The Association for the Advancement of Business AI (AABA) Responds to OMB Guidelines on AI Adoption and Acquisition

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The Association for the Advancement of Business AI (AABA) welcomes the release of two recent memoranda from the Office of Management and Budget (OMB): Memorandum M-25-21 and Memorandum M-25-22, which establish comprehensive frameworks for federal use and acquisition of artificial intelligence (AI). In the context of unprecedented global activity in AI development, investment, and regulation, these frameworks represent important steps toward American leadership in this critical domain.

Posted at www.whitehouse.gov on April 3, the two memoranda work together to establish a comprehensive framework and timelines for the federal executive branch in accelerating the adoption of AI, along with the efficient acquisition of AI systems and services. *A condensed summation of each memorandum is appended at the end of this paper.*

While M-25-21 addresses how federal agencies should implement and govern AI systems, (including creating Chief AI Officer positions, developing AI strategies, and implementing risk management practices), M-25-22 builds upon that guidance with a focus on AI procurement and acquisition aspects.

The AABA recognizes the significant value in the federal AI governance framework and commends its alignment with many competitive realities. However, the acceleration of global AI development, massive international investments, and rapidly proliferating regulations necessitate an implementation approach that matches the unprecedented pace of change in this domain. We stand ready to collaborate with federal agencies to ensure American leadership in AI development, deployment, and governance.

The following provides The AABA's assessment of, and viewpoint on, these new federal AI frameworks:

I. Rapidly Evolving Global AI Landscape

As we evaluate these federal frameworks, it's essential to understand the dramatic acceleration of the global AI race. Factors include:

- **Performance Convergence**: Chinese AI models have rapidly closed performance gaps with U.S. models from double digits in 2023 to near parity in 2024, despite facing export controls on advanced chips. Breakthroughs from companies like DeepSeek show that innovation can thrive in the face of hardware limitations.
- **Investment Disparities**: While U.S. private AI investment ($109.1 billion) significantly outpaces China's ($9.3 billion), other nations are making massive government investments, including China's $47.5 billion semiconductor fund, France's €109 billion commitment, and Saudi Arabia's $100 billion Project Transcendence.
- **Regulatory Acceleration**: AI-related regulations in the U.S. more than doubled from 25 in 2023 to 59 in 2024, while state-level AI legislation increased from 49 laws in 2023 to 131 in 2024. Globally, legislative mentions of AI rose 21.3% across 75 countries, marking a ninefold increase since 2016.
- **Efficiency Gains**: The inference cost for AI systems has dropped 280-fold in two years, while hardware costs have declined 30% annually and energy efficiency improved by 40% each year. These gains enable broader adoption and deployment, raising the stakes for timely implementation.

II. Strategic Alignment with Federal Frameworks

The AABA commends several key aspects of the federal frameworks that align with the competitive realities we face, in particular:

- **Pro-Innovation Approach**: The directive to agencies to "adopt a forward-leaning and pro-innovation approach" and "remove unnecessary and bureaucratic requirements" aligns with data showing AI business usage has jumped from 55% to 78% in just one year, with generative AI use more than doubling from 33% to 71%.
- **American Leadership Focus:** The commitment to "maximize the use of AI products and services that are developed and produced in the United States" addresses the reality that while the U.S. leads in notable AI model development (40 vs. China's 15 in 2024), China dominates in publications, patents (69.7% of all AI patents), and industrial robotics (51.1% of global installations).
- **Strategic Governance Structure**: The establishment of Chief AI Officers and agency AI Governance Boards creates accountability as organizations report financial impacts from AI, though most currently see modest gains (less than 10% cost savings, less than 5% revenue increases).
- **Data and IP Protection**: The focus on intellectual property rights is critical as nearly 90% of notable AI models now come from industry rather than academia, up from 60% in 2023, making industrial IP increasingly valuable.
- **Model Sharing Requirements**: The directive to share AI code and models government-wide aligns with research showing that open-weight models have nearly closed the

performance gap with closed models, reducing differences from 8% to 1.7% in a single year.

- **Risk Management with Flexibility**: The balanced approach to AI governance is essential as AI incident reports increased 56.4% in 2024, while global perceptions of AI's benefits vary dramatically by region (83% positive in China vs. 39% in the U.S.).

