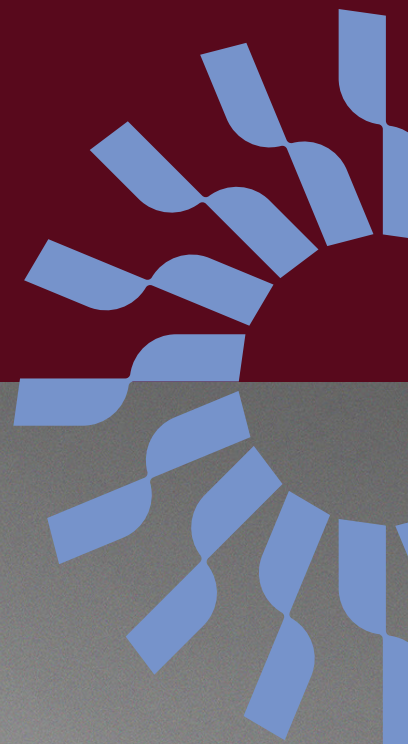




The 2026 American Technology Outlook: Intelligence from the Leaders Charting America's Technological Future



A Commonweal Ventures White Paper
December 2025

Executive Summary

America faces major challenges in the coming decades: modernizing government, powering our energy future, reindustrializing America, and defending the homeland.

In response, a rising wave of startup founders, venture capitalists, and government leaders are working together to build and support technology that strengthens America's resilience, competitiveness, and capacity to govern. **We call this ecosystem American Technology, or AmTech for short.**

This report provides an integrated view of where these leaders see the ecosystem headed in 2026: which sectors will surge, where technology can address America's toughest problems, what policy battles will shape the market, and what investors are likely to get wrong.

To build this report, Commonweal Ventures surveyed prominent founders, VCs, and public leaders in AmTech. **The respondents included partners at top-tier venture funds, founders of unicorn startups, and current and former senior US government officials at institutions including:**



Eight findings stand out:

- 1 Government Is Bad at Buying. Fixing It Will Unleash a Flood of Innovation.** *(Page 6)*
Slow, complex procurement is the single biggest obstacle preventing more startups from partnering with government—far outpacing concerns about regulation or risk aversion.
- 2 Defense Tech Is Overhyped. Energy and Health Are Where the Real Action Will Be.** *(Page 9)*
Investors warned about inflated expectations for defense with concerns about “too many young founders who have drunk the Palmer Luckey Kool-Aid” chasing a market where “hype and overvaluation will outweigh substance.” Energy and healthcare will see the most innovation in 2026.
- 3 AI Will Become Government’s Administrative Assistant.** *(Page 12)*
AI will help government do its job more effectively in 2026, taking administrative burden off public servants so they can focus on core missions. Tight state and local budgets will make adoption both practically necessary and politically defensible.
- 4 Technology Will Introduce Vulnerabilities Faster Than Government Can Respond.** *(Page 14)*
AI-generated deepfakes and voice cloning will make it harder for agencies to verify identity through traditional methods, threatening fraud prevention in government programs. Data center development will be politically contested. State-sponsored hackers will leverage AI for attacks against critical infrastructure.
- 5 Regulatory Uncertainty Will Be the Only Certainty for AI Startups.** *(Page 15)*
California, Colorado, Texas, and Utah have already enacted state-level AI laws, with at least a dozen more states considering their own. President Trump signed an executive order on December 11, 2025 directing the federal government to challenge these state laws and withhold federal broadband funding from non-compliant states, but the ultimate outcome will head to the courts, leaving startups to navigate uncertain ground for the foreseeable future.

6 **Permitting Reform Will Get Serious Attention.** *(Page 15)*

America needs to build faster or fall behind, and 2026 may finally bring meaningful attempts to streamline the permitting process for energy, infrastructure, and housing.

7 **Uncle Sam Will Double Down on Onshoring and Take Equity Stakes.** *(Page 15)*

Federal policymakers will continue using tariffs, incentives, and industrial policy tools to pull advanced manufacturing back to the US, especially in semiconductors and critical minerals. Expect more Trump Administration deals taking ownership stakes in strategically important companies.

