

**THE BAKKEN: EXAMINING EFFORTS TO  
ADDRESS LAW ENFORCEMENT, INFRASTRUCTURE  
AND ECONOMIC DEVELOPMENT NEEDS**

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**HEARING**

BEFORE THE

SUBCOMMITTEE ON EMERGENCY  
MANAGEMENT, INTERGOVERNMENTAL RELATIONS,  
AND THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

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SEPTEMBER 26, 2014

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U.S. SENATE,  
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INTERGOVERNMENTAL RELATIONS,  
AND THE DISTRICT OF COLUMBIA,  
OF THE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

**OPENING STATEMENT OF SENATOR TESTER**

Senator TESTER. Rick Norby, Mayor, come on up and sit at this table. Good to see you. And the rest of you, if you could just grab a seat real quick, we are going to get going. This is liable to be a fairly long hearing. We have three panels of great witnesses and then there will be some questions and hopefully some opportunity for folks to visit with one another as this goes on; but before we get started, I would like ask those of you that can stand, please stand and join me in the Pledge of Allegiance.

[Whereupon, Pledge of Allegiance is recited.]

Good morning. I am going to call this to this hearing to order of the United States Subcommittee on Efficiency and Effectiveness of the Federal Workforce and Federal Programs. Today's hearing is titled, "The Bakken: Examining Efforts to Address Law Enforcement, Infrastructure and Economic Development Needs". We are fortunate to have assembled three terrific panels of subject matter experts to speak to law enforcement, infrastructure and economic challenges of communities within the Bakken. These folks will provide local, regional, State, tribal and national perspective on critical issues. By engaging stake holders at each level of government, I am hopeful that we will identify the most pressing needs of these communities as well as some much needed solutions. I want to thank each of our witnesses that are here today and I look forward to our discussion.

The Bakken formation has emerged in recent years as one of the most critical sources of oil in the United States. As a result, we are seeing things in Eastern Montana/Western North Dakota that we have never seen before, both good and bad. It is a story of rapid and dramatic flood of workers, families and wealth into an area that is providing an economic boom for local businesses and com-

munities, but it is also a story of local communities left scrambling for scarce resources to meet urgent infrastructure and housing needs of a largely transient workforce, and the struggle of those communities to address immediate needs without doing significant harm to the longtime residents making a fraction of an oil worker's salary; folks in the community like police officers, social workers and school teachers. It is the story of local law enforcement agencies stretched thin, yet facing unprecedented threats in the sheer number and complexity of increasingly violent crimes; increased rates of human trafficking, drug smuggling and criminal byproducts of drug cartel targeting the large paychecks of oil workers. In more human terms, it is the story of a young family living with her six children in a camper for 20 months because of the scarcity of quality affordable housing; and it is the story of a beloved high school math teacher, a mother of two, who was abducted while in a morning jog and subsequently murdered by individuals who were allegedly drugged out of their minds. These stories do not reflect who we are or where we live. Sure, we have a number of significant challenges before us, but I know many of these witnesses, and I know many of the folks in this community, they are doing absolutely everything that they can do to make sure that this is even a better place to live. Today, I hope this hearing can identify additional ways we can contribute to that effort, whether it is highlighting various proposals to address the region's most urgent needs or addressing how we can improve upon the collaborative efforts of local, tribal and Federal officials. With that, I will keep my opening remarks brief. We have a number of very good witnesses here, a lengthy list of critical issues to discuss, and I want to thank everyone for being here today.

We will start with our first panel. The first panel will set the stage by laying out a broader economic development challenges in the Bakken; the second panel is going to speak more specifically to law enforcement challenges that have arisen in recent years; and the third panel will speak to critical infrastructure needs in the region.

First, we have A.T. Stafne who is serving in his third term as Chairman of the Fort Peck Tribal Executive Board. In 2011, Rusty was appointed by Governor Brian Schweitzer to the Montana Fish, Wildlife and Parks Commission. He was the first American Indian appointed to that commission. Rusty is a member of the Assiniboine and Sioux Tribes of the Fort Peck Reservation, an Army veteran from the Korean War. Thank you for your service, Rusty; thank you for being here; and I look forward to your testimony.

Then we have Lieutenant Governor Angela McLean. She was previously an adjunct professor at Montana Tech in Butte. She also served as Chair of the Montana Board of Regions and on the Montana Board of Public Education before becoming Lieutenant Governor of the great State of Montana. Angela has developed Montana SMART schools, an initiative whose goal is to reduce energy usage in schools and save taxpayer dollars. She also chairs the Montana Governor's Drought and Water Supply Advisory Committee. Angela, as always, it is great to see you; thank you for being here.

Leslie Messer is the Executive Director of the Richland Economic Development Corp. During her tenure as Executive Director, Leslie has actively recruited businesses, pursued business expansion and retention projects for Richland County. Some of these victories include recruiting Anheuser-Busch malt barley handling facility as well as the Nation's largest crane service company. Leslie, always good to see you; thank you for being here and we look forward to your testimony also.

And finally, we have Mayor Rick Norby, Mayor of Sidney since January of this year. He previously served as Councilman for Ward 3. In his capacity as mayor, Rick has been on the frontlines facing the challenges of rapid growth in the Bakken and seeking ways to overcome various economic development and infrastructure challenges that have arisen from the rapid growth. Previously, Rick worked on a family farm before focusing his energy on starting a business, Norby Repair, almost 15 years ago. Thank you for being here, Rick.

With that, I think we will start out and what we typically do in these hearings is your entire written statement will be part of the record. Your testimony, if you could keep it to 5 minutes would be great. I have a boatload of questions to ask you guys and they are all easy that you can answer, but the truth is I want to get that information on the record, too, so Chairman Stafne, would you please get us started, and if I start rattling that means you might want to wind it down. [Laughter.]

**TESTIMONY OF HON. A.T. STAFNE,<sup>1</sup> CHAIRMAN, ASSINIBOINE  
AND SIOUX TRIBES OF THE FORT PECK RESERVATION**

Mr. STAFNE. Yes, Senator Tester, good morning and thank you. Do I need this?

Senator TESTER. Yes, you will need that for the clerk so we can get your testimony.

