ML STRATEGIES

Senate Strikes 10-Year State Law Moratorium from Budget Reconciliation Bill and Trump Plans to Sign AI Growth Executive Order — AI: The Washington Report

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VIEWPOINT TOPICS

- Artificial Intelligence
- AI: The Washington Report

- On Tuesday, July 1, the Senate passed the "Big Beautiful Bill" with Vice President Vance casting the tie-breaking vote.The bill as passed contains no moratorium on state-level AI laws. Even after the provision that had passed the House was modified to satisfy the Senate Parliamentarian, support for such a provision was elusive. Ultimately, the provision was stricken by a vote of 99–1. Opponents — including state attorneys general, civil rights advocates, and some GOP senators — were successful in arguing that a moratorium undermined consumer protections and infringed on state sovereignty.
- In other news, when asked about AI's implications on trade, new deals, and jobs, and what can be done to offset job cuts resulting from AI's growth, President Trump emphasized the importance of attracting more companies and creating additional employment opportunities. Trump claims that the US is dominating AI and calls for diversifying energy through oil, nuclear, gas, and "clean, beautiful coal," similar to China's energy model.
- President Trump is planning executive orders to accelerate US AI development and compete with China by expanding energy infrastructure and fast-tracking data center construction. The plan includes streamlining permits, using federal land for AI facilities, and promoting traditional energy sources like oil, gas, and nuclear. Trump aims to unveil the full initiative, called the "AI Action Plan," by late July.

Senate Strikes 10-Year AI State Law Moratorium from Budget Reconciliation Bill

The Senate voted to remove the AI moratorium from the "One Big, Beautiful Bill" in a 99-1 vote early Tuesday morning. The amendment to eliminate the provision was co-sponsored by Senators Marsha Blackburn (R-TN) and Maria Cantwell (D-WA).

There had been a tentative compromise under discussion whereby a provision would attach a five-year moratorium on state AI regulation to federal funding through the BEAD program, **as we covered**. Under this approach, states would be allowed to enforce general laws such as those regarding harmful usage of AI "[that] may address, without undue or disproportionate burden, artificial intelligence," but would be barred from other regulation of AI models.

Although the moratorium has been excluded from the federal reconciliation bill and is likely to be part of whatever final bill goes to the President for signature, some tech companies are likely to continue to push for federal regulation that preempts the varying approaches emerging from the states. There are hundreds of bills introduced in almost every state, and several states have passed AI legislation.

Trump Still Plans to Issue Executive Orders in July, Including Those to Meet Increased Energy Demands for AI Growth

As part of its comprehensive AI plans scheduled to be unveiled later this month the Trump administration is proposing a set of executive orders to significantly and rapidly increase energy supply to train AI systems. As technological competition between the US and China grows, the race to dominate AI is

creating high energy demands, following the President's goal to create an AI Action Plan to "make America the world capital in artificial intelligence and reduce regulatory barriers."

Several power companies have expressed concerns, saying that the power demand to run AI data centers "could increase more than thirtyfold by 2035" and that electricity consumption will "grow five times as fast" between 2024 and 2029.

In January, President Trump rescinded a 2023 executive order issued by President Joe Biden, which mandated companies to share potential risks and safety test results with the government and directed agencies to set standards to guard against risks like cyber threats, bias, and deepfakes. The Trump administration aims to remove such federal oversight requirements to maintain the "US's competitive edge globally." This brings concerns about the existing, overwhelmed transmission infrastructure and its ability to maintain rapid AI deployment, and the amount of time required to complete impact studies for new projects connecting to the grid.

The planned orders, however, apparently will propose to identify and prioritize more fully developed power projects for connection. The administration is also making efforts to streamline permits by proposing to create a nationwide Clean Water Act permit that would not require companies to seek permits for each state in which their data centers operate. Under these actions, power-generating projects would also be able to easily connect to the grid, and federal land would be offered to build more data centers.

President Trump also highlighted the Stargate Project in January, a multibillion-dollar effort led by several AI companies, to build AI centers and create 100,000 jobs in the United States. When asked about the impact of AI's rapid growth on jobs, Trump emphasized the need for attracting more companies and creating more employment opportunities through AI development. He maintains his priority to win the AI race against China, and the need to shift toward diversified energy such as nuclear, oil, and gas, and "clean, beautiful coal," like China's energy model.

The report for the AI Action Plan will likely include recommendations from the National Security Council and aims to streamline development and reduce federal oversight and is to be released on July 23.

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

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