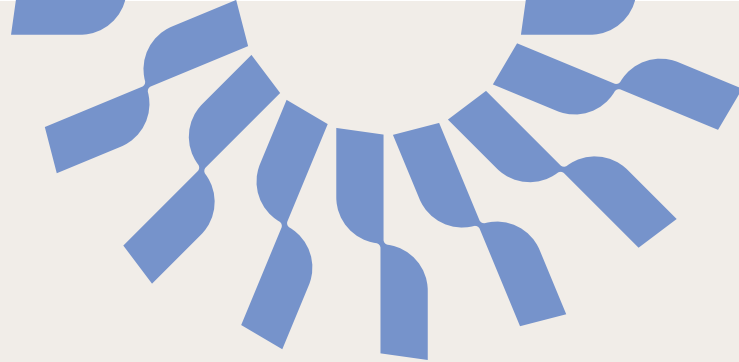
8 **Technology Will Make Critical Services More Accessible.** *(Page 13)*

Battery storage will stabilize power in underserved rural areas. Autonomous vehicles expanding to a dozen cities will bring mobility to people who can't drive or afford cars. Medicines from GLP-1s to gene therapies will reach more people at lower cost as manufacturing scales.

About Commonweal Ventures

Commonweal Ventures is an early-stage venture capital firm investing at the intersection of government and technology. We back founders building companies that matter for America at the Pre-Seed and Seed stage. Our thesis is that in sectors like energy, health, and national security, founders can seize the biggest opportunities by partnering with government. Our team, which combines experienced investors with former Cabinet members, mayors, and other senior government officials, has cracked the code on helping early-stage companies partner with government to unlock value. Join us in meeting the moment.

To learn more, visit our website at www.commonwealventures.com.



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Survey Results

Part I: Where We Are

Survey Question

From your perspective, what is the single biggest obstacle that prevents innovative startups from successfully partnering with the US government?

45% 
Slow and complex procurement

23% 
A risk-averse culture within government agencies

11% 
Startups not understanding the government's needs or sales cycles

8% 
Other (Select responses below)

7% 
Provide clearer regulatory carveouts for new tech (like AI)

5% 
Misaligned funding/budget cycles

Political polarization around both ends and means.

Government and startups don't speak the same language. Neither one knows how to talk to each other to get the right things done.

Procurement Is a Problem

We started our survey with the most basic question for respondents: What's getting in the way of strong partnership between AmTech startups and government?

They gave us a clear answer. **Government is bad at buying.**

"Startups move fast. The U.S. government does not. Young companies operate on weeks and quarters; government operates on fiscal years, procurement cycles, and layers of review. Even the most promising solutions can stall out because the system cannot move at the pace required for early-stage companies to survive."

Kerry Duggan

Former Deputy Director for Policy in the Vice President's Office, [The White House](#)

Everything else that comes as a complication of working with government is a secondary concern.

This is a longstanding problem. Government procurement is difficult for startups because the system was designed for caution and fairness, which inherently clashes with the startup imperative for speed and innovation. While risk aversion is often blamed for this tension (coming in second as an obstacle in our survey), the majority of respondents offered an important distinction: the barrier isn't the people managing the system but the system managing the people. Procurement officials are often the most vocal champions for doing things differently, but they are legally bound to follow a complicated process that structurally favors large prime contractors rather than nimble startups.



Survey Question

What one action from government would most positively impact the AmTech ecosystem in 2026?

43%

Create faster, simplified procurement paths for startups

20%

Fund more paid pilot programs and “sandbox” environments

15%

Other (a few highlights below)

8%

Launch more public-private consortiums

7%

Provide clearer regulatory carveouts for new tech (like AI)

7%

Appoint more technical/private-sector talent to leadership roles

We need structured transitions from pilots to programs of record.

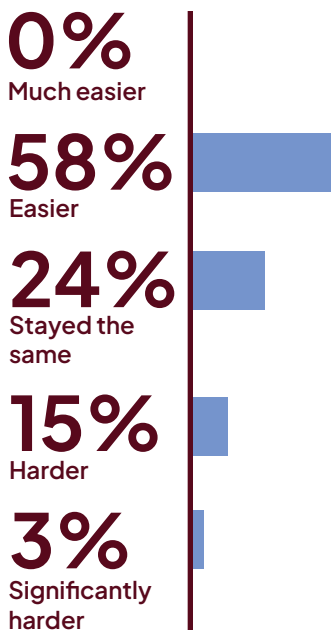
Permitting reform. Faster, lower cost deployment of infrastructure is the necessary foundation for better tech deployment. The other pathways on the list are mainly episodic and not as investably durable.