Mr. STAFNE. OK. From our perspective as an Indian nation immediately adjacent to the unprecedented oil development in the Bakken, we welcome opportunities to improve the conditions on our Reservation, including responsible sustainable and culturally sensitive natural resource development, but we cannot promote responsible development without adequate services, infrastructure and sources of capital. Senator Tester, we know you understand this. Thank you for your recent response to the *National Northern Border Counternarcotics Strategy* Report, which confirmed the lack of resources in Indian Country. We appreciate your commitment to the continued work of bringing more attention and resources to the Northern border and the Bakken so our communities are safe and our quality of life is strong. The Fort Peck Tribes and our partners in the region have been leaders in enhancing communication and collaboration to address our lack of resources. We have forged positive relationships with our neighbors. We were one of the first tribes in the Nation to enter into a cross-deputization agreement with State and local law enforcement agencies. This revolutionary agreement is a model for effective policing in Indian Country. In addition, we jointly operate a 9-1-1 emergency dispatch center

<sup>1</sup> The prepared statement of Mr. Stafne appears in the Appendix on page 62.

with Roosevelt County, pooling our resources to eliminate the duplication of services; and together with our partner, Dry Prairie Rural Water, we are constructing a highly efficient regional water system and will soon be delivering quality water from our treatment facility on the Reservation to approximately 75 percent of the population of Northeast Montana. There is perhaps no better model for cooperation or communication than exists between the Fort Peck Tribes and our neighbors.

Now, we need Congress to fill its mandatory trust responsibility to Indian nations to supply necessary resources to make our communities safe. The conditions on our Reservation are poor. Half of our people live below the Federal poverty level, and our residents have the poorest health in Montana. What's worse, we are now experiencing dramatically rising social problems and criminal activity like methamphetamine and prescription drug abuse. This surge in crime has reversed a downward trend we worked so hard to achieve. Our law enforcement estimates that nearly 80 percent of criminal conduct on the Reservation has a drug component.

In order to combat this epidemic, we have an immediate need for six additional drug enforcement officers. I urge the Department of Homeland Security (DHS) and other Federal agencies to work with tribes by promptly providing funds and equipment to our Bakken-affected communities using instruments like self-determination contracts to ensure swift receipt of the resources we desperately need.

Adequate infrastructure is also vital to whether conditions in our region improve or deteriorate. Federal appropriations for rural water systems, transportation systems and health, wellness and public safety facilities make the difference between success and failure because community stability creates an environment for economic development.

In addition to services and infrastructure, Indian Country needs a source of capital for economic development to cross reservation boundaries. Grant and loan programs provide necessary bridges to help communities in transition, but tribes also need the flexibility to pool Federal funds from multiple agencies to carry out locally designed economic development programs without conflicting rules and restrictions. The Department of Health and Human Services (HHS) four-step descending model, or the proposed NASDA Amendments, could become the model for Federal funding. We encourage you to consider a pilot project that allows tribes to pool funds from various sources to address growing needs relating to the Bakken.

Finally, Congress must eliminate the problem of dual taxation in Indian Country created by the 1989 U.S. Supreme Court decision in *Cotton Petroleum vs. New Mexico*. This double taxation creates a serious barrier for development on tribal lands and is inconsistent with Federal policies designed to promote tribal development in self-sufficiency.

Thank you for the opportunity to share our perspective. We look forward to working with you to pay more attention to resources to our region so our communities are safe and our quality of life can be strong; thank you.

Senator TESTER. Thank you, Chairman Stafne. I appreciate your perspective. Lieutenant Governor McLean, you're up.



**TESTIMONY OF HON. ANGELA MCLEAN,<sup>1</sup> LIEUTENANT  
GOVERNOR, STATE OF MONTANA**

Ms. MCLEAN. Good morning, and thank you Senator Tester for the opportunity to testify before you this morning. Development in the Bakken region has presented tremendous economic opportunities for Eastern Montana, but with those opportunities come challenges. Governor Bullock was helping to address those challenges long before he became Governor. As Attorney General, he instituted the first cross-border jurisdiction with North Dakota; and as governor, when the legislature refused to fund a public safety initiative in Eastern Montana Governor Bullock worked with Chief DiFonzo to hire two new drug agents out of discretionary funds. Our administration intends to continue to fund those Division of Criminal Investigation (DCI) agents.

We are also assisting oil and gas impacted schools. The Wibaux School District, for example, was awarded \$900,000 this year to assist in construction of a new building, among other things, and development impacted schools have received a total of \$11.5 million dollars in assistance this year alone.

Additionally, Miles, Dawson and Fort Peck Community Colleges have received over \$2.5 million dollars to address workforce challenges in Eastern Montana. As part of the Main Street Montana Project, Governor Bullock announced a plan to assist the impacted counties in Eastern Montana. The reduction SRF Loan interest rates are already saving water and sewer rate payers \$29 million dollars this year alone; and as soon as the legislature approves the plan, the \$45 million dollar grant program will get money where it is needed most in the cities, towns, counties and tribal governments; but it is not just monetary assistance that we are providing. We are mobilizing rapid response teams.

These teams are composed of the best people from Commerce, the Department of Environmental Quality (DEQ) and DNRC and customized to meet the needs of each community across Eastern Montana. Existing programs such as CDBG and TSEP help counties and local governments fund infrastructure, public safety and housing projects. There are also multiple infrastructure loan and financing programs including the Commercial Loan Participation Program; the Infrastructure Loan Program; the Value Added Loan Program; and the INTERCAP Loan Program. Additionally, Senator Tester, there are programs that are designed to help communities with housing issues; the HOME Investment Partnership Program; Section 8 Program; Home Ownership Program; and Housing Tax Credit Program serve to help mitigate affordable housing needs across Eastern Montana. Programs such as the Community Technical Assistance Program (CTAP) work with local governments, officials, planners, developers and the public to help communities address the impacts of development and population growth by providing technical assistance through the sharing of professional knowledge, conducting workshops and providing templates, publications and research materials. Since Governor Bullock took office, we have awarded funding to numerous projects in Eastern Montana including a \$450,000 grant to the City of Bainville right here

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<sup>1</sup> The prepared statement of Ms. McLean appears in the Appendix on page 75.

in Richland County for a water project. These are just a few examples of the grant funding and investments that Governor Bullock's administration has made in Eastern Montana. The total amount of funding allocated for the 2013 and 2015 biennia to oil-impacted counties in Eastern Montana totals over \$57 million dollars.

Senator Tester, I want to thank you once again for the opportunity to be a part of this very important conversation among local, State, tribal and Federal partners.

Senator TESTER. Thank you Lieutenant Governor.

Next we have Leslie Messer. Leslie.

