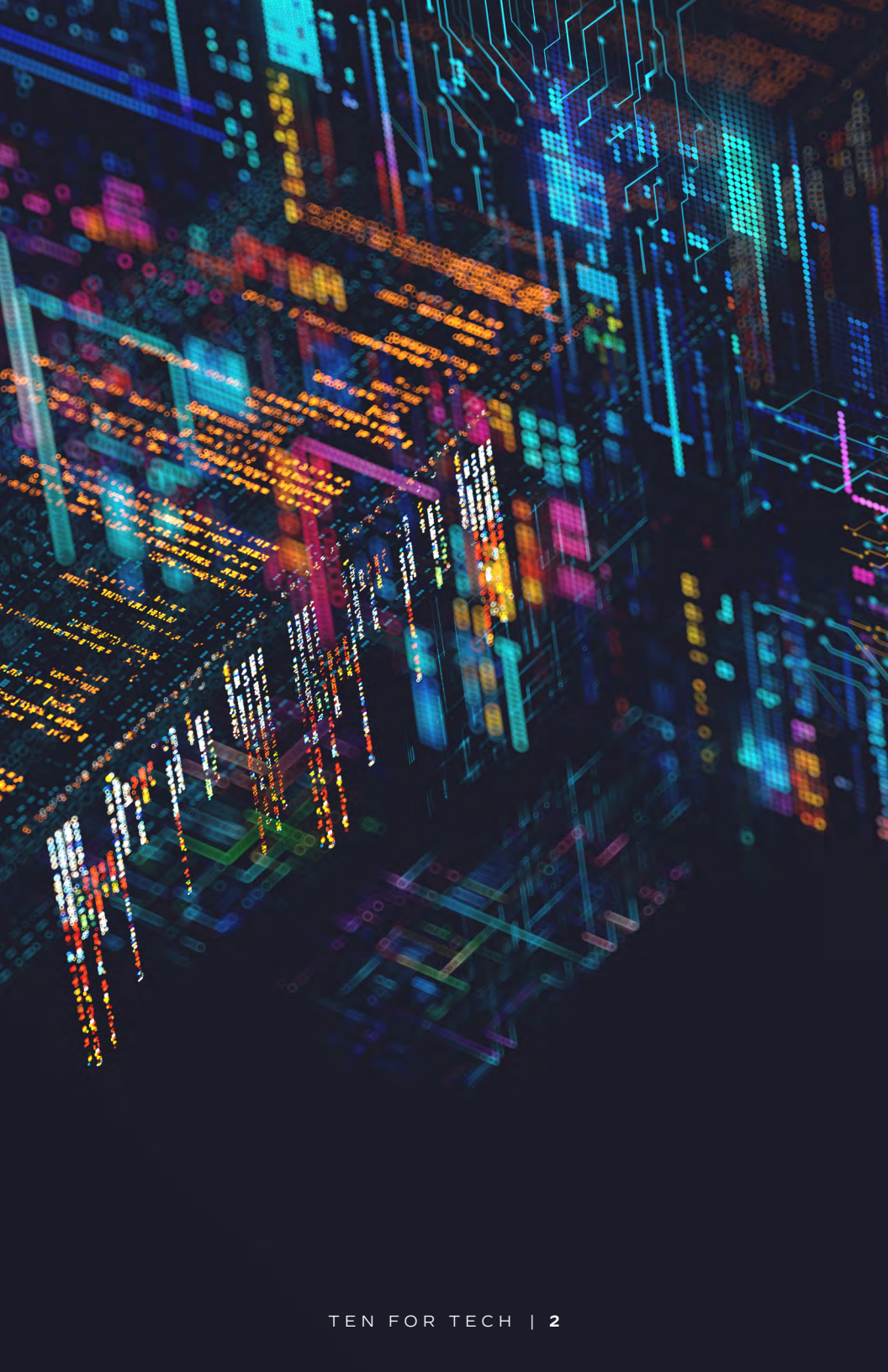


TEN FOR TECH IN 2026

A POLICY TOOLKIT
FOR STATES TO
EMBRACE INNOVATION



FOSTERING INNOVATION: A STATE POLICYMAKER'S GUIDE TO TECHNOLOGICAL PROGRESS

An American from 1926, transported to 2026, would witness what can only be described as technological magic. Artificial intelligence (AI) diagnoses diseases that would have been death sentences a century ago. Autonomous vehicles navigate complex traffic patterns without human intervention. Virtually the entirety of human knowledge sits in our pockets, accessible within seconds. These aren't distant science fiction fantasies; they're the reality of American innovation unleashed.