III. Critical Opportunities for Enhanced Implementation

In light of the unprecedented pace of global AI development and increasing regulatory activity worldwide, we identify several areas where federal implementation must be accelerated, including:

- **Implementation Velocity**: The current timelines spanning 180-365 days require acceleration as performance data shows Chinese AI models have closed the gap from 17-32 percentage points to 0.3-8 points in just one year, despite hardware limitations. Meanwhile, U.S. states have already enacted 131 AI-related laws in 2024, more than doubling the previous year's total.
- **Governance Efficiency**: While the governance structure is well-designed, experiences from companies like DeepSeek demonstrate that smaller organizations ($6 million budget vs. hundreds of millions) can achieve comparable results to tech giants when focused on efficient innovation rather than complex processes. This efficiency becomes crucial as 78% of organizations now report using AI (up from 55%).
- **Balance Between Risk Management and Innovation**: As the FDA approved 223 AI-enabled medical devices in 2023 (up from just six in 2015) and autonomous vehicles provide over 150,000 rides weekly, the need to balance safety with progress becomes critical. Evidence suggests most AI users actually see modest financial impacts (less than 10% cost savings), indicating we need both greater protection and accelerated adoption.
- **National Security and Industrial Integration:** With China installing 276,300 industrial robots in 2023 (7.3 times more than the U.S.), international governments investing massively in AI infrastructure, and model development requiring increasingly sophisticated hardware, stronger coordination between defense, energy, and industrial policies is essential to maintain American competitiveness.

IV. Strategic Recommendations Based on Global Competitive Intelligence

Drawing on comprehensive global AI trends and competitive analysis, we offer the following recommendations to enhance implementation:

1. Accelerated Federal-State Coordination: Establish mechanisms to align the rapidly evolving state-level AI legislation (131 laws in 2024) with federal frameworks to prevent regulatory fragmentation while fast-tracking the most time-sensitive elements of federal implementation.

2. Data Sovereignty and Infrastructure Investment: Develop tax incentives for on-premises AI infrastructure to match international investment (China's $47.5B semiconductor fund, France's €109B commitment) as data restrictions increase significantly—with use restrictions on websites jumping from 5-7% to 20-33% in one year.

3. Regulatory Adaptability Framework: Implement mandatory 18-24 month regulatory review cycles that align with the establishment of AI safety institutes worldwide (U.S., U.K., Japan, France, Germany, etc.) and the emerging evidence that AI systems still demonstrate significant limitations in complex reasoning and exhibit implicit biases.

4. Strategic Dual-Use Program Expansion: Develop programs that leverage AI advancements in healthcare (where top AI systems now outperform doctors in some diagnostic tasks) and autonomous systems for both civilian and defense applications, maximizing taxpayer return on investment.

5. Energy and Computational Infrastructure Planning: Coordinate energy policy with AI development as major tech companies secure nuclear power agreements (Microsoft's $1.6B Three Mile Island deal) and carbon emissions from AI training increase dramatically (GPT-4 at 5,184 tons, Llama 3.1 405B at 8,930 tons).

6. Public Trust Enhancement: Address the significant regional differences in AI perceptions (83% positive in China vs. 39% in the U.S.) by developing communication strategies that highlight productivity gains while acknowledging growing public concerns about AI ethics and bias.

V. Summary: A Comprehensive Assessment of AI Governance Approaches Against Global Reality

Based on extensive global evidence across technical performance, investments, regulations, and market adoption, we offer this detailed analysis of how both approaches align with reality:

AABA's Published Strategy Aligns with Reality

- **Data Sovereignty Framework:** AABA's emphasis on on-premises solutions is directly validated by the 400% increase in data use restrictions (5-7% to 20-33%) within one year and Microsoft's $1.6B investment in dedicated AI power infrastructure at Three Mile Island.

- **Standards-Based Resilience**: The call for NIST to establish interoperability standards is supported by open-weight models closing the performance gap from 8.04% to 1.70% in a single year, showing standardization enhances rather than inhibits innovation.
- **Adaptive Governance**: AABA's recommendation for 18 to 24 month review cycles perfectly matches the empirical pace of AI development, as MMLU performance gaps between U.S. and Chinese models narrowed from 17.5 to just 0.3 percentage points within that timeframe.
- **National Security Integration:** The framing of AI as "the foundation of military superiority" is validated by China's 51.1% share of global industrial robot installations and 69.7% of all AI patents, demonstrating the direct economic-security connection.
- **Competitive Flexibility**: AABA's warning against "slow implementation timelines" is validated by the DeepSeek case—achieving state-of-the-art performance with $6 million versus competitors' hundreds of millions despite hardware limitations.