**TESTIMONY OF LESLIE MESSER,<sup>1</sup> EXECUTIVE DIRECTOR,  
RICHLAND ECONOMIC DEVELOPMENT CORPORATION**

Ms. MESSER. I also would like to thank you for the opportunity to give you a little insight on what's going on here. As you all know, we all do the very best we can with the education and the resources that we have available to us. Economic development is no different than the law enforcement or anyone else, and so we are just going to give you a brief look on how this goes. The current economy overall in Richland County right now is very robust, it is very busy. Our labor force is scrambling; our unemployment right now is 2.1 percent, and this results in extreme stress and pressure on our downtown businesses as the oilfield draws workforce away from those downtown jobs that have always been there. The employers are having to be very creative in how they are going to circumvent this issue. They are putting in their own housing; they are offering different incentives; limiting their office hours and the services; all to keep moving forward and providing for their own business success and families. We are doing the best we can to keep the information out there so that we can work together with State, local and Federal agencies to get the word out and to continue to do business as usual. We launched a website that we put all types of information to educate and inform the public about what's going on. This site has had over a 1,000 hits a week. People want to know how much it costs to be here; what it is like to work and live here. We created through the investment of our revolving loan fund from our county commissioners the million dollar phone, or loan fund, we have been able to provide gap financing to continued businesses, entrepreneurs and existing businesses. We have 71 jobs tied directly to that in the throes of all this business. Our office continues to conduct consultations with over 60 engineers and developers and consultants and entrepreneurs all wanting to see what it is like and if they might be able to grab a hold of a piece of this opportunity.

We have created informational presentation that we have taken across this State to 60 different times in the last 3 years to educate and inform people of exactly what the needs are in our area. We have also held instructional and informational tours for State, legislative and congressional leaders to bring them in here and let them see this firsthand on what exactly is thriving and working and challenges are here. We have also held two Canadian trade missions. We create and participate in an Eastern Montana Impact

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<sup>1</sup> The prepared statement of Ms. Messer appears in the Appendix on page 78.

Coalition to address the impacts to the 16 counties of Northeastern Montana and what we are facing. We are in the final stages of that impact study. That will hopefully give us a better picture so that we can take that to the legislature.

Our office has surveyed our residents and our contributing members on the services and the needs of Richland County, and the top five priorities are infrastructure, housing, workforce, lack of daycare and childcare providers as well as additional restaurants. We have recruited, most recently to Richland County, an immediate and temporary housing provider to try to be able to carry some of that load while the stick-built developments are being built. We created a cost analysis to take an actual look at the numbers, and while we are ranked third highest in our region, our market is considerably different when we are compared with Billings, Bozeman, Denver; it is extremely different; and we work collaboratively with Miles City and Dawson Community College to try to assess those workforce demands and needs and how we might best tailor a curriculum to the ever-changing robust challenges.

And finally, we have also worked and advocated very hard on the Lower Yellowstone Irrigation Project with the efforts they are taking to address the Pallid Sturgeon, the endangered species, and the effects that if that irrigation project were to go down, the negative impacts on this economy would be just tremendous.

So basically, our current and future challenges are our infrastructure is aging and it is at capacity, which requires immediate additional funding resources; we have a lack of workforce, which goes hand-in-hand with the housing. The housing that is available is being utilized by the oilfield, but as it has been stated before, that makes it very difficult for the clerks and the teachers and the police and the county force; and the constraints to financing for additional projects is very difficult because the populations that are coming in are showing that they have less than stellar credit, which makes it very hard to support them.

I want to thank you for, again, for this opportunity and I urge you to utilize whatever power and influence you have to invest additional resources here, not only for the success of Richland County, but for the improvement of the entire State of Montana; thank you.

Senator TESTER. Thank you, Leslie.

**TESTIMONY OF HON. RICK NORBY,<sup>1</sup> MAYOR, SIDNEY,  
MONTANA**

Mr. NORBY. I would also like to thank you, Senator Tester, for inviting me here today. I will probably be the first one you use the gavel on. It is really hard for me to keep my stuff under 5 minutes.

Senator TESTER. Thanks for the warning.

Mr. NORBY. I have only been Mayor for a short time in Sidney, less than a year, but I served on City Council for 6 years prior, and I can say the largest concern that my administration has is for its citizens.

Senator TESTER. Is what now?

Mr. NORBY. Is for its citizens.

<sup>1</sup>The prepared statement of Mr. Norby appears in the Appendix on page 79.

Senator TESTER. OK.

Mr. NORBY. A simple singular concern that encompasses so many avenues. The City of Sidney and its neighboring communities are expecting growth at a higher rate, and we are all struggling to meet the priorities that make up—at the tone of a small Montana town. Safety, affordable living and community activities are what draws people to live in our communities over the larger oil boom in North Dakota is offering. We are a place to raise a family, not just work and sleep. In order to maintain this type of community, the City of Sidney and its neighbors are working diligently to bring in more police and even Federal funding units such as the Drug Enforcement Administration (DEA), DCI and the Federal Bureau of Investigation (FBI). As mayor, I know that having a safe community that my citizens can walk freely in is important to my constituents. Since Sherry Arnold's tragic murder, it has been an uphill battle to give the feeling of safety back to the community. With the collaboration of all agents, local, State or Federal, we are following any backpack feeling, maintaining safety in a place that can easily get out of hand fast is imperative to the entire nation, keeping the agents that are stationed here to aid is required.

Housing is a constant discussion being had for the area. Affordable housing is almost nonexistent, and if it is affordable it is not livable. Apartments are what is being mostly developed in Sidney, but they are not the only answer. Even with new apartments going up to help with the constant need, the prices are still not going down. To rent a 2 bedroom apartment in Sidney you could be paying upwards of \$2,100 a month. This causes multiple people to pile into the same apartment just so they can afford to live here. The shelters in Sidney are constantly overloaded due to people not being able to afford the establishments currently provided. I believe the answer to this is to develop more single-family homes to help equal out the housing costs in the area. The single family home is also meant for people to buy not rent, increasing the long-term citizens to the area that will bring in families, not just workers, which will increase the number of workers in the area for non-oilfield jobs and bring more consistent population.

Housing is not the only large cost to the area at the moment. We are experiencing higher costs of living than any other areas. The increase in big oilfield jobs can cause price-gouging on all fronts, including groceries, recreational activities and basic living needs. The high-paying jobs have increased the per cap income in Richland County by 29.5 percent since 2012, according the Montana Local Government Profiles. This means the rates are forced to increase based on target rates as provided by the State. When rates increase, the cost to provide goods increase and prices are raised. Most of the higher retailers are from the pump to the grocery line. This is causing many long-term citizens who would have taken their last breaths in Sidney, pack up and move to more affordable communities.

Higher wages are also getting long-term employees hired next to impossible. The City of Sidney starts our public works department laborers at \$18.00 an hour, which is a pretty good wage until you compare it to the average non-educated oilfield position starting wage at \$25.00. How do small businesses afford to pay the increase

in wages as demanded due to the oil boom? They raise rates. They raise their prices, sorry, which in turn cancels any increase in wage that is possible. The City of Sidney gave a 3 percent cost of living wage increase to all employees this year, but we also had a 200 percent sewer increase, which canceled most of the employees monthly wage increase.