What made this transformation possible? The answer lies not in government planning or bureaucratic foresight, but in something far simpler yet more powerful: the freedom to innovate. When entrepreneurs and inventors operate with minimal regulatory friction, they create solutions that improve lives, generate prosperity, and strengthen entire economies.

Yet today's policymakers face a critical choice. They can either nurture this innovation ecosystem or strangle it with well-intentioned but counterproductive regulations. The stakes couldn't be higher. Excessive government intervention not only slows progress but also actively denies citizens access to life-changing technologies, thereby weakening state competitiveness in the global economy and compromising American national security.

This doesn't mean abandoning all oversight. Smart regulation protects consumers without crushing innovation. It addresses genuine risks without presuming government knows better than markets about which technologies will succeed. Most importantly, it recognizes a fundamental truth: **innovation delayed is innovation denied.**

The path forward requires embracing core principles that have driven American prosperity for generations: free markets, limited government, and the understanding that entrepreneurs—not bureaucrats—are best positioned to solve tomorrow's challenges.

1 UNLEASH AI: LET INNOVATION LEAD, NOT REGULATIONS

Artificial Intelligence stands among history's most transformative innovations, reshaping how we work, heal, and discover. In medicine, AI enables doctors to detect diseases, such as cancer, with unprecedented accuracy and speed, identifying conditions before symptoms appear. Across industries, workers leverage AI to eliminate repetitive tasks, freeing them to focus on problem-solving and strategic thinking. Meanwhile, scientists harness AI to accelerate research to unlock the next great breakthrough.

Despite AI's transformative potential, a wave of regulatory measures is emerging across the country. California, Colorado, Connecticut, and Texas have enacted or considered legislation that imposes strict limitations on AI deployment while requiring extensive reporting from developers and users. This regulatory momentum has reached the municipal level as well. New York City now mandates regular bias audits for employers using AI in hiring decisions, while San Francisco has banned algorithmic rent-setting by landlords. These restrictions reflect growing concerns about AI's capacity to amplify existing biases or eliminate jobs.

Rather than stifling innovation through restrictive measures, legislators have an opportunity to foster AI development while addressing legitimate concerns. States can take several strategic steps to create a balanced regulatory environment. First, they should avoid imposing excessive reporting requirements that could drive businesses and talent to more accommodating jurisdictions. Second, effective AI legislation must target concrete, demonstrated harms rather than speculative risks, ensuring regulations address real problems without creating unnecessary barriers to innovation. Finally, lawmakers should establish comprehensive AI task forces that bring together diverse expertise, technologists, industry leaders, civil rights advocates, academics, policy specialists, law enforcement, and government officials. These collaborative bodies should conduct thorough risk-benefit analyses and develop nuanced regulatory frameworks that protect citizens while preserving the conditions for technological advancement.

RESOURCES

- **Governor Gavin Newsom, Veto Message, Senate Bill 1047.** Available Online: www.gov.ca.gov/wp-content/uploads/2024/09/SB-1047-Veto-Message.pdf
- **Neil Chilson and Taylor Barkley, "Evaluating AI Policy Proposals," The Abundance Institute.** Available Online: cdn.hub-abundance.institute/pdf/CuttingThroughTheAIJargon-1Pager.pdf
- **Edward Longe, Turner Loesel, Sal Nuzzo, "Silver Tech: Silver Tech: AI's Golden Opportunity for Florida's Aging Population," The James Madison Institute.** Available Online: jamesmadison.org/wp-content/uploads/PolicyBrief_AI_Healthcare_Oct2024-v04-web.pdf

2 CLEAR THE PATH FOR NEXT-GENERATION DATA CENTERS

Data centers are the physical backbone of the digital economy, powering services from video streaming to artificial intelligence. The rising demand for these digital services necessitates a corresponding expansion of the facilities that support them. While this construction boom offers high-paying jobs and significant tax revenue, these facilities consume substantial energy and water resources, raising questions about host communities' grid capacity and resource allocation.

