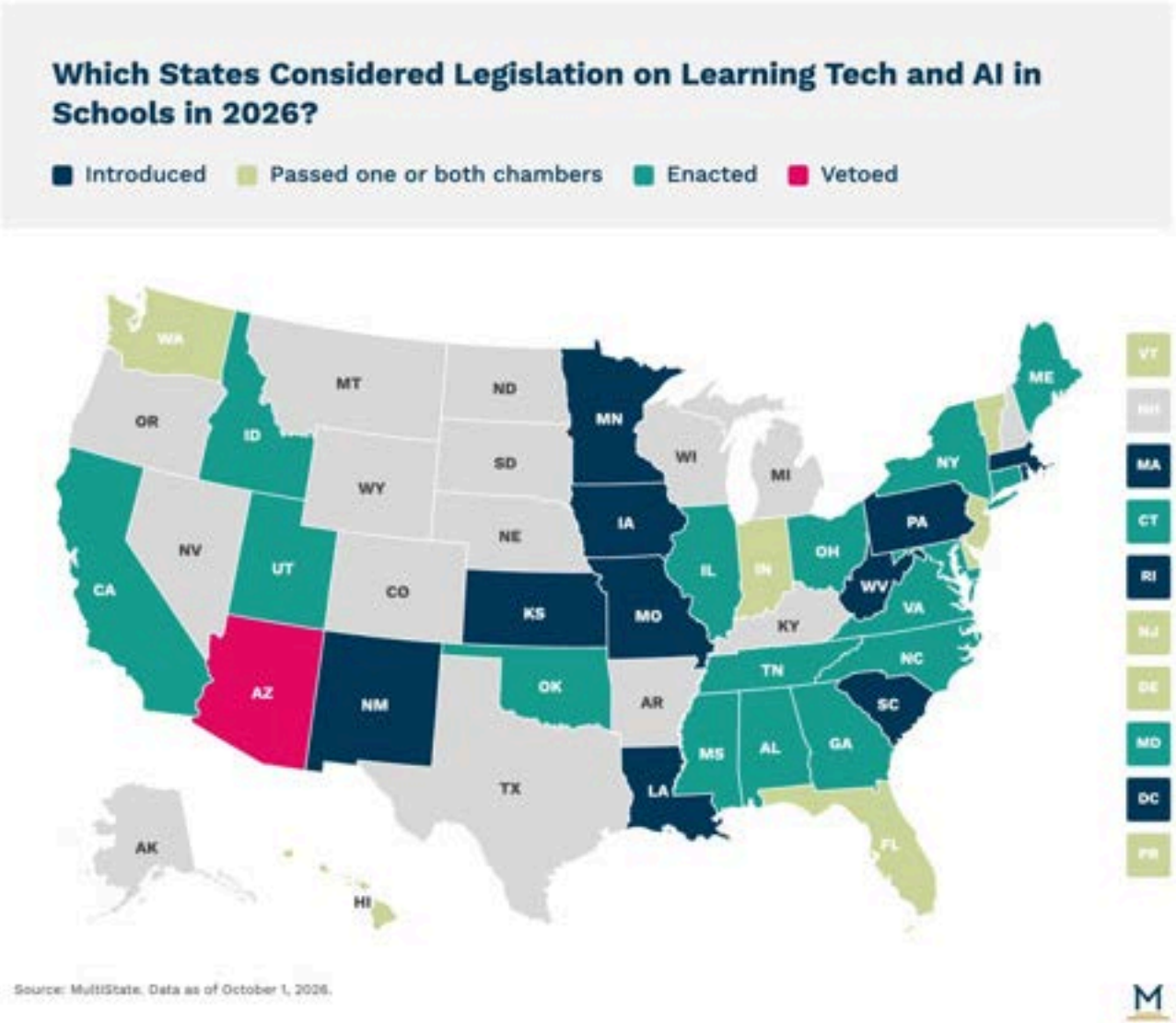
More states are considering the benefits of screen time limitations and will likely introduce bills and commission studies on their effectiveness in 2027. Alabama's law becomes effective in 2027, and Maine will likely publish its legislative study as well. Action continues at the local level with many school districts in large cities such as Chicago, New York, Philadelphia, and Los Angeles enacting their own screen time policies. It's likely state lawmakers will weigh in on screen time as the discussion continues to grow at the local level.

Learning Technology and AI in Schools

Artificial intelligence (AI) in schools has become an emerging issue for states. In 2025, lawmakers focused on legislation that encouraged further research rather than jumping straight to mandates. Legislators are now debating when and how schools should be using AI, and where limits are needed. This year's legislation addresses not only whether schools should prepare students for AI, but also how the technology should be used and regulated.

2026 Recap

Our mid-session recap on artificial intelligence and education identified three trends across bills: AI literacy and graduation requirements, AI usage boundaries and oversight requirements, and student data privacy and protection measures. Since the spring recap, these themes have remained strong, along with a developing fourth category of states requiring educators to complete training on using artificial intelligence in the classroom. In the 2026 session, 37 states introduced 176 bills addressing artificial intelligence in schools. Out of these bills, 31 have been enacted, 23 have passed one or more chambers, and one was vetoed.



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AI Literacy and Graduation Requirements

AI literacy in curriculum and graduation requirements has become a significant theme. States are providing students with coursework that helps them understand new technologies in their studies, while also preparing them for a changing workforce due to artificial intelligence. States have taken different approaches to AI literacy, with some incorporating it into existing computer science and digital skills requirements and others considering more specific instruction on artificial intelligence.

Several states took different approaches to incorporating AI into student learning. Connecticut created the "Connecticut AI academy" to offer online courses, promote digital literacy, prepare students for AI careers, and prepare small businesses, while also creating a working group on artificial intelligence (CT SB 5). Georgia, Mississippi, and Alabama lawmakers passed legislation in their states to make computer science, including AI, a high school graduation requirement (GA SB 179, MS SB 2294, and AL HB 329). Utah lawmakers enacted legislation requiring a digital skills course in grades 7-8 and creating an advisory tech council to advise on tech-related courses and education (UT HB 218).

AI Usage Boundaries and Oversight Requirements

Legislatures have been considering what boundaries to set for artificial intelligence in learning environments. States have taken several avenues, including requiring human oversight, restricting AI from making certain educational decisions, and directing state agencies or school districts to develop AI use policies. While specific requirements vary, legislation this year has generally focused on establishing rules for AI use in schools rather than requiring schools to adopt the technology.

Oklahoma legislators enacted legislation allowing AI in schools only under educator supervision with human review, banning its use for high-stakes decisions, mandating state guidance and district policies, and requiring annual parent disclosure (OK SB 1734). Utah lawmakers passed legislation requiring the State Board of Education to develop model policies for classroom technology and AI use, including limits on screen time and restrictions on generative AI use for grading and high-stakes student decisions (UT HB 273). In Idaho, lawmakers enacted legislation requiring a statewide framework for AI in K-12 schools, including AI literacy standards, data privacy requirements for AI tools, and a prohibition on AI from replacing human teachers (ID SB 1227).

Student Data Privacy and Protection Measures

Student data privacy remains closely connected to the artificial intelligence debate. As schools use more AI-powered tools, legislators are also considering how student information can be collected, retained, shared, and used to train AI systems. The AI conversation is extending beyond how schools use the technology to how AI companies and educational technology providers use the information these systems generate.

Vermont introduced legislation requiring educational technology providers to register and certify their annual privacy compliance. The bill directs the Agency of Education to review registrations, publish a product list, and recommend statewide certification criteria addressing features like AI, data privacy, geolocation, and targeted advertising (VT HB 650). California expanded and strengthened student data privacy protections by prohibiting the use of student data to train AI, broadening coverage to any school-used online service, establishing new protections for college students, creating a private right of action, and extending requirements to third-party operators while removing certain exemptions (CA AB 1159). Illinois introduced legislation that gives families the right to opt out of school tech and AI grading decisions and restricts how companies can use and retain student data for AI training without explicit consent (IL SB 3735).

Educator Training on AI Use in the Classroom

Some lawmakers are also beginning to focus on whether educators have the training needed to use the technology in their classrooms. As states implement broader technology policies, lawmakers may need to address not only whether teachers receive AI training, but what this training should cover and who should be required to provide it.

Tennessee now requires teachers to complete at least one professional development course on AI use in the classroom (TN SB 677 and TN HB 545). North Carolina introduced legislation directing the development of a framework to evaluate AI-powered educational tools and teacher training (NC HB 301). Maine enacted legislation to study technology use in classrooms by surveying educators on topics including artificial intelligence and requiring recommendations for state-level guidance (ME LD 2052). California introduced legislation requiring the California Community Colleges and the California State University to train students, faculty, or staff on relevant artificial intelligence use policies and disclosure of privacy policies for these generative artificial intelligence products before use (CA AB 2392).

2027 Outlook

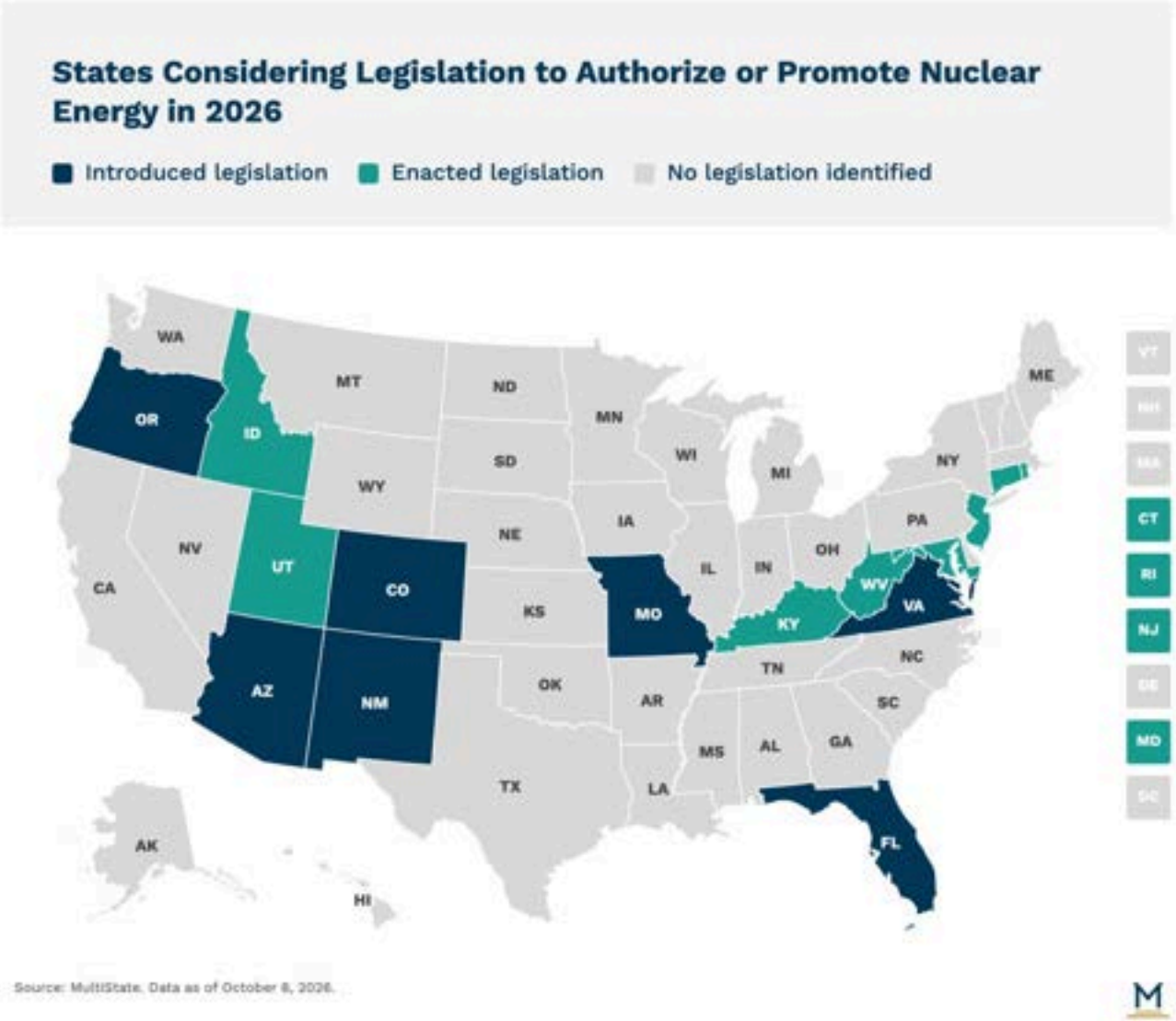
2027 legislation will likely build on the policies established in 2026, with more attention to implementation. Many states had bills pass at least one chamber in 2026, and sponsors may reintroduce some of these proposals next session. The biggest change is that states that enacted laws addressing AI in schools will also begin implementing new requirements, which could lead to additional legislation addressing state guidance, training, and local policies. Recent legislation introduced in states such as Pennsylvania and New Jersey also suggests that these issues will continue into the next session. Pennsylvania bills address AI policies for schools, AI procurement and student data privacy, and professional development for educators (PA HB 2785, PA HB 2786, and PA HB 2788). Recently introduced New Jersey companion bills would require public school employees and contractors to be human (NJ S 4795 / NJ A 5529). In the coming year, AI literacy and classroom-use restrictions will likely remain areas of focus, while student data privacy, educator training, and limits on AI's role in schools could see additional legislation as these issues develop.

Energy and Environment

Utility Rates and Grid Reliability

The reliability of the nation's electric grid has become an increasingly important issue for state lawmakers in recent years. Primarily due to the massive growth in the number and size of data centers in operation and under construction in the U.S., state legislatures have become more involved in the push to build out their state's energy infrastructure. According to a January 2026 report by the National Electrical Manufacturers Association, electricity demand in the US is expected to rise by more than 55% by 2050, with the steepest increases expected in the next 10 years.

To reliably accommodate the growing demand, state energy policymakers and legislatures need to build out their state's energy infrastructure, including power generation, transmission, and distribution, while also determining who should pay for it. In addition to confronting demands on energy supplies and consumers' costs, state legislatures are also crafting policies to ensure electricity flows reliably and without interruption. The retirement of aging power plants and disruptions from wildfires and other extreme weather events have forced lawmakers to focus on reliability issues in their states.



2026 Recap

One way that states began to address reliability issues was by allowing or even requiring data centers or other large load energy users to provide their own power supplies, instead of taking electricity from the grid and depleting supplies from other users. One example of this type of legislation is Delaware's HB 445, signed July 1 by Gov. Matt Meyer (D), which requires large energy-use facilities to generate 100% of their own power within 10 years of operation. The measure also authorizes the state Public Service Commission to curtail a data center's electric use during the ramp-up period, if needed, to prevent brownouts and maintain reliable service for the rest of the grid.

States have also sought to address reliability issues by turning to the 1970s and promoting nuclear energy development. In 2026, seven states, including Kentucky, Maryland, and Utah, adopted legislation to promote or incentivize nuclear power, further boosting energy generation in their states. A prime example of the renewed push to rejuvenate the nuclear industry occurred in New Jersey this spring, when Gov. Mikie Sherrill (D) signed S3870/A4528, which ended the Garden State's 50-year moratorium on the construction of new nuclear plants. Meanwhile, seven other states, including Colorado, Florida, and Oregon, considered legislation promoting nuclear energy.

Another avenue states took in 2026 to boost reliability of their electric grid was to promote the undergrounding of electricity transmission lines, thereby protecting power supplies from wind, fire, and other weather-related events. Virginia lawmakers passed the "Fair and Affordable Electric Rates and Reliability Act" (VA HB 1393/VA SB 253) last spring that included provisions allowing utilities to recover a portion of the cost to bury transmission lines underground on a per-mile basis. Richmond lawmakers also adopted legislation (VA HB 1487/VA SB 827) for a pilot program that places a per-mile cost of undergrounding high-voltage lines on localities that benefit from the reliability enhancements.

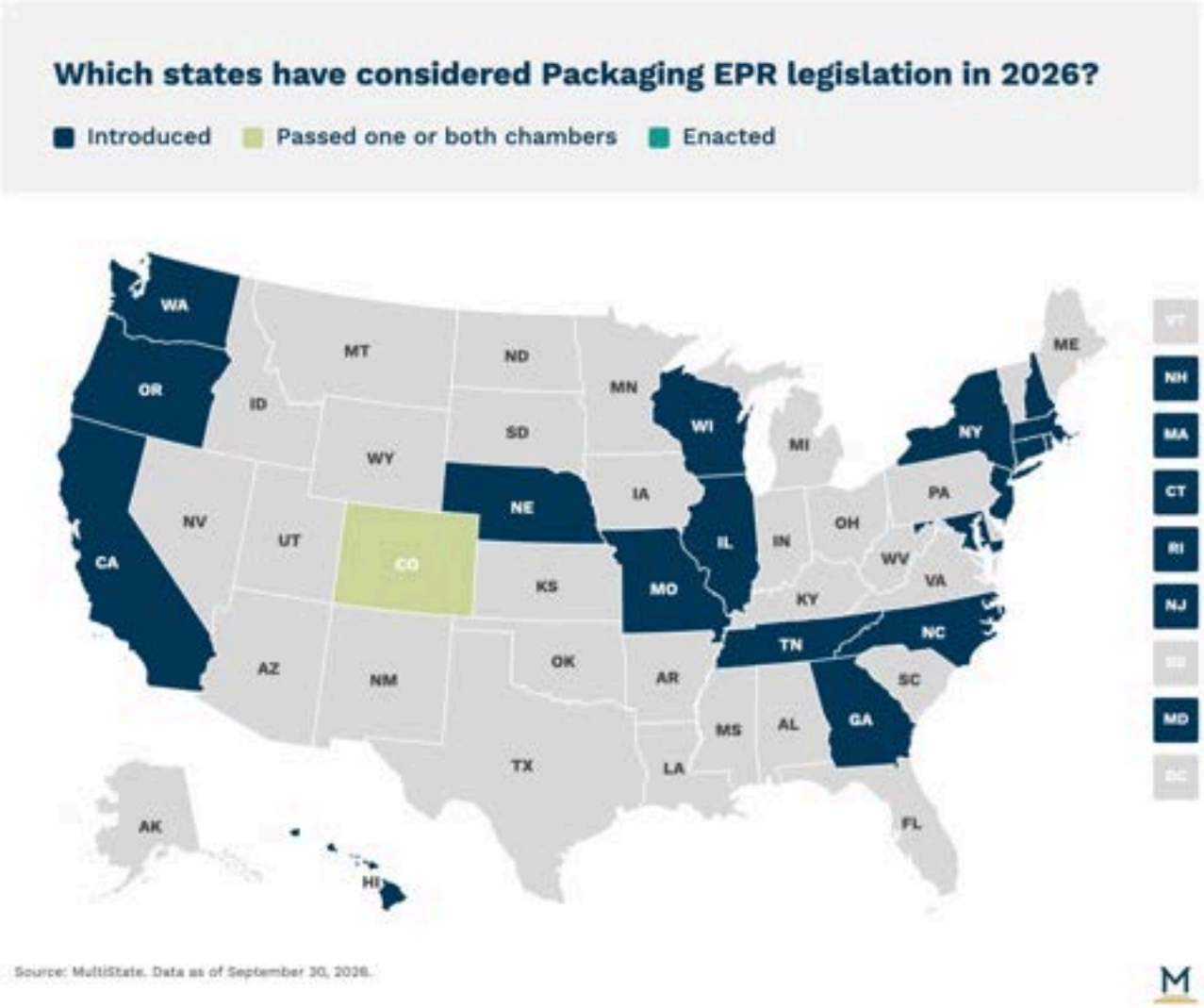
2027 Outlook

In 2027, we expect electric grid reliability and utility rates to be among the highest priority issues for state lawmakers. The 2026 shift to force data centers and large load customers to pay for infrastructure upgrades and/or supply their own power is expected to accelerate next year, and likely be adopted. Several states and local governments have also adopted temporary moratoriums on the construction of data centers in recent months to allow them to study and evaluate issues surrounding data centers' energy use and environmental impacts. An executive order issued by New York Gov. Kathy Hochul (D) in July imposed a one-year "pause" on permits for new data centers, while Texas Gov. Greg Abbott (R) and Oregon Gov. Tina Kotek (D) directed state agencies this fall to temporarily halt permitting for new data centers in order to study their impact on energy supplies and reliability. As these moratoriums expire and studies initiated in 2026 begin to inform new legislative solutions, energy reliability issues will be front and center in the discussion in 2027.

EPR Packaging

Legislation addressing packaging extended producer responsibility (EPR) has trended in blue states over the last several years. Packaging EPR laws generally shift financial and operational responsibility for managing packaging at the end of its useful life cycle from governments to producers. Producers typically participate in and fund a producer responsibility organization (PRO), which administers program requirements such as producer reporting, fee collection, program planning, and recycling-system funding. Many different types of EPR programs address, among other things, packaging, electronics, glass, metals, paint, paper, plastic, renewables, and textiles.

Packaging EPR has been a major issue for several years, and states are addressing it by introducing, passing, and enacting bills requiring producers of packaging products to join a PRO or potentially lose their ability to sell or distribute their products in states that have implemented these programs. States such as Maine, Oregon, Colorado, California, Minnesota, Maryland, and Washington have already enacted comprehensive packaging EPR programs and are in various stages of implementation. During the 2026 legislative session, nearly 50 packaging EPR bills were considered across 19 states.



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2026 Recap

The 2026 legislative session had relatively mild packaging EPR bill activity. During the 2026 legislative session, nearly 50 packaging EPR bills were considered across 19 states (California, Colorado, Connecticut, Georgia, Hawaii, Illinois, Massachusetts, Maryland, Missouri, North Carolina, Nebraska, New Hampshire, New Jersey, New York, Oregon, Rhode Island, Tennessee, Washington, and Wisconsin). So far, no packaging EPR bills have been enacted this year compared to the six bills enacted last session. Additionally, none have passed both chambers of a state legislature. Eighteen bills were from this session, while the rest were carryovers from the 2025 legislative session.

California remains central to packaging EPR policy as SB 54 implementation drives ongoing national regulatory and legal trends. While implementation has repeatedly stalled, in June 2026, the Circular Action Alliance released a draft plan projecting a 5-year budget of $9.35B–$17.24B, including $500M annually for the Plastic Pollution Mitigation Fund. Financed via eco-modulated fees, compliance timelines are tightly condensed due to regulatory delays, such as CalRecycle approving final rules in May 2026. In August 2026, bipartisan legislators urged a two-year fee delay; however, it remains to be seen whether an overall reform effort of SB 54 gains more momentum as the challenges and costs of implementation continue to rise. There are also several ongoing litigation efforts against the law's implementation in the works, including one led by 17 Attorneys General from other states and the National Association of Wholesalers seeking an injunction and alleging Commerce Clause, free-speech, and due process violations.

In early February, Georgia legislators from the minority party proposed legislation (GA HB 1237) creating a producer responsibility program for packaging, paper products, and beverage containers. Under the bill, producers would have been required to join and fund a Producer Responsibility Organization (PRO) to oversee statewide recycling and collection efforts. However, the measure saw no further movement following legislative activity on February 10.

Introduced in the Missouri House by the minority party in early February, MO HB 3504 proposed the Producer Responsibility Program for Statewide Recycling Act. The legislation would have required packaging and paper product producers to fund and execute a statewide recycling initiative via a producer responsibility organization. After referral to the House Emerging Issues Committee in May, the bill has seen no further action.

Lawmakers in the New Hampshire House introduced NH HB 1789 in January 2026, proposing to create an extended producer responsibility framework. Under the legislation, packaged goods producers would have to register with a non-profit organization and pay fees to support statewide recycling, reuse, and packaging reduction programs, as well as reimburse local municipalities. The House designated the measure as inexpedient to legislate in February.

The New York Assembly has blocked non-conforming packaging EPR legislation over the past two legislative cycles by razor-thin margins. The Packaging Reduction and Recycling Infrastructure Act (S.4246-A / A.5322-A) remains central to the debate, featuring 50% plastic packaging reduction mandates and chemical bans, though industry stakeholders express concerns over supply chain impacts and consumer costs. Upcoming elections may strengthen Assembly support for aggressive environmental policies, increasing pressure on leadership despite past efforts to balance industry concerns.

Rhode Island lawmakers introduced four packaging EPR measures in 2026. Introduced in late February, RI HB 7910 and RI HB 7911 proposed extended producer responsibility programs requiring paper product and packaging manufacturers to join and fund a producer responsibility organization (PRO) to oversee recycling and collection efforts. In May, the House Committee on Environment and Natural Resources recommended further study of both House bills. Similar companion initiatives were introduced by Senate lawmakers (RI SB 2656 in February and RI SB 3012 in March), but neither Senate measure advanced beyond introduction. The state is also carrying out a packaging EPR Needs Assessment commissioned by the Department of Environmental Management (DEM), with a final report due by December 1, 2026, which will likely add momentum to further legislative action during the 2027 session.

2027 Outlook

Packaging EPR legislation will likely remain an active policy issue in 2027, although the volume and trajectory of legislation will vary by state. The 2026 midterm elections could alter partisan control of some state legislatures and governors' offices, which may affect the legislative environment for EPR bills. Other factors such as the results of state needs assessments, stakeholder discussions, and implementation in states that have already enacted these bills, such as California, Washington, Maryland, and Minnesota, will also impact the direction of packaging EPR in 2027. Lawmakers in states with previously introduced legislation could reintroduce or revise these bills during the 2027 legislative session.

PFAS

The introduction and passage of legislation addressing perfluoroalkyl and poly-fluoroalkyl substances (PFAS) has been a priority for state legislators across the country for several years. States have addressed this issue via bans or restrictions on the use of PFAS in consumer products and in firefighting PPE and firefighting foam, through funding of PFAS remediation projects in the water supply and on military installations, and by creating studies to address the broad impacts of PFAS. During the 2026 legislative session, nearly 400 bills addressing PFAS were considered in 39 states.

2026 Recap

The 2026 legislative session again produced a high volume of PFAS-related bill activity. Nearly 400 bills addressing PFAS were considered in 39 states this year, and close to 40 of these bills were enacted across 19 states (Michigan, South Carolina, Arizona, Maryland, Rhode Island, New Hampshire, New Mexico, New Jersey, Illinois, Florida, Connecticut, Indiana, Maine, Minnesota, North Carolina, New York, Pennsylvania, Virginia, and Wisconsin). 16 bills in 9 states (California, Delaware, Florida, Hawaii, Massachusetts, Maine, New York, Oklahoma, and Virginia) passed both chambers of their respective state legislatures. During 2026, PFAS ban bills impacting cosmetic and menstrual products and firefighting foam began to emerge as trends.

Cosmetics & Personal Care Products

- **Virginia** (VA HB 122): Signed into law in April by Governor Abigail Spanberger (D), this bill prohibits the manufacture of cosmetic products containing various intentionally added ingredients, including PFAS.
- **Illinois** (IL HB 3409): Governor JB Pritzker (D) signed this bill into law in July, prohibiting a person from knowingly manufacturing, selling, delivering, holding, or offering for sale in the state a cosmetic product that contains intentionally-added PFAS. There is an exemption carved out in the bill for cosmetic products that contain unavoidable trace quantities of PFAS or other prohibited substances.
- **Maryland** (MD SB 656): This enacted bill establishes civil liability and damages for harm sustained from violating prohibitions on manufacturing, selling, holding, or offering cosmetics containing PFAS. It also gives authority to the Maryland Department of Health to investigate complaints alleging that individuals included prohibited substances such as PFAS in cosmetic products.

Textiles, Apparel & Commercial Goods

- **New Jersey** (NJ S 1281): Enacted in late August, this legislation prohibits the sale of apparel and diaper products containing PFAS. The bill does include an exemption from the prohibition for personal protective equipment, clothing for the U.S. military, and protective clothing for motorcycles or off-highway vehicles.
- **Rhode Island** (RI HB 7734): As part of a growing trend of legislation addressing PFAS in firefighting foam, Rhode Island's Governor Dan McKee (D) signed this bill into law in June, expanding product bans to commercial and industrial uses and institutes civil penalties ($5,000 for first offense; $10,000 for repeat offenses) for violations involving Class B firefighting foam.

Water Quality & Safety Standards

- **Connecticut** (CT HB 5518): Governor Ned Lamont (D) of Connecticut signed this legislation, directing the Department of Public Health to establish acceptable limits and schedules for PFAS and unregulated contaminants in bottled water and water sources based on EPA regulations. This bill is just one of nearly 20 enacted bills addressing PFAS in water this year.

Comprehensive State Regulation & Judicial Challenges

- **New Mexico** (20.12.3 NMAC): The New Mexico Environmental Improvement Board published rules implementing the state's 2025 PFAS Protection Act, effective July 1, 2027. The rules outline a phaseout and prohibition of various consumer products containing intentionally added PFAS. They also established a framework for manufacturers to seek to have the use of intentionally added PFAS deemed unavoidable use in their products. In *American Chemistry Council v. Kenney*, a federal district court issued a preliminary injunction pausing the rule's product-labeling mandate pending further litigation.

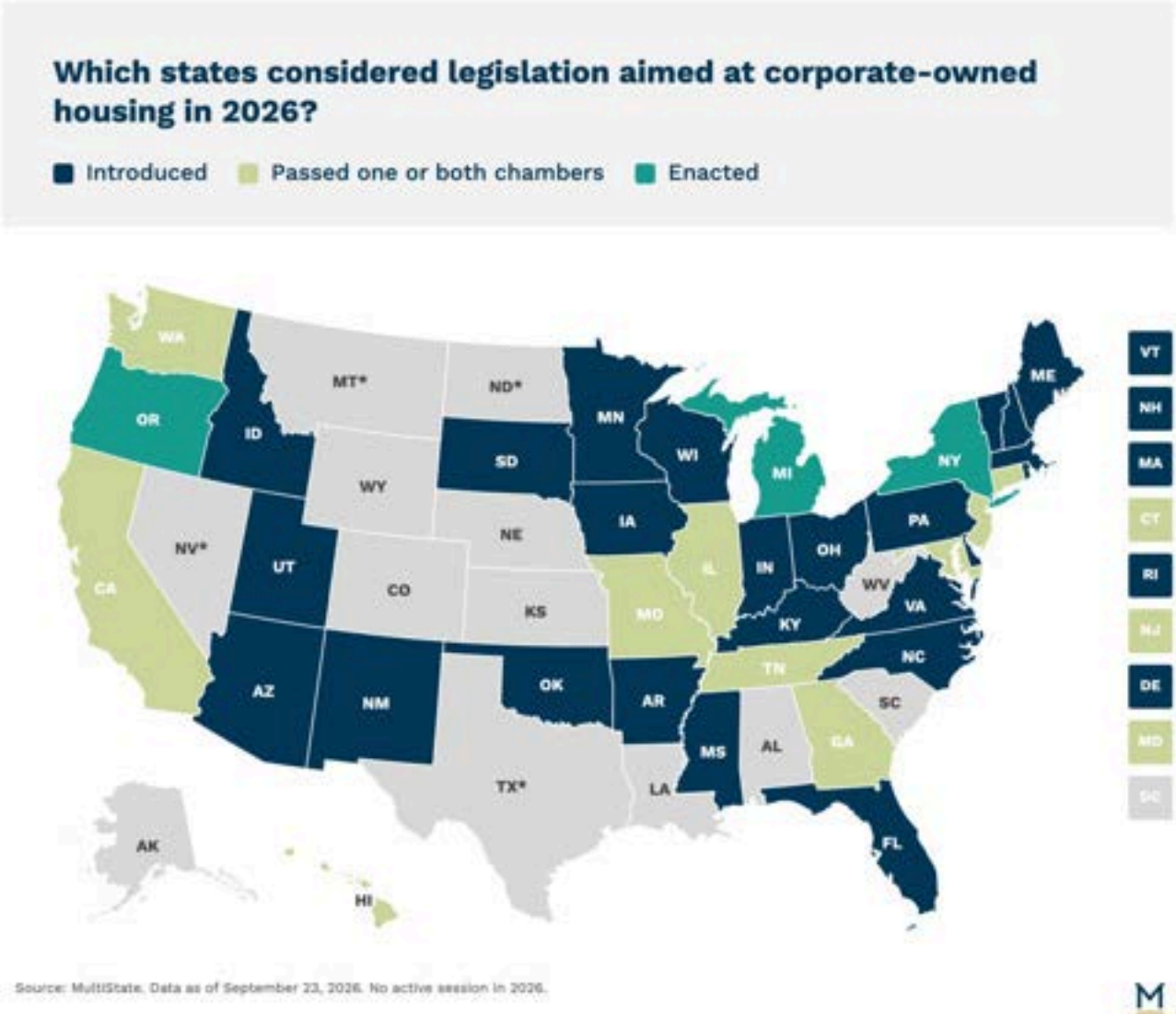
2027 Outlook

We expect legislators in a growing number of states will continue to introduce and advance bills that limit or ban PFAS in consumer products and firefighting foam and equipment, as well as ones that impose requirements for remediation. We also expect legislators will continue to introduce legislation to establish committees to study PFAS remediation and the effects of PFAS on public health and the environment. As federal regulators loosen certain PFAS regulations, states are likely to fill the void.