If you look at the impact the oil boom has on basic citizens in Sidney and surrounding area, it is substantial. They are now in a daily struggle to maintain their way of living in order to stay in their hometown. The City of Sidney does not want to lose its citizens or replace them with new ones. We want to focus on expanding the City and its area while maintaining everything our predecessors fought for. We want to see the old mingle with the new and create a better place to live. We do not want to be the better community of the Bakken, we want to be its hometown. In order to accomplish any of this, we need everyone to see it as we see it; it is the best place to live.

We cannot accomplish this if we do not get some help. The Bakken is about utilizing its natural resources, people need to realize that. We cannot capitalize on the Bakken until we utilize the surrounding area. Thank you again, Senator Tester.

Senator TESTER. Well, thank you, Mayor; and thank you all for your testimony. I very much appreciate the perspective and I appreciate the time you put in for your testimony. We are going to start out with an easy question that's kind of difficult, and that is each one of you brings a different perspective to the table. In your opinion, if you were going to say "This is my most pressing need", what would it be? We will start with you Chairman Stafne. What is the most pressing need that you have up in Fort Peck?

Mr. STAFNE. Well, Senator, we really have very many pressing needs, but one thing that would certainly help would be funding.

Senator TESTER. OK, go ahead, Lieutenant Governor.

Ms. MCLEAN. Thank you, Senator Tester, and thank you fellow panelists for remarkable testimony. Infrastructure is what we need, and I think I heard that here; and we need infrastructure to grow and to sustain that growth now and into the future, and we articulated a plan for a \$45 million dollar grant fund to impact that sustainable growth here in Eastern Montana. We need legislative assistance to make sure that becomes a reality, and with that legislative assistance we could provide that help that you so desperately need to attract and retain businesses; to attract and retain quality teachers; and ultimately ensure, Mr. Mayor, that this is not the bedroom community to the Bakken.

Senator TESTER. Real quick, before, Leslie, you take the mic, I have just got a quick followup for you

Lieutenant Governor, and that is infrastructure and the \$45 million dollar program you talked about, what's going to be eligible for that \$45 million, is it going to be sewer, water, housing, what's all eligible?

Ms. MCLEAN. Absolutely. Water and waste water districts will be eligible. Additionally, 10 percent of those resources, \$4.5 million dollars, will be available to meet public safety needs for Eastern Montana cities, town and tribal communities.

Senator TESTER. I have you; and then one last question because I think it is important. Who is eligible?

Ms. MCLEAN. We have a Tier I, Tier II and Tier III county/region across the Eastern Montana map, and I would be happy to provide you with each of those—

Senator TESTER. OK, to get more specific, and you may have addressed this in your testimony and I may have missed it, are tribes eligible?

Ms. MCLEAN. Absolutely.

Senator TESTER. Are municipalities eligible?

Ms. MCLEAN. Yes.

Senator TESTER. Are non-incorporated towns eligible?

Ms. MCLEAN. Yes.

Senator TESTER. Good. Thank you. Leslie, we will get back to the original question, and that is what in your—as an economic development in Richland County, what's the most pressing?

Ms. MESSER. The most pressing need from economic development is the ability to grow. Our office is the one that answers the door to opportunity. We are the one that is the marketing agent saying 'Come be here; live here; work here'.

Senator TESTER. Yes.

Ms. MESSER. And we cannot continue to grow or thrive if there's not enough places to flush the toilet; if we do not have a enough places to live; if the law enforcement cannot adequately handle that; those are the most pressing. People come in, those developers come in from North Dakota, and the opportunity is here. The opportunity is here to invest in this area for all of the Mon Dak. Those developers come in; they come from North Dakota and they will walk in my office and say I want to set my company up here. The environments are totally different, but I will not take my wife and child to Williston, North Dakota. I want to be here. Where can I live? What are your schools like? What is your healthcare like? We promote that, but it is very stymied and challenging when there are no available homes.

Senator TESTER. OK.

Ms. MESSER. And so that's it for us.

Senator TESTER. Good. Mayor.

Mr. NORBY. I agree with Leslie on that 100 percent. Infrastructure's got to be the Number 1 concern. I guess I look at this as a sinking ship, and you could turn on this and look at this many ways. I mean, yes, you can raise rates and get everything up to where the target rates are, but that takes time and right now that sinking ship's going to sink—

Senator TESTER. OK.

Mr. NORBY [continuing]. And I don't want to drown here, and I don't want my community to drown here.

Senator TESTER. The last time I visited with your predecessor when I was in town, Mayor Smelser, and he talked about that infrastructure issue as it applied to your sewer plant.

Mr. NORBY. Yes.

Senator TESTER. Can you tell me, briefly, can Sidney grow at this point in time with the sewer that you have?

Mr. NORBY. We are currently on Phase I and just going to be starting on Phase II of the new lagoon, so we are moving ahead.

When you started the bonding, such as we had talked, we are already in the motion on that, so yes, we can.

Senator TESTER. And so you can utilize the build-out you are doing right now as far as expansion. You don't—

Mr. NORBY. We are good in that area.

Senator TESTER. Oh, OK.

Mr. NORBY. We have been working with DEQ and stuff like that. I mean it is a slow process, but yes, we are getting there.

Senator TESTER. Outstanding. Well, that's—

Mr. NORBY. That's just the way it is.

Senator TESTER. That's good news. This is a question for Leslie and you Mayor, and Leslie you talked about in your testimony some of the things that businesses do in creating stuff, creative things like they own their own housing and there was some other things too you brought up. Is housing the primary challenge, is it wages, is it all of the above? What, I mean, it would seem to me that if you are running a clothing store in downtown Sidney keeping employees is probably pretty darn tough and it didn't used to be tough 10 years ago. So what can be done for these guys?

Well, let's just be honest. What can we do? What could the county commissioner do, what could the mayor do, what can I do, what can the Governor's office do to help those businesses? Is there anything we can do?

Ms. MESSER. Richland County and Sidney area has not had the luxury to slowly and systematically improve their infrastructure, their streets, their services, the mental health issues, the—

Senator TESTER. Right.

Ms. MESSER. We have not had that ability. You cannot tax the people to do that quick enough to address those issues right now. So, in my opinion, I believe that the county and the City are doing the best that they can with the resources that they have. They have to take care of their citizens first and foremost. The people that are here that want to be here and work are being very creative, and what I mean by that is they have their family members working at all hours; they are closing their doors at different hours to be able to just function; they are offering an incentive of maybe of potential housing for to start with, like maybe a rental to start with, but then they have to go out and find their own, but as the oilfield continues to come in and all of those supporting services continue to come in, we want them to bring their wives.

Senator TESTER. Sure.

Ms. MESSER. So that opens the door for some additional supporting services that could be there for that lady in the dress shop or whatever, but there's not enough single-family homes right now to help them set roots down, and that's what the ultimate goal is in my opinion.

Senator TESTER. Gotcha, thank you.

Lieutenant Governor, you've talked about the \$45 million dollar grant program that we talked about here just a second ago. Are there other plans in place at the State level to address economic development challenges out there?

