ML STRATEGIES

OMB Issues New Guidance for the Federal Government's Use of AI, and President Trump Signs EO for AI Data Centers — AI: The Washington Report

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VIEWPOINT TOPICS

- Artificial Intelligence
- AI: The Washington Report

- On April 7, the White House Office of Management and Budget (OMB) released two memoranda on revised policies for the federal government's acquisition and adoption of AI, pursuant to President Trump's January AI Executive Order.
- Both memoranda rescind and replace OMB guidance issued under the previous administration, "[removing] unnecessary bureaucratic restrictions," according to the White House. Among other changes, the memoranda create a single high-impact AI category, replacing the previous administration's multi-tiered AI risk level classification system.
- The new memoranda are the first binding concrete AI policies put out by the new administration. They underscore the administration's stated commitment to harnessing the power of AI in the federal government by removing requirements for federal agencies that may limit or delay their use of AI. However, the memoranda keep in place certain existing safeguards around civil rights and privacy.
- On April 8, President Trump also signed an Executive Order to increase domestic coal production to power AI data centers, building on previous actions to expand AI infrastructure.

On April 7, 2025, the White House Office of Management and Budget (OMB) released two memoranda, **M-25-21** and **M-25-22**, on the federal government's acquisition and adoption of AI, pursuant to President Trump's **January AI Executive Order** (AI EO). Both memoranda rescind and replace OMB guidance issued under the previous administration. The revised policies aim to "remove unnecessary bureaucratic restrictions, allow agencies to be more efficient and cost-effective, and support a competitive American AI marketplace," **according to** the White House. On April 8, President Trump also signed an **Executive Order** to increase domestic coal production to power AI data centers.

The new OMB memoranda are the first binding, concrete AI policies put out by the new administration. They underscore the administration's **stated** commitment to harnessing the power of AI in the federal government by removing requirements for federal agencies that may limit or delay their use of AI, while still keeping in place certain safeguards around civil rights and privacy.

Memorandum on AI Adoption

M-25-21, titled "Accelerating Federal Use of AI through Innovation, Governance, and Public Trust," aims to "lessen the burden of bureaucratic restrictions and to build effective policies and processes for the timely deployment of AI," while "maintaining strong safeguards for civil rights, civil liberties, and privacy." This memorandum rescinds and replaces OMB memorandum M-24-10, which **we wrote about**. The new memorandum creates five main changes:

- **Agency Chief AI Officers.** The memorandum keeps in place agency Chief AI Officers (CAIO), which were created by the previous administration, but modifies their responsibilities to focus on "[removing] barriers to AI innovation." "Rather than overseeing layers of bureaucracy," CAIOs will "serve as change agents and AI advocates," tasked with "promoting agency-wide AI innovation and adoption for lower risk AI, mitigating risks for higher-impact AI, and advising on agency AI investments and spending."
- **Single "High-Impact AI" category**. The memorandum establishes a single high-impact AI category, replacing the previous administration's multi-tiered AI risk level classification system, which **we covered**. High-impact AI is defined to include AI with an output that serves as the basis for decisions that relate to civil rights, civil liberties, or privacy; access to education, housing, insurance, credit, employment, and other programs; and human health and safety, among other categories. For high-impact AI, agencies must implement a number of minimum risk management practices, including conducting pre-deployment testing; completing AI impact assessments, with a focus on "privacy, civil

rights, and civil liberties," and conducting "ongoing monitoring for performance and potential adverse impacts," among other practices.

- **Agency AI Maturity Assessment.** Each agency should also "assess their AI maturity goals and accelerate and scale AI adoption." They should "strive to utilize and scale existing tools, processes, and resources for AI governance whenever possible to avoid the creation of additional bureaucracy, and invest in technical solutions to make compliance more efficient."
- **Sharing of Agency Data and AI Assets.** Agencies are directed to "save taxpayer dollars by actively engaging in quality data governance and management and the reuse of data and AI assets." CAIOs are encouraged to coordinate "on criteria for data interoperability and standardization of data formats as a means of increased AI adoption."
- **Agency AI Strategy.** The memorandum directs each agency to develop, within 180 days of the memorandum's issuance, an "AI strategy for identifying and removing barriers to their responsible use of AI and for achieving enterprise-wide improvements in the maturity of their applications."

Memorandum on AI Acquisition

M-25-22, titled "Driving Efficient Acquisition of Artificial Intelligence in Government," provides federal agencies with guidance "on how to acquire best-in-class AI quickly, competitively, and responsibly." The memorandum rescinds and replaces OMB memorandum M-24-18 and focuses on promoting American-made AI technologies and standardizing AI requirements across federal agencies.

- **AI Acquisition Lifecycle Guidance.** M-25-22 delineates standardized requirements for agencies as part of their AI acquisition practices. The new approach "removes burdensome agency reporting requirements and optimizes the acquisition process, while continuing to protect privacy and ensure lawful use of government data." Agencies are also encouraged to use "performance-based acquisition techniques" to ensure their "needs are met by defining metrics to maintain and improve performance of the AI system or service."
- **Focus on American-Made AI**. The memorandum establishes that it is the policy of the US "to buy American and to maximize the use of AI products and services that are developed and produced in the United States."
- **IP Rights Protections**. M-25-22 charges each federal agency to revisit and, if necessary, update "its process for the treatment of data ownership and IP rights in procurements for AI systems or services."

The memoranda were both issued pursuant to President Trump's January AI Executive Order. As **we wrote about**, the Trump AI EO ordered the OMB Director to, within 60 days of the order, revise OMB Memoranda M-24-10 and M-24-18 "as necessary to make them consistent with the" US policy on AI. According to the AI EO, the AI policy is "to sustain and enhance America's global AI dominance in order to promote human flourishing, economic competitiveness, and national security."

EO on Coal Production for AI Data Centers

On April 8, President Trump signed an EO to promote the American coal industry to "meet the rise in electricity demand due to the … construction of artificial intelligence data processing centers." The EO directs the Secretary of the Interior, Secretary of Commerce, and the Secretary of Energy to, within 60 days of the EO, complete three tasks:

1. "Identify regions where coal-powered infrastructure is available and suitable for supporting AI data centers;"
2. "Assess the market, legal, and technological potential for expanding coal-based infrastructure to power data centers to meet the electricity needs of AI and high-performance computing operations;" and
3. Submit a report with their findings to the White House's lead technology advisors.

The EO builds on previous actions by the administration to support AI data centers, including the administration's January announcement of $500 billion in private investments in AI infrastructure, which **we wrote about**.

We will continue to monitor, analyze, and issue reports on these developments. Please feel free to contact us if you have questions as to current practices or how to proceed.

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