Housing Affordability

Corporate-Owned Housing

Housing supply and affordability were a major focus of state legislatures throughout the 2026 session. Efforts to address and better regulate corporate-owned housing have emerged as one method through which lawmakers are aiming to improve the supply of available, for-sale housing and reduce competition in the housing market. At the federal level, one of the most expansive housing laws in recent years, the 21st Century ROAD to Housing Act, was enacted this July and established national limits on corporate-owned housing. Federal action sets the stage for continued action on this issue into 2027, though the range of methods proposed by states in future legislation may be more streamlined compared to 2026.



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2026 Recap

Corporate-owned housing refers to residential housing owned by corporate entities (sometimes also referred to as institutional investors in legislation). Corporate entities typically include real estate trusts, investors, limited liability companies, and hedge funds, though some bills additionally define them by total assets. Across the country, lawmakers considered at least 170 bills aimed at better regulating the purchase and ownership of residential housing by corporate entities in 2026. Arizona, California, Georgia, Hawaii, Michigan, Missouri, and New Jersey have each introduced a particularly high volume of bills on the matter, though a majority of states in active session in 2026 introduced at least one bill on corporate-owned housing regulation. Additionally, Congress considered nearly 20 bills on the matter.

State lawmakers and Congress introduced a variety of legislative methods to curtail corporate ownership of housing or reduce competition in the real estate market. The most commonly proposed methods included instituting a cap on the total number of dwellings a corporate entity could own in a specific jurisdiction (usually at the state level) or, in some cases, instituting a tiered divestment approach with various caps. Another method proposed by lawmakers was waiting periods, which require corporate entities to wait a certain number of days before purchasing or offering to purchase a residential property listed for sale to the general public. Finally, some state and federal approaches aimed to impose increased or additional fees, assessments, or taxes on residential properties owned by corporate entities.

Caps and Divestment Requirements

When combined, ownership caps and divestment requirements were the most common method proposed by lawmakers to regulate corporate-owned housing in 2026, totaling nearly 60 bills. Proposed caps varied widely across states, ranging from a low of 10 dwellings in Hawaii and Michigan to a high of 2,000 dwellings in California, Arizona, and Georgia. Several cap and divestment bills made it past at least the first chamber of introduction, including CA AB 1240, TN SB 242, and WA SB 5469. However, Michigan was the only state to enact a capping bill this year, also making it the first state to impose such a cap. Michigan's new law prohibits corporate investors from controlling more than 100 single-family dwellings, with exceptions for dwellings purchased through a build- or renovate-to-rent program, as well as other homeownership programs whereby the property becomes a rental and meets certain credit-reporting criteria.

The most notable housing bill enacted this year was the federal 21st Century ROAD to Housing Act, which creates a national cap on corporate-owned housing, among other sweeping reforms and pro-housing provisions. The act was introduced in December 2025 and became the vehicle for major housing policy reform following Executive Order 14376, which targeted corporate ownership of single-family dwellings. The ROAD Act institutes a 350-dwelling cap nationally, but incorporates exemptions similar to Michigan's law for purchases of newly constructed dwellings and single-family dwellings that will ultimately be renovated and managed as rental property.

Waiting Periods

Waiting periods were another common method employed by state lawmakers. Introduced as standalone measures or in tandem with caps, divestments, and other regulatory methods, these bills impose a required waiting period from the time the property is listed for sale before corporate entities may purchase or offer to purchase residential housing. Of the nearly 30 bills that deployed this method, most imposed a 90-day waiting period, though some had shorter waiting periods or exemptions for small institutional investors and businesses. Lawmakers in Connecticut, Illinois, and Missouri introduced waiting period legislation that passed the 1st or 2nd chamber. Notably, lawmakers in New York and Oregon ultimately enacted waiting period legislation this year, becoming the first in the country to do so. New York's waiting period requirement was embedded in a budget bill and imposes a 90-day waiting period for corporate entities owning 10 or more dwellings when purchasing single-family and two-family dwellings. Oregon's enacted bill similarly imposes a 90-day waiting period for purchases and offers to purchase single-family dwellings, and requires specific disclosures to the seller or their agent.

Taxes and Fees

Lastly, state and federal lawmakers considered at least 50 bills this year to increase taxes or impose additional fees on corporate entities that invest in or own a certain number of residential dwellings. Some state lawmakers, including those in Arizona, Maine, and Washington, proposed requiring these entities to register when operating in their jurisdictions and owning a certain number of dwellings, and levied administrative or registration fees as part of this process. More commonly, though, lawmakers proposed levying additional excise or property taxes on corporate entities, or altering the property classification of corporate-owned housing for tax purposes. While bills in a few states made it past at least the first chamber, including in Hawaii and Illinois, none of the over 50 bills considered were enacted.

2027 Outlook

The ROAD Act will greatly impact how states approach this issue going into the 2027 session. Because the federal bill imposes a 350-dwelling ceiling, some states will likely continue to consider legislation that imposes a lower cap than this national limit, as seen in Michigan. While new or increased taxes and fees, along with waiting periods, were widely considered in 2026, capping bills will likely be the more viable vehicle for continued regulation of corporate-owned housing going forward because it matches the method ultimately used in the ROAD Act. Continued action may be especially pronounced in Sunbelt states with urban, high-growth areas that have been particularly impacted by the increase in housing owned by corporate entities, such as Georgia and Arizona, as well as states that have shown a keen interest in addressing this issue through large bill volume, like California and New Jersey.

Algorithmic Rent-Setting

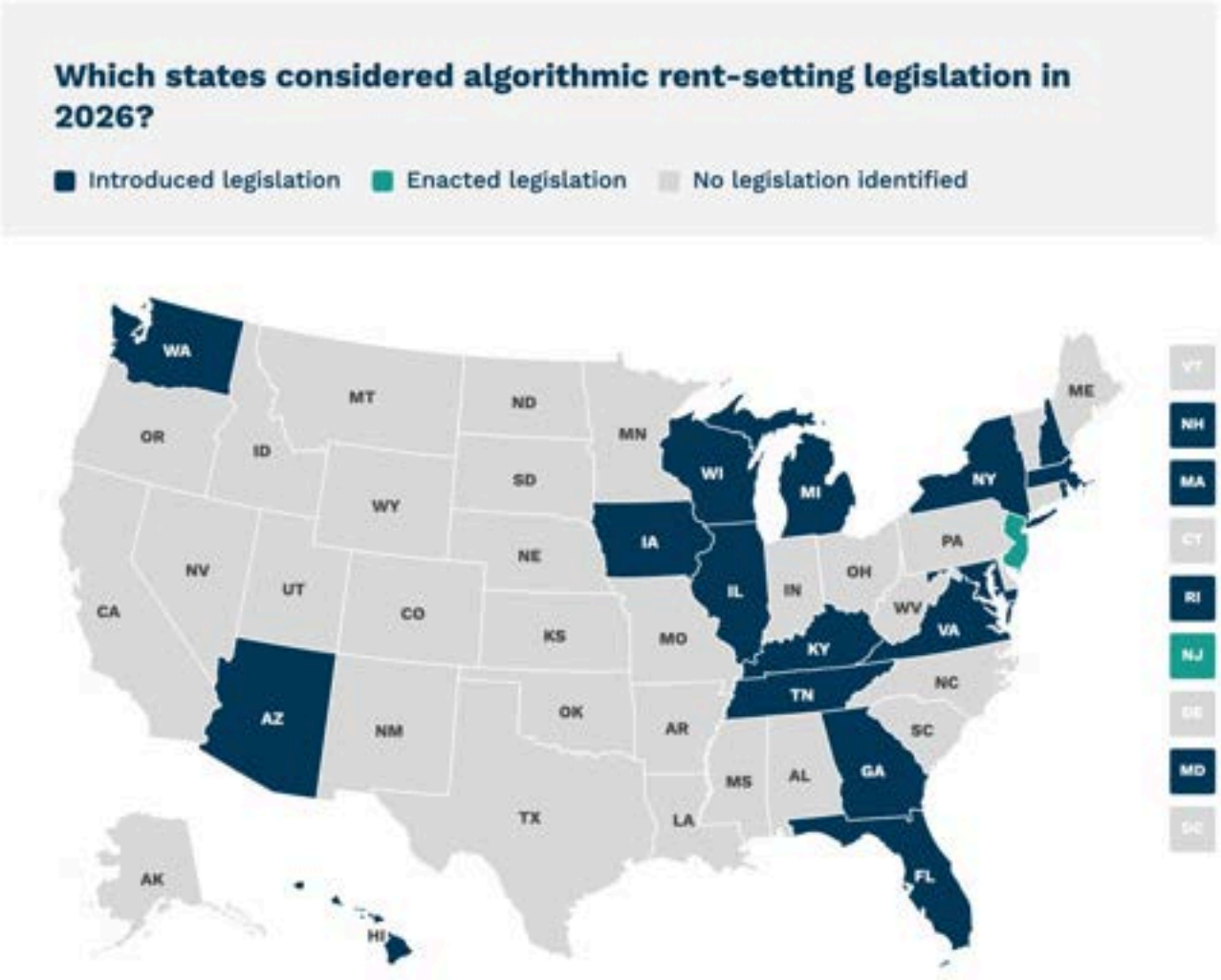
Regulating artificial intelligence (AI) has become a rare point of bipartisan agreement in state legislatures nationwide, and algorithmic rental pricing has emerged as a key regulatory focus. Algorithmic rent setting refers to software that uses data analytics and AI to identify optimal rental prices or lease terms for landlords. Critics argue that when these tools use nonpublic data from competing landlords, they allow property owners to coordinate prices in ways that can drive up rent. Software providers and landlords counter that the tools offer increased efficiency. This spotlight on algorithmic rent setting comes as rising housing costs are a major pain point for consumers and state officials are under pressure to show progress and action on affordability.

2026 Recap

At the federal level, the Department of Justice filed a lawsuit against RealPage in 2024, arguing that its rent-setting software enabled competing landlords to coordinate prices in ways that violate antitrust laws. The case was resolved through a settlement, prohibiting RealPage from offering software that uses nonpublic data. Several state attorneys general joined the federal lawsuit, and others filed their own cases against RealPage and landlords that use its software. Earlier this month, a federal court in North Carolina declined to dismiss state antitrust claims against RealPage and several landlords. These legal battles have drawn more attention to the issue, and state lawmakers have responded with legislative action.

This year, lawmakers in 18 states considered legislation restricting landlords' use of algorithmic rent-setting software, though relatively few bills have gained the political traction to become law. Most bills focused on prohibiting landlords from using software that utilizes nonpublic competitor data. However, Virginia lawmakers took a slightly different approach with HB 1252, which would require large landlords with more than 10 units to disclose their use of pricing software and give tenants the right to request a human review of their rent. Alternatively, Virginia Senate lawmakers introduced SB 585 requiring both disclosure and a ban on software that coordinates rent prices with other landlords. In 2025, New York became the first state to pass a ban on landlords using pricing algorithms to set rents. However, this past September, a U.S. district judge temporarily blocked New York from enforcing the law in response to RealPage's claim that the ban violates its free speech rights. While litigation unfolds, landlords in the state can continue using the software. Lawmakers in Colorado also tried to pass a similar ban last year, known as the No Pricing Coordination Between Landlords Act; however, Governor Jared Polis (D) vetoed the bill. He voiced concerns that it could outlaw some legitimate technologies landlords rely on and that the conduct is already prohibited under the state's antitrust law.

In July, New Jersey Governor Mikie Sherrill (D) signed the Forbidding the Algorithmic Inflation of Rent (FAIR) Act, prohibiting unaffiliated rental property owners from coordinating to set rental prices, including through the use of software services. Several other states advanced legislation on the issue, but those bills stalled in committee or were amended to remove key provisions, as with Illinois' SB 343, which was signed into law without its algorithmic rent-setting restrictions. The issue has also become a campaign talking point as housing affordability has emerged as a central issue in this year's elections. Former North Carolina Governor Roy Cooper (D), who is running for the U.S. Senate, made lowering housing costs a pillar of his campaign, including proposals to curb corporate ownership and algorithmic rent-pricing software.



Source: MultiState. Data as of October 8, 2026.

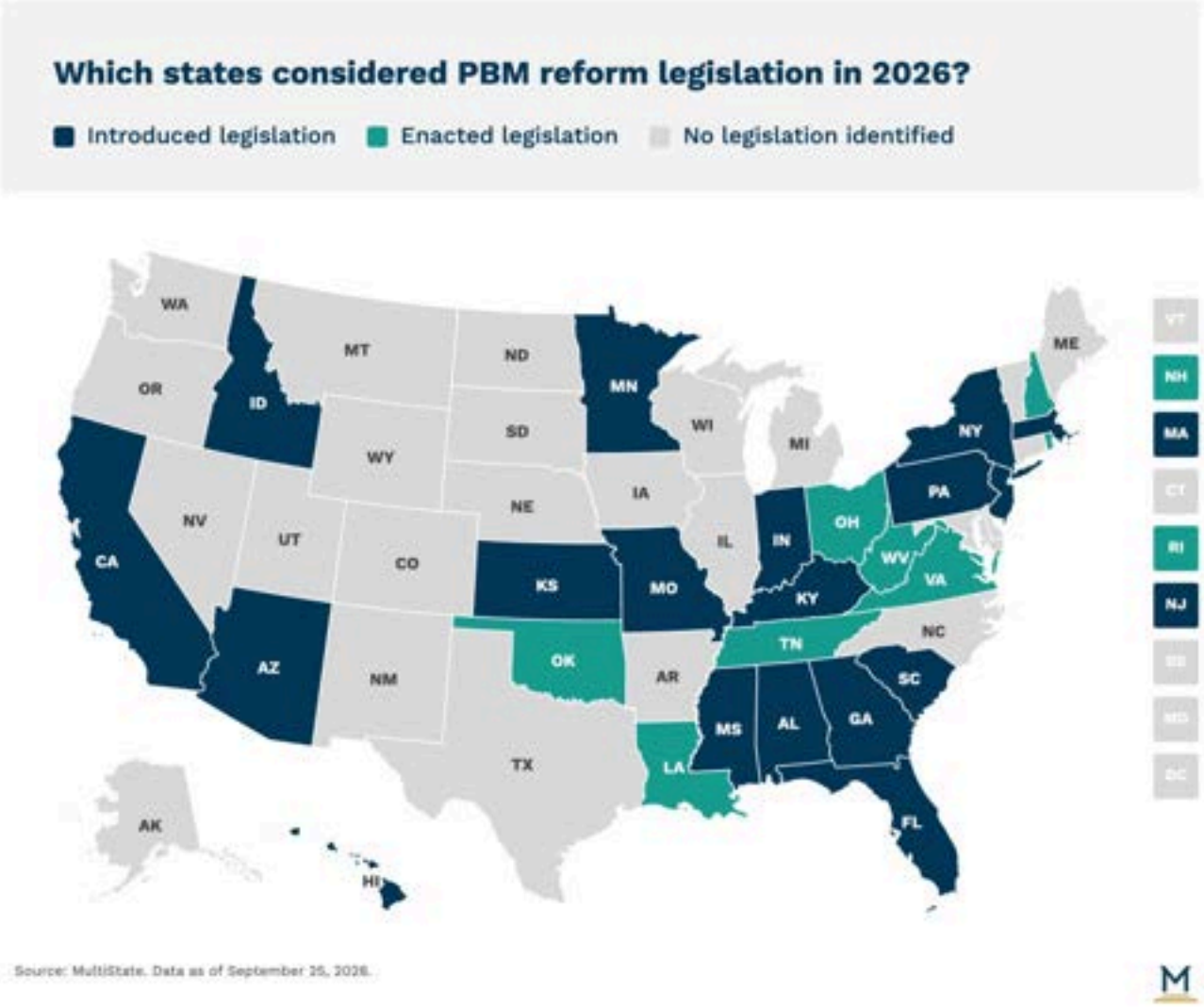
2027 Outlook

This focus on algorithmic rent setting in state legislative chambers, on the campaign trail, and in the courts indicates the issue will remain on lawmakers' agendas heading into 2027. Many bills that stalled this year are likely to be reintroduced when new legislative sessions convene in January. Ongoing litigation will likely shape legislation, and if courts conclude that algorithmic pricing recommendations are protected speech, lawmakers may shift from outright bans to narrower approaches like requiring disclosures to tenants or relying on antitrust enforcement. November's elections will also impact this issue, as newly elected officials who campaigned in support of these bans take office. In Colorado, where term-limited Governor Polis vetoed a ban last year, Democratic nominee and Attorney General Phil Weiser joined a coalition of nine attorneys general in suing RealPage and several corporate landlords over algorithmic price-setting. If Weiser wins and similar legislation returns to the Governor's desk, it could have a strong chance of becoming law.

Health Care

Pharmacy Benefit Managers

Drug pricing is a hot topic among voters nationwide, and, in recent years, legislators have frequently targeted pharmacy benefit managers (PBMs). Normally, states pass dozens of pieces of legislation each year regulating the activities of PBMs, but 2026 had a reduced volume of proposals, and 2027 may be more of the same.



2026 Recap

In January 2026, the US Congress passed significant legislation (HR 7148) regulating Medicare Part D PBMs. The Consolidated Appropriations Act included provisions that "delinked" PBM profits from drug prices and required all rebates to be passed through to the PDP sponsor. As a result, many states held off on acting on PBM legislative efforts to see the results of these changes. This is not to say that no reforms were enacted, but compared to recent years, many fewer states (only eight) enacted legislation in 2026 than had previously.

Across these eight enacted laws, legislative sponsors indicated that they hoped to focus on reporting and transparency. Seven of the enacted bills included some form of increased transparency requirement for PBMs. Notably, these bills were introduced in states with both Democratic and Republican trifectas. Rhode Island enacted HB 8582, which requires PBMs to disclose all financial arrangements to insurers, including rebates and fees, and any potential conflicts of interest to the state. Ohio enacted a similar law (HB 229), but requires those disclosures to be made to plan sponsors.

A surprise of 2026 was the enactment of Tennessee SB 2040. This bill prohibits PBMs from owning pharmacies in Tennessee. Arkansas lawmakers passed a similar bill in 2025, and it is still in litigation. Many other states introduced PBM pharmacy ownership prohibition bills (Alabama, Arizona, Georgia, Indiana, Louisiana, Mississippi, New Jersey, New York, Oklahoma, and West Virginia), and some made it through at least one chamber. As expected, the Tennessee law was immediately challenged in court, and no rules have yet been promulgated by the Tennessee Board of Pharmacy, nor has the Board revoked any licenses held by PBMs. These cases may be resolved in 2027, which could determine how many more of these bills are introduced in coming years.

2027 Outlook

2026 was a "wait and see" year for PBM reform. 2027 will be a year to see whether results emerge. If Medicare Part D can show that "delinking" PBM profits from drug prices ultimately lowered drug prices, then more states may introduce those reforms. Likewise, if passed-through rebates lower premiums, that might be the reform that states opt for. Transparency has prevailed so far as the reform most likely to pass and it's possible that those states that have already adopted laws in this space may look to expand their scope to require PBMs to share more information. However, if results from the federal legislation (as well as many of the state laws passed in recent years) do not start to show significant savings, lawmakers may focus more on other avenues beyond PBMs to help lower prescription costs.

Clinical Use of AI

How states adopt and regulate artificial intelligence (AI) in healthcare continued to evolve in 2026. The U.S. Department of Health and Human Services' (HHS) outward endorsement of AI to prevent Medicaid fraud, waste, and abuse, along with over $1.6 billion in deferred Medicaid payments and stricter program integrity reviews, has driven states to adopt AI tools through executive action. At the same time, legislatures have imposed new restrictions on AI in healthcare, requiring human professional input in decisions across prior authorizations, therapy, and other clinical settings.

2026 Recap

Using AI to Address Medicaid Fraud, Waste, & Abuse

Over the past year, the Centers for Medicare & Medicaid Services (CMS) and HHS have pushed for federal and state adoption of AI to prevent Medicaid FWA. In February 2026, CMS announced the Comprehensive Regulations to Uncover Suspicious Healthcare, or CRUSH, initiative. HHS Secretary Robert F. Kennedy Jr. stated he intended to shift CMS away from a "pay and

chase" to a "detect and deploy" model by using AI tools to immediately identify and prevent fraud. Following CRUSH, CMS and the White House Task Force to Eliminate Fraud launched the Medicaid Fraud War Room (MFWR) in April 2026, bringing together federal and state Medicaid agencies to work from shared data. By July, CMS reported that in its first 88 days, MFWR identified 50 providers associated with $203.3 million in Medicaid payments, leading 15 states to take enforcement actions based on MFWR referrals. Notably, task force officials highlighted machine learning's (ML) ability to quickly analyze billing patterns, flag suspicious claims, and scale to other federal programs, indicating support for wider adoption.

To incentivize states to use AI to prevent Medicaid FWA, CMS implemented stricter reviews of state Medicaid program integrity efforts and leveraged substantial financial penalties. In April 2026, CMS sent a letter to every governor and Medicaid director urging them to "swiftly revalidate" providers of services at high risk of FWA. Notably, the letter gave directors 30 days to submit a two-year provider revalidation strategy, prompting Arizona to respond that it was pursuing implementation of AI tools for prepayment review. In May 2026, CMS announced that the HHS Office of Inspector General (HHS-OIG) would review every state's Medicaid Fraud Control Unit (MFCU) before its next annual recertification. The following month, HHS-OIG denied recertifications of Hawaii's and New York's units, representing the first time the federal government had decertified a MFCU and pausing $3 million and $60 million in annual funding, respectively.

Beyond program review, CMS used quarterly payment deferrals as an enforcement mechanism against states it suspected to have high levels of Medicaid FWA. Minnesota was the first state to face a significant payment deferral. In February, CMS announced it would defer $259 million in federal quarterly Medicaid payments; in April, it notified the state it was deferring an additional $91 million. The deferrals came amid ongoing investigations into potential FWA in Minnesota's Medicaid program, which had prompted the state to pause payments for 14 high-risk service categories to create an AI-enhanced prepayment system. Additionally, in May, CMS announced it was deferring $1.3 billion in payments to California, reportedly the largest such deferral in its history. CMS' deferral followed inquiries and investigations into California's Department of Health Care Services (DHCS), which specified its intent to apply advanced prepayment data analytics and fraud detection systems. Critically, when paired with existing reductions in federal Medicaid funds, further payment deferrals pose significant financial risks to states, driving alignment with federal fraud-prevention goals.

As federal pressure intensifies, more states have used executive action to deploy AI and ML tools to prevent and detect fraud in their Medicaid programs. These efforts have spanned both Democratic- and Republican-led states and covered multiple methods. Several states, including Indiana, Ohio, and Texas, focused on claims review, using models trained on historical claims data to recognize and flag abnormal individual claims or billing patterns. With this capability, states identify suspect claims either before payment or during a post-payment audit. Additionally, states such as Florida and Ohio are utilizing AI to screen provider enrollment applications to detect false identities and hidden ownership relationships.

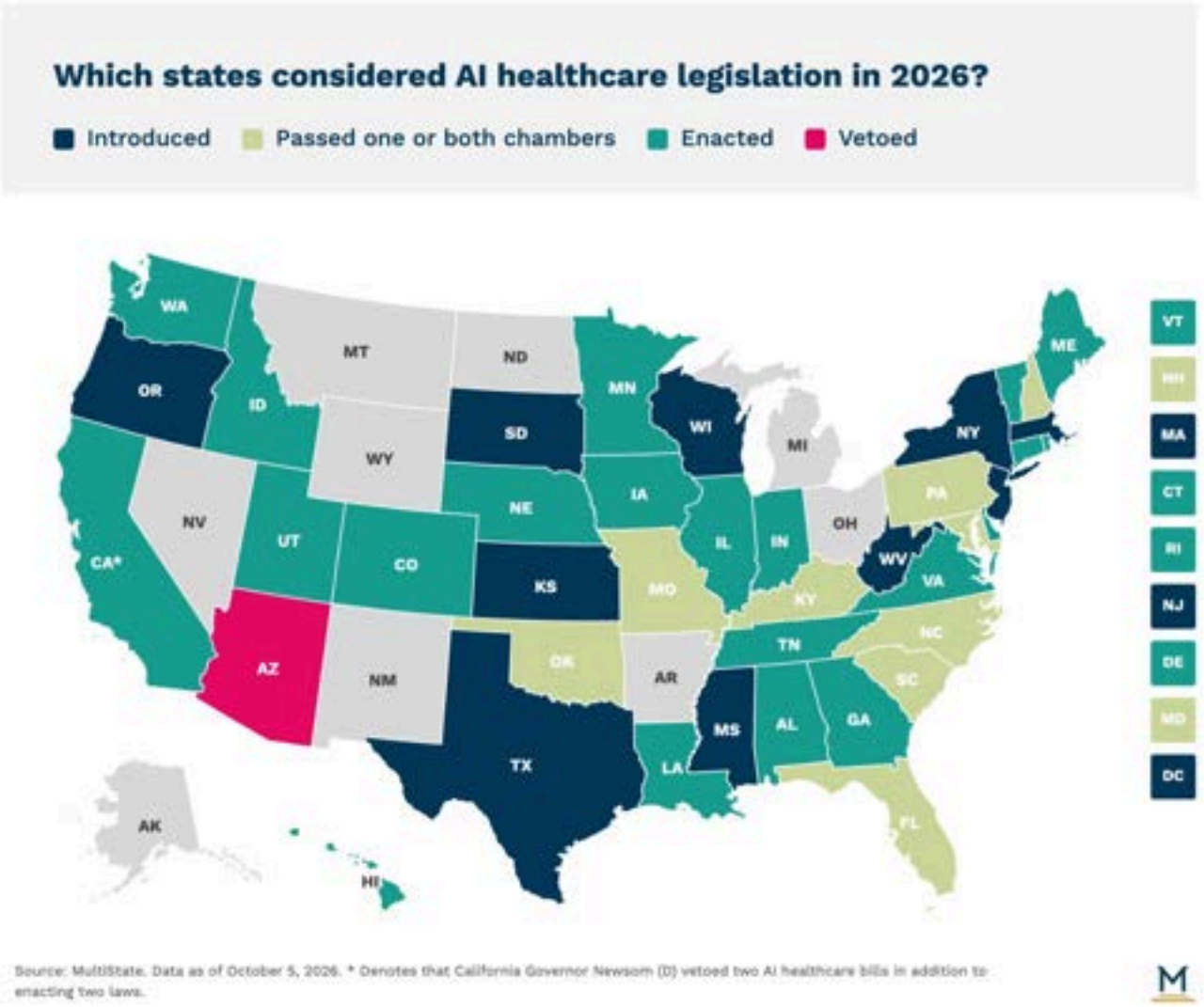
Indiana and Ohio emerged as leaders in this space, adopting pilot programs that create new avenues for AI in fraud detection and receiving federal approval for their efforts. Indiana's pilot uniquely evaluates AI-generated investigative case packages to accelerate enforcement. Critically, the pilot is also assessing whether it could apply the approach to other state Medicaid programs. Given that HHS later recognized Indiana's MFCU as best in the nation, it's likely that CMS will push Indiana's pilot as a model for other states to adopt. Additionally, in May, Ohio Governor Mike DeWine (R) issued Executive Order 2026-01D, directing the Department of Medicaid to use data analytics for fraud detection and prevention. Notably, Ohio is using a Healthcare Anomaly Detection Platform that previously won CMS's research challenge to use AI and ML to detect Medicare claims anomalies. These efforts are paired with a first-of-its-kind data-sharing agreement between the state and the U.S. Department of Justice's Fraud Division, giving the division access to Ohio corporate registrant data to analyze ownership links and strengthening the state's partnership with the federal government.

State Legislative Responses to AI in Healthcare

In December 2025, the White House released Executive Order 14365, seeking to limit states' ability to pass comprehensive AI oversight and regulatory frameworks. However, as legislative sessions played out in 2026, state lawmakers did not slow their consideration of AI regulation in healthcare, especially regarding prior authorization. This year, 40 states and D.C. introduced

173 bills regulating AI use in healthcare; 21 states enacted 30 bills into law. Across the different types of legislation, a prevailing theme emerges: requiring a licensed human to review AI's output and make the final determination in healthcare decision-making.

States applied this theme most often within prior authorization, enacting laws to prohibit insurers from using an AI tool as the sole basis to deny, delay, or reduce care. In addition, an Alabama law (SB 63) requires AI-assisted determinations to account for the beneficiary's individual medical history and clinical circumstances rather than population-level data. SB 63 also addresses transparency by requiring insurers to submit written disclosures to enrollees when AI assists in utilization review and to submit annual certifications to the Department of Insurance on the tool's accuracy and fairness. Washington's law (SB 5395) only authorizes licensed physicians or health professionals to deny prior authorization requests based on medical necessity, though it opens AI systems to state audits. Utah's law places additional limits on AI use; SB 319 requires clinicians to exercise independent medical judgment instead of ratifying AI recommendations. Compared with bills considered in previous years, these laws show states' growing willingness to require insurers to confirm human clinical oversight before validating any adverse determinations.



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California enacted several bills to extend its regulatory authority over AI, raising the possibility that it will serve as a model for states in the coming years. California's AB 1979 extends the same decision-making rules placed on insurers to healthcare facilities, prohibiting AI from independently performing any clinical function or decision. Additionally, Governor Gavin Newsom (D) enacted SB 503, requiring AI developers and deployers to make reasonable efforts to identify AI systems that pose a risk of biased healthcare decision-making. However, Governor Newsom also vetoed other significant reforms. AB 2575 would have limited the ability of clinical decision support systems developers, modifiers, selectors, or deployers to argue against liability when an AI recommendation leads to patient injury. Additionally, the broader SB 903 would have prohibited AI from unilaterally offering psychotherapy services and restricted its use to transcribing therapy communications, advertising psychotherapy services using companion chatbots, directly interacting with patients, or making therapeutic decisions, recommendations, or results.

While Governor Newsom vetoed legislation limiting AI use in therapy, several other states enacted laws in this policy group. Laws in Colorado (HB 1195), Rhode Island (HB 7349 / SB 2197), Vermont (HB 816), and Maine (LD 2082) limit AI to administrative and supporting roles under a licensed professional, require informed consent, and prohibit AI from directly offering therapy. Notably, Maine's LD 2082 takes regulation further, prohibiting providers from denying treatment to patients who refuse to consent to AI use and creating a private right of action. Informed consent requirements also appeared in laws regulating AI's use for clinical documentation. Louisiana (HB 475) and Rhode Island (HB 7538 and SB 2570) require providers to notify or obtain patient consent when AI transcribes or documents a visit. Alternatively, Georgia (SB 540), Idaho (SB 1297), and Nebraska (LB 525) branch AI healthcare regulation through laws governing companion chatbots, banning them from claiming to provide professional mental healthcare.