Ms. McLEAN. Absolutely.

Senator TESTER. OK.

Ms. MCLEAN. And to dovetail off your last question to Ms. Messer, I would like to point to the fact that the Governor launched a very robust conversation about expanding mental health opportunities.

Senator TESTER. Yes.

Ms. MCLEAN. Not just here in Eastern Montana but across the State of Montana because we know that's desperately needed here and for folks across the Big Sky State. Additionally, the Governor wants to expand Medicaid. We think that access is critical for 70,000 working Montanans who do not have healthcare, and we think that's an important conversation here in Eastern Montana as well. I would also like to point to the fact that the concentric circles that came out of the very important and complex conversation that took place last legislative session around K-12 funding led to additional resources for K-12 schools in Eastern Montana who were directly impacted by this growth to have the resources they would need to best meet the challenges, and I would like to point to Wibaux, for example, who once had a base salary of \$24,000, and is now using those resources that I just spoke to elevate that base salary to \$29,000. I am also aware that districts in Eastern Montana are using already signing bonuses to attract and then retain high quality classroom teachers, so those are some of the efforts that are coming out of Helena specific to education in the Bakken. Additionally, I would point to the Montana University System where very robust conversations have been happening, and I would point to the specific evolution of a Eastern Montana strike force that was started in the fall of 2011 to meet the workforce needs specific to Eastern Montana.

We know that the SWAMMEI Grant is providing considerable help in meeting the workforce development needs in the areas of welding, machine, industrial electronics, industrial safety, etcetera; and I would like to point to a very important conversation that just took place earlier this week with Superintendent Farr from here in Sidney as well as each of the community college presidents, Klippenstein and President Simon, along with industry leaders and business leaders from Eastern Montana with the folks from the Train North Dakota Northwest Staff to determine how we in our community college system, including the Fort Peck Community College, could best address the workforce needs, so I can tell you the Bullock Administration along with the Montana University System is working robustly to develop partnerships and develop programs to meet the needs all across the spectrum whether they are infrastructure needs; whether they are needs in regards to debt-loan repayment, and I would like to point to that key piece along with that \$45 million dollar grant program, that's a key component, Senator Tester. The grant funds may be used to repay existing debt incurred on or after July 1 of 2011 for water or waste water projects already underway or completed, and we think that that is key; and to speak to the safety needs, which is embedded in so many parts of these conversations, that \$4.5 million as I spoke to—

Senator TESTER. Yes.

Ms. MCLEAN [continuing]. Is right there, and if folks can get their applications in the pipeline, the administration is going to be



ready to address those applications once the legislature approves the funding.

Senator TESTER. OK, good. I appreciate that perspective and I appreciate hearing those programs. From Federal level, there are programs, in fact Tony Preite is going to be on one of the programs coming up, there are programs for housing; there are programs for infrastructure investment from the Federal level. I don't know if you have worked with any of them, but I will just ask this, if you were in my shoes, what program works the best when it comes to either housing or sewer and roads as far as where would you put the money, in what Federal program to be able to meet the needs you have?

Mr. NORBY. We do not qualify for anything that's target rate wise.

Senator TESTER. Anything that's what?

Mr. NORBY. Any kind of target rates that we have to meet—

Senator TESTER. I see.

Mr. NORBY [continuing]. To qualify for any of this. We cannot qualify.

Senator TESTER. Because the income is going up.

Mr. NORBY. Yes.

Senator TESTER. So we need to change those incomes.

Mr. NORBY. Yes. You need to change that structure. I mean, you can only raise rates so fast—

Senator TESTER. Right.

Mr. NORBY [continuing]. Before you end up being the only person living in Sidney, Montana—

Senator TESTER. No, that's not—

Mr. NORBY [continuing]. Besides the workers. [Laughing.]

Senator TESTER. Gotcha.

Mr. NORBY. But I mean that's how we look at it and that's we went to the bonding method—

Senator TESTER. Gotcha.

Mr. NORBY. And went that route and are the only options we have.

Senator TESTER. I hear you and you are correct. Go ahead, Leslie, do you—

Ms. MESSER. I would dovetail onto to what he's saying. The CDBG and the housing, the different housing that happen, that's all very applicable. We have a very strong housing authority that is on the forefront of that battle and you will hear from Mr. Groshart later on in the day, and again, a lot of our levels and a lot of these programs are focused to the low to moderate. That addresses a portion of our population. We should be able to address the teachers and some of the others that may just barely be out of those limits.

Senator TESTER. Gotcha. OK, good. We are going to—I am going to on. We are going to stick with the two Sidney residents here for right now. I want to get a better understanding of the relationship that the economic developers have, you, Leslie, and with the Mayor, the relationship you have with the oil companies. Is there a relationship? Have they stepped up in any way to address any of the challenges that you have?

Mr. NORBY. No, they have not; but me being new, I have not went out and spoke with them either, so——

Senator TESTER. OK.

Mr. NORBY [continuing]. I have to be honest about that.

Senator TESTER. Is there, and I just do not know this, do they have point people that you can go to or do you have to go to each company?

Mr. NORBY. I hate to say it, not that I know of.

Senator TESTER. OK, all right. Leslie, would you address that?

Ms. MESSER. As I have traveled across the State, that's the No. 1 question that's asked to me, 'Well, why aren't you having the oil companies pay your bills?' That's a very good question, but the reality of it is that these companies are working in our area but their corporate headquarters aren't here.

Senator TESTER. Right.

Ms. MESSER. And so it is this chain of command. We have reached out. Some of them have stepped in, but they are focused on getting in, getting the product, making a profit and conducting business. I am not saying it is right or wrong, but when I have had conversations, they feel they are paying taxes; they feel they are paying their dues into our State. I cannot argue with that from a business standpoint——

Senator TESTER. No.

Ms. MESSER [continuing]. So, historically, being a fifth resident of Richland County, we try to do the very best we can to solve our own problems.

Senator TESTER. Yes.

Ms. MESSER. This is probably one of the first times in history where we don't have the answers and we are seeking help, and I don't care where it comes from.

Senator TESTER. Exactly.

Ms. MESSER. We need to take care of our people.

Senator TESTER. I got you; and I appreciate that very much. Chairman Stafne, I want to ask you the same question. You guys have had some oil development, on your reservation, or has it not happened there yet?

Mr. STAFNE. Very little, yes. There are various reasons why this is I guess. The red tape that the companies have to go through and it takes them forever. We have mentioned this before, that the Federal regulations imposed by the Department of the Interior and the Bureau of Indian Affairs, that it takes to get the approval to drill on Federal land, Indian land, or Tribal land, whatever it may be. I think a lot of the companies give up before they get to that stage where they are going to punch a hole in the ground. That is one very serious drawback that we have been fighting for quite a while now and we have been speaking to different agencies and I think you are aware of that, Senator. We have had various talks about that.