It’s no surprise, then, that most respondents also pointed to procurement reform as the single most important action government could take in 2026 to help AmTech companies succeed.

There were some encouraging steps here in 2025. The Trump Administration announced [procurement reforms at the Department of Defense](#) and [accelerated the government’s consideration of investments in sectors like critical minerals](#). At the state level, Maryland [enacted a landmark procurement reform law](#). And local governments including New York City are [experimenting with challenge-based procurement](#), which identifies a need but does not specify what a solution looks like, allowing for more creative technological solutions to break through.

Survey Question

In your opinion, over the past year, has it become easier or harder for innovative startups to partner with government?



Rising Sentiment but a Gap Between Investors and Insiders

Most respondents say it's gotten easier for startups to partner with government over the last year. That's good news, and it aligns with rising confidence across the broader startup ecosystem, where [87% of founders reported higher confidence in their companies' financial prospects this year](#).

But there's a wrinkle here. When broken down by role, investor sentiment runs 25 percentage points higher than that of current and former government officials:

- **Investors:** 69% say easier.
- **Government Officials:** 44% say easier.

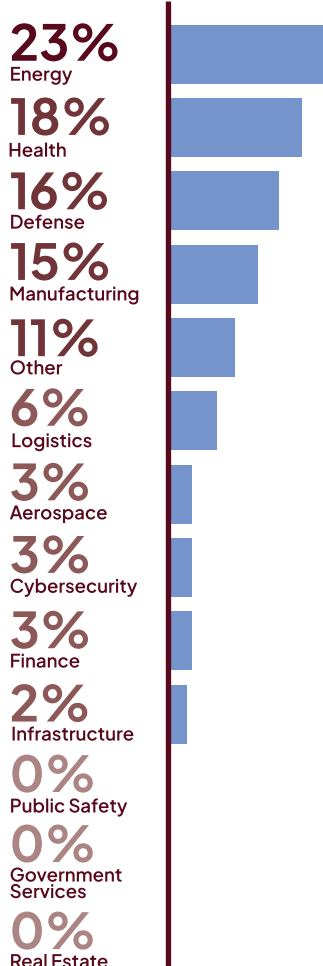
We believe this is a reflection of the two groups' unique vantage points. Investors are seeing a wave of high-level initiatives announced by the Trump Administration, [like the DoD's procurement reforms](#) and [efforts to cut red tape](#). But government officials deal with the day-to-day reality of implementing policy and know the media narrative is outpacing what's actually changing.

Whether the investors or government officials prove correct will become clearer in 2026 as announced reforms either translate into faster contract awards or leave startups mired in the procurement process.

Part II: Where We're Headed In 2026

Survey Question

Which sector do you believe will experience the most innovation in 2026?



Investors Are Getting Nervous About the Defense Tech Hype Cycle. Energy and Health Tech Are the Next Big Bets.

Measured by deal flow and media attention, 2025 was the year of defense tech. [Investors deployed nearly \\$40 billion into the sector](#) in the first three quarters of this year, driven by mega-rounds: Anduril's \$2.5 billion Series G at a \$30.5 billion valuation, Shield AI's \$268 million at \$5.3 billion, and Saronic's \$600 million at \$4 billion.

But as our respondents made clear, while the investment case for defense is still compelling, the hype around the sector has gotten overheated and produced valuations that are hard to justify, [more than tripling in the last year alone](#). As one memorable answer put it:

"Venture capitalists are betting on lots of young 20-something founders who drank the Palmer Luckey Kool-Aid. Many of whom don't have enough experience (or enough gray hair) to meaningfully scale these businesses and sell into risk-averse segments like utilities or the DoD. Some will succeed, but many won't."