2027 Outlook

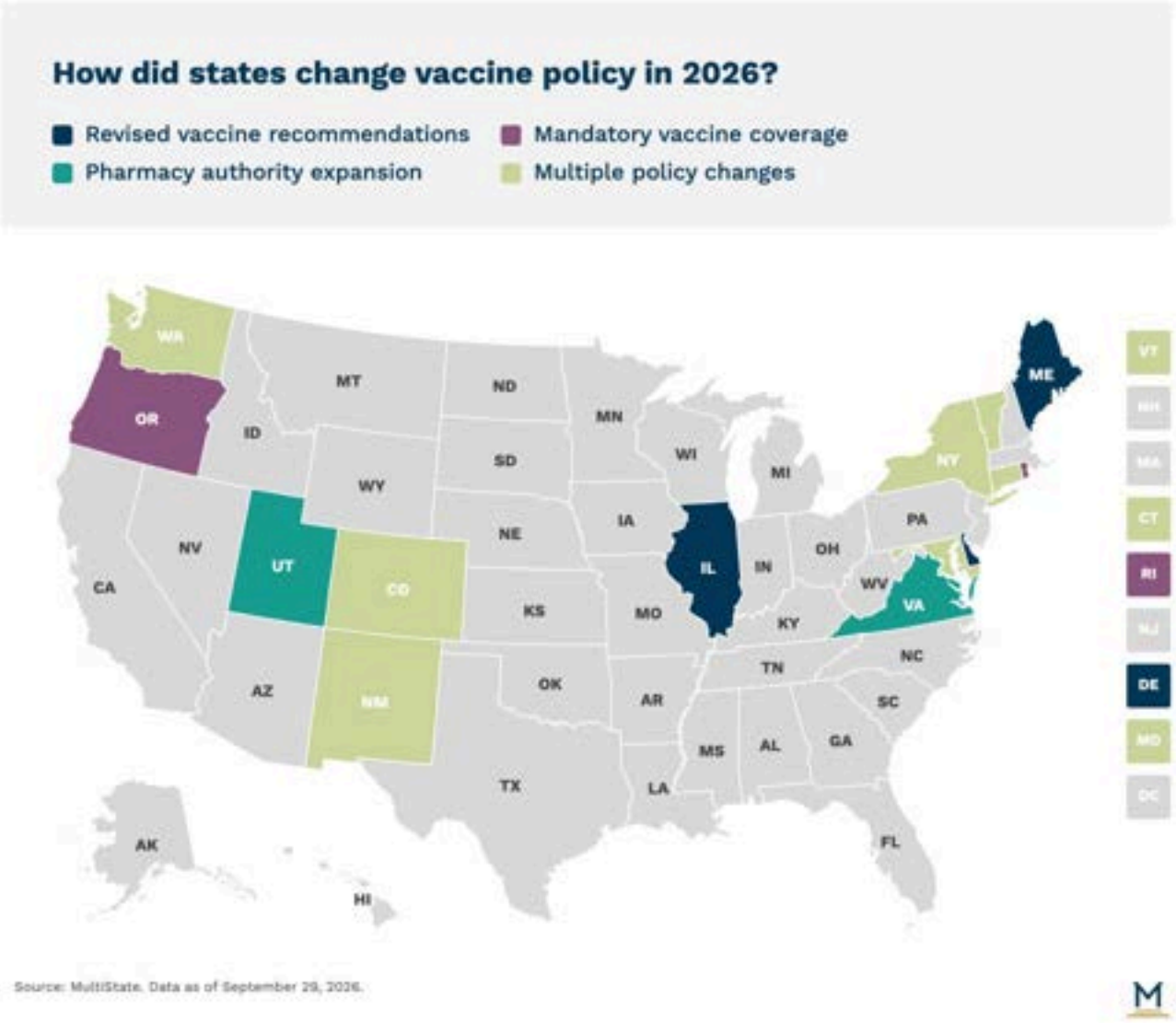
AI remains a rapidly growing field, and state action to regulate or adopt its use in healthcare is unlikely to slow. Federal signposting, partnerships, and subsidies are likely to accelerate state adoption of AI Medicaid FWA prevention tools in 2027. Indiana's CMS and Oracle partnership and Ohio's Healthcare Anomaly Detection Platform demonstrate the potential for states to leverage federal support to adopt AI prevention tools. Consequently, Arizona, California, and Minnesota demonstrate varying ways states have adopted AI FWA prevention models in response to federal pressures. In particular, Indiana's pilot program will likely influence other states' uptake of AI models. If Indiana determines that the program can be applied to other Medicaid programs in its report to CMS, more states may begin adopting similar tools. While common model applications, including prepayment claims screening, identity verification at enrollment, and cross-agency data sharing, have emerged across states, the pilot's assessment of AI-generated investigative reports could offer states a new tool to accelerate responses to Medicaid FWA cases.

Legislators have also become more comfortable with regulating AI, especially as it pertains to prior authorization reform. Looking ahead, more states may take after California's law (AB 1979), opting to apply similar limits on AI use within prior authorization to other forms of clinical decision-making. Meanwhile, Connecticut Comptroller Sean Scanlon plans to further govern health insurers' use of AI by working with the legislature in 2027 to extend current policies regulating use under the state employee plans to all state-regulated insurance plans. These policies could open the door to broader reforms by banning the use of member data to train models, requiring disclosure when interacting with AI, imposing reporting requirements, and prohibiting the use of AI for adverse determinations, downcoding, reducing provider payments, and altering billing codes. Furthermore, while November elections will likely shift states' political composition, AI regulation in healthcare remains a bipartisan issue. As a result, state regulation of AI is expected to continue into next year.

Vaccines

The COVID-19 pandemic significantly altered public health governance in the U.S., requiring collaboration among federal, state, and healthcare entities. Initially, the federal government advocated for universal vaccination, recommending COVID-19 vaccines for everyone six months and older. Many Democratic states and localities enacted vaccine mandates on businesses during the pandemic, while most Republican states preempted localities from mandating vaccines.

Federal vaccine guidance shifted in September 2025, when the Food and Drug Administration (FDA) revoked emergency use authorizations for COVID-19 vaccines and limited eligibility to adults over 65 and individuals with specific health conditions. Guidance shifted again in January 2026, when the Centers for Disease Control and Prevention (CDC) removed several pediatric vaccine recommendations from the childhood immunization schedule. These federal actions prompted several Democratic- and Republican-led states—including California, Mississippi, and Wisconsin—to announce they were no longer following Advisory Committee on Immunization Practices (ACIP) recommendations for at least one vaccine. Additionally, many states prioritized vaccine access by mandating insurance coverage and authorizing pharmacists to prescribe or administer vaccinations. Florida and West Virginia, however, focused on increasing vaccine exemptions and limiting vaccine requirements.



Source: MultiState. Data as of September 29, 2026.

2026 Recap

State Response

In reaction to federal changes, at least 10 states added state health agencies or medical associations as sources for vaccine schedule recommendations. For example, Maryland enacted legislation requiring the Secretary of Health to issue vaccine recommendations based on scientific and clinical guidance. Maryland subsequently released 2026-2027 vaccine guidelines based on the recommendations of "leading, independent expert medical organizations," including the American Academy of Family Physicians (AAFP). Connecticut likewise passed legislation requiring its public health department to create vaccination standards of care and consider recommendations from ACIP, AAFP, the American Academy of Pediatrics (AAP), and the American College of Obstetricians and Gynecologists (ACOG).

Additionally, eight states enacted laws requiring insurers to cover vaccines recommended by state health agencies or medical organizations (CT, MD, NM, NY, OR, RI, VT, and WA). Rhode Island, for instance, passed a law requiring state-regulated health plans to cover vaccines recommended by its health department without cost-sharing. Maryland passed similar legislation requiring insurers to cover state-recommended immunizations with no out-of-pocket costs. Beyond requiring vaccine coverage, six states modified pharmacy scope-of-practice laws to promote vaccine access (CO, MD, NY, UT, VA, and VT). Maryland's law authorizes pharmacists to order certain vaccines for individuals age three and older without being legally required to administer the vaccine. Vermont likewise expanded pharmacist authority to allow pharmacists to "prescribe, dispense, or administer recommended immunizations," following approval from the Health Commissioner.

Unlike states that expanded vaccine access, Florida enacted a regulation prohibiting educational institutions from mandating COVID-19 vaccines and barring discrimination based on vaccination status. Additionally, the Florida Senate passed legislation to expand vaccination exemptions for K-12 students to include personal, philosophical, and conscience-based objections. House leadership stalled its companion bill over concerns about potential public health impacts. West Virginia also pursued vaccine restrictions by attempting to create new exemptions from school and childcare vaccine requirements (SB 26), as well as religious exemptions for higher-education students (SB 609). These trends illustrate a split in vaccine policy, with Democratic-led states generally seeking to preserve or promote vaccine access and adopt recommendations from medical organizations. Republican-led states, by contrast, have been more supportive of exemptions or limits on vaccine requirements.

Lastly, states have recently challenged federal vaccine policies through intergovernmental advocacy. On September 22, Pennsylvania Governor Josh Shapiro (D) and 22 state attorneys general responded to the HHS request for information on federal vaccine recommendations, expressing opposition to the revised vaccine schedule and restructuring of ACIP. The response urges the department to preserve ACIP's role in vaccine recommendations and retain its three-tier vaccine recommendation structure.

State Health Alliances

Regional health alliances remained active in 2026. Specifically, the West Coast Health Alliance (WCHA) endorsed the AAP 2026 childhood and adolescent immunization schedule, reaffirming its role as a regional vaccine policy authority. This September, WCHA released its annual winter vaccination recommendations for California, Hawaii, Oregon, and Washington, incorporating guidance from medical groups such as AAFP and ACOG. The Northeast Public Health Collaborative, formed in September 2025 to address federal vaccine policy changes, similarly endorsed the vaccine recommendations of AAP, AAFP, ACOG, and the Infectious Diseases Society of America (IDSA).

After launching in October 2025, the bipartisan Governors Public Health Alliance (PHA) remained active in 2026. Designed to improve public health coordination, the 15-governor coalition endorsed AAP's 2026 vaccine guidelines and criticized the federal executive order changing the childhood vaccine schedule, asserting it "defies scientific consensus." PHA also submitted public comment to ACIP in March, urging the committee to practice evidence-based and transparent vaccine policymaking. In May, PHA similarly advised FDA's Vaccines and Related Biological Products Advisory Committee to uphold "evidence-based decision-making and transparent, deliberative public processes."

Insurers' Reaction

This state policy shift caused AHIP, the national trade association of health insurers, to announce that member plans would continue covering all ACIP-recommended vaccines, including updated COVID-19 and flu vaccines, with no cost-sharing through the end of 2027. This decision aims to alleviate concerns about reduced coverage following recent federal policy changes.

2027 Outlook

Current litigation, *AAP et al. v. Kennedy et al.*, could influence whether states continue building independent vaccine policy frameworks or return to greater reliance on federal recommendations. In March 2026, a federal district court stayed implementation of the revised childhood vaccine schedule, the appointments of 13 ACIP members selected in 2025 and 2026, and all votes taken by the reconstituted ACIP. The federal government appealed the ruling to the U.S. Court of Appeals for the First Circuit in April. The litigation creates uncertainty over what the federal vaccine schedule—and ACIP itself—will look like going into 2027. If federal recommendations remain contested, states that established independent systems in 2026 may maintain them and preserve no-cost vaccine access, as insurers and state laws have committed to covering ACIP-recommended vaccines through 2027. Conversely, if HHS restores the former vaccine schedule and ACIP composition, states may return to greater reliance on federal recommendations. The November 2026 elections could also shift partisan control of state legislatures, potentially affecting state approaches to vaccine coverage, exemptions, and mandates.

Reproductive Healthcare

More than four years after the U.S. Supreme Court's decision in Dobbs v. Jackson Women's Health Organization returned abortion policy to the states, reproductive health policy remains a central point of debate for state policymakers. In 2026, activity centered on abortion medication, reproductive rights ballot measures, and assisted reproductive technology and third-party reproduction.

2026 Recap

Abortion Medication

Abortion medications remain the main focus of reproductive health policy nationally as states pursue conflicting approaches. Republican state lawmakers contend that the growth of telehealth prescribing and mail-order dispensing has allowed abortion

medications to be sent into their states despite state laws banning abortion, and that shield laws enacted by blue states have complicated enforcement of abortion bans. In response, lawmakers have enacted further restrictions and enforcement measures targeting abortion medications, and state attorneys general have led a litigation effort that could impact access nationwide.

In 2026, states focused on legislation further restricting the distribution and delivery of abortion medications and strengthening enforcement mechanisms through civil liability, criminal penalties, and attorney general enforcement authority, with Iowa, Mississippi, Oklahoma, South Dakota, and Tennessee enacting legislation. In addition, while measures in Indiana, West Virginia, South Carolina, and Arizona passed the first chamber but failed, these states could revisit the issue in future sessions.

Outside of state legislatures, the legal battle over abortion medication intensified in 2026, led by Republican state attorneys general. Three separate lawsuits challenge FDA approval of mifepristone, one of the two drugs typically used in a medication abortion regimen: one led by the AGs of Missouri, Kansas, and Idaho; one by Texas and Florida; and one by Louisiana. Louisiana's case is notable because it specifically targets a 2023 FDA change that removed the in-person dispensing requirement for mifepristone and allowed the drug to be prescribed via telehealth and distributed by mail. In May, the Fifth Circuit granted a request from Louisiana Attorney General Liz Murrill (R) to reinstate the in-person dispensing requirement nationwide. The U.S. Supreme Court stayed the decision while the case continues in the lower courts following an emergency appeal by the drug's manufacturers. The litigation also intersects with federal action, as the Trump Administration has initiated a review of the drug's regulations to determine whether modifications are necessary; that review has been a consideration in the litigation, with Texas and Florida's case paused until the FDA completes its review or until December 1, whichever comes first.

State AGs have also attempted to prosecute providers alleged to have mailed abortion medications into states with abortion bans, intensifying the legal conflict with Democratic-led states that have enacted shield laws to protect providers from out-of-state investigations and extraditions. Most recently, the AGs of Louisiana, Alabama, and Arkansas sued California, Massachusetts, and New York over such laws, filing complaints in federal district court and directly with the U.S. Supreme Court.

Ballot Measures

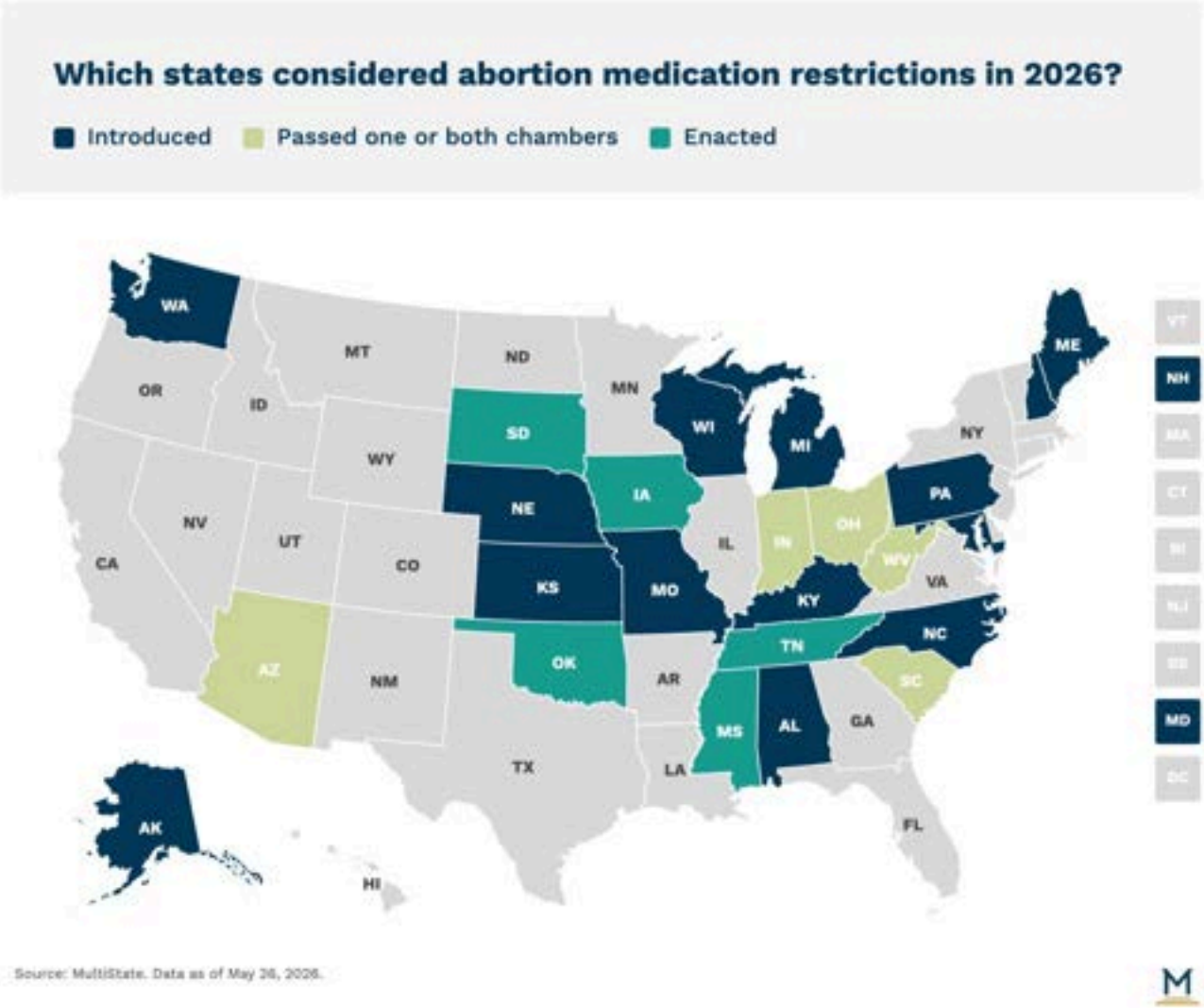
Reproductive health is also on the ballot in 2026, with voters in Virginia, Nevada, Idaho, and Missouri deciding on reproductive rights in November. In Virginia and Missouri, the legislature referred measures to the ballot. Virginia's Question 1 proposes to establish a constitutional right to reproductive freedom, including abortion before the third trimester, as well as prenatal care, contraception, miscarriage management, and fertility care. Meanwhile, Missouri's measure would repeal the right to reproductive freedom previously approved by voters in 2024, and prohibit abortion after 12 weeks gestation.

Nevada voters will also see abortion on the ballot for the second time since 2024, as the state constitution requires citizen-initiated constitutional amendments to pass in two consecutive general elections. In 2024, over 64 percent of voters approved the initiative, which would establish a constitutional right to abortion. Finally, Idaho's Proposition 1 is a citizen initiative that would establish a statutory right to make private reproductive health care decisions, including those related to abortion, contraception, fertility treatment, childbirth, and miscarriage. The measure is significant as it would overturn Idaho's near-total abortion ban, which is the subject of ongoing litigation over whether its lack of exceptions to protect a mother's health, preserve future fertility, or address a risk of self-harm due to mental health renders it unconstitutional.

Assisted Reproductive Technology and Third-Party Reproduction

Over the past few years, state lawmakers have shown growing interest in assisted reproductive technologies (ART), such as in vitro fertilization (IVF), and third-party reproduction, including donor and surrogacy arrangements. In 2024, the Alabama Supreme Court found that all unborn children, regardless of their location, including frozen embryos, are considered children under the state's Wrongful Death of a Minor Act. The case sparked national debate around ART that has continued to grow, with several significant developments in 2026.

Several states considered legislation to increase oversight of ART providers, and Tennessee lawmakers enacted legislation (TN SB 2461) requiring fertility clinics to obtain a certificate to perform ART, establishing requirements for the clinical directors of fertility clinics, and requiring clinics to follow current clinical guidelines and professional standards for genetic testing. In addition, South Dakota legislators considered a measure (SD HB 1182) requiring data collection for assisted reproductive technology services, including the number of embryos created and implanted, their disposition, resulting pregnancies and live births, cryopreservation, and preimplantation genetic testing, though the bill failed in a House vote.



Lawmakers have also focused on third-party reproduction, particularly international surrogacy arrangements with US-based surrogates. Florida led on the issues and enacted a bill (FL HB 905) to prohibit gestational surrogacy contracts in the state if a party to the contract is a citizen or resident of a foreign country of concern. During the interim, the Texas Senate Health and Human Services Committee has been examining "Combating the Exploitation of Surrogacy," including concerns about "unethical and foreign interest exploiting the surrogacy and fertility industries." At the federal level, President Trump signed an Executive Order in August identifying certain categories of children who are not entitled to birthright citizenship, including situations where noncitizen parents engage in a commercial transaction to purchase or access birthright citizenship for the child, specifically including commercial transactions with a surrogate present in the US or a US territory. Beyond legislation, state attorneys general in Florida and Texas have also pushed the issue and separately intervened directly in individual surrogacy cases. In August, a Texas parentage case gained national attention when Texas Attorney General Ken Paxton (R) intervened to secure medical care for an infant with a heart condition after the intended parents allegedly requested a pregnancy termination that the surrogate refused. The court ordered life-saving care and appointed a guardian ad litem for the child.

2027 Outlook

The emphasis on abortion medication legislation highlights the ongoing conflict between states seeking to restrict access and states seeking to protect access, and illustrates that the broader legal and policy fight is likely far from over. The FDA's regulatory review remains pending, additional state cases against out-of-state providers are working through the courts, and shield-law disputes between Democratic- and Republican-led states remain unsettled.

As litigation over state enforcement continues, state legislatures will remain active on the issue. Expanded enforcement mechanisms, including civil penalties, private rights of action, and broader AG authority, are likely to prompt additional legal challenges that further test the limits of state regulatory authority and shield laws. States will continue to pursue overlapping legislative, regulatory, and litigation strategies, and abortion medication is expected to remain a central focus of reproductive health policy in 2027.

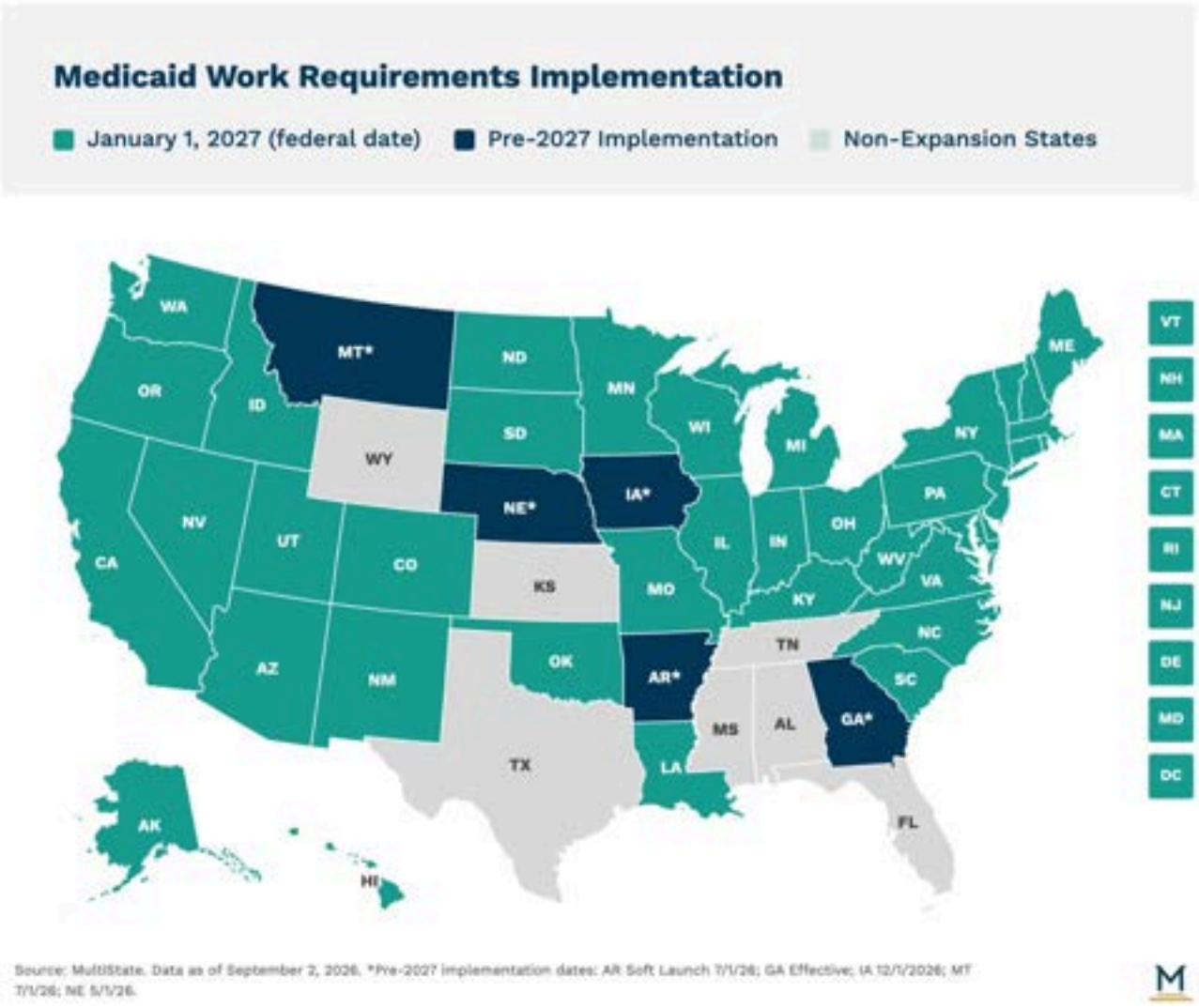
The developments in ART and third-party reproduction position these issues to be the next focus area in reproductive health policy. Surrogacy is set to be a key area of state legislative debate in 2027. Given Florida's law and Trump's EO, other Republican states may also move to restrict the use of US-based surrogates by noncitizens or add requirements to ensure surrogacy agreements are between US citizens or state residents. Recent litigation may also prompt further restrictions or transparency requirements around surrogacy as a whole, as lawmakers may use the legal complexities of these individual cases to justify oversight of the practice in their state. Additionally, policymakers may look to update parentage laws to define parentage and custody in surrogacy cases and reduce the ambiguity that contributed to interstate and international parentage and custody disputes.

Medicaid Work Requirements

In 2026, Medicaid work requirements moved from a state policy debate to implementation of a federal mandate with a fixed start date. The 2010 Affordable Care Act allows states to expand Medicaid to nearly all adults under age 65 with incomes up to 138% of the federal poverty level, with the federal government covering 90% of the cost for that group. Under the "One Big Beautiful Bill Act" (OBBBA) (US HR 1 (2025)), states that expanded Medicaid must now condition eligibility for most expansion adults on 80 hours per month of work, education, job training, or community service beginning January 1, 2027.

2026 Recap

Before OBBBA, states could pursue work requirements only through Section 1115 waivers. Most of the waivers approved during the first Trump administration were either blocked in court or withdrawn, with Georgia's Pathways program the only one operating entering 2026. As we noted in early 2025 and mid-2025, state interest built steadily as Congress moved the reconciliation bill, and by this spring legislatures had turned to implementation details.



Source: MultiState. Data as of September 2, 2026. *Pre-2027 implementation dates: AR Soft Launch 7/1/26; GA Effective; IA 12/1/2026; MT 7/1/26; NE 5/1/26.

State Response

Several states responded by passing legislation to codify OBBBA, with requirements beyond the federal minimum. Indiana was one of the first states to act with the enactment of (SB 1) in March, pairing a three-month look-back at application with quarterly compliance checks and a prohibition on self-attestation. Idaho lawmakers (HB 913) also adopted a three-month look-back, while legislators in North Carolina enacted similar provisions through HB 696. Beginning in 2027, North Carolina will require applicants to demonstrate compliance for the three consecutive months before applying and beneficiaries to demonstrate compliance for at least three of the six months before redetermination. The state also generally prohibited self-attestation as the sole evidence for verifying Medicaid eligibility requirements beginning October 1, 2026.

In April, Kentucky's Republican legislature voted along party lines to override Gov. Andy Beshear's (D) line-item vetoes of HB 2, restoring provisions including its three-month look-back. A small group of states began implementing work requirements before the federal deadline, primarily through administrative action. Nebraska became the first to implement requirements on May 1 through a state plan amendment, and Montana followed on July 1. Arkansas launched a soft rollout the same day, tracking compliance and notifying enrollees without terminating coverage until January. Iowa is scheduled to begin its program on December 1.

Federal Action & Litigation

The Centers for Medicare & Medicaid Services (CMS) June interim final rule supplied many of the details states had been waiting for, but its definition of medical frailty proved more restrictive than expected. Under the rule, an enrollee must have a qualifying condition that significantly impairs their ability to meet the requirement, a departure from earlier informal guidance. In September, CMS issued additional implementation guidance suggesting a three-tier framework for identifying medically frail individuals and encouraging states to use available claims, encounter, and other reliable data to identify exclusions before requiring beneficiaries to provide additional documentation.

Meanwhile, states were already challenging the medical-frailty standard in court. In late June, 25 states and the District of Columbia sued CMS over the frailty standard and related provisions. At the end of July, a federal judge declined to block the rule while the case proceeds, leaving the January timeline intact. A hearing on the parties' summary judgment motions is scheduled for October 20.

The year's activity largely followed party lines. States under unified Republican control were more likely to move early or adopt requirements beyond the federal minimum, while states under unified Democratic control generally implemented on the federal schedule, emphasized data matching to reduce reporting burdens, and pursued litigation. States with divided government showed a mix of both: in North Carolina, Gov. Josh Stein (D) signed HB 696's stricter provisions into law, while the state's Democratic attorney general joined the challenge to the CMS rule; in Kentucky, Gov. Beshear joined the lawsuit after the Republican legislature overrode his vetoes.

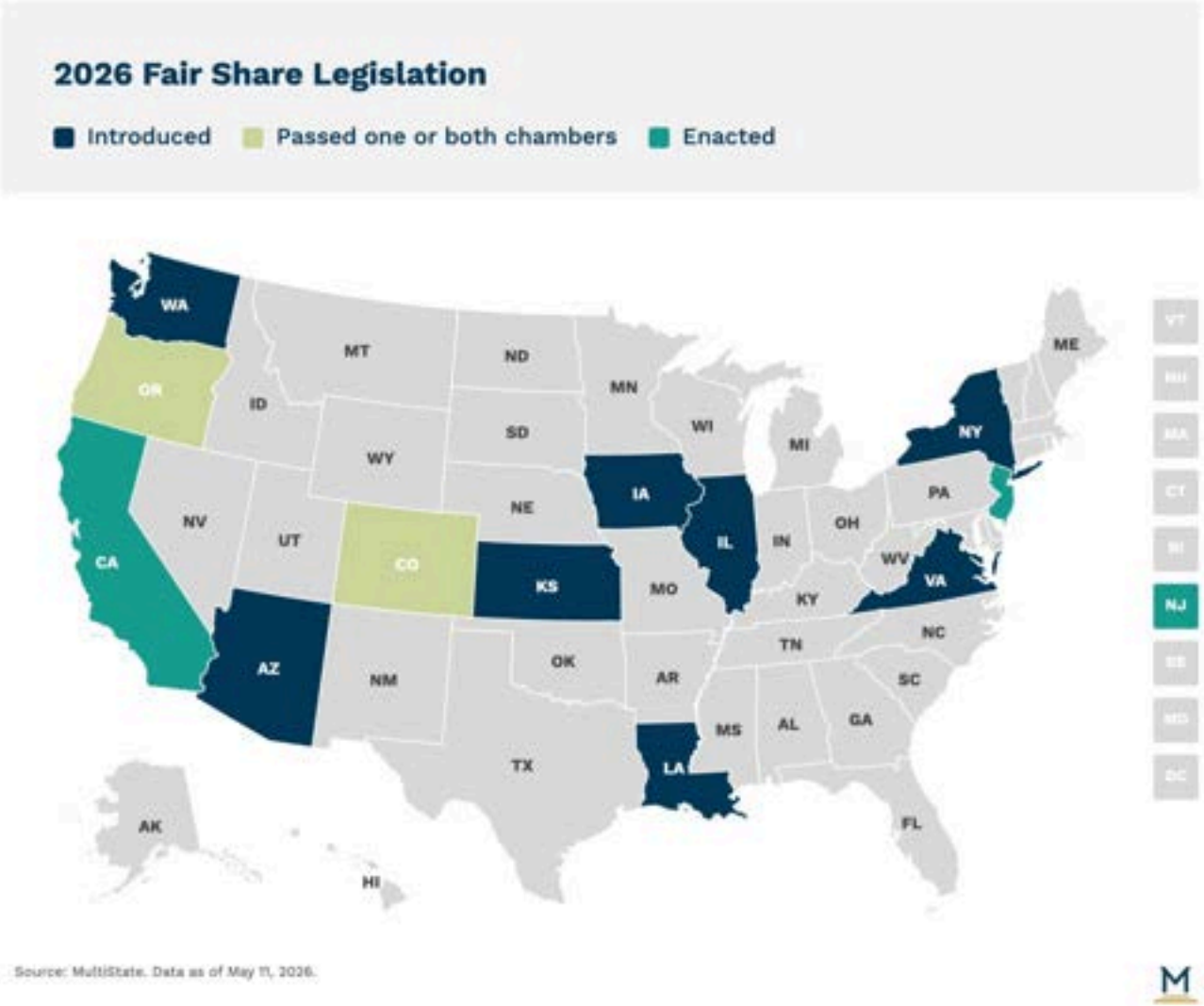
2027 Outlook

In 2027, attention will turn to how the requirements affect enrollment and coverage. Beginning January 1, most expansion states will verify compliance at application and at six-month renewals, and legislators will have their first data on how many enrollees are exempted automatically, how many must report, and how many lose coverage. Lawmakers are likely to use that data as they consider implementation changes and funding needs during the 2027 sessions. States seeking more time have limited options: OBBBA permits temporary good-faith exemptions through December 31, 2028, but CMS has said it will approve them only six months at a time.