Some state and local governments have responded to these infrastructure challenges by restricting data center development. These measures include moratoriums, special taxes, and even outright bans, effectively walling off communities from economic growth without addressing the underlying energy constraints. Such policies do not solve the root problem; they simply shift the high-paying jobs and tax revenues generated by these facilities to more welcoming jurisdictions.

A more effective strategy involves modernizing and expanding energy infrastructure to accommodate rising demand. To build a resilient grid, states should implement technology-neutral policies that create a competitive, market-based electricity system. Adopting competitive procurement policies would empower utilities to select the most cost-effective generation methods, shielding ratepayers from the financial risks of speculative energy projects. Policymakers should also streamline the permitting processes for both data centers and power generation facilities by implementing expedited reviews and firm approval timelines.

RESOURCES

► **Turner Loesel and Josh T. Smith, "Digital Foundations: The Essential Guide to Data Centers and Their Growth," The James Madison Institute.** Available Online: jamesmadison.org/digital-foundations-the-essential-guide-to-data-centers-and-their-growth/

► **Chris Villarreal, Kent Chandler, and Michael Giberson, "State-By-State Scorecard on Electricity Competition," R Street Institute.** Available Online: www.rstreet.org/research/state-by-state-scorecard-on-electricity-competition/

3 DIGITAL LITERACY FOR THE SOCIAL MEDIA AND AI AGE

America's children are growing up in an era where social media and AI increasingly define their daily experiences. These technologies offer substantial educational and social benefits, from enhanced learning opportunities to global connectivity. However, they also present genuine risks when used without proper understanding, from cyberbullying and privacy breaches to misinformation and algorithmic manipulation.

Rather than restricting access through age verification laws, which federal courts have consistently struck down as unconstitutional violations of free speech, a growing number of states are pursuing a more effective and legally sound approach: comprehensive digital literacy education.

Following Florida's groundbreaking initiative, states including Tennessee, Colorado, Georgia, Illinois, and Minnesota have mandated that public schools teach digital literacy and online safety. These programs go beyond basic computer skills to address the complex realities of modern digital life. Students learn to navigate social media platforms safely, recognize manipulation tactics, protect their personal information, and understand how algorithms shape the content they see.

This educational approach represents superior policy for several compelling reasons. It preserves First Amendment rights while addressing legitimate safety concerns, a balance that restrictive laws have failed to achieve. It empowers young people with transferable skills rather than creating artificial barriers they'll eventually encounter anyway. Most importantly, it recognizes that effective protection comes through preparation, not prohibition.

As artificial intelligence becomes increasingly integrated into daily life, state legislatures should consider expanding these digital literacy programs to include AI safety education. Tomorrow's citizens need to understand how to interact safely with chatbots, identify AI-generated content (including deepfakes), and recognize the limitations and biases inherent in AI systems.

MODEL LEGISLATION

► **Florida HB 379:** laws.flrules.org/2023/36

► **Tennessee HB825:** www.capitol.tn.gov/Bills/114/Bill/HB0825.pdf

► **ALEC: Teen Online Social Media and Online Safety Act:**
alec.org/model-policy/teen-social-media-and-internet-safety-act/

4 PORTABLE BENEFITS THAT FOLLOW THE WORKER

Independent contractors comprise a significant part of the American labor market, with nearly 73 million Americans choosing these flexible work arrangements. Despite their growing economic importance, these workers often lack access to essential benefits. This gap stems from outdated worker classification laws, where providing contributions for health insurance, retirement, or paid leave can be used as evidence to reclassify a contractor as an employee. The resulting legal ambiguity and the risk of significant penalties disincentivize companies from offering any benefits at all.

Some states have attempted to address this gap by requiring companies to reclassify their independent contractors as payroll employees. This approach, however, is often based on a flawed premise. Survey data consistently show that most contractors prefer their status over traditional W-2 employment, citing the greater flexibility and income control it provides. In practice, rigid reclassification mandates often had the opposite effect of their intended purpose, with many contractors losing opportunities altogether rather than gaining benefits.