Seed-Stage Climate Investor

Instead, **respondents predict that the hottest sectors for innovation in 2026 will be energy and healthcare.**

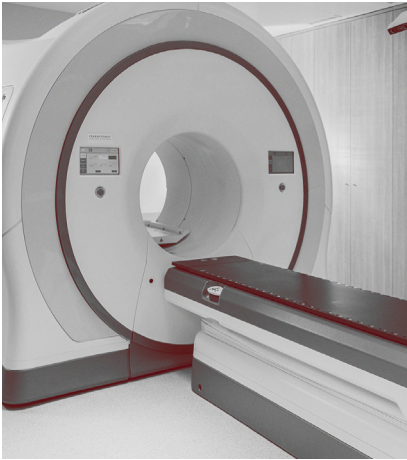
Energy will have significant tailwinds in 2026 with respondents citing four converging forces. First, data center power demands are growing exponentially due to AI, [creating urgent need for new generation capacity](#). Second, [grid constraints are becoming a bottleneck for everything](#) from AI infrastructure to electric vehicle charging. Third, [AI itself is enabling new optimization opportunities](#), from distributed energy management to predictive grid balancing. Finally, [federal policy is shifting on nuclear power](#) with growing bipartisan support for small modular reactors and streamlined permitting. Together, these factors create what respondents described as a “do or die” moment for energy innovation.



"Energy will experience the most innovation in 2026 because the market needs it, the government is subsidizing it, technology is ready for it, and industry is demanding it. Few sectors have this many simultaneous drivers pushing transformation forward. AI is 'do or die' in this market. We already have the data and compute. We now need the power."

Chandler Crie
Investor, [GE Vernova Ventures](#)

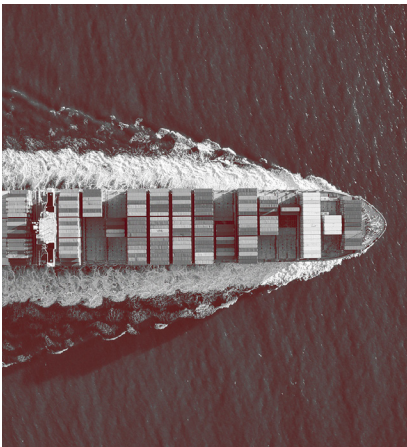
Unlike energy's “do or die” moment driven by new demand, healthcare faces the imperative to “do more with less.” Multiple respondents pointed to administrative labor as healthcare's defining bottleneck, with one noting it represents “the largest TAM in America” where AI has finally achieved “force multiplier” status. While we think the jury is still out on where exactly healthcare AI will make a difference, Menlo Ventures [issued a recent report](#) that makes the potential clear: “The \$4.9 trillion industry, which represents one-fifth of the US economy but accounts for only 12% of software spend, is now deploying AI at more than twice the rate of the broader economy.” Meanwhile, budget pressures are accelerating, driven partly by the One Big Beautiful Bill Act's \$900 billion in federal Medicaid cuts. [Almost two-thirds of states say they face at least a 50–50 chance of a Medicaid budget shortfall next year as a result.](#)



"The opportunity in health is clear: there are many tasks that are done inefficiently, reimbursement is important and complicated, and there is significant financial pressure on the sector which will encourage the adoption of technology that helps cut costs."

Chiquita Brooks-LaSure
Former Administrator, Centers for Medicare and Medicaid Services

Finally, manufacturing generated excitement among respondents who see the Trump Administration's trade policies and onshoring push creating new opportunities. There's certainly interest in the sector, but some investors offered a reality check on the potential for near-term growth. For instance:



What will investors get wrong about AmTech in 2026?

"Investors may overindex on shipbuilding as a near-term opportunity within Amtech. While there is growing policy focus on rebuilding maritime capacity, we are decades behind allies like South Korea and Japan, as well as adversaries like China. In practice, the US may continue relying on allies for ships, and domestic momentum may take longer, with more coordination, to reach scale."

Clare Brandfonbrener
Investor, Alumni Ventures

Looking at America's big challenges, name one (or more) specific areas where you believe technology will make visible, positive progress in 2026.

Survey Question

Technology Will Supercharge the Work of Government. And Threaten It.

Technology will make Americans' lives better in 2026 by speeding up the operational machinery of government. **The consensus is that AI is finally mature enough to help government do its job more effectively, taking some of the administrative burden off the plate of public servants** so they can spend more time on their agencies' core missions.