Labor

Fair Share

Employer fair share bills have reemerged as a trending focus of state legislation after several years of dormancy. The term "fair share" was coined by labor advocacy interests and state legislators seeking to mandate that large businesses and corporations pay for the costs of public benefits received by their employees. Early state-level attempts date back nearly two decades to Maryland's Fair Share Health Care Act, which required employers with 10,000 or more employees to either spend at least 8% of their payroll on employee health insurance or pay the difference to a state health fund. The Maryland legislature actually overrode the Governor's veto to enact the law. However, courts later struck down the law, ruling that it violated the Employee Retirement Income Security Act (ERISA) by impeding companies' ability to uniformly administer benefit plans across the country. Since that time, the concept of assessing employer fees based on public assistance has remained largely inactive. Democratic legislators across the country have recently resurrected this issue, presumably as an attempt to fill some of the funding gap left by the federal government's cuts to Medicaid funding to states in H.R.1 by shifting the burden to employers. Unlike earlier iterations, these bills have gained real traction in states, building momentum that will carry into the 2027 legislative session.



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2026 Recap

Enacted Legislation

Employee Fee Assessment legislation generally takes at least one of three forms: (1) imposing a direct tax or fee on employers based on the number of employees receiving certain public benefits, (2) requiring the state to publish a list of such employers, and/or (3) prohibiting such employers from being eligible for receiving certain funds or contracts. Lawmakers in twelve states considered such bills in 2026, and two bills in the Democratic-trifecta states of California and New Jersey were enacted. Rather than immediately imposing a set fee, California's law directs the Department of Finance to develop policy options for imposing new conditions on the state's largest corporations regarding the costs of employees enrolled in the Medi-Cal program. It also requires that at least one of the options include a premium paid by employers with at least 250 employees for the costs of their employees enrolled in the Medi-Cal program who are not offered employer health coverage. California's legislation also includes an off-ramp, providing that these requirements do not apply if the new federal Medicaid provisions are repealed.

New Jersey's new law imposes a tiered annual fee on employers with 50 or more employees receiving state Medicaid benefits, assessed for each employee and dependent covered by the program. The law does exempt employees or dependents with a developmental, intellectual, or permanent physical disability, as well as new, part-time, temporary, and seasonal employees. Business associations, however, are already challenging the law in court on the basis of two main arguments. First, they assert that, like Maryland, the law is preempted by ERISA, which bars states from interfering with its plan design, administration, or operation. Second, the plaintiffs claim that the law denies employers due process and is overly burdensome, as it gives them no meaningful way to challenge the assessments without access to health plan enrollment data.

States with Movement

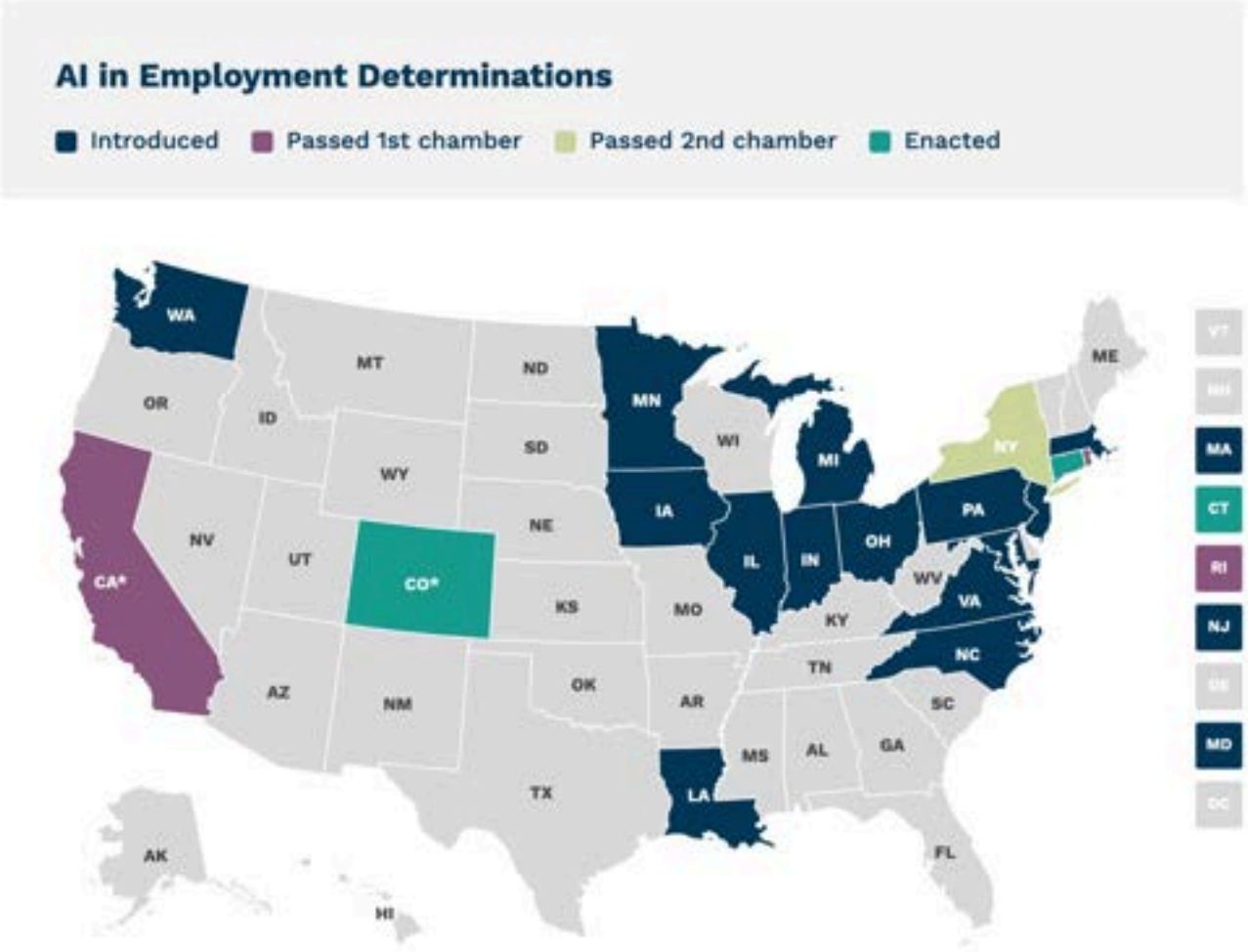
In addition to California and New Jersey, lawmakers in two other states had similar bills move in their legislatures. Colorado's legislators introduced a bill that passed the House, albeit by a narrow 35-30 margin, and would have required employers with 500 or more workers receiving state medical assistance benefits to pay a fee of $2,300 per worker. The bill included several exemptions, including for employers that provide affordable health coverage to employees working at least 20 hours per week or 80 or more hours per month; franchisees of the employer; and employers with collective bargaining agreements that include health care. It also would have established a grant program to reimburse employers for some costs of extending an employer-sponsored health benefit plan to employees who did not meet minimum hour requirements for qualification. In Oregon, lawmakers passed a "name and shame" bill through the House that would have required the Oregon Health Authority to produce an annual public report identifying private employers with 500 or more employees who are recipients of state medical assistance. Both bills died in their respective Senates.

2027 Outlook

With the successful passage of laws in California and New Jersey, the reappearance of fair share legislation is unlikely to be confined to the 2026 legislative session. State budgets are being squeezed, and legislators will continue to look for ways to help cover costs. In the upcoming 2027 legislative session, the number of related bills introduced across the country will certainly increase. Legislators in Oregon and Colorado will likely revisit the issue, along with many other Democratic-trifecta states, including Illinois, Maryland, New Mexico, New York, Virginia, and Washington. Additionally, the results of the November elections could establish a number of new trifectas, including Arizona, Minnesota, Nevada, Pennsylvania, and Wisconsin, that may look to employer taxes when wielding their new power. Based on the legal challenges New Jersey is facing, however, states may opt for a similar approach to California, leaving the details and implementation for a Task Force or government department to tackle at a later date.

AI and Automation in Employment

The rapid evolution of artificial intelligence and a vacuum of federal regulation have left states scrambling to establish guardrails across nearly every policy area—including labor and employment. Employers are currently implementing the technology to assist in making employment determinations (hiring, firing, and wages), as well as to automate tasks. Proponents argue that the use of such technology lowers costs and increases efficiency, but legislators worry about how AI could affect equity and job security. Attempts to regulate the industry have yielded mixed results: only a handful of states passed such legislation during the 2026 legislative session, though bill introductions will inevitably accelerate alongside adoption of AI technology.



Source: MultiState. Data as of August 3, 2026. California saw multiple bills introduced, including CA SB 7 which was vetoed by the Governor (D) would have required employers to provide written notice regarding use of ADMT and restricted certain uses. Colorado's Governor (D) vetoed CO HB 1210 which would have prohibited wage setting algorithms.

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2026 Recap

AI in Employment Determinations

Employers increasingly rely on artificial intelligence technology, in the form of automated decision-making technology (ADMT), to assist in making a variety of employment decisions, including hiring, firing, promotions, and wage setting. Lawmakers worry that the use of ADMT, especially without human intervention, could create systemic bias and unfairly disadvantage workers who fall outside baseline parameters. To address these concerns, legislators introduced nearly 100 bills across 19 jurisdictions and the federal government seeking to regulate the practice, establishing several core trends:

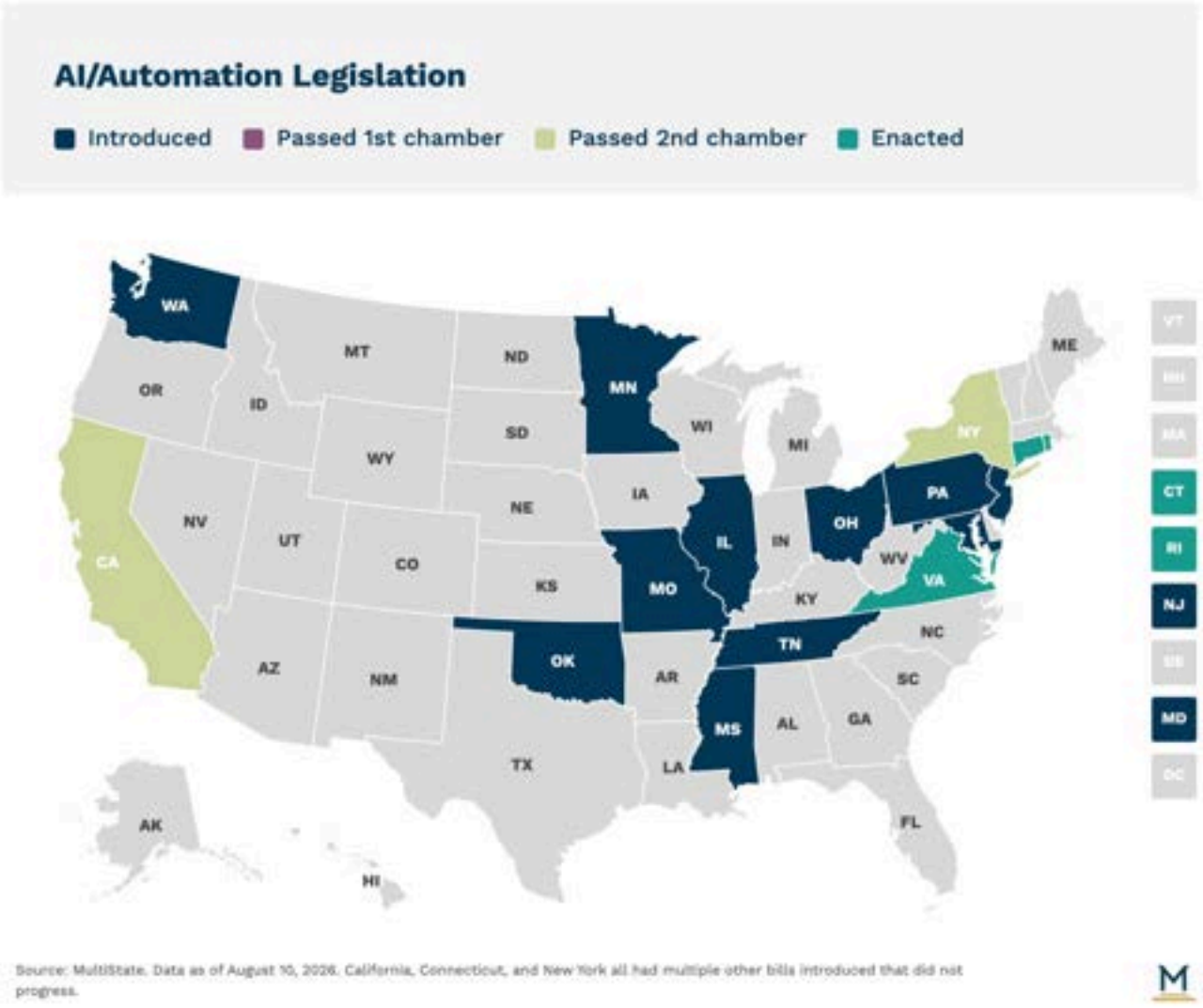
- **Notice and Transparency:** The most common provisions required employers to notify applicants and workers when ADMT is in use.
- **Bias Audits and Human Oversight:** Bills in Michigan, New Jersey, and New York sought mandatory independent bias audits to detect disparate impacts before deployment, while several states proposed requiring human review of algorithmic outputs, including Rhode Island, which would have prohibited employers from primarily relying on electronically monitored data for hiring, firing, discipline, or pay decisions.
- **Data Accuracy:** Legislation in Minnesota and New Mexico aimed to give workers explicit rights to review and correct inaccurate data within automated systems.
- **Outright Ban:** Several bills went so far as to seek to ban the use of ADMT with extremely limited exceptions, such as legislation in New York which would have prohibited employers from using algorithms that incorporate an employee's personal or behavioral data to set or recommend wages or compensation.

The rush to regulate the AI industry led to some significant movement of bills across the country. Targeting possible discrimination, Illinois enacted a bill that prohibits an employer from using artificial intelligence to recruit, hire, or promote if it has the effect of discriminating against protected classes or using zip codes as a proxy for race; and Connecticut enacted legislation that expanded the application of antidiscrimination laws to ADMT tools. New York took a slightly more subtle stance with a pair of companion bills (S 8706/A 9581) currently awaiting the governor's signature that require businesses that employ over 100 people or are publicly traded to annually report to the Department of Labor on the impact of artificial intelligence on both their hiring practices and the nature of their artificial intelligence use. Notably, California – a trendsetter in labor protections– went through a period of trial and error before getting one of its bills across the finish line. Last year, Governor Newsom (D) vetoed CA SB 7, which would have mandated employee notification of ADMT use and restricted its functionality, citing concerns that the bill was overbroad and burdensome to businesses, as well as CA SB 1210, which would have prohibited individualized algorithmic wage setting. This year, the parties finally reached an agreement regarding the correct balance between legislators' motivation to regulate and uncertainty over how that regulation could affect employers in enacting CA SB 947. The bill prohibits employers from using ADMT to prevent compliance with labor or civil rights laws; infer a worker's protected status; conduct predictive behavior analysis with the intent of using the analysis to make employment decisions; or identify, profile, predict, or take adverse action against a line worker for exercising their legal rights. The law also requires human review of all decisions and grants workers the right to access the data.

Automation

Technological shifts routinely spark workforce anxiety, and artificial intelligence is no exception. Fears are rising that employees' jobs may be increasingly replaced by technology – even as employers insist that this automation merely frees staff to perform higher-value tasks. In 2026, lawmakers made significant efforts to respond to these fears, introducing over 40 pieces of legislation across 17 states and the federal government, using three primary strategies:

- **Studies and Task Forces:** States like Illinois, New York, and Pennsylvania favored a more cautious approach, proposing working groups to evaluate AI's impact on the workforce. Virginia enacted targeted legislation to study how autonomous vehicles will affect transportation jobs.
- **Displacement Reporting:** Bills in Illinois, New York, and Pennsylvania proposed stricter reporting requirements for employers conducting layoffs driven by AI or automation. California's legislature passed a similar notice requirement, which now awaits the governor's signature.
- **Carrots and Sticks:** Several states sought to either provide incentives to employers maintaining or increasing employment or disincentives to employers that make AI-related layoffs. Bills in Connecticut proposed a surcharge on companies that maintain or grow revenue while cutting payroll through technology. Legislators in New Jersey explored tax credits for businesses hiring workers displaced by automation. Mississippi combined both the carrot and stick in a single bill that would have taxed employers for every job replaced by AI while offering tax credits to companies that retrain affected workers.



Source: MultiState. Data as of August 10, 2026. California, Connecticut, and New York all had multiple other bills introduced that did not progress.

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2027 Outlook

As concerns grow regarding AI's impact on employment, the technology's use by employers will be an even greater focus of legislators during the 2027 legislative session. The previous session's enacted bills indicate that the most successful legislation will likely refrain from taking big swings and concentrate on more conservative strategies, such as notice and system audit requirements, as well as impact studies and increased reporting. Both public and private studies will also help to guide the direction of future legislation. For instance, a new report from consulting firm McKinsey & Co. found that by 2035, approximately 11 million workers may need to seek occupations in different fields due to automation and AI-related job losses. This study indicates that programs that help workers transition to different fields may be an effective focus of legislation that both acknowledges the benefits of the technology while also mitigating its impact on the workforce.

Transportation and Delivery Network Companies (TNCs and DNCs)

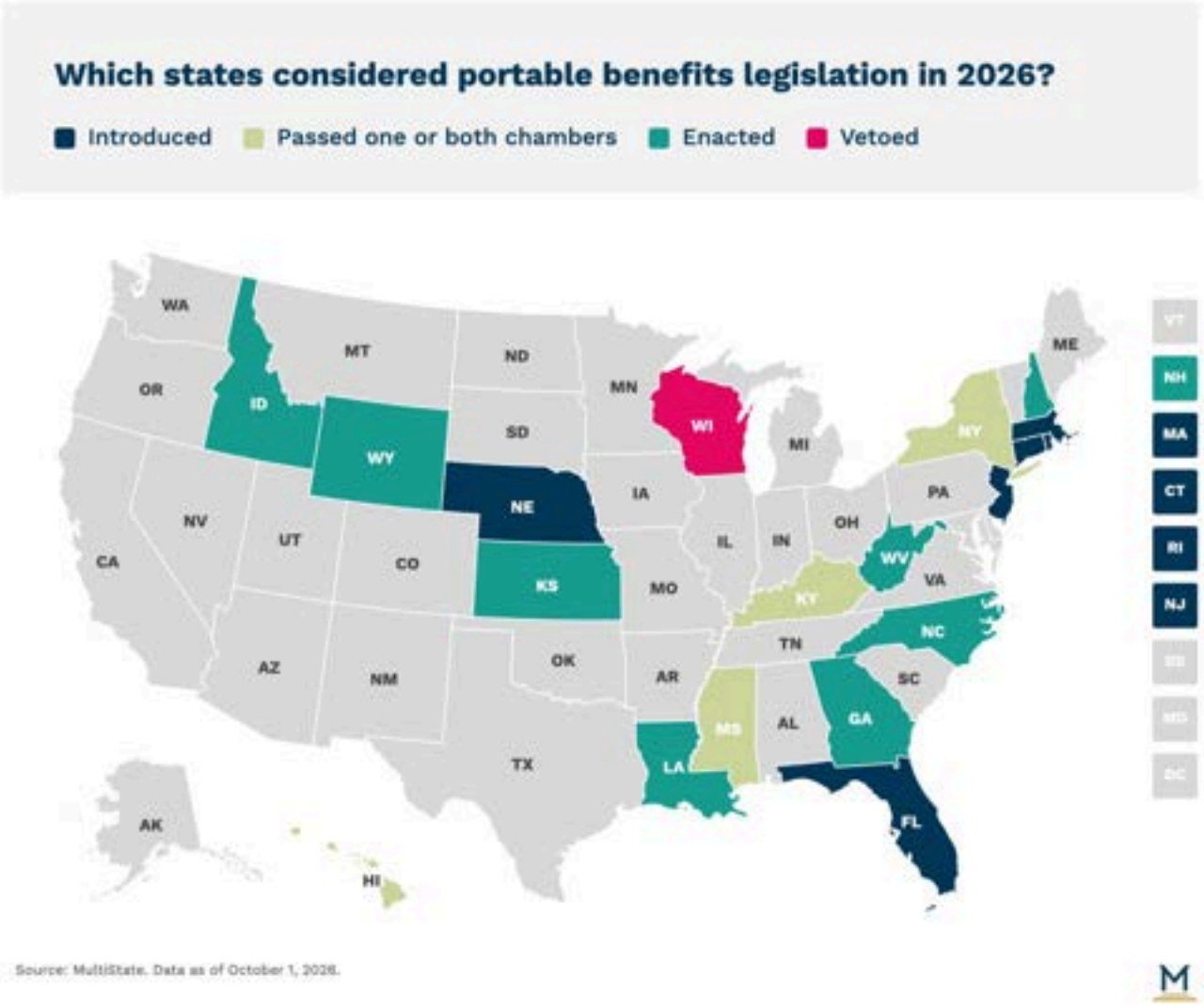
Rideshare and app-based delivery services move millions of people, meals, and packages a day. With a combined market size in the hundreds of billions, these services have become a fixture in the modern economy. Because federal regulation is scant, states have taken the leading role in regulating these companies. Since these companies operate across multiple jurisdictions, one state's laws can quickly become the template for the next. This year, the topics of worker classification, sectoral bargaining, portable benefits, and general safeguard frameworks dominated the policy conversation.

2026 Recap

Transportation network companies (TNCs), or rideshare companies, move passengers, while delivery network companies (DNCs), or app-based delivery services, move goods such as meals, groceries, and packages. Generally, these companies' drivers are considered independent contractors, unless a state uses the ABC test, which can classify them as employees. We previously tracked this debate following the enactment of California AB 5. Additionally, state lawmakers have questioned whether drivers should be able to sectorally bargain, which allows a union to negotiate industry-wide standards, as well as whether they should authorize portable benefits that follow a driver across platforms. This year, lawmakers in 33 states introduced over 130 bills addressing TNCs and DNCs across these issues and more, and at least 16 states enacted one TNC/DNC bill.

Worker classification was a major topic. Rather than reclassify drivers as employees, Democratic-led states built bargaining systems that keep drivers as independent contractors. Illinois enacted IL HB 5090, which creates a driver bargaining unit backed by interest arbitration and a per-trip fee. California followed up its 2025 bargaining law with CA AB 2682, which sets an appeals process. Similar bills were introduced by legislators in states like Minnesota (MN SF 5134) but ultimately died. New York lawmakers proposed classifying TNC drivers as employees outright (NY A 10078), while lawmakers in Arizona moved in the opposite direction with its marketplace-contractor law (AZ HB 2310).

Portable benefits had a breakout year for legislative activity. Republican-led states favored voluntary benefit accounts that platforms can fund without triggering employee status. Lawmakers in sixteen states considered this legislation, with eight enacted in Georgia (GA HB 987), Idaho (ID HB 645), Kansas (KS HB 2602), Louisiana (LA HB 301), New Hampshire (NH HB 1245), North Carolina (NC SB 445), West Virginia (WV HB 4009), and Wyoming (WY SF 41). Some legislators in blue states introduced voluntary portable benefits bills, including in New Jersey (NJ S 1753), Rhode Island (RI HB 7365), and Hawaii (HI SB 2087, HI SB 2088), while others chose to introduce mandatory portable benefits, such as in Massachusetts (MA H 1108) and New York (NY S 1162).



States also layered new protections onto existing TNC and DNC laws. Maryland lawmakers enacted deactivation protections for drivers (MD SB 740) while Virginia lawmakers enacted fare and earnings disclosure rules (VA HB 1270) and new background screening policies (VA HB 1469). DNC drivers drew attention in Tennessee, as lawmakers set delivery insurance requirements (TN HB 2175) while New York weighed workers' compensation and sick leave for drivers (NY S 9813). Insurance costs were also a focus: Louisiana legislators (LA SB 358) attempted to establish occupational accident coverage, and legislators in Missouri proposed placing greater insurance requirements on drivers and DNCs (MO HB 1789).

2027 Outlook

The partisan split can be expected to deepen on this issue in 2027. Labor groups are likely to return to New Jersey, Minnesota, and New York, while portable benefit plans will continue to spread through Republican legislatures. In Nevada, lawmakers have already prefiled a portable benefits account measure (NV BDR 33) for 2027. Deactivation, pay transparency, and insurance bills will likely follow the Maryland and Virginia models, and we will likely continue to see battles over worker classification. We will also likely see more legislative conflict between traditional TNC and DNC models versus robotaxis and drone-based deliveries.

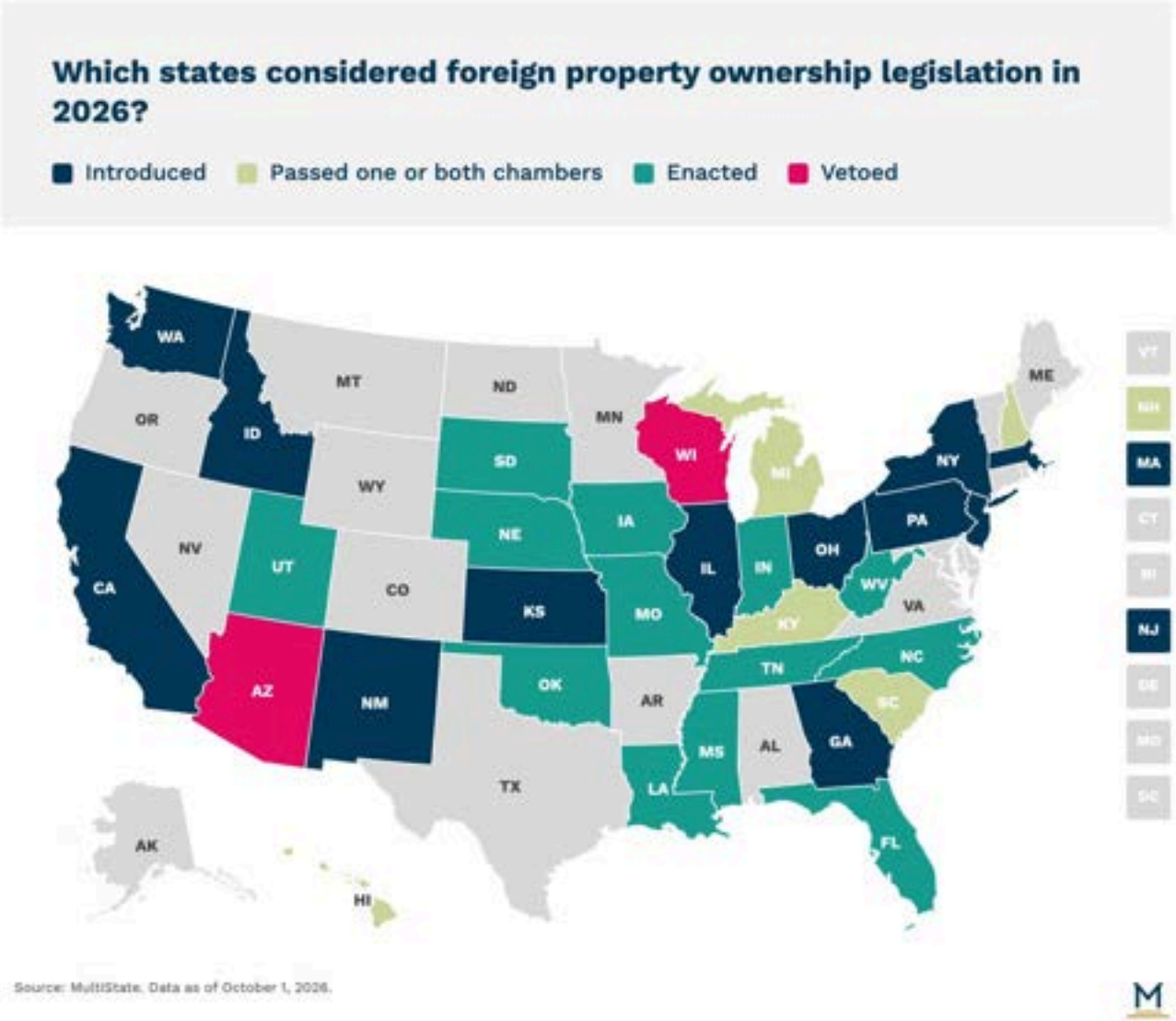
Law and Legal

Foreign-Owned Property

Prohibiting foreign adversaries from acquiring state-owned property was once again a major issue across the country in 2026. Since the first bill restricting foreign property ownership was enacted in Arkansas in 2023, 31 states and Congress have introduced legislation to prohibit adversarial foreign governments and officials from acquiring and holding real estate.

2026 Recap

State lawmakers have proposed bills to prohibit foreign property ownership by adversaries and officials. Since late last year, 13 states have enacted legislation to restrict foreign land ownership. Legislative approaches ranged from prohibiting the sale of land near critical infrastructure to prohibiting adversarial nations from installing equipment such as surveillance or communications systems.



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Protecting domestic critical infrastructure was a prominent issue across the state legislatures in 2026. State lawmakers in Oklahoma passed legislation this year to prohibit adversarial nationals from acquiring interest in land near critical infrastructure, while those in Arizona enacted a bill to establish a reporting schedule for critical infrastructure owners to notify the Attorney General of lease agreements with foreign nations. Similarly, Illinois legislators introduced legislation this year that prohibits entities from the People's Republic of China from owning real property near military installations or other critical facilities. Florida also enacted legislation this year prohibiting public utilities from providing electric services to large load customers owned or controlled by countries of concern. Data centers have also been a new issue for critical infrastructure, as Pennsylvania and Illinois have introduced legislation to prohibit the development of data centers by foreign-controlled entities within their respective states.

Over two hundred bills have been introduced to regulate or restrict the acquisition of real property from designated countries of concern. Tennessee enacted legislation prohibiting foreign parties from acquiring interest in non-agricultural land. Lawmakers in Utah, Louisiana, and New York introduced similar legislation. Indiana legislators also enacted legislation this year requiring principals from China, Russia, North Korea, and Iran to register with the Attorney General if they engage in political activity, as well as prohibiting agents from any of those nations from acquiring real estate within the state. Only two states have vetoed legislation on foreign property ownership. Governor Katie Hobbs (D) of Arizona and Governor Tony Evers (D) of Wisconsin both vetoed bills that would have prohibited foreign adversaries from acquiring land. Restricting foreign property ownership was popular once again in Republican-led legislatures, with 12 of the 13 enacting states having a Republican governor and control of the legislature.