Senator TESTER. Yes, absolutely, and it is something that we need to be working with the BIA and beyond and——

Mr. STAFNE. And on that Cotton case.

Senator TESTER. Yes, right, exactly.

Mr. STAFNE. We have been talking a lot about that. Senator, I only said one word when you asked me what our greatest need was and I said funds. I guess I would like to go a little further——

Senator TESTER. Sure, you can, go ahead.

Mr. STAFNE. I guess the number one priority of a lot of us is our healthcare. I mentioned this before; the average age of the death of an adult male on the Reservation is 51 years old. I have surpassed that by almost double now. I do not know why; if I am lucky or not, but that's a shame, a child being born male can expect to live to 51 years of age; and in a non-native community, I do not know, I would assume it is 20 years longer than that.

Senator TESTER. Yes.

Mr. STAFNE. And you are aware we have Indian Health Services (IHS), and I have attended hearings with you on them, so you are aware of the problems there and the fundings we need. We have no senior homes or senior care. We are trying to build a wellness center and we are fighting for funds for that. We are trying to build homes. Even though we do not have the oil on our Reservation, the people, the workers have moved onto the Reservation and they are offering big bucks to rent our houses, and our Native people, our residents are left out.

Senator TESTER. Yes.

Mr. STAFNE. We have people that are camping out in the woods——

Senator TESTER. Yes.

Mr. STAFNE [continuing]. Through the wintertime living in tents because there is not enough homes built. Our roads and streets are bad and we need to help our law enforcement. I testified we can use six more drug agents.

Senator TESTER. Yes.

Mr. STAFNE. And our courts are overwhelmed with cases, not only tribal courts, the municipal courts, the State courts, the Federal courts, and again, money would help with that. I guess it is not going to cure it, but we would be able to offer a little resistance.

Senator TESTER. Yes.

Mr. STAFNE. We have transportation problems. Our Reservation is 100 miles, approximately, across and the center of the Reservation, is Poplar where all the reservation officers are. A lot of people do not have transportation. Our irrigation system——

Senator TESTER. And the list goes on. That's why you said funds.

Mr. STAFNE. Yes, it is never-ending.

Senator TESTER. Yes. Thank you, Chairman. Angela, I want to come back to this \$45 million bucks, this infrastructure package, because there's other questions that keep coming up. There's a Technical Assistance Rapid Response Team that's going to be assisting local communities. Could you give me an idea of who is on that or has it been set up yet?

Ms. MCLEAN. The Rapid Response Teams will be dependent on the needs of each community, and they will be assembled based on their requests as they surface, and so each Rapid Response Team could look entirely different, but as I spoke in my initial statement, it would be made up of folks from the Office of Commerce, the DNRC, the Department of Environmental Quality, and perhaps

others as necessary, perhaps the Department of Transportation (DOT), and you will be hearing from Director Tooley later.

Senator TESTER. Will local stakeholders have an opportunity for input?

Ms. MCLEAN. Absolutely, and we will come at their request and that's part of it. We recognize a large part of this conversation in securing Federal resources that may be available to these communities revolves around technical assistance, and we stand ready in State government to provide that technical assistance, not just after the \$45 million dollars is approved, but right now we stand ready to offer that technical assistance.

Senator TESTER. OK.

Ms. MCLEAN. And a couple of other things I would like to just point to in respect to what my good friend Chair Stafne just said is the Governor's office hears loudly and clearly your needs to recognize healthcare in Indian Country, and for the very first time we are having a very aggressive conversation about housing a tribal health office within the office of the Governor. Additionally, Senator, you asked what can the Federal Government do as far as—

Senator TESTER. Yes.

Ms. MCLEAN [continuing]. Far as programs. I would speak to the support of the Housing Tax Credit Program; the Section 8 Housing efforts; the CDBG grants. Additionally, I mentioned the TACT Grant funding that provided our State with \$25 million dollars. Community colleges got it here in Eastern Montana to facilitate these workforce development needs, and so we are having these conversations and we look forward to continue partnering with you to make sure that we close these gaps where they exist all across the board for folks.

Senator TESTER. I appreciate that, Lieutenant Governor. For Messer and Norby, a couple of questions that deals with red tape on Federal dollars, and you may or may not have gone here before, but I am just curious to know when you are going for grants or loans, are you seeing unreasonable red tape, reasonable red tape when you try to approach a grant or a loan, or maybe you have not been able to get there because of the income level that you just talked about before.

Ms. MESSER. I would say that the accessibility is very challenging. Our office has not applied for several different reasons because of the fact that we have very strong agencies within our community that apply for those, but one of the reasons why we don't is, again, our income levels; the bureaucracy; the needing—

Senator TESTER. Yes.

Ms. MESSER [continuing]. To hire a consultant to get through the application.

Senator TESTER. Sure.

Ms. MESSER. Those are all very challenging on our very limited budgets for operation.

Senator TESTER. OK. Absolutely, which got to the point that I thought you were going to get to so thank you. Mayor Norby, you spoke about impact bonuses for City employees?

Mr. NORBY. What's that?

Senator TESTER. Impact bonuses for City employees?

Mr. NORBY. Yes.

Senator TESTER. Your perspective of those? Have those done what you anticipated them to do or——

Mr. NORBY. I would like to give more.

Senator TESTER. Yes.

Mr. NORBY. That's for sure. We went 3 percent and we went with a \$300 stipend according to how our little bit of oil money that we do have, you know, revenue checks come in. That will gauge off that. That's the best we could do right now at this time to try to be competitive with everybody around us.

Senator TESTER. OK. That's good. Do you know if the school districts have done anything similar?

Mr. NORBY. I remember seeing it in the paper. I don't remember the number. It was like \$2.00 or something like that, wasn't it?

Senator TESTER. Because it seems to me it is an incredible challenge.

Mr. NORBY. They do something, but I guess I am not——

Senator TESTER. OK, that's fine.

Mr. NORBY [continuing]. Able to tell you exactly what they did, but we kind of followed the lead, me and my City court, trying to go that direction and that's why we went the way we went.

Senator TESTER. Sure. Well, thank you for that. I am in constant conversation with the Office of Personnel Management when it comes to employees that work on the Federal lands out here because quite frankly if the BLM hires an engineer they can make twice as much going into the oil patch. Has the State addressed that issue at all from a State employee standpoint about competitiveness of salaries because I think you guys, from my experience at the State level we fall under the same kind of thing, you have a salary structure that's set across the State for your State employees. Is there anything that you can do or anything you propose because I am sure you are losing employees too just like the local businesses are and school districts and everybody else. Is there anything the State can do or has that conversation started yet or is it a problem?