This shift will change how Americans experience core public services like policing:



"In a sector like public safety, we will see AI address the labor shortage in police and 911 center workers. Less time will be spent on admin work and report writing and more time will be spent solving crimes and saving lives."

Multi-Stage AmTech Investor

We will also see increasing adoption of AI in other unsexy but critical functions of government like benefits administration and compliance, helping public servants to more quickly deliver aid while combating fraud and bad actors.



We covered one of the big drivers of this shift earlier in our report: tight state and local budgets and the consequent pressure to do more with fewer people and resources. Figuring out how to square that circle with AI was [reportedly a major topic of discussion](#) among state CIOs at their recent annual conference.

"With tightening federal budgets, cities and states will be under increasing pressure to provide the same services with fewer resources. This reality will push municipalities to rethink how they operate and to view technology as a necessary tool to deliver services more efficiently, effectively, and responsively."

Stacey Matlen
[SVP, Partnership Fund for New York City](#)

Conversely, name one or more areas where technology will create new problems or make America's challenges worse in 2026.

Survey Question

Technology will also enable Americans to access services they currently struggle to reach because of how much they cost or where they live. [Battery storage systems are becoming economical enough](#) to stabilize power in areas in rural communities dealing with frequent electricity outages or extreme weather. Autonomous vehicles, [expanding to more than a dozen cities in 2026](#), will bring greater mobility to people who can't afford cars or can't drive. And new frontiers in medicine, from GLP-1s to [gene therapy for rare diseases](#), will become more widely available and affordable as manufacturing scales further.

While respondents are optimistic about AI's potential to solve problems, they are equally alarmed by the speed at which it is creating new ones. **The consensus view for 2026 is that technology is introducing vulnerabilities faster than government can respond**, resulting in two interconnected crises: a breakdown in public trust and risk to critical infrastructure.

1. **The Trust Crisis:** Respondents repeatedly cited the erosion of trust as a big concern for 2026. The fear is not just “fake news” but a systemic inability to verify identity or reality in government interactions.

"Fraud will surge as traditional verification methods become obsolete. Phone calls to confirm identity won't work when AI can easily mimic voices and personal info like names, dates of birth, and Social Security numbers are widely available from data breaches. "

Taylor Matthews
Founder, Farther

2. **The Infrastructure Crisis:** Data centers are drawing political fire with 230 environmental groups [demanding a construction pause](#) over mounting concerns about electricity rates, water depletion, and pollution. At the same time, state-sponsored hackers are [testing the defenses of critical systems in sectors like energy and water](#), leveraging AI to speed up and scale their operations. Together, they point to an infrastructure system that is both contested and exposed.

"Technology will also introduce real vulnerabilities where deployment is outpacing our ability to govern, secure, or understand its impacts. Risky and ill-considered site selection for data centers...will become a major national liability...while rapid digitization across critical infrastructure expands cyber exposure for hostile actors."

Kerry Duggan
Former Deputy Director for Policy in the Vice President's Office, [The White House](#)

On which issues do you expect government to take the most significant action (e.g., new policy, funding, regulation) in 2026? Why?

Survey Question

The Policy Fronts to Watch in 2026

We've looked at where technology is likely to push government in the year ahead. But influence runs both ways. So we also asked respondents where they expect the most significant policy interventions next year. Their answers reveal four clear centers of gravity:

- 1. Permitting Reform: 36% predict regulatory shifts making it easier to build new energy, infrastructure, and housing.** America needs to build faster or fall behind, and 2026 may finally bring meaningful attempts to streamline the process.
- 2. Onshoring Manufacturing: 31% predict Uncle Sam will double down on bringing factories home and taking equity along the way.** Respondents expect federal policymakers to continue using tariffs, incentives, and industrial policy tools to pull advanced manufacturing back to the US, especially in semiconductors and critical minerals. Look for more of the [Trump Administration's novel deals demanding ownership stakes](#) in strategically important companies like Intel and U.S. Steel.
- 3. AI Regulation: 16% predict state AI laws will proliferate, creating years of legal and regulatory uncertainty.** California, Colorado, and Utah have already enacted AI transparency and bias audit requirements, with at least a dozen more states expected to introduce similar legislation. [President Trump signed an executive order on December 11, 2025 seeking to block these laws](#), arguing that navigating 50 different state requirements would "destroy AI in its infancy." However, legal experts and even Republican governors like Florida's Ron DeSantis [argue this approach is constitutionally unsound](#), noting that only Congress can preempt state laws. Startups will need to navigate state compliance requirements while the administration wages likely unsuccessful legal battles that could drag on for years.
- 4. Defense Modernization: 11% predict the biggest policy shifts will center on countering rising threats from China.** That includes upgrading US defense capabilities, accelerating acquisition, and fast-tracking emerging technologies onto the battlefield.