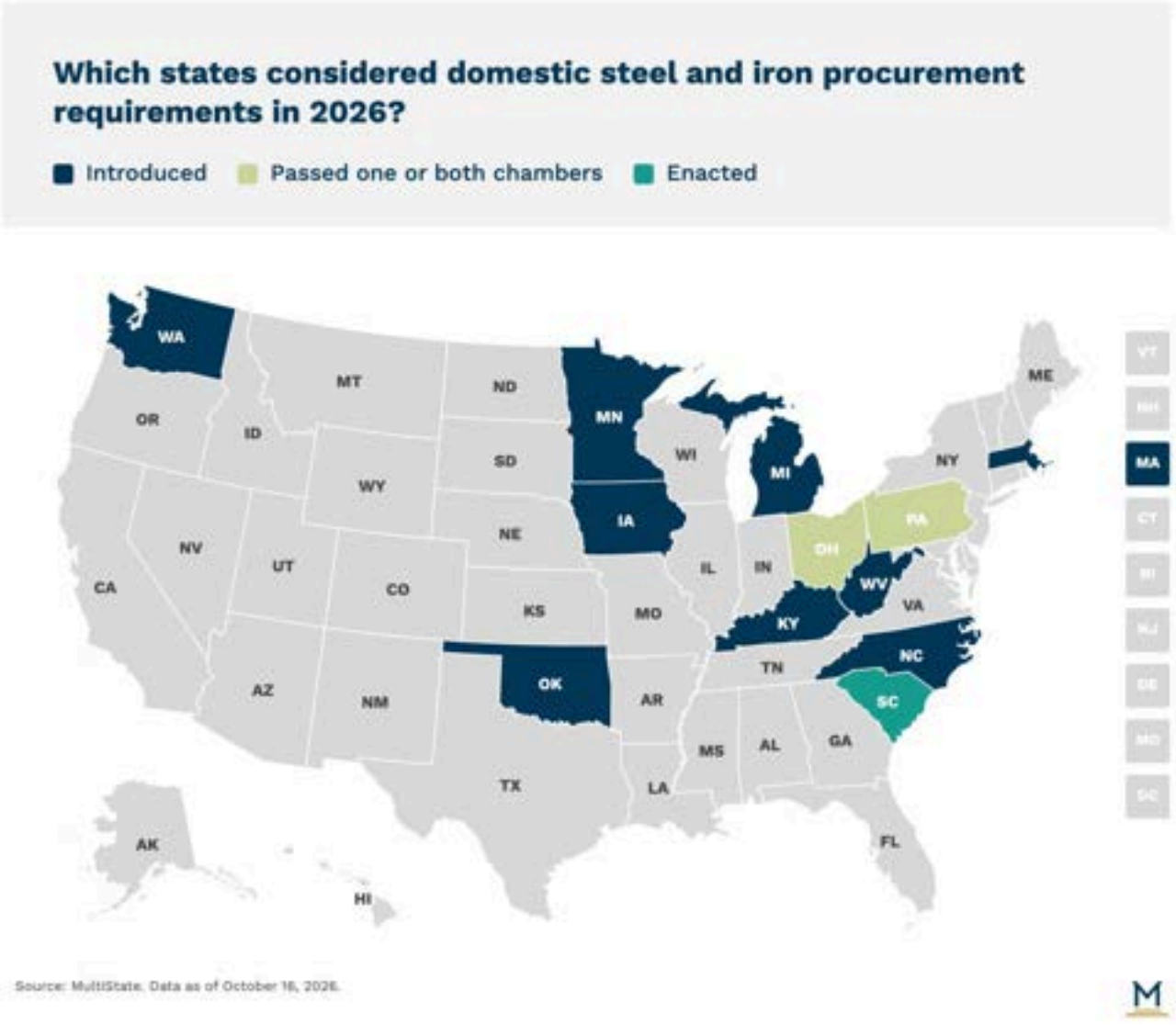
Congress has also taken up foreign property restrictions in 2026. The "Farm, Food, & National Security Act of 2026" (HR 7567) added the Secretary of Agriculture as a member of the Committee on Foreign Investment in the United States (CFIUS) to review land purchases by countries of concern, including China, Russia, and Iran. The resolution has passed the House of Representatives and received in the Senate.

2027 Outlook

As 2027 approaches, we expect legislation prohibiting foreign governments and officials from obtaining interest in real property near critical infrastructure projects to continue as a popular issue. New Hampshire has already pre-filed legislation on control of real property by foreign principals. As data centers become a massive trend across the country, restricting foreign companies from developing data centers and accessing domestic property will be a trend to watch for in the 2027 legislative sessions.

Foreign Divestment and Procurement Restrictions

As of October 2026, legislators considered 21 bills that would establish preferences or requirements for procuring U.S. made steel or iron. Legislation establishing domestic procurement requirements can have significant implications for job creation and employment while also affecting prices by limiting the range of suppliers from which goods can be purchased. State legislative action coincides with federal executive actions establishing preferences for domestically sourced products and materials, as well as tariffs on foreign goods, and does not appear to be a partisan issue.



2026 Recap

Several states proposed legislation to require steel to be sourced from the U.S. Massachusetts (MA H 3411), Michigan (MI HB 5789), Minnesota (MN HF 4989), North Carolina (NC SB 296), Ohio (OH HB 284), Oklahoma (OK SB 168), South Carolina (SC HB 4709), and Washington (WA HB 1256) have all introduced proposals that would require U.S.-sourced steel for materials in public works construction projects. Iowa's (IA HF 684) proposal would require state agencies to exclusively purchase steel manufactured in the United States. Some of these bills contain provisions to forgo the domestic procurement requirement if products are unavailable (MI HB 5789) or if the procurement requirements would not be in the public interest (NC SB 296). OK SB 168 sets a $100,000 threshold for the domestic procurement requirements to come into effect. SC HB 4709 was signed into law, OH HB 284 passed one chamber, and the rest of the bills did not advance past introduction.

SC HB 4709 requires a public entity entering into a contract for a public works project or for materials for a public works project to include in the contract a requirement that any iron or steel product permanently incorporated in the project be produced in the United States. The new law creates exceptions if domestic iron or steel is not produced in sufficient quantities, is reasonably unavailable, is of unsatisfactory quality, will increase the total cost of the project by more than 25%, is an electrical component, or is inconsistent with the public interest. The new law allows for minimal foreign procurement of steel and iron, such as if it is incidental or ancillary and amounts to less than 0.1% of the total iron or steel costs (or $2,500, whichever is greater), or comprises 5% or less of the material costs of an otherwise domestic product.

Instead of implementing an explicit mandate, some legislators introduced bills to tie funding and tax credits for steel made in the U.S. For example, PA HB 1018 legislation would prohibit any public agency from using funds, grants, tax credits, or other tax incentives unless the steel was melted and manufactured in the U.S. Similarly, IA HF 685 would require that steel used in public contracts and purchased with state monies or tax credits be manufactured in the United States. Legislation proposed in West Virginia (WV HB 5675) would create a nonrefundable tax credit for businesses that replace foreign-manufactured goods with goods made by a qualified West Virginia manufacturer. PA HB 1018 passed one chamber while the other bills did not advance past introduction.

2027 Outlook

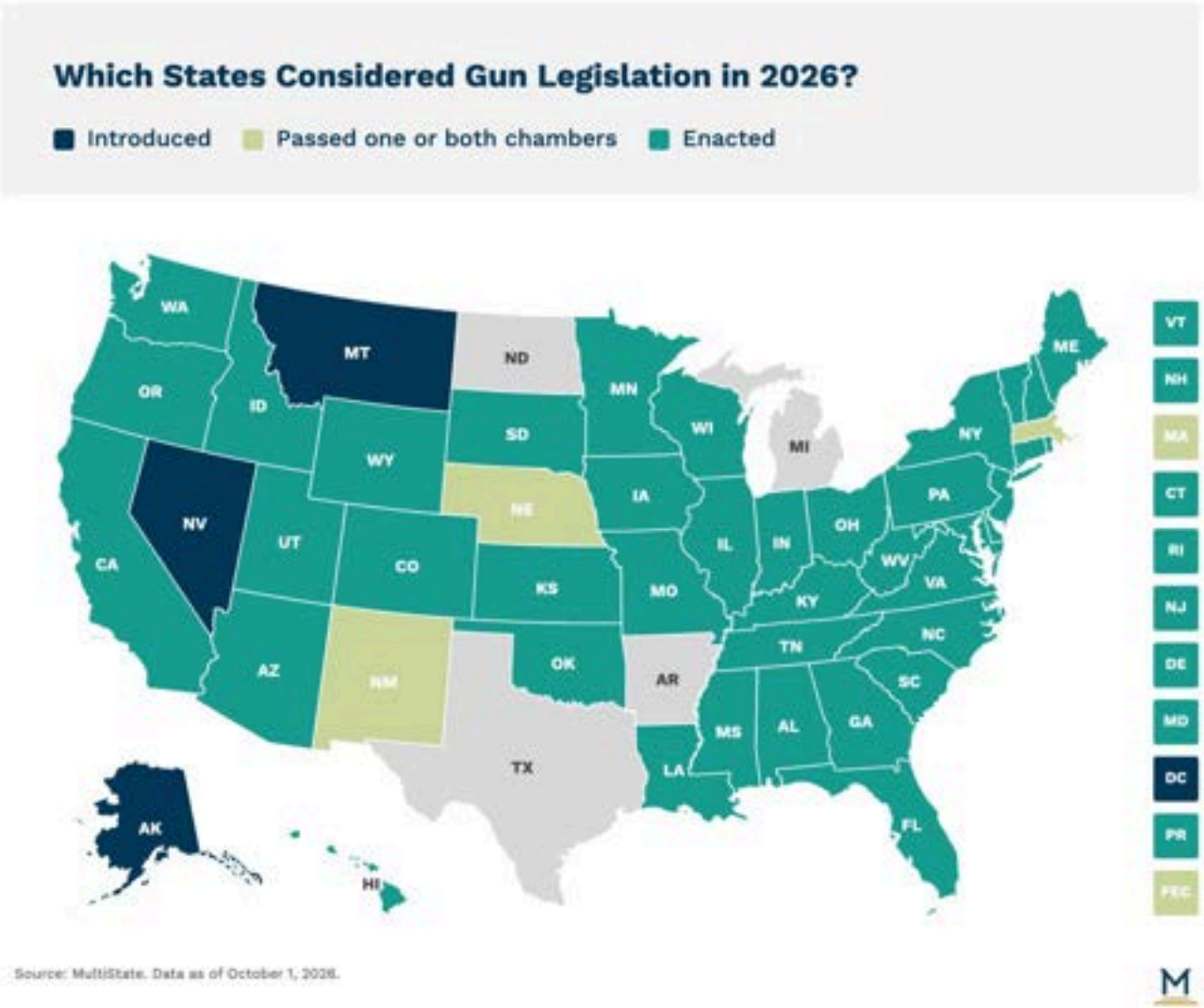
These proposals align with ongoing federal industrial policy initiatives. Tariffs on imported steel, federal domestic procurement requirements, and increased infrastructure spending have heightened policymakers' focus on expanding U.S. steel production. State procurement requirements reinforce these federal efforts by directing public purchasing toward domestic producers. Still, most of these proposals did not advance past introduction.

Additionally, as reshoring manufacturing jobs remains a primary objective of the current administration, we will likely continue to see states propose bills that impose domestic procurement requirements for major manufacturing sectors, such as steel, iron, and other construction materials. While steel and iron are expected to remain primary targets because of ongoing infrastructure investment and trade policy, lawmakers may also expand procurement preferences to additional industries—including critical minerals, manufactured goods, and emerging technologies—particularly where national security or economic competitiveness concerns intersect with public purchasing.

Firearms

2026 Recap

Firearms and weapons legislation continued to be a significant policy issue at the state level throughout 2026, with notable activity surrounding licensing, firearm dealers, and ghost guns. Licensing legislation led all weapons issues this year, with 31 bills enacted across 17 states and Puerto Rico. Virginia Governor Spanberger signed multiple pieces of firearms legislation into law, including VA Chapter 1106, which was scheduled to go into effect on July 1, but is now being contested in both local and federal courts. The U.S. Department of Justice filed a lawsuit against Virginia, arguing that the legislation unconstitutionally deprives Americans of their Second Amendment right to own firearms. *Santolla v. Katz*, filed in the Washington County Circuit Court, challenges Virginia's restriction on specific semi-automatic firearms and states that the ban violates Virginia's constitutional right to keep and bear arms.



The lawsuit is currently stayed pending decisions from the U.S. Supreme Court case on national firearms. *Crump v. Katz* also challenged the constitutionality of the newly enacted weapons ban, and a stay order was issued. Lastly, there are two additional Virginia court cases in Spotsylvania County and Fauquier County. New York S9005C, part of New York's state budget and policy legislation signed into law by Governor Kathy Hochul in May 2026, includes provisions regarding ghost guns, convertible pistols, and digital firearm manufacturing codes. The legislation requires 3D printers sold in New York to include technology that blocks printing of firearms, and is the first state to do so.

Background Checks and Federal Firearm Licensing

Legislation addressing background checks continued to gain attention, with 147 bills introduced in the 50 states, and 28 enacted. Many states enacted legislation strengthening background checks, including VA HB 1015 and DE HB 418. Utah enacted bills doing the opposite. UT HB 101 exempts an individual from undergoing a background check for the sale or transfer of a firearm regulated under the National Firearms Act if the individual received an approved background check within the previous 30 days. Additionally, some states, such as Iowa, attempted to lower the age of an individual to possess a pistol or revolver from age 21 to 18. This bill, IA SF 2372, was not enacted.

There were also a handful of bills related to the rights of federal firearms licensees. ME LD 1126, signed into law by Governor Janet Mills, permits a federal firearms licensee to print a serial number on a firearm that does not have a serial number. This bill ties into the discussion surrounding ghost guns and the regulation of unserialized firearms, frames, and receivers.

Concealed Carry

Concealed carry continues to be a prominent issue, including at the federal level. While none were enacted, multiple bills, namely USA HR 8332 and USA HR 8855, were introduced. These bills, if passed, would allow active and former military personnel to carry a concealed firearm nationwide, while being subject to some firearm qualifications.

At the state level, Iowa Governor Kim Reynolds signed IA SF 2280 into law, allowing certain government officials to carry weapons on them at all times, including on school grounds and in a courtroom. Enacted bills WV HB 4106 and WY HB 96 both lower the minimum age to carry a concealed weapon from age 21 to age 18, and in West Virginia, a license or permit is not needed.

2027 Outlook

We expect these issues to continue to receive attention in 2027, with the majority of bills relating to licensing, dealers, background checks, and concealed carry. Although ghost guns are not expected to be among the highest-volume areas of legislation, they are likely to remain a politically prominent issue as states respond to developments involving 3D-printed firearms. Recent enactments in Colorado, Washington, and New York illustrate the legislative approaches emerging.

In 2026, Washington enacted HB 2320, prohibiting the transfer or sale of digital codes for manufacturing firearms in a 3D printer to individuals who are not federally licensed firearm manufacturers. Maine LD 1126 takes effect January 1, 2027, and establishes requirements for serial numbers on firearms and unfinished frames and receivers, including those manufactured using 3D printers, while also prohibiting undetectable firearms. Lastly, Virginia HB 40, which establishes requirements for serial numbers on firearms and completed or unfinished frames and receivers, will take effect in parts on both January 1, 2027, and July 1, 2027. The implementation of these laws, in conjunction with New York enacting the first bill in the country requiring 3D printers to block the printing of firearms, could prompt increased legislative activity regarding ghost guns in 2027. Given the prominence of Washington and New York politics, their enacted legislation could encourage other states, particularly blue states, to consider similar legislation.

Virginia enacted sweeping gun legislation in 2026, and the assault weapons provisions in VA Chapter 1106 are currently being challenged in state and federal courts. The implementation of the law has been temporarily blocked by injunctions, and multiple courts, including the U.S. District Court for the Eastern District of Virginia, have granted stays in the ongoing litigation. The outcome of this litigation will be important to monitor in 2027. The U.S. Supreme Court is expected to address the constitutionality of state and local restrictions on AR-15-style and similar semi-automatic rifles in 2027, a decision that could have implications for the legislation in Virginia. Given the high-profile nature of this case, the Supreme Court's ruling could have implications for future litigation and legislation regarding assault weapons. This ruling could also affect legislation regarding ghost guns, as states consider how to respond to the decision, address potential loopholes, or modify existing laws.

Tobacco, Marijuana, and Alcohol

Tobacco

As we saw in 2025, 2026 saw continued attention focused on new tobacco and nicotine products as cigarette smoking rates decline. More states began taxing nicotine pouches and heated tobacco products, and several states enacted new tax rates on vapor products as those products continue to evolve.

2026 Recap

Tobacco Excise Tax Rates

Lawmakers in several states enacted tobacco tax increases in 2026. Utah legislators increased its cigarette tax. Vapor tax bills were enacted in Iowa, New Mexico, and South Carolina. The South Carolina bill also included a new tax on heated tobacco products, joining Oklahoma in taxing these products.

Seventeen other states saw bills introduced to increase cigarette taxes in 2026: Delaware, Georgia, Hawaii, Iowa, Maine, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, Rhode Island, South Dakota, Washington, and West Virginia. Eighteen other states considered legislation to raise or amend vapor products taxes: Alabama, Alaska, Arizona, Delaware, Georgia, Hawaii, Idaho, Kansas, Maryland, Mississippi, Nebraska, New Hampshire, New York, North Carolina, Oklahoma, Washington, West Virginia, and Wisconsin.

Cigars

Legislation concerning cigars continued to emerge in 2026. Traditionally, cigars are taxed on a percentage basis like other tobacco products. As the prices of premium cigars continue to rise, so do the taxes paid on them. Many premium cigar customers have looked to the internet for their purchases to avoid these taxes. State legislators have pushed legislation to cap the tax on an individual cigar to help local cigar sales compete with internet sales. Tax cap bills were introduced in at least ten states this year, with Illinois enacting a $0.75/cigar cap. Rhode Island legislators proposed increasing the existing cigar tax cap from $0.80 to $2.00/cigar, but removed this provision from the final bill version. Other states considering tax caps include Iowa, Kentucky, New Jersey, New Mexico, New York, Washington, and Wyoming.

While not a tax cap, Kentucky legislators imposed a tax on premium cigars that is less than non-premium cigars (6% compared to 15%). Legislators in Colorado, Delaware, and Hawaii considered similar legislation.

Idaho legislators enacted a bill creating a mobile cigar retailer designation that exempts mobile cigar gardens from general prohibitions on self-service displays and allows for on-site cigar rolling and distribution. South Dakota legislators legalized cigar bars this year, while similar legislation was considered in Minnesota, Ohio, and Wisconsin.

Flavor Bans

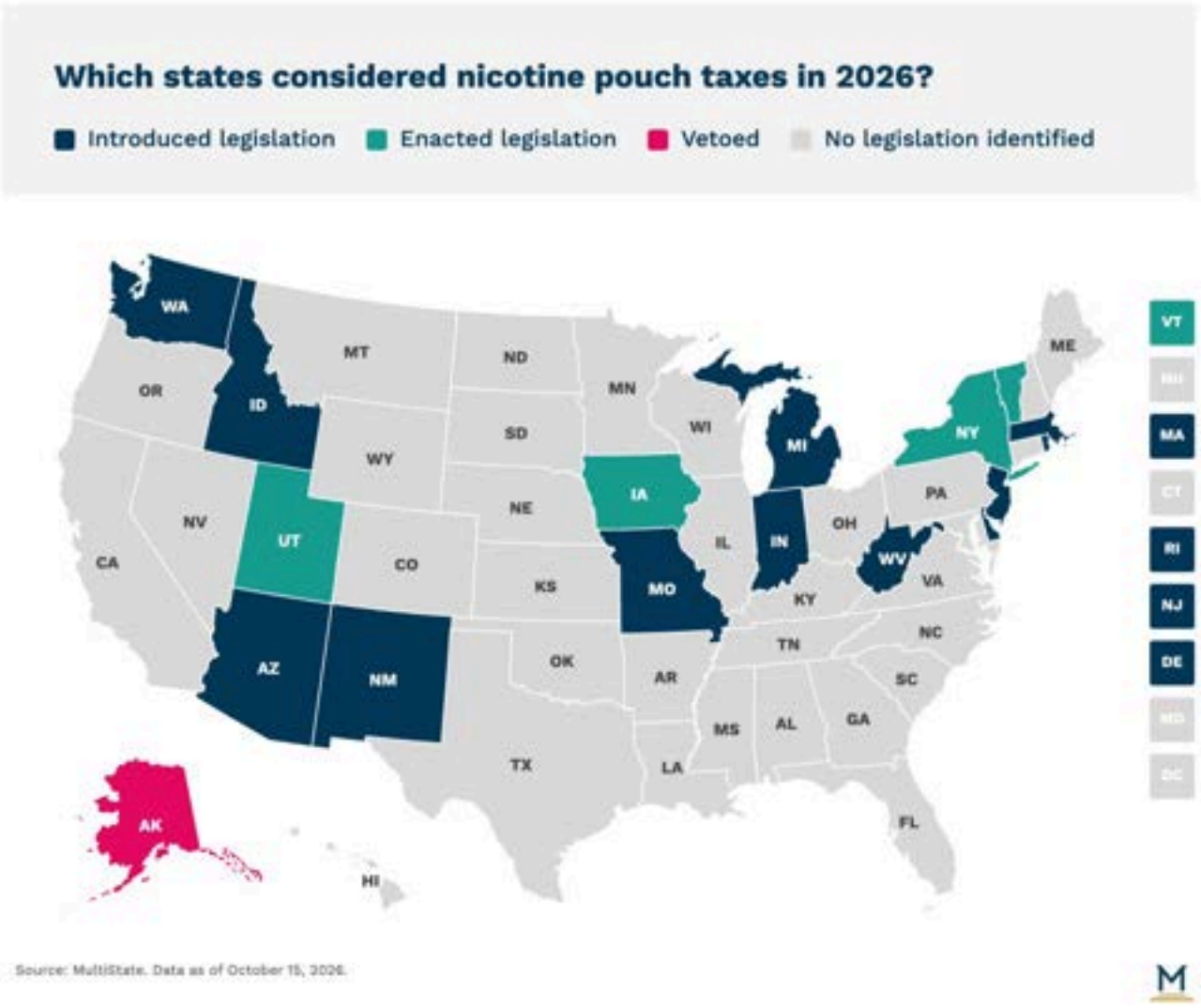
As federal legislation on banning tobacco flavors remains unlikely, states continue to consider banning some or all flavors in tobacco and nicotine products. Seven states have current flavor bans, restricting some or all flavors of tobacco or nicotine products. This year, at least five states considered bills to impose a flavor ban: Georgia, Hawaii, Illinois, Nebraska, and Washington. Three states with existing bans sought to amend or expand the ban. Massachusetts considered amending its flavor ban, and New Jersey, which has banned flavored vapor products, has an active bill that would ban flavored cigarettes, non-premium cigars, and nicotine pouches. New York lawmakers proposed bills that would ban flavored nicotine pouches and others that would ban all flavored tobacco products. The state currently bans flavored vapor products. Meanwhile, Minnesota legislators considered a bill to preempt local flavor bans.

Vapor Product Directories

States continued to consider bills establishing vapor product directories, or Premarket Tobacco Product Application (PMTA). These bills restrict sales of vapor products to those that have been approved for sale by the FDA after submitting a PMTA. State bills generally create state-maintained lists of allowed products. Entering the year, 15 states had enacted vapor product directories. This year, ten states considered legislation establishing a directory, and two states - Hawaii and South Carolina - enacted such bills.

Pouch Taxes

Iowa, New York, Utah, and Vermont all imposed taxes on nicotine pouches. These states took different approaches to pouch taxes: Iowa and Utah imposed a tax based on a package of 20 pouches, while New York and Vermont amended definitions to fit nicotine pouches into existing tobacco tax rates. In Alaska, a pouch tax bill passed the legislature but was ultimately vetoed. At least 12 other states considered pouch taxes, including Arizona, Delaware, Idaho, Indiana, Massachusetts, Michigan, Missouri, New Jersey, New Mexico, Rhode Island, Washington, and West Virginia.



2027 Outlook

As we saw in 2026, much of the legislative focus has shifted from traditional tobacco products and towards products containing nicotine, whether it be vapor products or nicotine pouches. New products such as heated tobacco products, which have been legal in other countries but are only now emerging in the United States, will likely start attracting the eyes of legislators. And if states face revenue challenges next year, tobacco and vapor products are generally low-hanging fruit for raising revenue. Legislators in two states, Nevada and New Mexico, have already announced intentions to file legislation to tax tobacco products, while in Montana, the American Cancer Society's advocacy arm has signaled its intention to push for increased tobacco taxes.

Marijuana

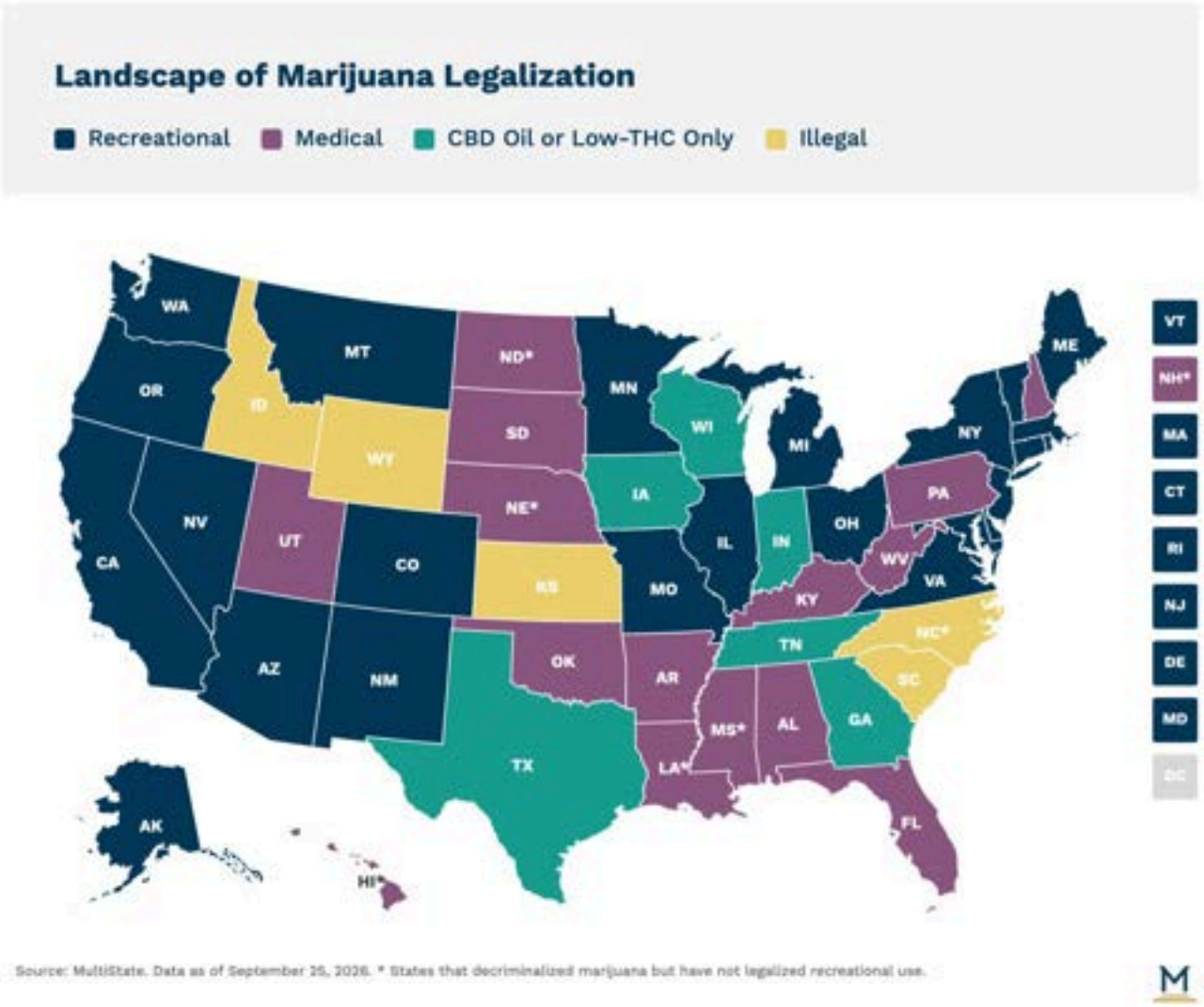
For only the second time since 2010, no new state has legalized either medical or recreational marijuana. While the count remains stagnant, states continue to push for its passage. While legalization efforts have stalled, the fight over hemp production and sales has just begun. Those involved in hemp-related businesses are currently awaiting the revised definition of "hemp" to take effect. Without further intervention, the industry as a whole will likely have to undergo drastic changes.

2026 Recap

Recreational and Medicinal Marijuana

Earlier this year, Virginia legislators passed SB 542, a bill that would have allowed for the sale of recreational marijuana beginning in January of 2027. Governor Abigail Spanberger (D), disagreeing with multiple provisions, including implementation of recreational sales, license caps, possession limits, and tax rates, vetoed the bill and proposed her own language, which the Senate swiftly rejected. Seemingly at an impasse, the legislature and the Governor reached a compromise a month later that set July 1, 2027, as the start date for recreational sales, expanded license caps, and established a 6% state tax on retail sales. Although legalization legislation was initially enacted in 2021, the bill included a reenactment clause that required future approval before retail sales could begin. All efforts to do so were stalled under the Youngkin administration.

While Virginia finally set a start date for recreational sales, Pennsylvania legislators are still seeking agreement on a legalization bill. The most significant bipartisan effort has come from Senators Sharif Street (D) and Daniel Laughlin (R), sponsors of SB 120. While the bill has had no major legislative action since late June, the Senate Democratic Policy Committee met on September 25, where they discussed creating a statewide adult-use cannabis program that balances criminal justice, equity, and safety. Both candidates for Governor have shared their views on the issue. Governor Josh Shapiro (D) has voiced his support for legalization on numerous occasions, while his opponent, State Treasurer Stacy Garrity (R), has stated that she would veto any legalization bill sent to her. Polling indicates that legalization is overwhelmingly popular with Pennsylvania voters.



Turning to medical marijuana, the Trump Administration moved FDA-approved and state-licensed medical marijuana products from Schedule I to Schedule III in April, implementing an executive order signed by President Trump in December 2025. Rescheduling approved medical products to Schedule III removes barriers to research of medical marijuana and cannabidiol products and allows state-licensed establishments to take federal tax deductions. Though reclassification loosened some restrictions, medical marijuana products are still not fully legal at the federal level.

Hemp

On September 2, President Trump signed H.R. 6500, which, among other things, moves the effective date of rules revising the federal definition of hemp from November 12, 2026, to December 11, 2026. Under the new rule, hemp is defined as containing no more than 0.4mg of total THC per container, a drastic change from the previous definition of 0.3% on a dry-weight basis. This will have a major impact on the edible-product industry, as many gummy, edible, concentrate, and beverage products contain more than the 0.4mg of THC per package limit and therefore will no longer be legal to manufacture and sell.

However, Democrats and Republicans in Congress have filed several bills that look to keep some or all of these products legal. Congressman Andy Barr (R-KY) introduced the Lawful Hemp Protection Act earlier this year. The bill, featuring 7 co-sponsors from both sides of the aisle, establishes a regulatory framework for hemp-derived consumer products. Of note, the bill defines hemp on a dry-weight basis rather than total THC per container, keeping the standard found in the original 2018 Farm Bill. Three weeks after the introduction of the Lawful Hemp Protection Act, Representatives Beth Van Duyne (R-TX) and Greg Landsman (D-OH) introduced the Beverage Regulatory Parity Act, which establishes a framework for the manufacture and sale of THC-infused beverage products. Under the bill's terms, these products would be regulated similarly to alcohol. Finally, while not aimed at legalizing any specific product, Congressman James Baird's (R-IN) Hemp Planting Predictability Act delays the implementation of rules redefining hemp until November 12, 2028. As of publication, none of the bills above have had any significant legislative action. Manufacturers and retailers nationwide continue to monitor the situation closely.