Alternative models have begun to address these shortcomings by protecting access to benefits without redefining employment relationships. Utah's legal safe harbor exempts voluntary benefit contributions from classification determinations, offering a clearer path for companies to support contractors. More recently, Alabama proposed a framework for portable benefits that would enable firms to contribute to dedicated accounts on a tax-deductible basis. This structure brings contractor benefits into closer alignment with those received by traditional employees, offering a practical step toward parity without jeopardizing worker flexibility.

As the nature of work continues to evolve, policies that recognize and adapt to the preferences of independent workers are essential. Legal clarity around benefits provision will ultimately prove more effective than rigid reclassification efforts.

MODEL LEGISLATION

► **Alabama Senate Bill 86:**

alison.legislature.state.al.us/files/pdf/SearchableInstruments/2025RS/SB86-int.pdf

RESOURCES

► **Caden Rosenbaum, "Portable Benefits to Improve the Gig Worker Economy."**

Libertas Institute: Available Online:

libertas.org/policy-paper/portable-benefits-to-improve-the-gig-workereconomy/

5 DEFEND YOUR RIGHT TO COMPUTE

In February 2025, Montana passed legislation granting its citizens the right to compute, a forward-thinking legislative framework that protects individual rights while fostering innovation. Unlike restrictive approaches adopted elsewhere, Montana recognizes that computational freedom drives economic prosperity and technological advancement.

The legislation establishes a fundamental principle: Montanans have the right to own and use computational technologies for lawful purposes, treating digital tools as extensions of traditional property and free expression rights. This philosophical foundation distinguishes Montana from states that view AI and other technologies through a lens of fear rather than opportunity.

Montana's strategic vision extends beyond rights protection to economic transformation. The state recognizes that data centers and AI companies represent the next industrial revolution, offering unprecedented opportunities for energy-dependent communities. Colstrip and similar facilities, often threatened by renewable energy transitions, gain new life supplying the massive power demands of computational infrastructure.

The ripple effects promise substantial benefits across Montana's economy. The state's abundant natural resources position it perfectly for data center supply chains, from mining rare earth elements to manufacturing components. These investments create high-paying jobs, increase tax revenues, and elevate living standards in communities that have long depended on traditional industries.

Perhaps most importantly, Montana demonstrates that states need not choose between protecting individual rights and promoting economic growth. The Right to Compute Act proves that principled governance can simultaneously safeguard constitutional freedoms and attract transformative investment. As AI reshapes the global economy, Montana's proactive stance positions it to capture disproportionate benefits while other states struggle with reactive, restrictive policies that drive innovation elsewhere.

MODEL LEGISLATION

► **Montana SB212- Right to Compute:**

docs.legmt.gov/download-ticket?ticketId=ab38ae4c-551c-4b8c-bd8f-1226b2d67085

RESOURCES

► **Frontier Institute, "Fact Sheet: Right to Compute Act.":**

frontierinstitute.org/wp-content/uploads/2025/05/FI-Right-to-Compute-One-Pager.pdf

6 ACCELERATING THE AUTONOMOUS REVOLUTION

America's transportation system has entered the future with self-driving cars becoming increasingly accessible. Autonomous Vehicles (AVs) promise enhanced mobility for disabled individuals, reduced logistics costs for consumers and, critically, safety improvements—they're already over three times safer than human drivers in comparable conditions. Yet our regulatory system remains stuck in the past.

The most effective approach treats the automated driving system as the legal driver when engaged. Arizona and Tennessee pioneered this framework, explicitly designating the computer system as the driver. This activates existing traffic codes for driverless operation while providing courts and insurers with clear liability pathways. Routine violations fall under standard negligence principles, while system defects trigger product liability protections.

States should resist mandating human safety operators or remote drivers in AVs. Labor groups have pushed for such requirements, citing automation concerns, but these mandates preserve the very human risks AVs are designed to eliminate and undermine deployment economics. Governors in California, Colorado, and other states have consistently vetoed union-backed legislation, recognizing that workforce transition programs address concerns more effectively than technology restrictions.

Unified statewide rules are essential. Arizona, Texas, and Tennessee prohibit local governments from imposing additional AV regulations beyond state requirements, preventing confusing municipal patchworks and providing regulatory certainty. Arizona's comprehensive framework exemplifies this balanced approach, requiring companies to demonstrate police interaction protocols, ensure safe emergency stops, report crashes promptly, and comply with safety orders. This framework has made Arizona the leading state for autonomous vehicles and a blueprint for other lawmakers.