Respondents were just as quick to note where government might fall short. The other half of the story in 2026 may be a persistent mismatch between what government says it wants to do, or tries to do, and what it's structurally capable of delivering.

"Advances will more likely occur despite government action, instead of because of it...Rhetoric is still highly mismatched from reality."

James Connaughton
Former Chair, White House Council on Environmental Quality

What do you think investors will get wrong about AmTech in 2026?

Survey Question

Contrarian Views

A predictions report wouldn't be complete without asking where the predictions might be wrong. So we asked respondents where they think the market might get it wrong in 2026:

1. Investors Are Underestimating Government's Appetite for Regulation

Some investors assume AmTech will advance fastest with minimal rules around AI and are bullish on the idea that with President Trump in office, they'll be protected from muscular regulation. But as Stacey Matlen of the Partnership Fund for New York City pointed out, governments are responsive to a broad range of stakeholders with views that can diverge sharply from the technology sector:

"It is unrealistic to think government will operate without guardrails, since its core job is to protect residents. Agencies like fire departments, police departments, and water utilities are responsible for preventing harm, so it makes sense that they will put protections in place to ensure AI is used safely."

Stacey Matlen
SVP, Partnership Fund for New York City

The companies that succeed will be those that accept that government has responsibilities to multiple stakeholders beyond the tech sector, and approach policy conversations looking for solutions that address everyone's concerns.



2. AI Pandemonium

Opinions vary wildly on where AI investment is headed. Some worry about a bubble and say that “FOMO drives significant overinvestment” or that the market will crash next year. Others think caution is the real risk and say that “investors expecting the AI bubble to pop will miss out.”

Laurence Pevsner of Lux Capital thinks there’s a bigger blind spot that cuts across both camps:

"Everyone assumes the AI race is about which company, hopefully American, captures the market. It's actually a battle of open versus closed, and I think in 2026 we will see the companies that invested in open will undermine their closed competitors."

Laurence Pevsner
Partner, Research at Lux Capital

On the line: a few trillion dollars.

3. Atoms Move Slower Than Bits (And Investors May Forget)

Physical-world businesses move slower than software businesses, and investors accustomed to software timelines may underestimate this friction. “I think it is significantly harder to do things fast in the world of atoms than investor timelines are taking into context,” said one investor. Another echoed the point: “Too many will confuse technological promise with operational feasibility, ignoring the physical, regulatory, and workforce foundations required to scale in the real world.”

Conventional venture wisdom dictates that hardware companies often require more capital, longer timelines, and different growth trajectories than pure software plays, but the best ones can eventually address trillion-dollar markets.

The counterpoint is worth stating plainly: All it takes is one great company to break through the noise and redefine what’s possible. A challenger defense prime would have seemed absurd in 2017, but Anduril exists now, and the funding environment around defense innovation has caught up to that reality.

Category leaders like Anduril, Base Power, and SpaceX are shaping new narratives and fund strategies; whether prices and speed-of-execution create a dozen more standouts or a hundred is an open question.

CONCLUSION

The findings in this report provide a rare view into where American Technology is headed and what America needs, based on the views of those with real influence over its path.

Respondents expect significant advances in energy, healthcare, and domestic manufacturing, driven by both public and private forces. They anticipate that AI will become a more integrated part of government operations, improving the reliability and responsiveness of services that have long been constrained by labor shortages and administrative burden. They also point to products that will tangibly improve our lives next year, becoming cheaper and more accessible, from batteries that help us power our homes through blackouts to the self-driving cars that were once science fiction. On each of these fronts, **the alignment between America's technological capability and national priority is tightening.**

The survey also points to persistent institutional barriers that will impede progress in 2026. The procurement system remains slow, fragmented, and difficult to navigate. Critical infrastructure is expanding faster than it can be secured. AI is increasingly the subject of political battles. And state and local governments, where many of the most consequential decisions will be made, face real budgetary stress. Respondents question the near-term ability of institutions to execute at the required speed and scale.