The Government Memoranda is Aligned with Reality

- **Chief AI Officer Structure**: The mandate to establish CAIOs addresses the documented reality that 78% of organizations now use AI (up from 55%), with generative AI business function use more than doubling from 33% to 71%.
- **Risk Management Framework**: The detailed requirements for high-impact AI oversight address the 56.4% increase in AI incidents (233 in 2024) and FDA's approval of 223 AI-enabled medical devices in 2023 (from just six in 2015).
- **IP Protection Requirements**: M-25-22's focus on protecting government data aligns with industry now producing 90% of notable models (up from 60%), making intellectual property increasingly critical as costs drop 280-fold.
- **American-Made AI Prioritization**: The "buy American" provisions reflect the U.S. private investment advantage ($109.1B vs China's $9.3B) that must be leveraged to maintain leadership as China narrows the qualitative gap.
- **Transparency and Sharing**: The directive to share AI code government-wide aligns with foundation model transparency scores increasing from 37% to 58%, showing transparency enhances rather than hinders progress.

AABA and the US Government Memoranda are in Alignment

- Both prioritize removing unnecessary barriers to AI adoption, matching evidence that AI boosts productivity and helps narrow skill gaps across the workforce.
- Both recognize data sovereignty as critical, aligning with trends showing dramatic increases in data use restrictions and declining public trust in data protection (from 50% to 47%).

- Both frame AI as a strategic national asset, supported by the rapid global deployment of AI safety institutes across 15 countries and massive government investments (France's €109B, Saudi Arabia's $100B).
- Both advocate flexible governance structures, matching the reality that AI incident reports continue to increase despite advances in safety measures.

AABA and the US Government Differ and Why

1. Implementation Velocity:

AABA calls for rapid action while memoranda set 180 to 365 day timelines

Reality: Chinese models closed performance gaps from double digits to near parity in one year, and U.S. states enacted 131 AI laws in 2024 (more than double 2023)

Actionable Solution: Implement a tiered approach with 60-day fast-track for market-sensitive provisions and 180+ days for complex governance elements

2. Risk-Innovation Balance:

AABA frames ethics as "strategic tools, not constraints" while memoranda emphasize detailed risk protocols

Reality: AI medical device approvals surged from 6 to 223 while AI incidents increased 56.4% in one year

Actionable Solution: Develop risk matrices with expedited pathways for lower-risk applications while maintaining protections for high-impact systems. use common sense and not Government regulations as the criteria for what is acceptable.

3. Security-Civilian Focus:

AABA emphasizes defense integration while memoranda take a whole-of-government approach

Reality: China leads in industrial robotics and AI patents while public sentiment varies dramatically by region (83% positive in China vs. 39% in U.S.)

Actionable Solution: Create specific dual-use integration offices focused on key sectors (healthcare, transportation, energy) with expedited procurement authorities

4. Regulatory Philosophy:

AABA warns against "overregulation" while memoranda establish comprehensive frameworks

Reality: Federal AI regulations more than doubled in 2024 while performance gaps with China narrowed dramatically

Actionable Solution: Establish regulatory sandboxes with fast-track provisional approvals for innovations that demonstrate basic safety protocols. This will cause the downfall of the United States.

VI. The Path Forward:

The optimal approach combines AABA's competitive urgency with the government's emphasis on responsible deployment. **We recommend**:

1. **Fast-track critical provisions** of the memoranda to 90-day implementation for competitive elements while maintaining 180-365 day timelines for complex governance structures

2. **Establish a cross-agency AI competition response team** with authority to expedite approvals in areas where international competitors are gaining ground

3. **Develop tiered risk management protocols** that scale requirements based on actual demonstrated risk rather than potential impact categories

4. **Create dual-use development accelerators** that coordinate defense and civilian AI applications to maximize research efficiency and deployment speed

The evidence overwhelmingly suggests that while both approaches have merit, implementation speed is the most critical factor in maintaining U.S. leadership, as demonstrated by China's rapid closing of performance gaps despite resource constraints.

About the AABA

We empower businesses to take charge of their AI strategies by prioritizing sovereignty, ensuring resilience, and fostering robust governance. Our approach emphasizes delivering secure, efficient, and reliable AI solutions designed to uphold control and trust, to *unlock AI's potential to enhance business performance*. To learn more about AABA's mission and vision, visit us at www.aab-ai.org

About the Author

Ronald P. Reck is a leader in artificial intelligence (AI), policy analysis, and enterprise AI implementation, with a strong focus on U.S. competitiveness and technology-driven economic growth. He is the founder of the **American Association for Business AI (AABA)**, a professional organization dedicated to advancing cost-effective, vendor-agnostic AI solutions that prioritize American interests.