MODEL LEGISLATION

► **Arizona House Bill 2813.**

www.azleg.gov/legtext/55leg/1R/summary/H.HB2813_032521_TRANSMITTED_DOCX.htm

RESOURCES

► **Brian Norman, "Autonomous Vehicles Thrive in Arizona's Free-Market Fast Lane," Goldwater Institute, April 1, 2025.** Available Online:

www.goldwaterinstitute.org/policy-report/autonomous-vehicles-thrive-in-arizonas-free-market-fast-lane/

7 BROADBAND DONE RIGHT: ALIGNING STATE PLANS WITH FEDERAL CHANGES

The Broadband Equity and Deployment (BEAD) program, established by Congress in 2021, represents a historic \$42.5 billion federal investment to expand broadband access across underserved America. Given this scale, cost-effective deployment is crucial to maximizing coverage.

The Biden Administration's implementation established preferences for fiber infrastructure and union labor. Supporters argued these would ensure high-quality networks and fair wages, while critics contended they could increase costs and limit contractor participation. The program also included broadband pricing provisions that some viewed as deployment barriers.

The Trump Administration revised key program elements, removing fiber preferences to allow states greater flexibility in technology, including wireless, satellite, and other solutions suited to local geography. The administration also eliminated union labor preferences, arguing this would reduce costs and expand contractor pools.

Under the updated framework, state broadband offices must align their plans with the NTIA's BEAD Restructuring Policy Notice to ensure efficient utilization of taxpayer dollars. The revised approach emphasizes technology neutrality, allowing deployment of the most appropriate broadband solution for each area's specific geographic conditions, reducing costs in challenging terrain where fiber installation is prohibitively expensive. Additionally, the Restructuring Notice removed the preference for unionized labor.

State broadband offices should prioritize private sector partnerships and expertise while avoiding government-funded networks that duplicate existing infrastructure. To accelerate deployment, states must streamline regulations by increasing municipal permitting staff and creating temporary worker programs to eliminate bureaucratic delays that can extend project timelines by months or years.

RESOURCES

► **Department of Commerce National Telecommunications and Information Administration Broadband Equity, Access, and Deployment (BEAD) Program: BEAD Restructuring Policy Notice:**

s3.amazonaws.com/connected-nation/f6f14058-13c3-406e-adc9-118f3461ae3a/bead-restructuring-policy-notice.pdf

► **Digital Liberty, "Best Practices for Broadband Expansion: A Guide for State Implementation of the BEAD Program."** Available Online:

www.digitalliberty.net/wp-content/uploads/2023/04/ATR_BEADHandbook_v5.pdf

8 CYBER-STRONG STATES: BUILDING DIGITAL FORTRESSES AGAINST MODERN THREATS

The numbers are staggering: in 2024, the Federal Bureau of Investigation documented nearly 900,000 cyber incidents across the United States, resulting in approximately \$17 billion in losses to businesses and individuals. These figures reveal a stark reality: as Americans increasingly integrate digital technology into every aspect of their lives, they become exponentially more vulnerable to sophisticated cyberattacks. From ransomware targeting hospitals and schools to data breaches exposing millions of personal records, the threat landscape continues to evolve faster than our defenses. To protect their constituents and economic interests, state lawmakers must prioritize building a comprehensive cybersecurity infrastructure that matches the scale and sophistication of modern threats.

Legislators must begin by strengthening cybersecurity protections within their own governmental systems and municipal networks. State and local governments maintain extensive databases containing citizens' personal information, tax records, voting data, and critical infrastructure details, creating an irresistible target for cybercriminals. Recent attacks on cities like Atlanta and Baltimore demonstrate how vulnerable government systems can paralyze essential services, from payroll processing to emergency response, while exposing millions of residents to identity theft and fraud. State governments must mandate regular cybersecurity training for all government employees. Since human error accounts for the majority of successful cyberattacks, whether through phishing emails, weak passwords, or social engineering, well-trained staff represent the most effective defense against digital threats. Employees who can identify suspicious activities and respond appropriately serve as an essential early warning system, often preventing minor security incidents from escalating into major breaches.