Former Undersecretary of State Robert Hormats said it best:

"The big question is whether institutions can modernize fast enough."

*Ambassador Robert Hormats
Former Undersecretary of State*

That question is the through-line of the entire survey. AmTech's trajectory next year will depend less on technological breakthroughs than on whether government, at all levels, can implement the reforms, operational changes, and risk-management capacity needed to match the pace of innovation.

We are grateful to every respondent who helped make this report possible by giving their time. Thank you!

APPENDIX

Original Survey Text 2026 Predictions on Technology & America's Future

Commonweal Ventures is conducting a survey for leaders in government, venture capital, and technology who are focused on deploying technology to solve America's biggest challenges. These challenges span from national security and public health to energy independence and re-industrialization. We call the tech-ecosystem that is tackling these challenges "**American Tech**," or **AmTech** for short.

In short, we would love to hear what you think the next year holds in store for AmTech.

The results of this survey will be featured in Commonweal's 2026 AmTech Outlook. This survey will take approximately 10 minutes.

*1. Your Information

First name

Last name

Email

Employer/Company

4. Which of the following best describes the primary lens through which you are taking this survey?

- ☐ Investor (e.g., Venture Capital, LP, Growth Equity)
- ☐ Current or Former Government Official (e.g., Federal, State, Local; Military)
- ☐ Founder or Operator (e.g., at a technology company)
- ☐ Other (e.g., Academia, Media, Think Tank, Services)

5. What are the primary sectors you focus on? Choose one or more.

- ☐ Health
- ☐ Energy
- ☐ Public Safety
- ☐ Defense
- ☐ Aerospace
- ☐ Logistics
- ☐ Manufacturing
- ☐ Cybersecurity
- ☐ Infrastructure
- ☐ Finance
- ☐ Real Estate
- ☐ Government Services
- ☐ AI
- ☐ Other

6. Have you ever worked in or for government (including military service)?

- ☐ Yes
- ☐ No

7. From your perspective, what is the single biggest obstacle that prevents innovative startups from successfully partnering with the US government?

- ☐ Slow and complex procurement/contracting
- ☐ A risk-averse culture within government agencies
- ☐ Lack of technical talent inside government to integrate new tech
- ☐ Unclear road maps or regulations from government
- ☐ Startups not understanding the government's needs or sales cycles
- ☐ Misaligned funding/budget cycles
- ☐ Other

8. Why?

9. In your opinion, over the past year, has it become easier or harder for innovative startups to partner with government?

- ☐ Significantly easier
- ☐ Easier
- ☐ Stayed the same
- ☐ Harder
- ☐ Significantly harder

10. Which sector do you believe will experience the most innovation in 2026?

- ☐ Health
- ☐ Energy
- ☐ Public Safety
- ☐ Defense
- ☐ Aerospace
- ☐ Logistics
- ☐ Manufacturing
- ☐ Cybersecurity
- ☐ Infrastructure
- ☐ Finance
- ☐ Real Estate
- ☐ Government Services
- ☐ Other

11. Why did you choose that sector?

12. Looking at America's big challenges, name one (or more) specific areas where you believe technology will make visible, positive progress in 2026.

13. Conversely, name one or more areas where technology will create new problems or make America's challenges worse in 2026.

14. On which issues do you expect government to take the most significant action (e.g., new policy, funding, regulation) in 2026? Examples: energy independence, public health, government modernization, onshoring manufacturing.

15. Why?

16. What one action from government would most positively impact the AmTech ecosystem in 2026?

- ☐ Create faster, simplified procurement paths for startups
- ☐ Fund more paid pilot programs and "sandbox" environments
- ☐ Appoint more technical/private-sector talent to leadership roles
- ☐ Provide clearer regulatory carveouts for new tech (like AI)
- ☐ Launch more public-private consortiums
- ☐ Other

17. What do you think investors will get wrong about AmTech in 2026?

18. If we quote you in our report, may we attribute your responses by name?

☐ Yes

☐ No