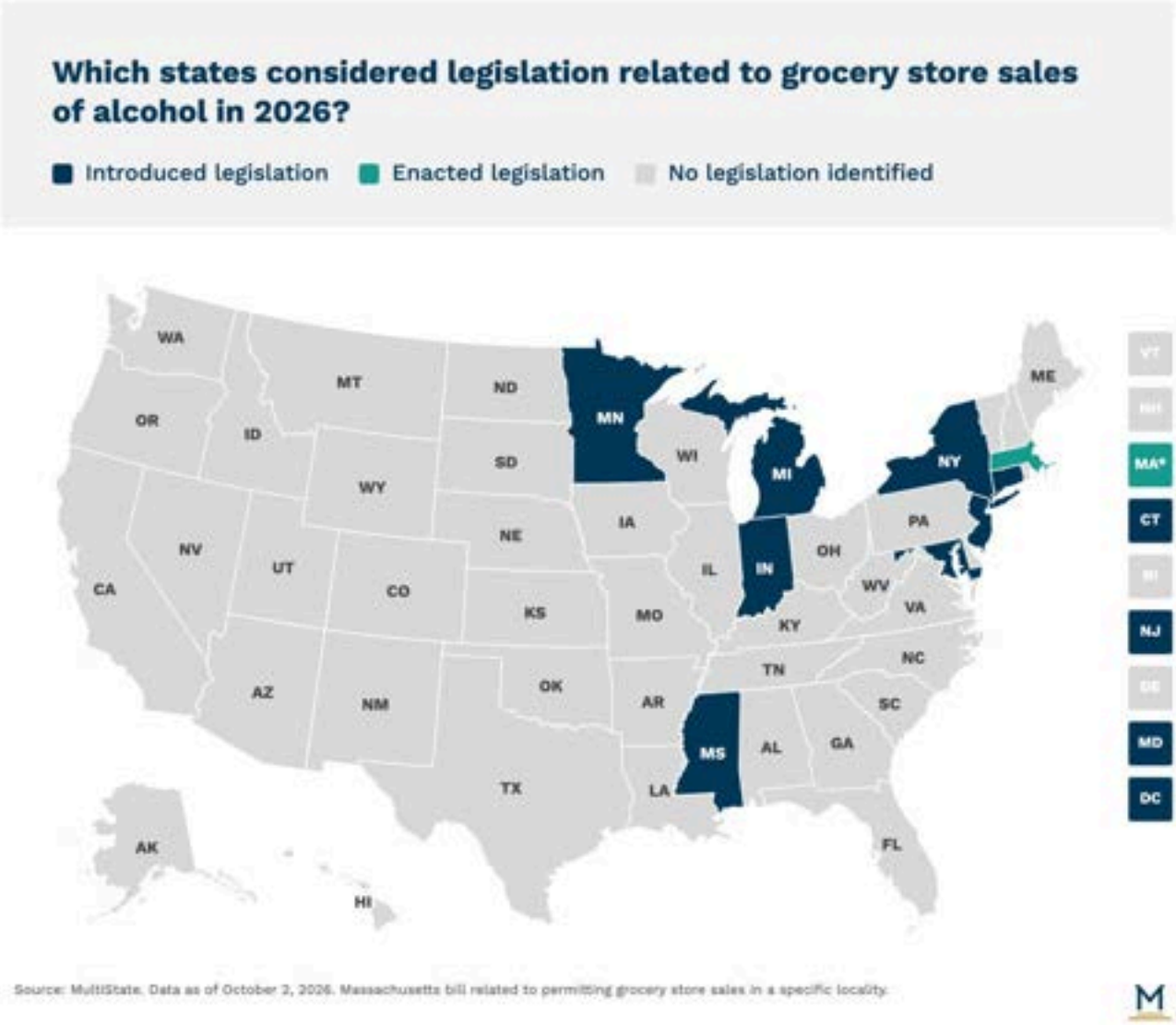
2027 Outlook

This November, voters in Idaho and Massachusetts will weigh in on two ballot measures that would drastically impact marijuana sales and legalization in their states. Idahoans will vote on HJR 4, a constitutional amendment that, if passed, would prohibit citizens from using the initiative process to alter state statutes to legalize marijuana. Also of note, the Idaho Medical Cannabis Act failed to gather enough valid signatures to appear on the November ballot. Idaho is currently one of four states where all forms of marijuana are illegal. On the other side of the country, voters in Massachusetts face a very different question: whether to keep or eliminate legal recreational sales and cultivation. If passed, Question 8 would repeal state law allowing for the sale, regulation, and taxation of recreational marijuana effective January 1, 2028. Polling suggests that Question 8 is unlikely to pass.

Wisconsin Democrats are optimistic about their chances to pass legalization legislation in 2027, looking to become the 25th state to do so. If they can take control of the legislature after this year's elections, which would require flipping 2 of the 17 Senate seats and 5 of the 99 Assembly seats up for reelection this year, the path to legalization becomes much clearer. If they are unable to do so, they still have reason to be hopeful: Speaker Robin Vos (R), a staunch opponent of legalization, is leaving the legislature, and his potential successor, Majority Leader Tyler August (R), has expressed a willingness to take up the issue next year. Wisconsin's neighbors, Illinois, Michigan, and Minnesota, all have legal recreational programs in effect.

Alcohol

Alcohol consumer access and sales issues continue to be of interest to lawmakers, with a steady volume of legislation introduced to expand alcoholic beverage sales to grocery stores. Additionally, conflicting circuit court decisions in 2026 may set the stage to overturn the nearly 160-year-old federal ban on home distilling.



2026 Recap

Grocery Store Sales

While most states allow sales of various types of alcoholic beverages by grocery stores, the size of grocery stores that are permitted to sell certain kinds of alcohol, separate entrance requirements, license quota schemes, and local licensing requirements vary from state to state. The resulting patchwork of grocery store sale laws across states leads to legislation on the matter varying in scope, from broad, statewide licensing changes to narrower locality-based legislation. Lawmakers

considered over 30 bills related to grocery store sales of alcohol this year, with the most bills introduced in Massachusetts, Michigan, Minnesota, New York, and New Jersey.

Minnesota lawmakers introduced a bill that would have allowed localities to issue licenses to food retailers to sell malt beverages containing between 0.5% and 15% alcohol by weight, otherwise known as strong beer. Currently, Minnesota is the only state with a 3.2% alcohol by weight restriction for grocery stores and similar food retailers, with Utah being the most recent state to lift the strong beer prohibition in its grocery stores in 2019. Minnesota will remain the sole outlier on strong beer heading into 2027 because this bill did not advance.

New Jersey has introduced multiple bills on grocery store and food retailer sales of alcohol, with at least seven bills considered by lawmakers in the first year of its two-year session. New Jersey, which maintains strict quota laws on grocery store sale licenses, saw the introduction of notable companion bills NJ A 1520/S 1254, which would create a new license allowing food retailers to sell New Jersey-manufactured alcoholic beverages for off-premises consumption. In Michigan, lawmakers considered a bill that would have exempted large grocery stores from the quota on designated distributor licenses. Finally, lawmakers in New York and Mississippi introduced a handful of bills to allow wine sales in grocery stores through the creation of special grocery store wine licenses. Ultimately, none of these bills passed out of their chambers of introduction.

One bill on the matter, MA H 4814, was enacted this year. However, the bill does not have statewide impact, and instead authorizes additional grocery store alcohol sale licenses in the locality of Westwood to be issued to stores larger than 20,000 square feet.

Home Distilling

Two conflicting circuit court decisions related to the centuries-long ban on home distilling have spurred Congressional action in 2026. Home distilling has been banned federally since the 1860s, but the Fifth Circuit recently ruled the ban unconstitutional. Shortly thereafter, the Sixth Circuit upheld the ban as constitutional after hearing a case with similar facts this summer, causing a "circuit split." The split means the home distilling law is no longer uniformly enforced across the country. Rep. Diana Harshberger (R-TN) introduced the "Freedom to Home Distill Act" that would allow home distilling this August. Harshberger's bill would create tax exemptions for spirits produced by home distillers, set production limits, and remove criminal penalties for qualifying home distilleries. If enacted, the bill would leave much of the regulatory aspects of home distilling to states.

2027 Outlook

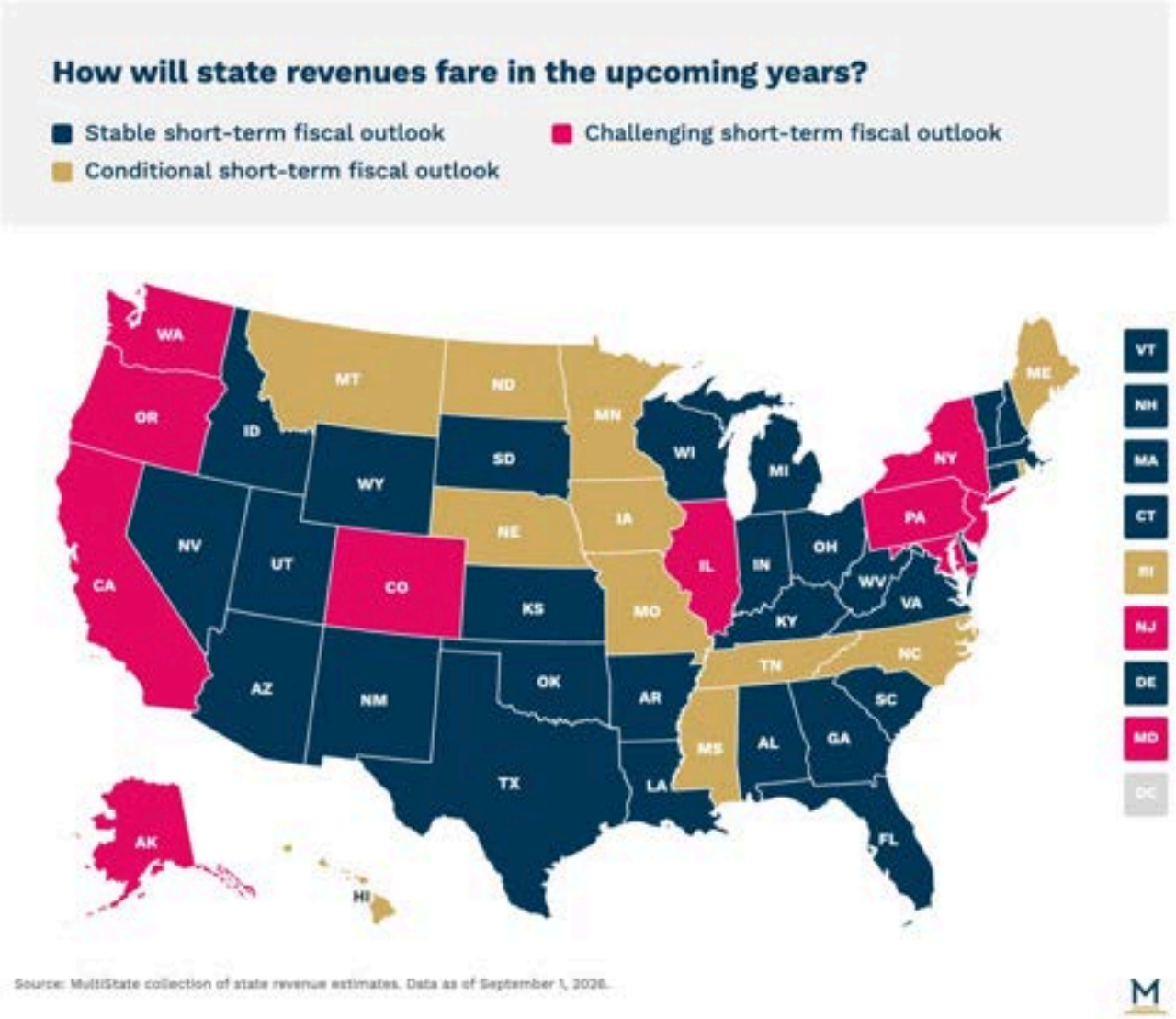
States that do not already permit sales of wine, including Mississippi and New York, will likely continue to introduce legislation to join the majority of states that allow grocers to sell alcoholic beverages beyond malt or beer. Meanwhile, Minnesota will certainly continue its multi-session attempt to expand sales beyond the 3.2% alcohol by weight restriction, which remains a unique facet of its alcohol laws.

On the home distilling front, a petition for a writ of certiorari in the Sixth Circuit case, and thereafter a petition for the conflicting Fifth Circuit case, were filed with the Supreme Court this summer. As anticipated, the Supreme Court announced on October 19th that it had agreed to review the Fifth Circuit case. Pending the outcome of this review, expect to see state legislation if federal lawmakers or the Supreme Court move to undo the current home distilling prohibition.

Tax and Revenue

Tax and Revenue

Most states continue to have stable fiscal conditions this year. After a period of steep revenue growth and increased federal assistance during COVID, analysts have expected revenue conditions to soften from their previously unsustainable levels. Now, a few states are facing fiscal challenges – including California, New York, Oregon, and other states that tend to pursue aggressive tax policy. Additionally, all states are grappling with significant uncertainty: with the scheduled changes to Medicaid funding and Supplemental Nutrition Assistance Programs (SNAP) from the One Big Beautiful Bill Act continuing to phase in, policymakers are unclear how their budgets will be impacted in the next three to five years.



As of September 2026, ten states are in a “challenging” revenue situation, with serious short- to medium-term fiscal struggles that legislators will need to address. An additional twelve states are in a “conditional” situation, with challenges likely less severe than those in “challenging” states. These figures are roughly similar to last year’s figures, with only Alaska added to the “challenging” column. It is important to note that the majority of states are still in good fiscal shape. In many states, rainy day funds are at an all-time high, providing policymakers with room to breathe during budgeting season.

2026 Recap

Digital Taxation

In an effort in part to raise revenue, and in part to punitively target specific industries, some states have attempted new ways to tax the digital economy. The effort has led to novel approaches such as Maryland's tax on digital advertising. Despite the legal controversy Maryland's tax has garnered, two states, Illinois and Utah, also enacted taxes on digital advertising this year. The enacted Illinois (SB 3019) budget includes a 10% tax on targeted advertising on providers with gross receipts of $1 million or more. Governor Spencer Cox (R.) signed SB 287 into law, making Utah the first Republican-led state to impose a digital advertising tax. The bill imposes a targeted advertising tax on entities with at least $1 million in Utah and $100 million globally in annual revenue, tied to the state's sales tax rate. The bill's approach to taxing targeted advertising instead of digital advertising is meant to negate violations from the Internet Tax Freedom Act.

However, these newly imposed taxes present the same Constitutional problems as Maryland. Maryland's Tax Court struck down the state's digital advertising tax on August 14, concluding that the tax violates the Internet Tax Freedom Act and both the Commerce Clause and the Due Process Clause of the United States Constitution. Maryland's Attorney General Anthony Brown (D) has appealed the tax court's decision. As of now, the appeal sits in the Anne Arundel Circuit Court. As a result, the future of this year's ad taxes is even more uncertain, with litigation filed in both Illinois and Utah.

A few states took another approach to the digital economy: New Jersey enacted registration fees and penalties for data brokers and data collectors, and Kentucky expanded its sales tax base to data brokering. New Jersey enacted A 5328, a data privacy bill that requires data collectors and data brokers to register with the state and pay an annual fee ranging from $5,000 to $1.5 million, based on the number of customers in the state. Recent guidance provided by the New Jersey Division of Consumer Affairs delays the registration and payment requirement until April 1, 2027. Kentucky's omnibus bill, KY HB 757, expanded the sales tax to include data brokering services. Finally, the expansion of the sales tax to digital goods continues, most notably this year in California. Gov. Gavin Newsom's (D) expansion of the sales tax to digital products and copyrights associated with digital products was enacted this past summer. The bill defines "digital product" to mean, with certain exceptions, prewritten computer software transferred on tangible storage media, transferred electronically, or accessed remotely.

Income Taxation

Several Democratic-led states have focused on higher taxes on "wealthy" individuals and businesses. Bills to raise personal income tax rates, impose new or higher taxes on capital gains, and to tax corporate foreign source income were prevalent. Following the implementation of Massachusetts's "millionaire's tax," other blue states such as Maine, Rhode Island, and Washington State have enacted similar legislation, adding a surtax to personal income over $1 million. A novel approach is being tested in California, where Golden State voters will go to the polls this November to determine whether to impose a one-time wealth tax on billionaires. Proposition 40, the proposed 5% tax, would be placed on the net worth of billionaires who lived in the Golden State on January 1, 2026. The proposal has drawn criticism from Governor Gavin Newsom (D), the California Chamber of Commerce, and both Xavier Becerra (D) and Steve Hilton (R), the nominees for governor, and split the state and local Democratic Party branches.

In New York, instead of authorizing a millionaire tax, which was part of Mayor Zohran Mamdani's (D) campaign platform, the New York General Assembly authorized New York City to implement a pied-à-terre tax on luxury second homes (S 9009/A 10009). The tax generally applies to homes valued at over $5 million that are not used as a primary residence. Finally, the District of Columbia will revisit the idea of a business activity tax (BAT) this fall. Previously studied by the Tax Revision Commission (TRC), a business activity tax was floated to tax out-of-state owners of businesses in the District, which DC is prohibited from taxing under federal law. In the 2023-2024 TRC, the BAT was controversial, and the Commission ultimately ended without releasing a final report. This year, under the enacted budget, B 724, the City Council greenlit another BAT study, this time under the CFO's office, with a final report due in January.

At the same time, many Republican-led states are cutting income taxes in an effort to make their state more competitive. This year, Georgia's HB 463 adjusted its annual reduction of the personal and corporate income tax to 0.125 percent until the tax reaches 3.99%. With the enactment of SB 60, Utah cut its income tax rates for the fifth consecutive year. This past May, Gov. Sarah Huckabee Sanders (R) called the Arkansas General Assembly into a special session to reduce income taxes. This marks the fourth reduction in just over four years. With the most recent reduction, the top corporate income tax rate sits at 4.1%, down from 4.3%.

Data Center Incentives

Data centers have become a flashpoint for policymakers, and the conversation about tax exemptions for data centers is no different. Virginia had a drawn-out debate about the future of the Commonwealth's tax exemption for data centers this year. Senate President Louise Lucas (D) proposed an immediate elimination of the tax exemption for data centers, which is valued at nearly $2 billion annually. Governor Abigail Spanberger (D) ran on a platform of requiring data centers to "pay their fair share," but opposed an abrupt end to the exemption. Speaker of the House Don Scott (D) also opposed an immediate end. It became an ugly political fight, particularly given that this was the first year of a Democratic trifecta after Governor Spanberger won the election. Ultimately, the exemption remained in statute until 2035, with extensions available. The budget did, however, include a first-of-its-kind tax on electricity consumed by data centers, capped at $600 million annually in collections for the state (any amount above that will be collectively refunded to data center payers).

More states paused their sales tax exemptions on data centers, often as a push from the governor. Arizona both passed bills pausing or repealing its sales tax incentives, and North Carolina passed a limited exemption, requiring data centers to pay sales tax on the electricity they consume. Washington passed a bill requiring sales tax to be paid on replacement server equipment. In addition, governors in Illinois, Massachusetts, Ohio, and Texas all paused their incentives via executive order. Incentives for other tax types were also reduced in New Jersey, Maine, Oregon, and Nebraska. While Alabama extended its incentive this year, legislators require data centers to pay construction-related sales taxes on property purchased after the center is placed into service. Similar to Virginia, Utah will permit its counties to levy a 6% tax on energy consumed by certain data centers. Many states also limited sales tax incentives or tax credits available to data centers unless they met environmental or energy standards, such as Delaware. Finally, a few states, such as Indiana, Nebraska, New Jersey, and South Carolina, passed bills requiring their states to study data centers or gather data on their exemptions, likely indicating further legislative action next year.

OBBBA Conformity

States took different approaches to Internal Revenue Code (IRC) conformity this session, with legislative priorities, governors' agendas, fiscal stability, and partisanship shaping the One Big Beautiful Bill Act (OBBBA) conformity debate. Generally speaking, many Republican-led states complied with the majority of federal changes, while Democratic-led states were selective in which provisions they incorporated into the tax code.

Some provisions were popular across political lines. Massachusetts Governor Maura Healey (D) introduced H 4975, which would take a gradual approach to conforming to HR 1. Ultimately, the state enacted H 5470, which tied future conformity to provisions related to depreciation and business interest to the failure of a since-removed personal income tax ballot measure and decoupled it from changes to research and development provisions. It also removed rolling conformity from future changes to the Internal Revenue Code that would increase or decrease state revenues by more than $20 million.

Several states moved away from rolling conformity this year, which could pose future challenges for taxpayers. A few states opted to conform to future federal changes only if future federal changes would not meaningfully impact state revenue collections. For example, Virginia's budget bills, HB 29 and HB 30, decoupled from several provisions of OBBBA, but also removed the state's rolling conformity. Going forward, the Old Dominion will now only incorporate changes in sections of code with a history of state conformity, with new sections requiring action by the General Assembly.

2027 Outlook

Much of the tax policy decisions next year will likely follow this year's trends. Republicans, especially in the South, will continue to push for lower income tax rates, while Democrats will continue to push for novel taxes, especially those targeting wealthy individuals and large corporations. We will almost certainly see an increase in property tax reform proposals, with many gubernatorial candidates on both sides of the aisle running on lowering residential property taxes. Tax proposals targeting the technology sector are likely to continue, primarily, but not exclusively, in Democratic-led states. Finally, data centers will continue to be in the political spotlight, with many campaigns being run primarily on the issue.

Penny Elimination

In February 2025, President Trump announced that the Treasury would halt the production of the penny. Since that point, retailers and consumers have dealt with a shortage of pennies. To combat this, transactions are often rounded, with cash transactions rounded to the nearest nickel, creating challenges in payments not seen since the elimination of the half cent through the Coinage Act of 1857. Although the "Common Cents Act," a federal standard for price rounding policies, has just made its way to the President's desk, state policymakers have been laying out their own rounding rules. Under the federal bill, retailers would be permitted to round cash transactions to the nearest nickel and protect sellers from state laws that may interfere. It would also permit the Treasury to alter the composition of the nickel and require notice to Congress in advance of the discontinuation of the nickel. So far this year, 21 states have enacted legislation related to eliminating the penny, with 16 additional states introducing a bill and two more taking administrative action.

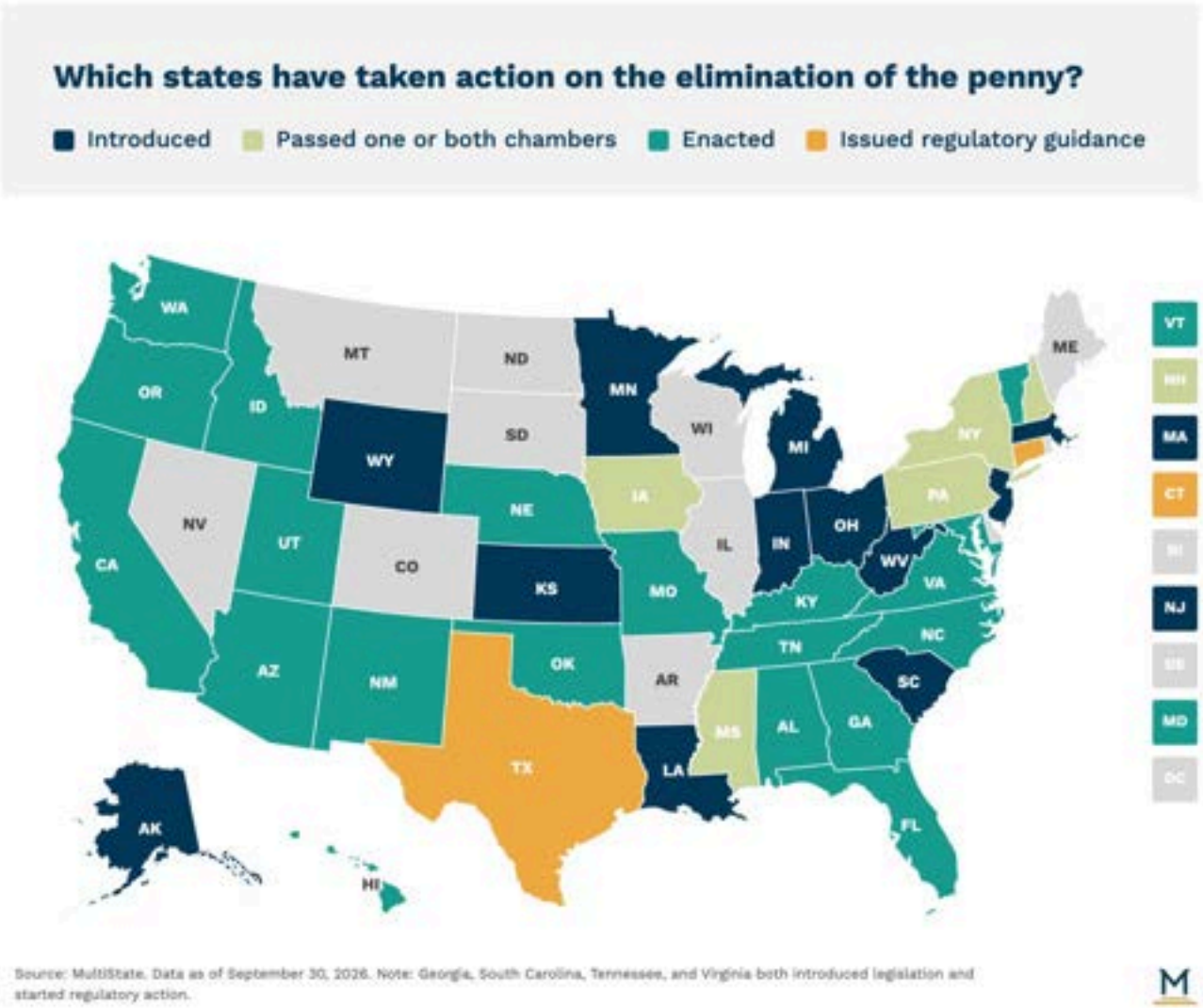
2026 Recap

Retailer/Transaction Rounding Rules

Several states have introduced legislation that mirrors best practices, as put forth by the NCSL in its paper "Cents-able Considerations." So far this year, nearly half of states have enacted legislation on the topic: Alabama, Arizona, California, Florida, Georgia, Hawaii, Idaho, Indiana, Kentucky, Maryland, Missouri, North Carolina, Nebraska, Oregon, Tennessee, Virginia, Vermont, and Washington. For consumers in these states, the final transaction price, including any taxes, would be rounded up or down to the nearest nickel. For example, a $4.28 transaction would be rounded to $4.30. These bills generally require sales taxes to be remitted to the state based on the transaction subtotal, regardless of whether the transaction was rounded. Before any legislation was introduced, state agencies began drafting guidance for retailers who may be experiencing a shortage of pennies. Utah's Division of Consumer Protection was the first to release guidance in November 2025, offering recommendations for cash rounding and a flyer for retailers to install at checkouts.

Tax and Fee Rounding Rules

States have also considered rounding legislation for taxes. Under these bills, taxes paid to either state or local governments would be rounded to the nearest nickel if paid in cash. These bills have been passed in California, Oklahoma, and Virginia. On March 4, New Mexico Gov. Michelle Lujan Grisham (D) signed HB 291, which would permit the Department of Revenue to round both the taxes and motor vehicle fees it collects. Also in March, Utah Gov. Spencer Cox (R) signed HB 597, which permits state liquor stores to round their transactions. Other more specific bills were considered, but ultimately not enacted. Early this year, New Hampshire Rep. Terry Spahr (D) introduced HB 1090, which would have required the meals tax to be rounded up to the nearest nickel. The bill passed the House but ultimately died in the Senate. Indiana legislators introduced two of these bills, but neither passed. The first, HB 1200, would have required the Bureau of Motor Vehicles to round all transactions down to the nearest multiple of five cents, although the provision was amended out of the bill. The second, SB 158, would institute a property tax rounding pilot program in Lake County, requiring property tax bills to be rounded to the nearest nickel.



2027 Outlook

There are still 29 states without a penny rounding law on the books, so one can expect a return of rounding legislation next session, both for retail transactions and state taxes and fees. However, if the Common Cents Act is signed into law, states may feel less urgency to pass these bills. While every indication is that Trump will sign the bill into law, states may have to adjust other parts of their statutes in order to reflect the termination of the penny. Three states, Connecticut, Delaware, and New York, forbid charging cash payments more than electronic payments, which would inherently apply to price-rounding requirements. This would make rounding transaction totals ending in $0.03, $0.04, $0.08, or $0.09 up to the nearest nickel a violation of state statutes. The Connecticut Department of Consumer Protection released an advisory in January noting that state law requires retailers to round transactions down when a customer cannot pay in exact change, which would run afoul of the Common Cents Act. States with similar laws on the books may seek alterations to their parity laws next session to comply with federal law.

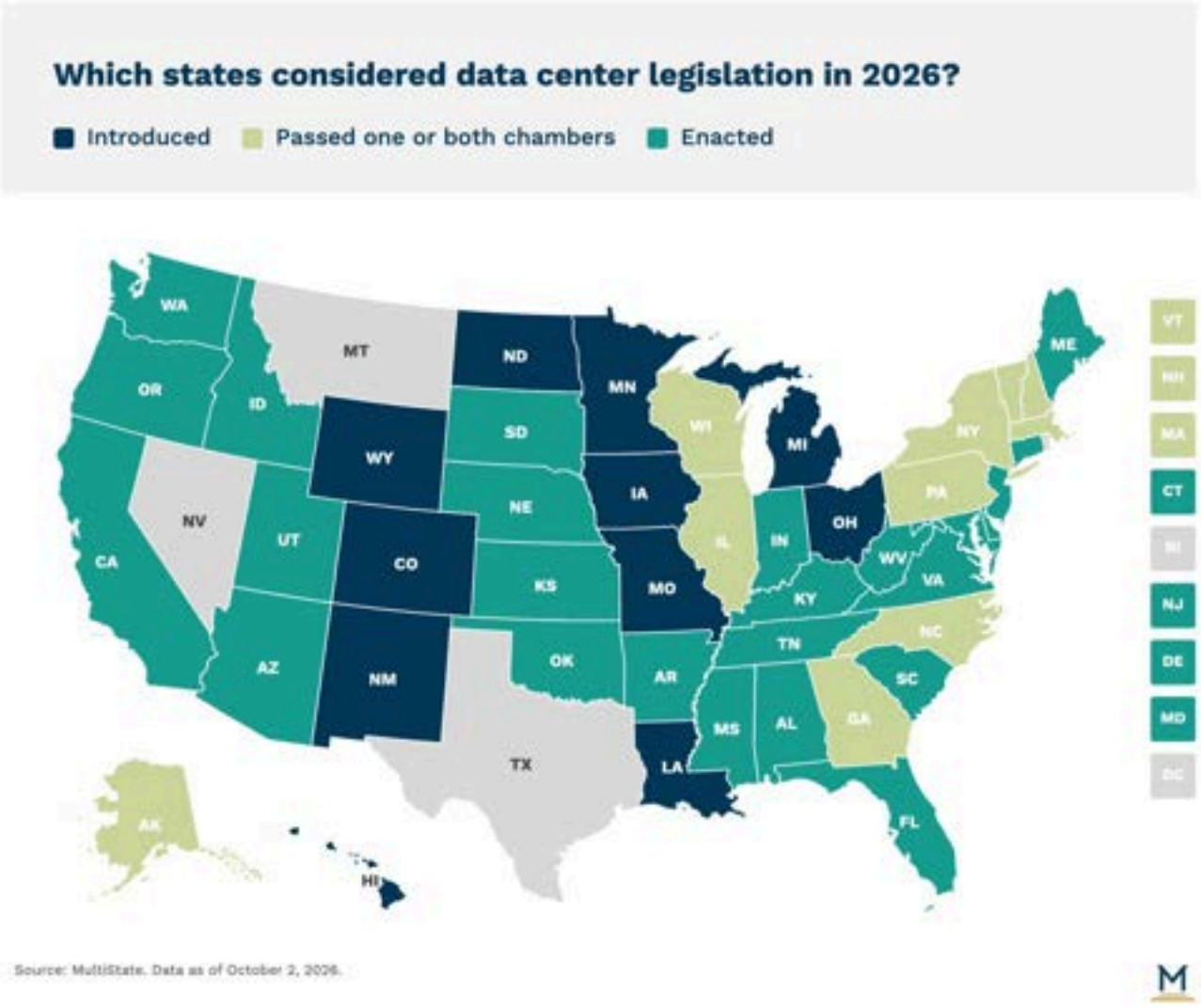
Technology and Privacy

Data Centers

This year, data centers abruptly became one of the most prominent and divisive policy issues of 2026. Data centers are facilities that process internet traffic and provide the computing power needed to train and operate AI models. These facilities can be energy- and water-intensive, which has led to local scrutiny. At the same time, data centers can generate substantial state and local tax revenue. For years, these economic benefits led many state and local officials to enact policies designed to encourage data center investment.

As public concern about data center development grew, however, lawmakers increasingly considered and enacted legislation requiring reporting on projected and actual energy and water use, establishing new siting and permitting requirements, and imposing or considering moratoriums to allow policymakers and regulators time to study the effects of data center development on their communities. In 2026, lawmakers in 47 states considered nearly 700 data center bills.

In 2027, data centers are likely to remain a major focus for state lawmakers. Proposals may include special requirements for hyperscale data centers, increased reporting on energy and water demand, reforms to existing permitting and siting requirements, or temporary moratoriums. Changes to permitting and siting policies are also likely to continue at the local level.