MODEL LEGISLATION

► Utah's Cybersecurity Affirmative Defense Act:

[le.utah.gov/~2021/bills/static/HB0080.htm](https://leg.utah.gov/~2021/bills/static/HB0080.htm)

► Tennessee House Bill 2434:

www.capitol.tn.gov/Bills/113/Bill/HB2434.pdf

RESOURCES

► Edward Longe, "Protecting Paradise: Cybersecurity in the Sunshine State."

The James Madison Institute. Available Online:

jamesmadison.org/wp-content/uploads/IssueCommentary_Cybersecurity_Dec2024-v02.pdf

9 SMART DATA PROTECTION WITHOUT INNOVATION PENALTIES

Despite bipartisan congressional support and overwhelming public approval, comprehensive federal data privacy legislation remains absent, forcing states to fill the void. Approximately twenty states have enacted their own privacy laws, creating a problematic patchwork that serves neither consumers nor businesses.

This fragmented system creates arbitrary inequality; a Californian enjoys robust privacy protections while neighboring state residents may have none. Businesses operating across state lines face even greater challenges, navigating conflicting requirements that impose enormous compliance costs. When forced to adopt the most restrictive standard nationwide, the most onerous state regime effectively becomes the national default.

Some states have crafted balanced frameworks protecting both privacy and innovation, while others have adopted heavy-handed European-style regulations that stifle business growth. Unfortunately, in our interconnected economy, the most burdensome regulations inevitably set the de facto national standard.

Effective federal privacy legislation must balance consumer protection with business viability. It should establish fundamental consumer rights, including data deletion, transparency in collection practices, and prompt breach notifications. These provisions empower informed consumer decisions while maintaining reasonable business expectations.

However, legislation must avoid provisions that create excessive litigation risks. Privacy laws should exclude private rights of action, which expose businesses to frivolous lawsuits without meaningfully improving consumer protection. State attorneys general and federal regulators can enforce violations more systematically and fairly.

Legislation should also include cure periods allowing businesses to correct inadvertent violations before facing penalties, recognizing that compliance involves complex technical challenges while reserving harsh penalties for willful violations.

State legislatures should pass resolutions urging congressional action. Federal legislation would establish uniform protections for all Americans while creating predictable compliance requirements that enable business innovation and growth.

MODEL LEGISLATION

► **Texas HB4:**

capitol.texas.gov/BillLookup/History.aspx?LegSess=88R&Bill=HB4

10 GOVERNMENT THAT ACTUALLY WORKS: DRAGGING BUREAUCRACY INTO THE DIGITAL AGE

Citizens demand the same seamless digital experience from government that they receive from private companies, yet most encounter a frustrating maze of disconnected websites, redundant paperwork, and outdated processes. While policymakers often chase emerging technologies like artificial intelligence, the greatest opportunity lies in completing basic digital transformation that many government functions have yet to undergo.

Decades of decentralized technology decisions have created information silos that force citizens to repeatedly submit identical data to different agencies. A parent registering their child for school might provide the same address and income information to separate departments for transportation, lunch programs, and after-school care – a process that should require just one interaction.