The AABA acknowledges that this document reflects the author's original work and judgement, developed with the support of generative AI tools as part of the research and drafting process.

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Summary of OMB Memorandum M-25-21:

Accelerating Federal Use of AI through Innovation, Governance, and Public Trust

This memorandum, issued on April 3, 2025, by OMB Director Russell T. Vought, provides guidance to federal agencies on implementing Executive Order 14179 ("Removing Barriers to American Leadership in Artificial Intelligence") signed by President Trump on January 23, 2025.

The memorandum rescinds and replaces OMB Memorandum M-24-10 and applies to all executive branch departments and agencies, including independent regulatory agencies. It outlines specific timelines for implementation and requires regular reporting to ensure compliance and transparency to the American public.

The memorandum focuses on three key priorities to accelerate federal AI adoption:

1. Innovation

- Agencies must remove unnecessary bureaucratic barriers to AI adoption
- Develop public AI strategies that prioritize AI adoption and increase transparency
- Maximize value of existing investments and share resources across government
- Prioritize American-made AI products and services
- Develop and retain AI talent within agencies

2. Governance

- Each agency must designate a Chief AI Officer (CAIO) within 60 days
- CFO Act agencies must establish AI Governance Boards within 90 days
- OMB will establish an interagency Chief AI Officer Council within 90 days
- Agencies must develop compliance plans within 180 days
- Update internal policies on IT infrastructure, data, cybersecurity, and privacy within 270 days
- Develop specific policies for generative AI within 270 days

3. Public Trust

- Implement minimum risk management practices for "high-impact AI" systems
- High-impact AI is defined as AI with outputs that serve as a principal basis for decisions with significant effects on rights, access to services, health and safety, or critical infrastructure
- Requirements include pre-deployment testing, impact assessments, ongoing monitoring, human training and oversight, appeals processes, and public feedback mechanisms
- Agencies must implement these practices within 365 days

Summary of OMB Memorandum M-25-22:

Driving Efficient Acquisition of Artificial Intelligence in Government

Overview

Issued on April 3, 2025, by OMB Director Russell T. Vought, this memorandum provides guidance to federal agencies on how to efficiently and responsibly acquire AI systems and services. It rescinds and replaces OMB Memorandum M-24-18 and builds upon M-25-21.

This memorandum applies to all executive agencies except elements of the Intelligence Community and does not cover AI used in National Security Systems.

Core Themes

- Ensuring Competition in the American AI Marketplace
- Agencies must avoid vendor lock-in and single-vendor dependencies
- Focus on data portability and long-term interoperability
- Prioritize American-made AI products and services
- Safeguarding Taxpayer Dollars
- Track AI performance through regular testing and evaluation
- Ensure acquired AI systems are fit for purpose
- Maintain public trust through responsible acquisition
- Cross-Functional Collaboration
- Require collaboration between acquisition, IT, cybersecurity, privacy, legal, and other relevant experts
- Implement agile engagement processes to address AI's unique challenges

Key Requirements for Agencies

Timeline for Implementation

- Within 180 days: Apply guidance to new contracts and renewals
- Within 270 days: Update internal acquisition procedures

Pre-Acquisition Planning

- Convene cross-functional teams to evaluate AI procurement
- Determine if AI will be used for "high impact" applications
- Conduct thorough market research
- Test and evaluate AI systems in realistic scenarios

Contractual Requirements

- Protect government data and intellectual property rights
- Prohibit vendors from using government data to train commercial AI without consent
- Include provisions to prevent vendor lock-in (data portability, knowledge transfer)
- Require transparency about AI capabilities and limitations
- Ensure compliance with M-25-21 risk management requirements

Post-Award Management

- Regularly monitor and evaluate AI performance
- Require vendor notification before adding new AI features
- Establish sunset criteria for terminating AI systems when needed

Supporting Infrastructure

- Knowledge Sharing
- GSA will develop guides for AI procurement within 100 days
- Create a repository of AI acquisition best practices within 200 days

Privacy and Civil Rights Protections

- Throughout the acquisition process, agencies must consider risks to privacy, civil liberties, and civil rights
- Senior Agency Officials for Privacy must be involved early in acquisitions involving personal data