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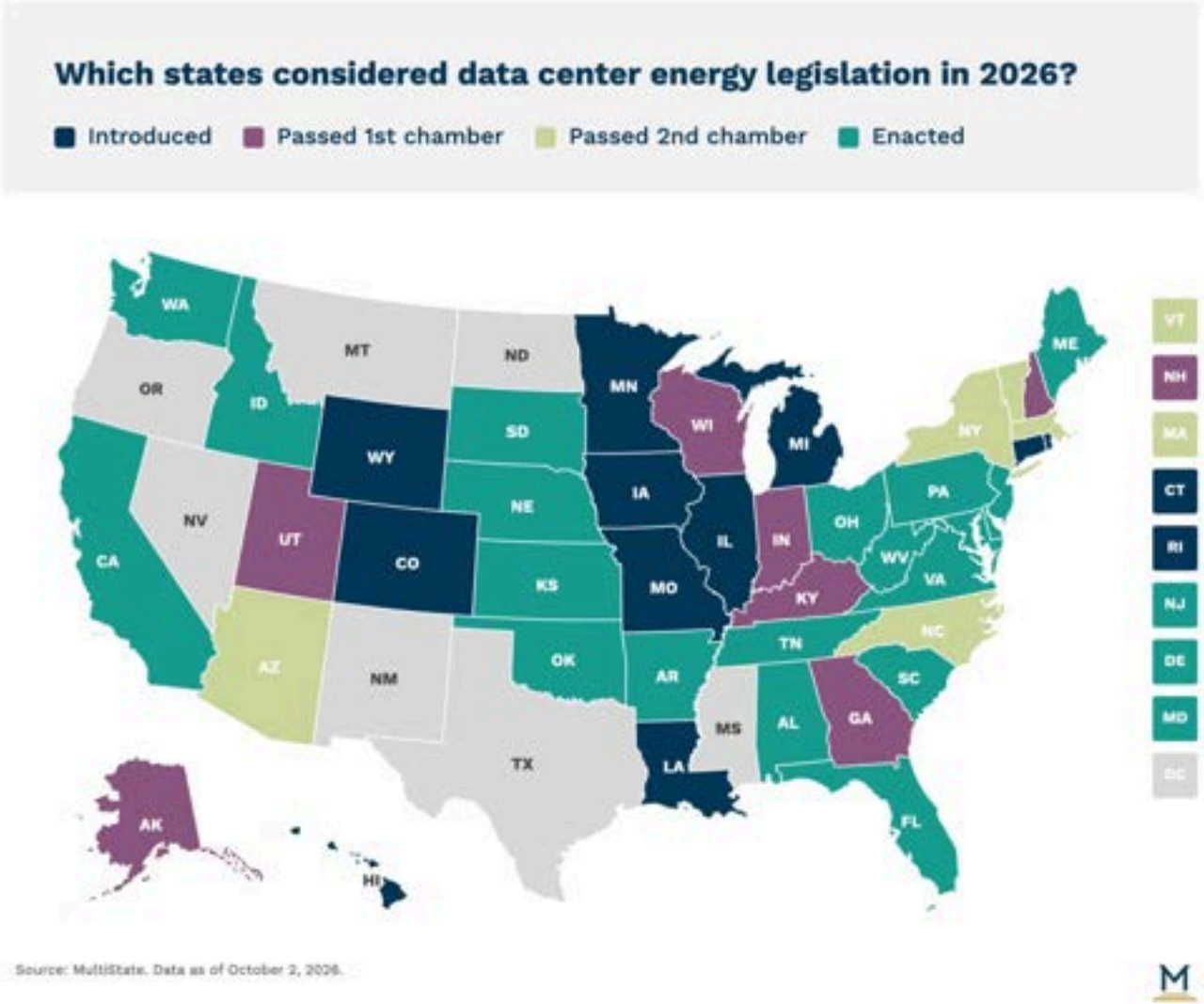
Energy

2026 Recap

Legislation addressing energy issues at data centers is evolving rapidly in the states. In 2026, nearly 400 bills concerning energy consumption by data centers were introduced in the state legislatures. The total represents an approximate 25% uptick from the prior year, even though Texas and three other states did not meet in 2026. These bills usually address one or more of several issues facing data centers regarding energy: 1) Establishment of special utility rates or classifications for data centers (CA SB 886); 2) Requiring data centers to pay for energy infrastructure upgrades (AZ HB 2756); 3) Requiring data centers to generate at least a portion of their own electricity needs (OH HB 983); and 4) Requiring data centers to monitor and report their energy usage at regular intervals (MI HB 6265).



2027 Outlook

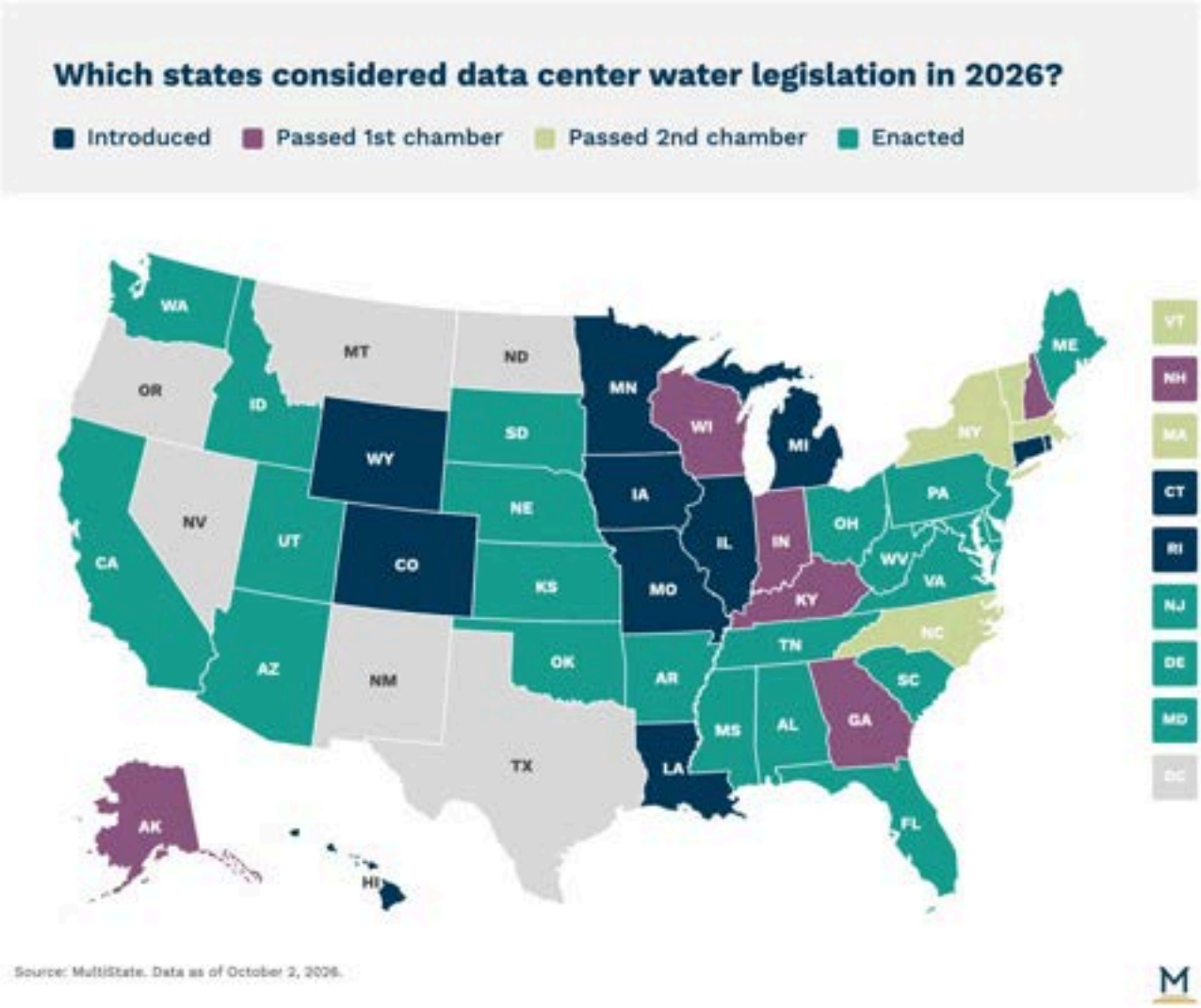
In 2027, we expect a significant increase in the number of bills addressing data center energy use. While some states may consider moratoriums on new data center permits, many states are likely to consider legislation intended to protect residential and other commercial ratepayers from utility costs associated with growing data center electricity demand.

Legislation similar to CA SB 886, part of a multi-bill data center package signed by Gov. Gavin Newsom (D) on September 21, may serve as a model. The legislation directs the California Public Utilities Commission to establish new tariff structures for large electrical customers, including data centers, intended to prevent infrastructure costs associated with those customers from being shifted to other ratepayers.

Water

2026 Recap

In 2026, 44 states considered 184 bills addressing data center water use. Data centers may use large amounts of water to cool computing equipment, although consumption varies significantly depending on facility size, cooling technology, climate, and time of year.



California lawmakers enacted legislation (CA AB 2619) requiring data center operators to report projected water use when applying for an initial business license and actual water use when renewing a license. Utah enacted similar legislation (UT HB 76) requiring operators of new large data centers to report projected and actual water use. Similar reporting legislation was considered in Pennsylvania (PA HB 2246), New Jersey (NJ A 4096/S 3379), and Rhode Island (RI HB 7331).

California lawmakers also enacted legislation (CA AB 2469) establishing water-related requirements for local approval of data center projects, including water supply assessments and water scarcity plans describing how facilities will reduce water use during shortages. Similar legislation was considered in Missouri (MO HB 3362), South Carolina (SC HB 5215), and West Virginia (WV HB 4683).

State lawmakers also considered legislation requiring newly constructed data centers to use closed-loop or other less water-intensive cooling systems. These technologies can substantially reduce water consumption, although some may increase electricity demand. Oklahoma lawmakers enacted OK SB 259, which restricts the use of evaporative cooling and requires qualifying data centers to use closed-loop, dielectric immersion, or other low-consumptive cooling technologies. Legislation requiring data centers to use closed-loop or other less water-intensive cooling methods was also considered in North Carolina (NC SB 730), Illinois (IL SB 3830), and Kansas (KS SB 400).

2027 Outlook

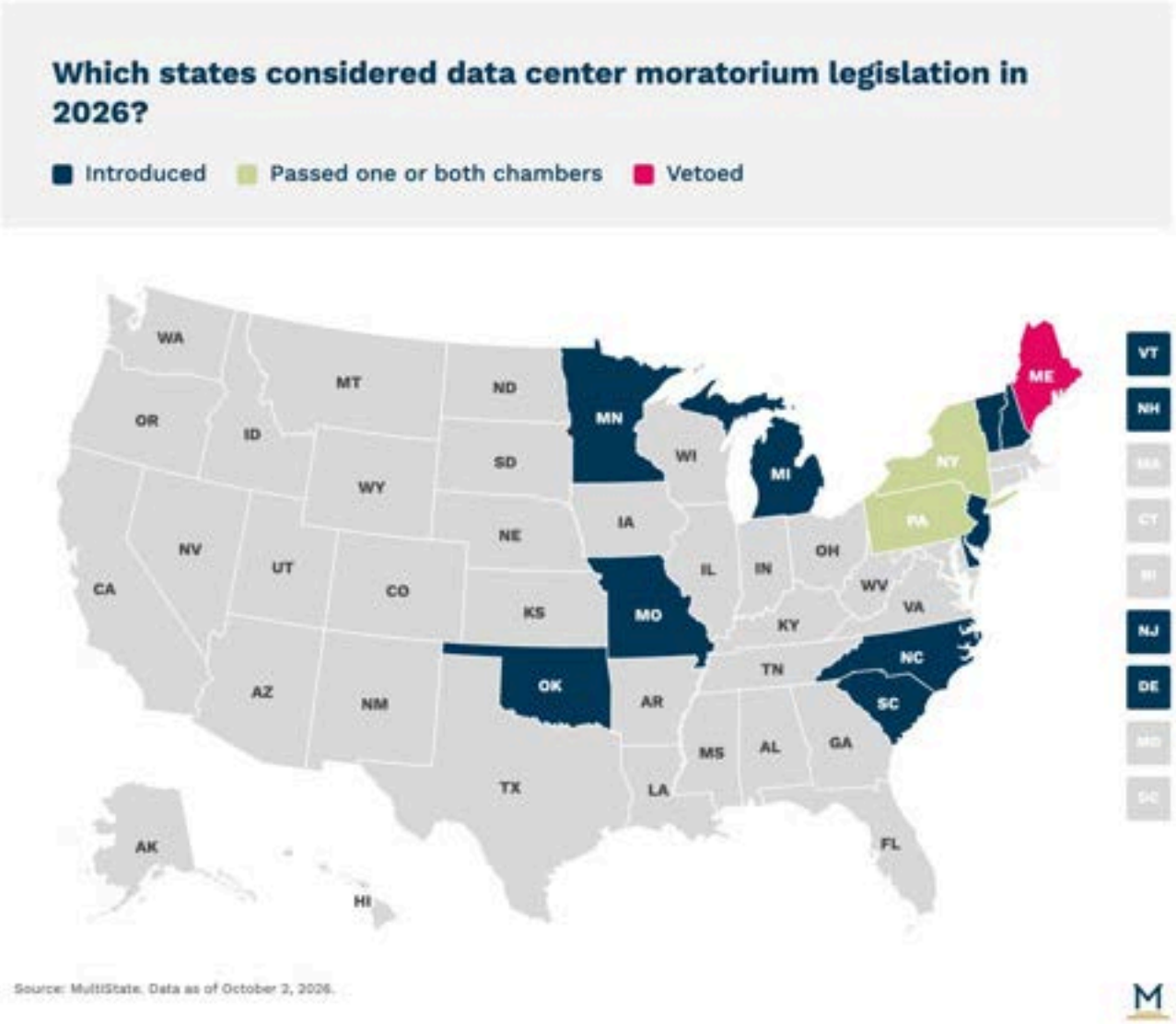
In 2027, state lawmakers will likely continue considering legislation requiring data centers to report projected and actual water consumption, protect water supplies during periods of drought or scarcity, and use less water-intensive cooling technologies. As more states establish reporting requirements, lawmakers may also gain additional information about water consumption that could inform future legislation.

Moratoriums

2026 Recap

As public opposition to data center development grew, some states considered temporary moratoriums on new construction or permitting to give lawmakers and regulators time to study the industry's effects on existing resources and infrastructure. In 2026, 13 states considered 22 bills establishing data center moratoriums.

In Maine, ME LD 307 passed the legislature but was vetoed by Gov. Janet Mills (D). In her veto message, Mills said she supported a temporary moratorium generally but objected to the legislation because it did not exempt a proposed data center at a former industrial site that had local support. The developer subsequently withdrew from the project. In New York, lawmakers sent data center moratorium legislation (NY A 10141/S 9144) to Gov. Kathy Hochul (D) that also included provisions addressing utility rates and environmental impacts. Hochul has not signed the bill and has until the end of the year to do so. In July, Hochul issued an executive order establishing a one-year moratorium on new hyperscale data centers. In September, Texas Gov. Greg Abbott (R) directed the Texas Commission on Environmental Quality to halt permits sought by data centers until the Electric Reliability Council of Texas (ERCOT) completes an audit of data centers undergoing its interconnection process. The order is intended to allow state officials to assess potential impacts on electric-grid reliability and natural resources.



Not all governors have chosen to impose moratoriums. In Pennsylvania, where the House passed legislation (PA HB 2496) allowing municipalities to enact data center moratoriums, Gov. Josh Shapiro (D) instead signed an executive order establishing a new review framework. The order removes data centers from the state's fast-track permitting program, establishes new energy and water reporting requirements, and requires developers to be responsible for costs associated with their projects rather than shifting those costs to other ratepayers.

2027 Outlook

In 2027, lawmakers are likely to continue considering temporary moratoriums on data center development, although permanent statewide bans may remain less common. Data centers can generate significant tax revenue and economic investment for states and localities, giving policymakers incentives to balance restrictions with continued development.

At the same time, local opposition is likely to remain an important factor. At least 30 local jurisdictions considered ballot measures during the 2026 midterm elections to prohibit, pause, or otherwise restrict data center development. Continued local opposition may increase pressure on state lawmakers to establish additional siting, permitting, infrastructure, and resource-use requirements.

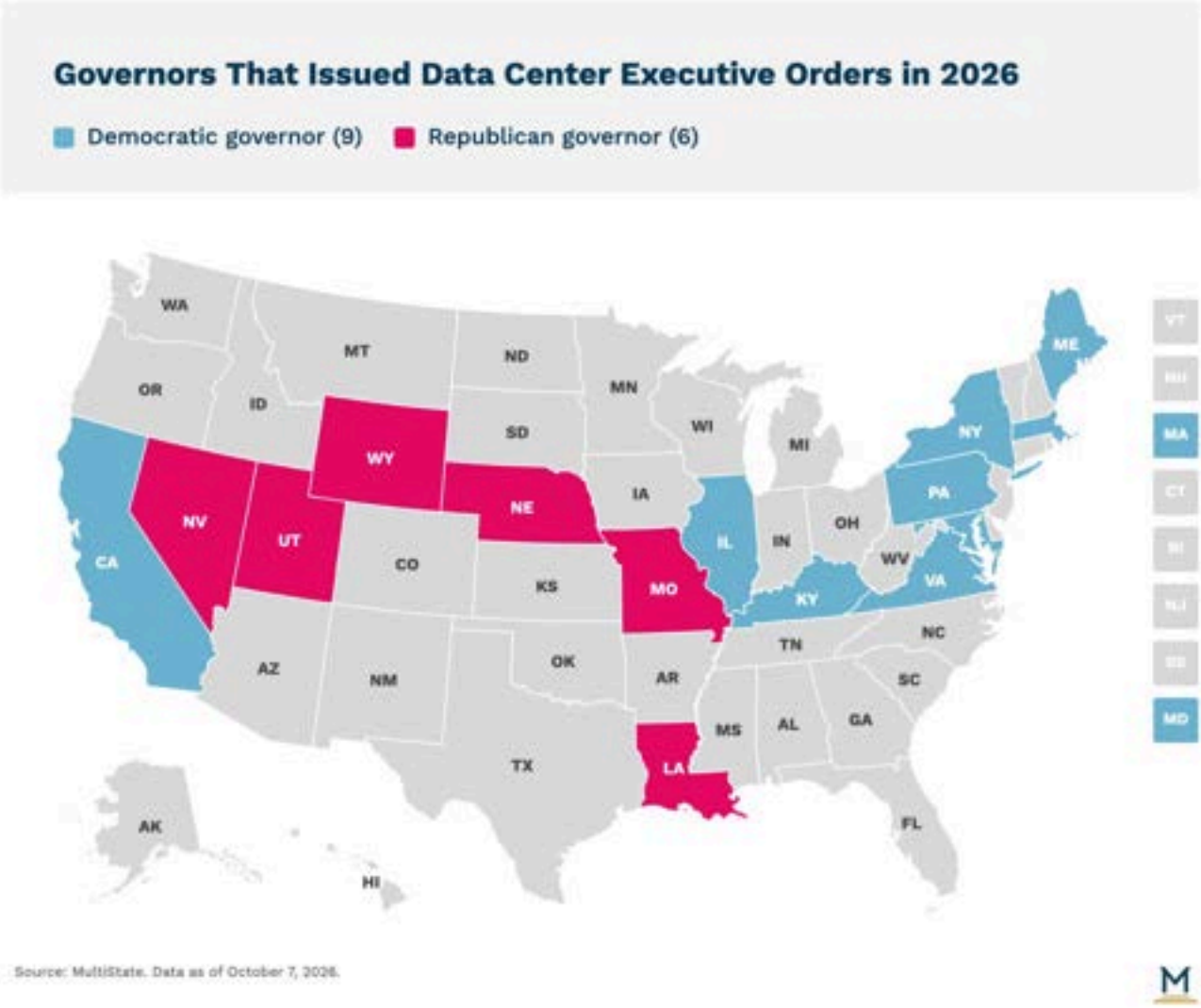
Governors' Actions

2026 Recap

In 2026, many governors bypassed state legislatures to take immediate action on data centers. Fifteen governors, both Democrats and Republicans, issued executive orders related to data centers. While the executive orders vary in scope, many address data centers' energy use, reexamine data center tax incentives, or establish task forces to study data centers and AI.

In Virginia, home to the world's largest data center market, Governor Abigail Spanberger (D) issued an executive order directing several agencies to take steps to address data centers' impacts on local communities, prevent residents from bearing the costs of bringing data centers online, and restrict the use of NDAs in data center development agreements.

In Kentucky, Governor Andy Beshear (D) issued an executive order requiring data centers to submit energy plans to the Energy and Environment Cabinet detailing how they will prevent their costs from being passed on to other ratepayers. The order also prohibits the Public Service Commission from allowing utilities to increase rates to cover the costs of data center development. In Nevada, where the legislature did not meet in 2026, Governor Joe Lombardo (R) issued an executive order prohibiting the Governor's Office of Economic Development from presenting data center tax abatement applications to the Board of Economic Development unless the applicant agrees to a combined sales and use tax rate of at least 4.6%, with no abatements.



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Through these actions, governors were able to respond immediately to growing concerns about data centers, particularly in states where legislatures had already adjourned for the year. Of the 15 executive orders, 11 were issued after the legislative session ended, while Maine Governor Janet Mills (D) issued an executive order on the final day of the state's legislative session. Only Missouri Governor Mike Kehoe (R) and Pennsylvania Governor Josh Shapiro (D) issued executive orders while their legislatures were still in session.

2027 Outlook

In 2027, governors may continue to take executive action on data centers, particularly in states where legislatures fail to reach consensus on data center legislation or where concerns persist about the industry's impact on residential energy bills. Governors may also use executive action to respond more quickly than legislatures to emerging concerns or demonstrate action on an increasingly prominent political issue ahead of the 2028 elections.

Local Action

2026 Recap

Data centers were also a significant issue at the local level in 2026, with more than 1,000 ordinances considered across 48 states. Many of these ordinances propose moratoriums on data center development, which became increasingly common over the course of the year amid concerns about the pace of development and the adequacy of state-level action. Additionally, more than 20 local jurisdictions are considering data center ballot measures this year, including measures that would permanently prohibit data center construction.

Many local data center ordinances also seek to revise zoning and permitting requirements. Data center developers have faced increasing scrutiny over the use of NDAs and concerns about insufficient community input during the development process. In response, some local ordinances would require greater community input or approval and restrict the use of NDAs in data center development agreements.

2027 Outlook

In 2027, local jurisdictions are likely to continue taking action on data centers, particularly in communities where opposition to new development remains strong. In areas where residents and local officials conclude that data center development is incompatible with community priorities, jurisdictions may pursue stricter zoning and permitting requirements, moratoriums, or outright bans.

Artificial Intelligence

AI is increasingly shaping the content people see, the services they use, and decisions affecting their jobs, housing, and health care. In 2026, state lawmakers pursued both oversight of advanced AI models and targeted protections addressing automated decisions, deceptive content, and chatbot interactions. These measures combine transparency requirements with safeguards against specific harms, particularly those affecting children. Despite federal efforts to limit state AI regulation, states continue to shape the rules governing how the technology is developed and used, setting the stage for further debate and implementation in 2027.

2026 Recap

AI Safety

As advanced AI systems become more capable, lawmakers are considering how to prevent serious harms, including large-scale cyberattacks and the loss of human control over autonomous systems. Frontier AI safety legislation focuses on requiring developers to assess these risks, explain their safeguards, report serious incidents, and establish whistleblower protections for AI employees who report serious incidents. Last year, California (CA SB 53) and New York (NY A 9449/S 8828) were the first two states to enact laws requiring large frontier model developers to publish safety frameworks and report critical safety incidents. This year, Illinois legislators followed suit with a similar law (IL SB 315) that also requires independent third-party audits of such models. Lawmakers considered similar bills in Massachusetts (MA S 3178), New Jersey (NJ A 5275/S 4446), and Pennsylvania (PA HB 2800). Independent oversight also depends on developing a robust industry of qualified auditors that can test whether developers' safeguards work and provide credible assessments beyond companies' own assurances. California lawmakers took steps toward building that capacity by passing bills to establish an AI auditor registry (CA AB 1405) and create a framework for independent verification organizations (IVOs) to evaluate advanced AI systems (CA SB 813). The Connecticut legislature also passed a bill (CT SB 5) to begin a pilot program to evaluate an independent verification program for AI models and includes whistleblower protections for employees of AI developers.

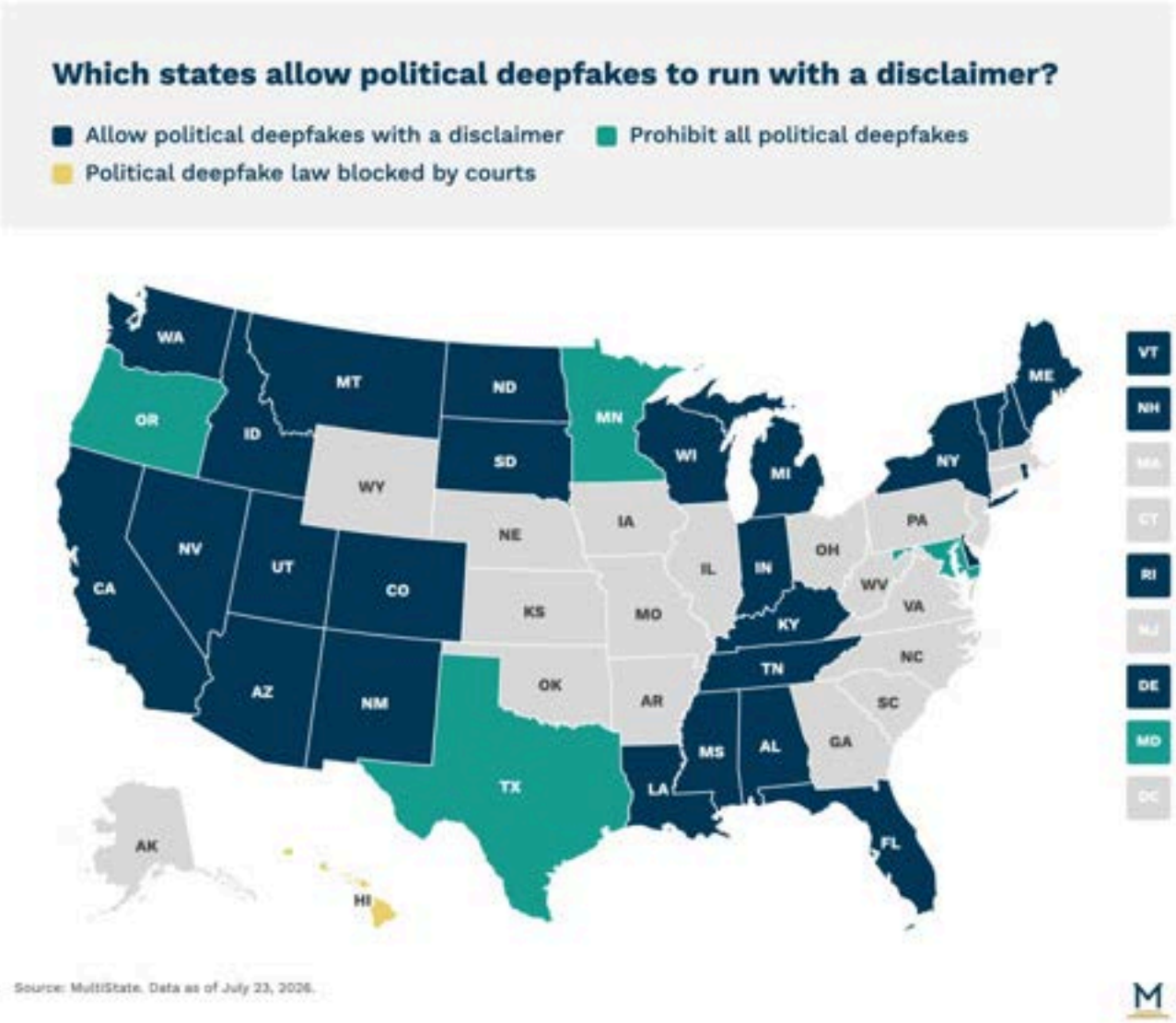
Automated Decision-Making

Colorado lawmakers passed a landmark artificial intelligence law in 2024 (CO SB 205) requiring developers and deployers to take steps to reduce the risk of algorithmic discrimination. The law was set to take effect this year, but concerns about vague and overly broad obligations led lawmakers to substantially rewrite it. This year, they passed a new AI law (CO SB 189) that instead focuses on transparency requirements. The measure requires notification to consumers if automated decision-making technology is used to make important decisions affecting them regarding jobs, housing, education, loans, insurance, health care, or essential government services. Consumers must have the opportunity to appeal with human review if an adverse decision is made against them. Delaware lawmakers amended their privacy law (DE HB 380) to require businesses that control personal data to conduct impact assessments for profiling used in automated decisions that produce significant effects on a consumer. Connecticut's newly enacted AI law (CT SB 5) requires employers to notify employees and job applicants when automated decision-making technology is used.

AI-Generated Content

The proliferation of AI-generated content has raised concerns about misinformation, unauthorized use of people's voices and likenesses, and consumers' ability to distinguish authentic material from synthetic media. Numerous political ads featuring AI-generated content have already run this campaign season, but concerns remain that these ads can mislead voters by

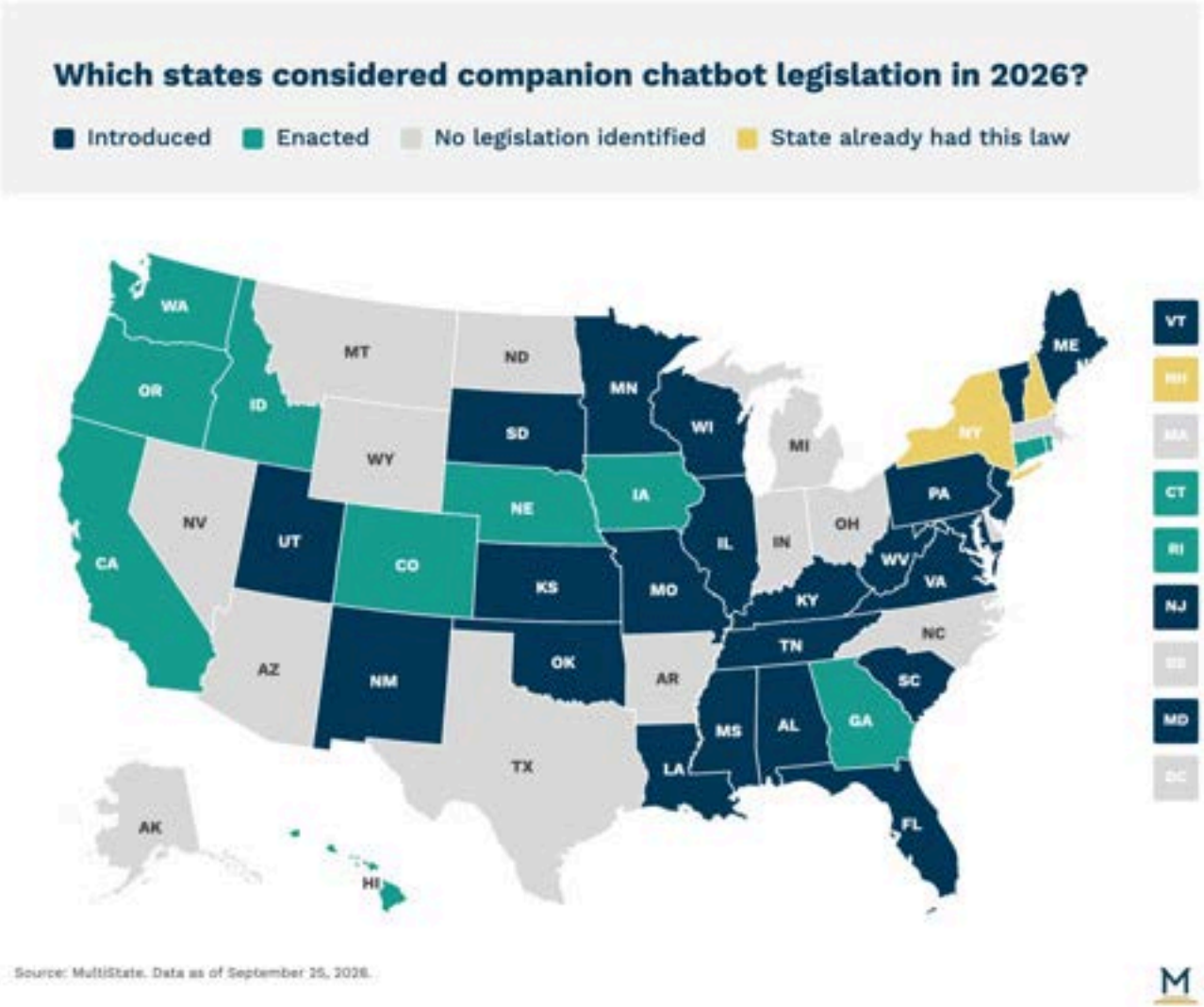
creating images and videos of candidates doing and saying things that never happened. Several states have passed laws either requiring a disclaimer on political ads featuring AI-generated content or restricting such content altogether. However, these laws can face constitutional challenges on free speech grounds. California legislators passed a new political deepfake law this year (CA AB 502) in response to courts blocking an earlier law. Lawmakers in Louisiana (LA HB 459), Maine (ME LD 517), and Tennessee (TN HB 1513) also enacted bills requiring disclaimers, while Maryland lawmakers passed a law that prohibits knowingly or recklessly creating or spreading deceptive deepfakes to discourage voting, mislead people about how elections work, influence whether they sign a ballot petition, or sway their votes. Disclosure requirements are expanding beyond political advertising. California also passed a first-of-its-kind law (CA SB 1050) requiring a clear and conspicuous disclosure for any advertisement that prominently includes a "synthetic performer." Lawmakers there also passed a bill (CA AB 2025) requiring disclosure for when ads for rental properties have been digitally altered.