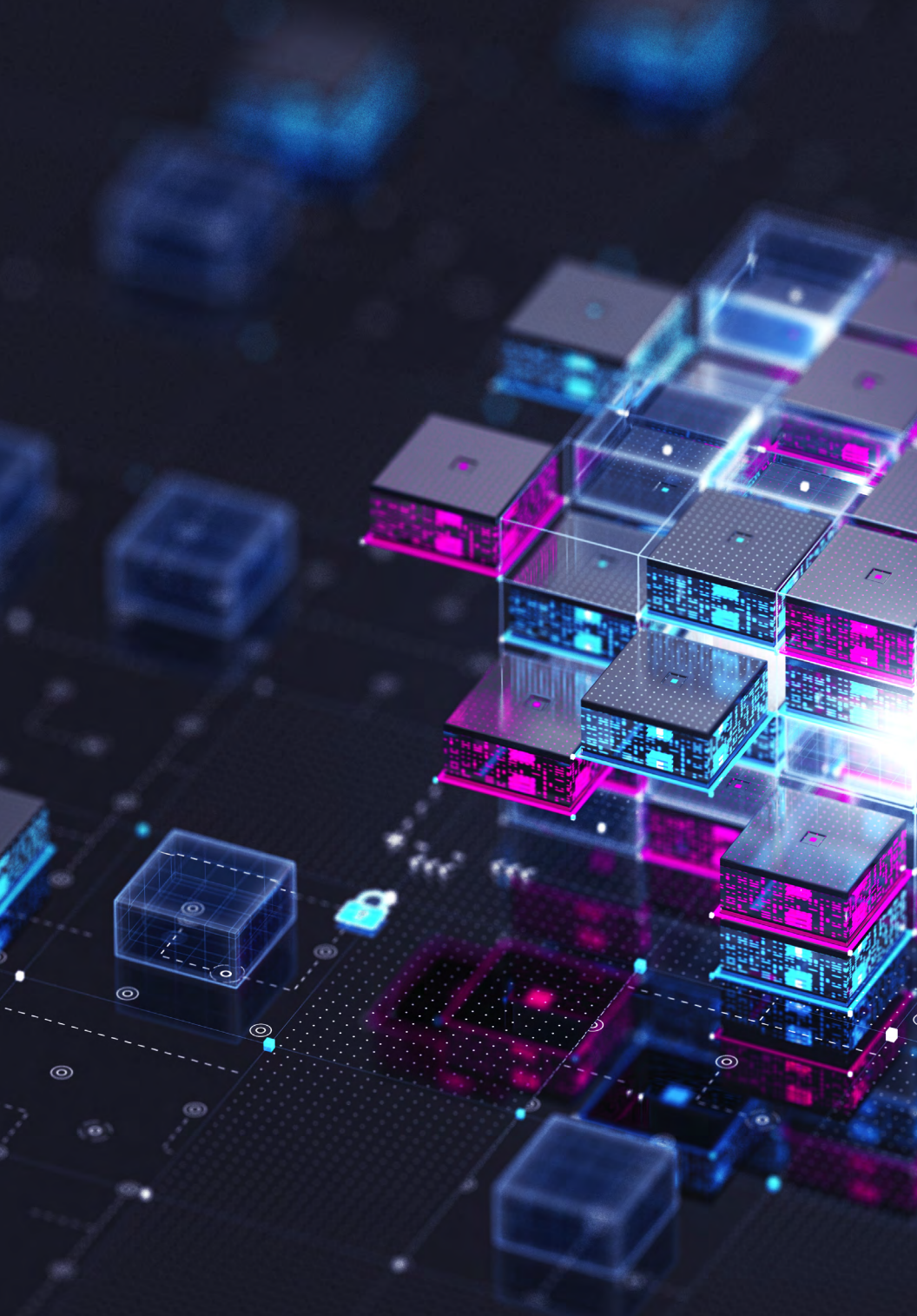
States must empower a single technology leader, such as a Chief Technology Officer, with authority to break down agency barriers and establish common standards that enable system integration. This unified approach allows governments to redesign services around citizen journeys rather than bureaucratic structures.