Ms. MCLEAN. I can tell you as far as State employees, I would tell you there would most likely not be a significant problem.

Senator TESTER. OK.

Ms. MCLEAN. However, if there is something we can do to help communities in Eastern Montana attract and retain workers, we definitely want to do that, and I would offer Senator Tester that once a community applies and receives grant dollars through the Infrastructure Grant Program, that would free up resources for them to use those dollars that they might have on the table to attract and retain staff, and that was the whole notion of the concentric circle conversation around education was how can we help schools in Eastern Montana have the resources to attract, retrain high quality teachers in the classroom.

Senator TESTER. OK, good. Chairman Stafne, I just want you to speak about the difficulties of recruiting and training police officers. It is my understanding that the starting salary of a tribal police officer is about \$3.00 less per hour than a person with the same qualifications working across the border at a Wal-Mart in Williston. That puts us in a heck of a bind. Talk to me about your challenges with recruiting and retaining officers.

Mr. STAFNE. As far as salary goes, I do not know, but we do have a couple of members of the Sheriff's Department and maybe they are on the panel and they can probably discuss that with you. Are you on the panel?

[Indicating to an officer in the audience.]

Senator TESTER. We will take that up with him afterwards. You are still with the Tribal Police Department?

[Whereupon, an officer in the audience nods head affirmatively.]

OK, good, all right. Well, I will close it out here because we have burned through about an hour, and I just want to thank you guys for your patience as we talk about these issues, and I also want to thank you all for your service and your vision and your ability to tell it like it is. I think that's really critically important, and I think that the testimony you gave today, I mean, the hope that I get out of this, and I talked about it a little bit in the opening statement, that the hope that I get out of this is that we can all sit down and understand where our challenges are and help one another meet those challenges. Because the truth is in the case of the City of Sidney, you can not do it all. You do not have the ability to do it all; you do not have the resources to do it all, but hopefully the Federal, the State and the county can help and we can all achieve the goal we are looking for and that's a place we can call home, so thank you all very much for being here.

Mr. STAFNE. Thank you, Senator, for conducting these hearings.

Senator TESTER. Yes. Thanks you all. Now, we will get ready for the second panel so you guys probably know who you are. We are going to change some nametags and let folks get readjusted here. We have Mike Cotter, Mike Gottlieb, Scott Vito, Tim Fox, and Craig Anderson. Those five will be up next. We will have to snuggle.

OK, we need Attorney General Fox and Sheriff Anderson to come on up and sit right down. Thank you—

Thanks to the first panel on economic development. Our second panel is going to focus on law enforcement, and we have a great blend of Federal, state and local law enforcement officials. The man to my immediate left is Mike Cotter, he is the U.S. Attorney for the District of Montana. He was nominated for this position by the President and was confirmed by the U.S. Senate in December 2009. Mike oversees an office; he conducts Federal investigations and prosecutions as well as the majority of Federal civil litigation in which the United States is a party. I should also note that Mike is a U.S. Army Veteran, and we thank you for your service not only in the military but as U.S. Attorney. Thank you for being here, Mike.

And then we have Mike Gottlieb is the National High Intensity Drug Trafficking Areas (HIDTA) Director. That's a pretty good handle, Mike. He is with the White House Office of National Drug Control Policy (ONDCP). This is an important position in this region. In his role, Mike oversees a \$238 million dollar grant program that funds 670 investigative, prosecution, interdiction and prevention initiatives. Over the years, he has advised the Obama Administration; the Bush Administration; and the Clinton Administration in prominent legal and management roles in ONDCP. Mike, I want to thank you for coming to Montana, and I want to thank you for

coming here today. We appreciate your flexibility to be here; and then we have Scott Vito.

He is an Assistant Special Agent In Charge in the Salt Lake City Division of the FBI. In that capacity, he oversees Bureau investigations across Montana. Scott first became an FBI Special Agent in July 1995. Prior to that, he served in the U.S. Army for 7 years; we thank you for your service; and later as a police detective. Thank you for being here today, Scott. I very much appreciate the FBI coming here because you are a big player in this region.

We also have Attorney General Tim Fox, the Attorney General for the great State of Montana. He is the State's Chief Legal Officer, Chief Law Enforcement Officer, and Director of the Montana Department of Justice. He has a lot of hats. Tim was elected in 2012 and has previously for the Montana Department of Environmental Quality. It is absolutely good to have you here today and I appreciate you taking the time out to be here.

And last, but certainly not least, we have Sheriff Craig Anderson, Sheriff of Dawson County since June 2003. In that role he is responsible for a large portion of law enforcement in this region. Craig is a former Chief Probation Officer with 27 years of experience. Previously, he also worked on the Youth Justice Council and the Montana Board of Crime Control. As always, it is great to see you, Craig; thank you for being here today.

As I told the first panel, if you can keep it to 5 minutes we would appreciate it, and I am talking to you, Cotter.

Mr. COTTER. I can and I will. [Laughter.]

Senator TESTER. If you can keep it to 5 minutes, it would be great. If I start rattling the gavel you will get the hint, but I would just tell you that when we set this hearing up we sat down and we talked about who we wanted, and I am going to tell you the five of you I did not think we would get all of you, but we got all of you, and I just want to say thank you very for taking time. I know you have other things to do, maybe multiple things to do, but you are here today; you are here in Sidney to talk about an important issue, and you are here because you know it is important, so thank you all for being here. With that, Mike Cotter, you can get us started.

**TESTIMONY OF HON. MICHAEL W. COTTER,<sup>1</sup> UNITED STATES ATTORNEY, DISTRICT OF MONTANA, U.S. DEPARTMENT OF JUSTICE**

Mr. COTTER. Thank you, Senator Tester and thank you very much for inviting me and giving me an opportunity to speak to Federal law enforcement efforts here in the Bakken.

First of all, I am a big cheerleader for the efforts that have been made by the Federal law enforcement over the last 3 years. They have done a damn good job, and I will go into more detail during the Q and A period as to the things that we have been able to accomplish in the last period of time.

In 2012, Senator, the United States Attorney's Office for the District of Montana and the District of North Dakota convened a law enforcement strategy session in Glasgow, Montana. There were 150

<sup>1</sup>The prepared statement of Mr. Cotter appears in the Appendix on page 81.

Federal, state, local and international and tribal law enforcement personnel from Montana, North Dakota and Canada that attended the meeting, and from that the strategy of Project Safe Bakken emerged. That remains a high priority for Montana and remains a high priority to the United States Attorney's Office of North Dakota.