AI can replicate a person's voice or likeness, raising questions about consent, privacy, and control over one's identity. Lawmakers are considering protections that give individuals more say in how their identity and information are used. Virginia passed a bill (VA SB 753) that expands the existing right of publicity to prohibit the unauthorized use of a person's voice or likeness for advertising or trade purposes. Hawaii passed a bill (HI HB 2137) prohibiting people from knowingly publishing a realistic digital copy of someone's appearance or voice without their consent when it is used in advertising, causes harm, or is

used for fraud, defamation, harassment, or other crimes. Many states have passed laws criminalizing the distribution of non-consensual sexual deepfakes, but Minnesota lawmakers enacted a landmark law (MN HF 1606) banning apps that "nudify" real images of people.

Beyond advertisement disclosures, lawmakers are pursuing broader ways to help people identify AI-generated images, audio, and video. These measures include visible labels and embedded information about where content came from and how it was created or altered. California lawmakers enacted two bills updating the state's AI Transparency Act, which requires covered generative AI providers to embed identifying information in AI-generated or altered images, audio, and video and offer a free tool to verify that information. One bill (CA SB 1000) extends the law beyond large generative AI providers and replaces the broader AI detection requirement with a narrower tool that verifies embedded disclosures, while adding privacy protections. The other (CA AB 2713) requires large online social media platforms to identify and label content when embedded data indicates that it was created or significantly altered using AI. Connecticut (CT SB 5) and Washington (WA HB 1170) legislators also enacted laws requiring certain generative AI providers to embed provenance data in their outputs. Utah (UT HB 276) adopted provenance requirements that extend to social media platforms and cameras.



Chatbots

AI chatbots are increasingly used for everything from customer service to personal companionship, raising questions about whether users understand what they are interacting with. Companion chatbots, designed to build ongoing personal relationships with users, have drawn particular scrutiny over their potential effects on mental health and children's safety. Increased scrutiny of how minors interact with online services has led to a flurry of state legislative proposals to regulate companion chatbots. In 2026, eleven states enacted measures, typically requiring disclosures and occasional reminders that the interaction is with AI and not a human, crisis intervention protocols for expressions of self-harm by the user, and enhanced safeguards for minors to protect them from sexual content, manipulative behavior to prolong engagement, and encouragement of harmful behavior. California also passed the nation's first moratorium (CA SB 867) on the manufacture or sale of toys for children under 16 with embedded chatbots, while New York lawmakers passed a similar measure (NY A 11144/S 9408).

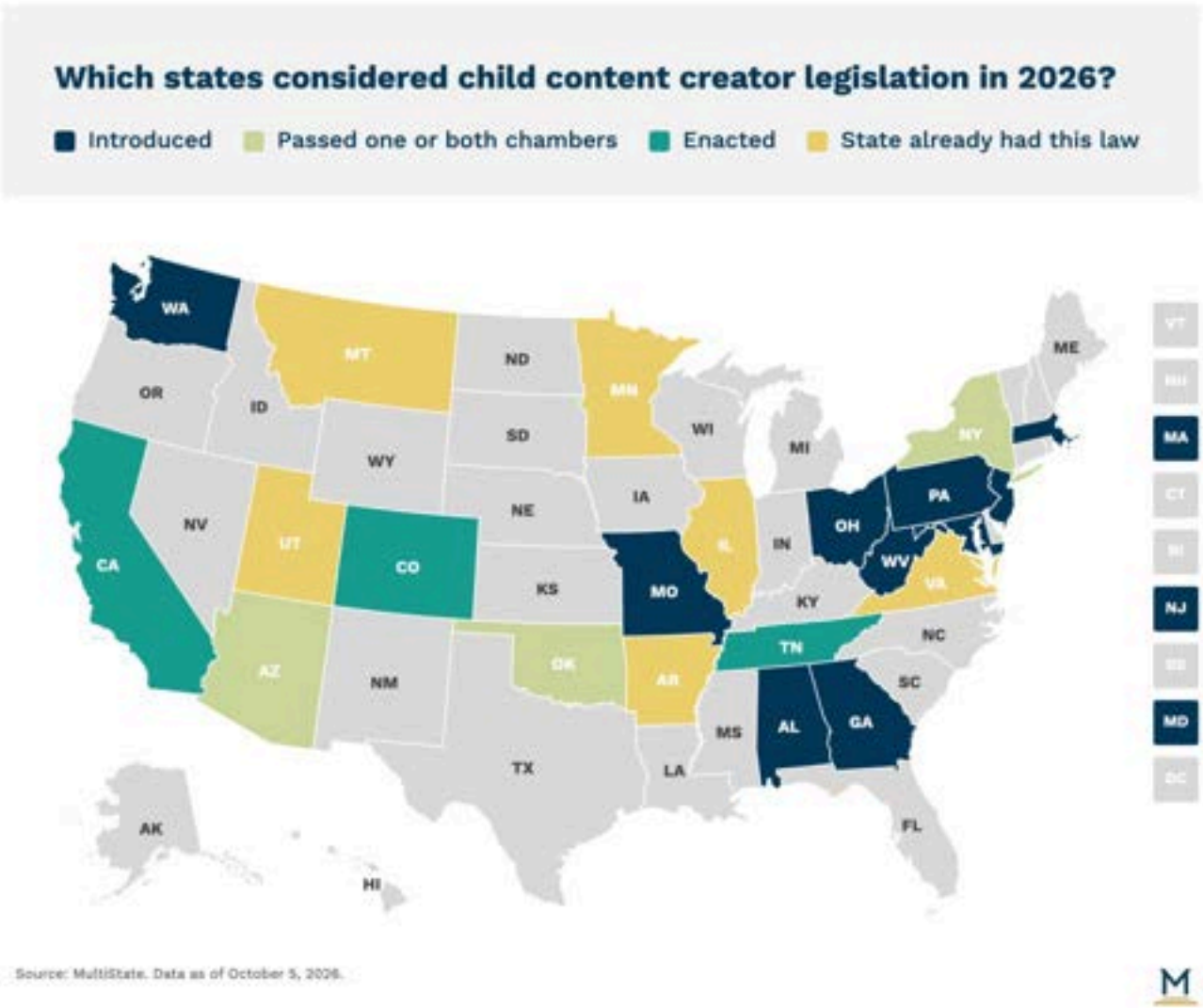
Chatbots are also widely used in customer service settings, and many states have proposed bills requiring disclosure to a consumer when the interaction is not with a human. California passed a bill (CA AB 1609) that goes beyond that by requiring certain large businesses that use a customer service chatbot not only to disclose that fact to a consumer, but to provide a human representative upon request. Users are also increasingly turning to chatbots and generative AI models for professional mental health advice. Colorado (CO HB 1195), Idaho (ID SB 1297), Maine (ME LD 2082), Rhode Island (RI HB 7349/SB 2197), Tennessee (TN SB 1580), and Vermont (VT HB 816) all passed bills prohibiting AI from independently making therapeutic decisions and regulating the use of the technology by mental health professionals.

2027 Outlook

The Trump administration has taken a firm stance against artificial intelligence regulation, issuing an executive order last year that threatened to withhold federal funding from states that enacted laws regulating AI. But lawmakers may be encouraged to act if federal threats to challenge state laws or withhold funding do not materialize. Several governors have signaled support for stronger oversight of AI models, including safety testing and, in some cases, a "kill switch" that would allow humans to shut down a system if they lose control of it. More states could adopt auditing and independent verification frameworks to assess whether models' safeguards work and whether humans can maintain control. With Congress slow to act, some AI safety advocates have targeted states as a way to develop a national AI safety standard. Lawmakers will also continue to consider targeted laws that address specific potential harms associated with artificial intelligence technology. Many measures have emphasized transparency and notifying consumers when AI is used, reflecting efforts to protect the public while preserving room for innovation. But debate could increasingly turn to when disclosure is sufficient and when restrictions or human oversight are necessary. Children's online safety remains a bipartisan interest, and more states could follow those that have adopted protections for companion chatbot users. States may also expand rules governing AI in health care, mental health, finance, and legal services, clarifying which decisions require a licensed professional and how those professionals may use AI. Synthetic content will continue to warrant attention as its use expands. The proliferation of sexual deepfakes and Minnesota's ban of "nudification" apps could lead to more scrutiny of the technology that makes such harmful content possible. Concerns about deepfakes used to impersonate people and commit fraud could also prompt lawmakers to strengthen penalties.

Content Creators

In recent years, state lawmakers have introduced and enacted legislation establishing protections for child content creators. Content creators have become deeply integrated into the advertising ecosystem, with many brands paying creators to promote their products. Children are increasingly part of this ecosystem, either through their own accounts or through family accounts. However, as child content creation has grown, reports of mistreatment and abuse, as well as claims that children were not compensated for their work, have prompted lawmakers to take action. State legislation addressing child content creators is largely modeled on California's Coogan Law, which requires a portion of child performers' earnings to be placed in trust accounts.



2026 Recap

In 2026, lawmakers in 16 states considered 33 bills addressing child content creators, with three states enacting new laws. Colorado (CO HB 1058) and Tennessee (TN SB 1469) both enacted laws requiring at least 30% of a child content creator's earnings to be placed in a trust account. In this respect, the measures followed laws enacted in 2025 that similarly required a percentage of a minor's earnings to be set aside in trust. Tennessee's law also requires child content creators age 14 and older to receive 100% of the compensation for paid content in which they are featured. Additionally, both states' new laws prohibit profiting from the intentional sexualization of minors in online content and require platforms to develop and implement strategies to mitigate this activity.

In California, lawmakers enacted legislation (CA SB 1247) requiring social media platforms to provide a clear mechanism for requesting that a vlogger remove or edit content featuring a child content creator. The measure builds on legislation enacted in 2024 (CA AB 1880) that expanded the state's Coogan Law protections to child content creators.

2027 Outlook

In 2027, states that have not yet enacted child content creator protections are likely to continue considering legislation. Content creators live and work across the country, and lawmakers may increasingly seek to establish protections for children as content creation becomes more deeply embedded in the advertising and entertainment industries. States that have already enacted child content creator laws may also revisit those laws to address additional concerns, including profiting from the sexualization of minors.

Online Child Safety and Age Verification

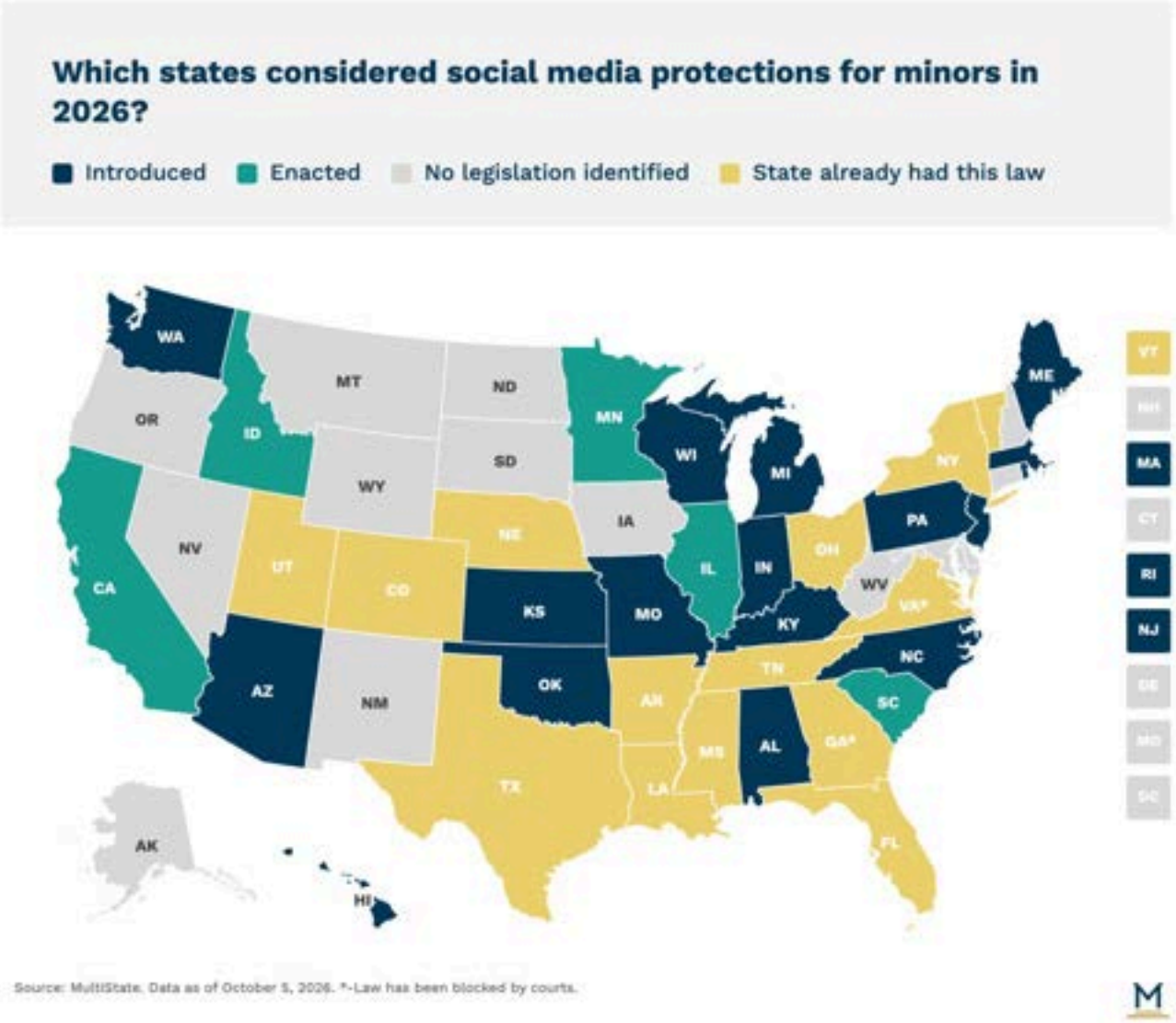
Children's lives increasingly unfold online, where the features that keep them connected and engaged can also expose them to harmful content, unwanted contact, and the collection of sensitive personal information. The safety of online services has drawn increased scrutiny, with high-profile lawsuits alleging that platforms deliberately design addictive features and fail to adequately protect minors. In 2026, state lawmakers pursued a range of protections that raised questions about who is responsible for children's safety online and how to protect young users while preserving privacy and access to information.

2026 Recap

Social Media Regulation

Many state lawmakers focused on restricting exposure for minors to addictive features of social media platforms, including personalized content, infinite scroll, autoplay videos, push notifications, and engagement rewards. In contrast, others seek to restrict access to platforms for minors altogether.

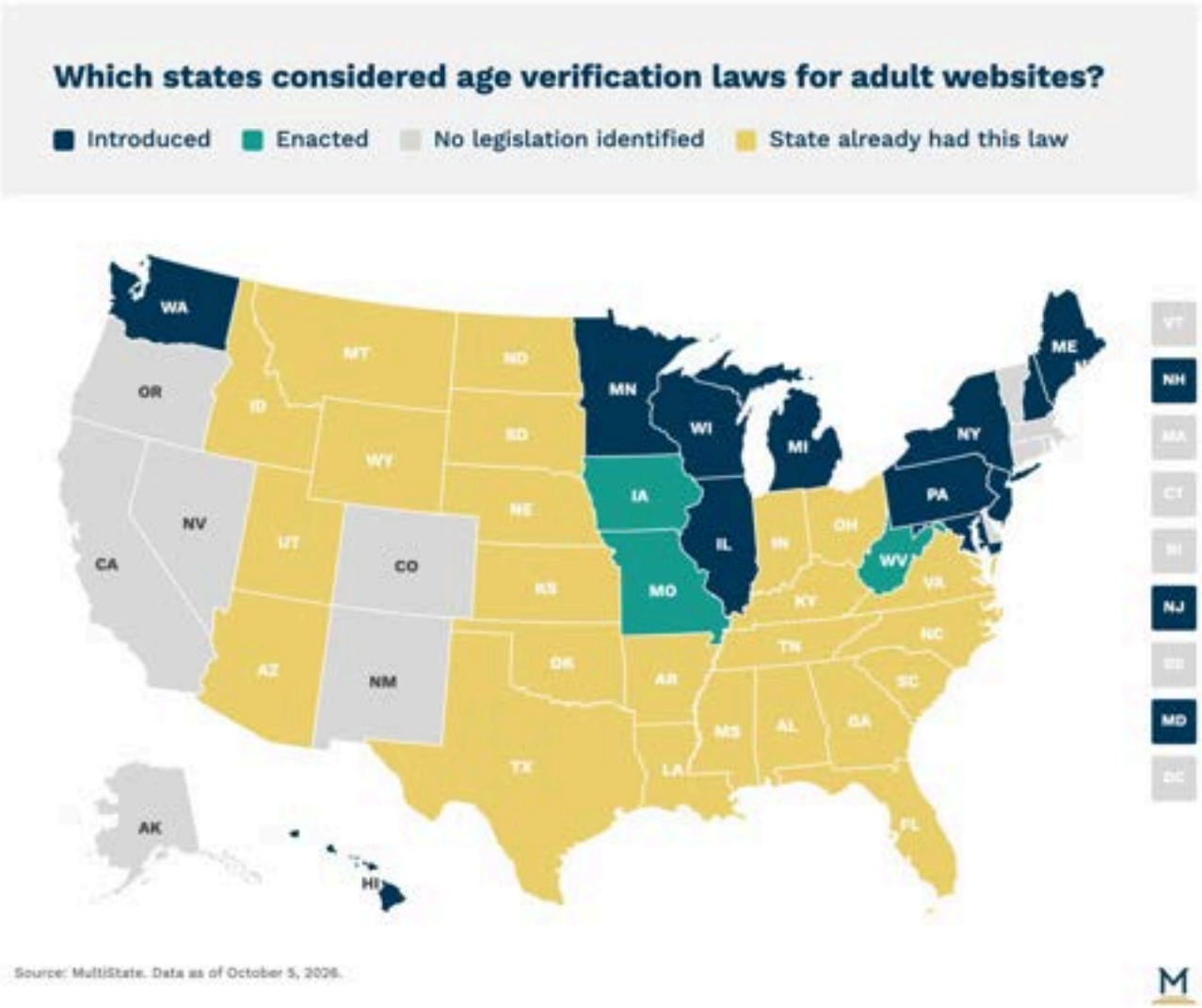
California lawmakers enacted a bill (CA AB 1709) prohibiting a platform from offering addictive features to a user under the age of 16. New York enacted a bill (NY A 9446/S 8827) requiring warning labels on social media platforms that have addictive features and proposed regulations this summer for the Stop Addictive Feeds (SAFE) Act that prohibits addictive feeds and nighttime notifications for minors. Illinois enacted the Children's Online Social Media Safety Act (IL HB 5511), which requires platforms to prohibit addictive features for minors, restrict purchases, and provide stronger default privacy protections, including restrictions on contact from adults and location sharing.



Other bills seek to restrict access to platforms altogether by requiring parental consent. Bills in Idaho (ID HB 542), Minnesota (MN HF 4138), and South Carolina (SC HB 4591) require parental consent for users under 16 to maintain a social media account and also prohibit addictive features for these users. In Massachusetts, Gov. Maura Healey (D) has pushed for social media protections, and the House and Senate have each passed legislation taking different approaches. The House proposal (H 5366) would prohibit accounts for children under 14 and require parental consent for users ages 14 or 15, while the Senate proposal (S 3164) would allow access, but restrict addictive features and establish stronger default privacy protections for users under 18, requiring parental consent to change privacy settings.

States are also increasingly seeking to hold social media platforms liable for harms caused to children. California legislators enacted a measure (CA AB 2) that creates liability for a social media platform for failing to exercise ordinary care or skill by causing injury to a child. A new law in Mississippi (MS HB 1224) prohibits covered online services from making misleading claims about safety or addictiveness, failing to disclose known harms to minors, or misrepresenting protective measures.

Attorneys general are also shaping policy through enforcement actions. Meta settled an $18 billion multistate lawsuit over claims it misled consumers about the safety of Facebook and Instagram and deliberately designed addictive features that harmed children's mental health. Arkansas filed suit against Snapchat, alleging the app misled parents about child protections, while Pennsylvania brought separate actions against Snapchat and TikTok challenging their app-store age ratings and representations about inappropriate content and addictive design. Florida sued TikTok for allegedly violating the state's restrictions on accounts for children under 14.



Age Verification

These protections depend on platforms having a reliable way to determine which users are children and which safeguards apply to them. Age verification and other forms of age assurance have therefore become central to the debate over online child safety. These measures take different approaches to identifying minors, from self-reported age and age signals supplied by devices or app stores to estimates based on user activity and more formal age verification.

New laws in Idaho (ID HB 542), Minnesota (MN HF 4138), and South Carolina (SC HB 4591) require a social media platform to estimate users' ages using information collected through their ordinary operations once users reach specified usage thresholds. Platforms must periodically update those estimates and treat users as children unless they meet specified confidence thresholds. New York (NY A 10008/S 9008) has a new law that requires "technically feasible age assurance" to be detailed in regulations to determine whether child protections should apply on social media platforms.

Beyond social media, lawmakers are pursuing age checks to assign app stores or electronic devices a role in identifying young users. Illinois (IL HB 5511) now requires an Internet-enabled device, an operating system provider, or an application store to require account holders to indicate the user's age upon account activation, and send signals to social media and other interactive platform operators indicating whether a user is a minor subject to the law's protections.

Alabama (AL HB 161) and Louisiana (LA HB 977) lawmakers passed laws requiring app stores to verify users' age categories, link minors' accounts to a parent account, obtain parental consent for app downloads and purchases, and send age signals to app developers. An enacted bill in Colorado (CO SB 51) requires covered operating system providers to collect users' self-reported age information during account setup and provide age signals to app developers.

Concern that minors can easily access online pornography has prompted states to require age checks before users can view sexually explicit content. Lawmakers in Missouri (MO HB 1839), Iowa (IA HB 864), and West Virginia (WV HB 4412) passed legislation this year requiring covered websites or apps containing a substantial portion of material harmful to minors to use reasonable age verification to prevent minors from accessing that content.

Wisconsin lawmakers also passed a bill (WI AB 105), but it was vetoed by Gov. Tony Evers (D) over privacy concerns. Courts have challenged or blocked some age verification laws for being insufficiently narrowly tailored on constitutional free speech grounds. Privacy advocates have pushed back on age verification laws for collecting personal information, leading lawmakers to pivot towards age estimation and age signals.

Children's Privacy

Lawmakers are also looking to protect children through stronger privacy rules and requirements for how online services are designed. Age-appropriate design codes require covered businesses to consider the ages and developmental needs of children likely to use their products and build safeguards into those products, such as strong default privacy settings, limits on data collection, and restrictions on manipulative features. While social media laws often target particular engagement features or account access, design codes establish broader obligations governing how covered services handle children's data and design their products.

New Jersey (NJ A 4015/S 3413) and South Carolina (SC HB 3431) legislators passed age-appropriate design codes that regulate certain online services likely to be accessed by children, joining similar laws in Maryland, Nebraska, and Vermont. California re-enacted the state's Age Appropriate Design Code after courts blocked a previous version. The California bill (CA AB 2246) that passed this year excludes data protection impact assessments required under the original law that were challenged as compelled speech.

Many states are also considering added protections for certain kinds of "sensitive data" that reveal health, location, or other specific information from a known child. New Hampshire lawmakers enacted a bill (NH HB 1460) that prohibits selling a child's location and other sensitive data.

2027 Outlook

Online child safety remains a major concern among lawmakers, with broad bipartisan support. Court rulings have offered guidance on tailoring these laws to address constitutional concerns, a path more lawmakers could follow in 2027. Lawmakers are likely to focus more on addictive design elements of platforms rather than protected speech.

High-profile lawsuits and settlements are pressuring online platforms to strengthen protections, giving lawmakers further momentum to enact additional child-protection measures. Lawmakers could seek independent evaluations of safeguards and more public reporting on their effectiveness, shifting attention from whether platforms offer safety tools to whether those tools meaningfully reduce harm.

Lawmakers may also seek to clarify how platforms, app stores, and operating systems should share responsibility for determining users' ages and applying protections. As these requirements expand, debate could increasingly center on whether age signals can be shared reliably while minimizing the collection and retention of personal information.

Automated License Plate Readers (ALPRs)

Automated license plate readers (ALPRs) are facing increased regulation and bipartisan backlash at the state, local, and federal levels. States have enacted laws restricting ALPR data sharing for immigration or reproductive healthcare, defining lawful investigative uses, or requiring limited disclosure for public safety, insurance, and financial institutions. Cities across the country have cancelled contracts or shut down ALPR systems. Federal lawmakers have introduced legislation to restrict ALPR funds, proposed bans on "AI mass surveillance," and launched privacy investigations.

Given ALPRs' high-profile nature and the bipartisan resistance to their use, efforts to regulate ALPRs are projected to expand in 2027. State legislatures are likely to advance new statutory limits, while governors and administrative bodies can manage ALPR deployment via executive actions and rulemaking. Similar measures are expected at the local level.

2026 Recap

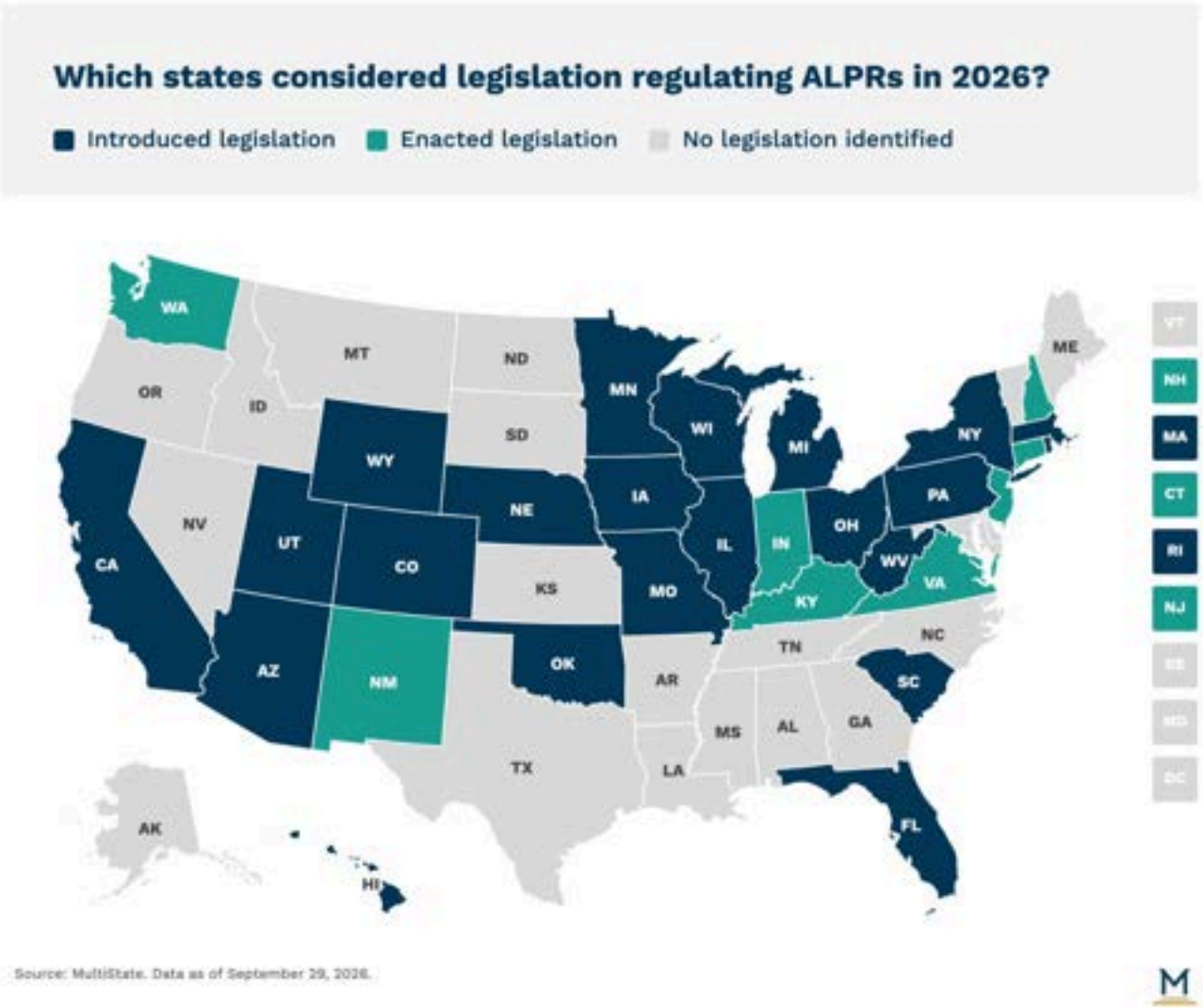
Automated license plate readers are systems that use cameras and software to automatically capture, analyze, and store vehicle license plate information. ALPR systems compare license plate numbers against databases to generate alerts and create records of vehicle activity.

The issue of ALPR data sharing gained prominence earlier this year as Democratic lawmakers introduced legislation to restrict access by federal immigration authorities and out-of-state law enforcement agencies investigating abortions or other activities that are legal in the state where the data was collected. New Mexico legislators enacted a law (NM SB 40) prohibiting the sharing of ALPR data for immigration enforcement or investigations involving reproductive health care. Before sharing data with an out-of-state entity, the law also requires a written declaration that the information will not be used for a prohibited purpose. Washington lawmakers enacted a law (WA SB 6002) that details when ALPR data may be used in investigations, including cases involving stolen vehicles, missing or endangered persons, individuals with outstanding felony or gross misdemeanor warrants, and vehicles connected to felonies or gross misdemeanors, as well as certain parking enforcement and transportation purposes.

The Republican-controlled Kentucky Legislature enacted a law (KY HB 58) to limit disclosure of ALPR data to law enforcement for various purposes, including as part of public safety or criminal investigations or pursuant to a subpoena, as well as to insurers for insurance fraud, claims, and vehicle recovery, and to financial institutions for purposes such as repossession, lien enforcement, and verification of loan information. Republican Missouri Gov. Mike Kehoe (R) issued an executive order governing how ALPRs can be used.

Local governments have also begun to address the use of ALPRs. Cities across the country have voted to reject, cancel, or deactivate their ALPRs. City council members in Lynchburg, Virginia, voted to end the city's contract, stopping the use of 15 license plate readers and gunshot detectors. In Wylie, Texas, local lawmakers voted unanimously not to renew the city's contract for ALPR use. Mayor Robert J. Lovero of Berwyn, Illinois, has issued an executive order directing the immediate shutdown of all ALPR cameras in the city.

Federal lawmakers on both sides of the aisle have taken up ALPR regulation. Senator Bernie Sanders (I-Vermont) has vowed to introduce legislation to stop "AI mass surveillance." Senator Josh Hawley (R-Missouri) has begun an investigation into ALPRs and is demanding information to determine if the collection of citizens' data and personal information poses privacy threats and may violate existing laws. Representative Thomas Massie (R-Kentucky) introduced HR 10221, which would prohibit the use of federal funds to purchase, install, maintain, operate, or upgrade ALPRs.



2027 Outlook

Looking ahead to 2027, expect more legislation aimed at regulating the use of ALPRs by state and local governments. ALPRs have drawn bipartisan backlash across the country, and elected officials have responded by vowing to address the issue. Wyoming's Select Committee on Blockchain, Financial Technology and Digital Innovation Technology has drafted a bill for the 2027 session (LSO 139) that would prohibit ALPR use by any person or governmental entity, with limited exceptions for law enforcement real-time hotlist comparisons, parking enforcement, and private access control. South Dakota Attorney General Marty Jackley (R) has announced plans to propose legislation to ensure that ALPR technology is used solely for legitimate law enforcement purposes with strong protections for the public's privacy. Arizona Attorney General Kris Mayes (D) announced she will review the use of ALPR systems across Arizona, saying, "We need a statewide approach to this issue."