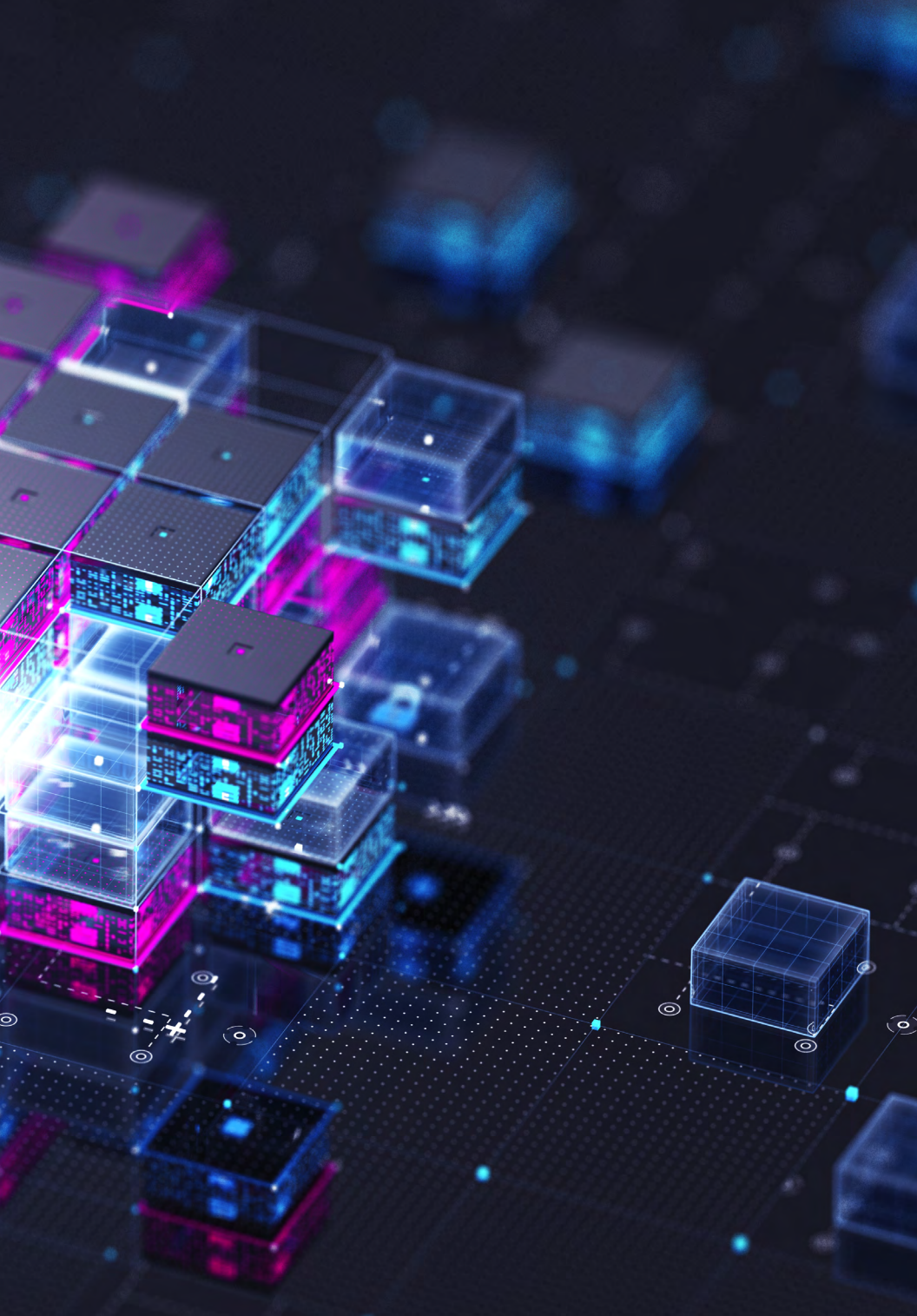
The most impactful strategy involves aggressively automating high-volume, routine transactions like permit renewals, license applications, and benefit eligibility checks. This reduces costly manual processing while freeing staff to handle complex cases requiring human judgment. Adopting a cloud-first policy for new projects provides the flexible, secure infrastructure needed to support these improvements while eliminating expensive state-run data centers.

This citizen-centric transformation delivers quantifiable benefits, including reduced processing times, lower administrative costs, fewer errors, and significantly improved satisfaction scores. Citizens complete transactions in minutes rather than weeks, often without visiting a government office. The goal isn't just digital government, it's government that works as efficiently and intuitively as the best private sector services citizens use daily, creating public institutions worthy of the digital age.

RESOURCES

► John Baily, American Enterprise Institute, May 1, 2023, "Modernizing State Services: Harnessing Technology for Enhanced Public Service Delivery," Available Online: www.aei.org/technology-and-innovation/modernizing-state-services-harnessing-technology-for-enhanced-public-service-delivery/







✉ The James Madison Institute
The Columns
100 North Duval Street
Tallahassee, FL 32301

☎ 850.386.3131

💻 www.jamesmadison.org

Stay Connected

📘 The James Madison Institute

🐦 @JmsMadisonInst

📺 youtube.com/user/JamesMadisonInstitut

📷 flickr.com/photos/jmsmadisoninst

📌 pinterest.com/jmsmadisoninst