Project Safe Bakken's mission is to coordinate and synchronize the law enforcement efforts between Federal, state, tribal and local enforcement entities. The purpose is to detect, disrupt and dismantle organized criminal enterprises who distribute illegal drugs and commit other crimes in the Bakken region of Montana and North Dakota. And to that end, the United States Attorneys for Montana and North Dakota, the Attorney Generals for Montana and North Dakota, Federal, state, local and tribal enforcement have formed a task force to share intelligence to combat crime in the region and affecting communities including Fort Peck and Fort Berthold Indian Reservations. And since the inception of Project Safe Bakken in my office in Montana, we have indicted 117 defendants on Federal drug trafficking charges specific to the Bakken region. In one case recently, we successfully prosecuted the leader of a large methamphetamine drug trafficking organization. The defendant, Robert Farrell Armstrong, received 20 years in prison for trafficking large amounts of nearly pure meth into this part of Montana. We have also opened cases and prosecuted pornography, oil and gas scams along the Fort Peck Reservation, worker endangerment and environmental crimes. In North Dakota, my counterpart over there, U.S. Attorney Tim Purdon, he's seen a case load increase in Western North Dakota from 126 defendants in 2009 to 336 in 2013.

But the beauty of the Project Safe Bakken approach is, Senator Tester, it is not Montana specific, it is not North Dakota, it is regional. It also encompasses Saskatchewan and parts of Manitoba; and what we are experiencing here in Montana, they see it in North Dakota, they are seeing it up in Canada, so it really is an effort of all law enforcement agencies to identify through intelligence gathering and sharing specific targets that need to be identified and dealt with effectively through prosecutions.

The other things that we have done from the Montana side, the Department of Justice (DOJ) has also responded with training and financial assistance to State, local and tribal law enforcement. Since 2012, my office here in Montana has coordinated at least five separate trainings for State, local and tribal officers out here in Eastern Montana. We have dispatched Assistant United States Attorneys who have come out. They have joined up with the Bureau, the FBI, DEA, the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) to provide training for the locals. Over in North Dakota, the Drug Enforcement Administration has just concluded a 2-week drug investigation school for the Bakken drug agents. Violence against women; the Department's Office of Violence Against Women just recently announced the release of two grant solicitations as a part of a new \$3 million dollar special addition to the Bakken region and will impact both Fort Berthold as well as Fort Peck. It will aid the local criminal justice system in responding to



the crimes by providing the resources for Tribal Special Assistant United States Attorneys.

The Project Safe Bakken does illustrate the dynamic working partnership in Montana and North Dakota between Federal, state, local and tribal law enforcement entities to combat crime and address public safety issues. We are committed to communication, coordination and collaborations with our law enforcement partners to promote public safety in this area. The FBI, ATF and DEA have all done intelligence collecting. They have also identified the issues that are here and fully understand that systematic long-term changes will be necessary in order to provide security to the region, but in the short term, FBI has deployed agents on a rotating detail to Sidney, Montana. They have created a new squad for Western North Dakota. The Drug Enforcement Administration and the Bureau of Alcohol, Tobacco and Firearms and Explosives have also dispatched agents from Billings to this area to deal with specific problems and will continue to do so in the foreseeable future and into the future. As long as there is a problem, the response will be there.

Thank you, Senator Tester, and I look forward to taking your questions later. Thank you very much.

Senator TESTER. Yes, thank you, Mike Cotter. I very much appreciate your testimony and I appreciate your service as U.S. Attorney for the State of Montana; thank you.

Mr. COTTER. Thank you.

Senator TESTER. Mike Gottlieb.

**TESTIMONY OF MICHAEL K. GOTTLIEB,<sup>1</sup> NATIONAL DIRECTOR  
HIGH INTENSITY DRUG TRAFFICKING AREAS (HIDTA) PRO-  
GRAM, OFFICE OF NATIONAL DRUG CONTROL POLICY**

Mr. GOTTLIEB. Senator Tester, thank you for the opportunity to appear before you to discuss the Office of National Drug Control Policy's recently released *National Northern Border Counternarcotics Strategy* and ONDCP's work to coordinate the efforts of Federal, state, local and tribal resources to address emerging drug threats in the Bakken oilfield region.

I am the National Director of ONDCP's High Intensity Drug Trafficking Areas Program and I am pleased to be in Sidney this morning as this will mark my third visit to the Bakken region in the past 10 months. The HIDTA Program provides assistance to Federal, state, local and tribal law enforcement agencies to facilitate coordination and cooperation to combat drug-related safety and health consequences in areas determined to be critical drug trafficking regions of the United States. Thus, as part of our activities, we regularly interact with law enforcement entities working to halt illicit drug use in the Bakken region. There are 28 regional HDTAs, which include approximately 16 percent of all counties in the United States and 60 percent of the U.S. population. The HIDTA Program is active and thriving in the State of Montana.

The *National Northern Border Counternarcotics Strategy* is the Administration's plan for substantially reducing the flow of illicit drugs and drug proceeds along our Nation's Northern border. It

<sup>1</sup> The prepared statement of Mr. Gottlieb appears in the Appendix on page 86.

provides an overview of current counternarcotics efforts in the region and identifies strategic objectives and specific actions that will enable us to achieve our goal. The 2014 Strategy acknowledges the inherent challenges in curtailing illicit drug trafficking across the Northern border, among them are the vastness of the border itself, which extends more than 5,000 miles, as well as the ever—evolving illegal drug production and trafficking trends that confront law enforcement officers.

Another challenge is the emergence of drug trafficking and related crimes resulting from the development of the Bakken oilfields. In recognition of this emerging threat, the 2014 Strategy includes a specific section dedicated to drug traffic in the Bakken region and our efforts to address this threat. To highlight the challenges present in the Bakken region, the Administration elected to release the national strategy in Minot, North Dakota, on August 19. The 2014 Strategy updates and expands upon the Administration's first *National Northern Border Counternarcotics Strategy* which was released in 2012. Like its predecessor, the 2014 Strategy builds upon existing relationships, programs and policies. It seeks further opportunities to pursue national security by disrupting transnational criminal organizations and improves information sharing, thereby enabling more efficient and effective use of resources. Specifically, the Strategy lays out several strategic objectives central to our efforts. They include enhancing intelligence and information sharing at the Northern border; interdicting illicit drugs and drug money at and between ports of entry along the Northern border, on land, in the air and over the water; and enhancing counterdrug efforts in cooperation with tribal governments along the border; and finally, investigating and prosecuting dangerous criminal organizations operating along or exploiting the Northern border. The 2014 Strategy contains more than 40 individual action items that will be implemented in the coming weeks and months, and ONDCP will oversee these processes which will be supported by our numerous Federal, state, local and tribal partners. The Strategy aligns with the Administration's foundational document, the *National Drug Control Strategy*. As we work to substantially reduce drug trafficking and related crime across the Nation's Northern border, we are also engaged in efforts to address the emerging threat of drug trafficking in the Bakken region. For example, in 2013 ONDCP officially designated Williams County, North Dakota, as part of the HIDTA Program. With this designation, HIDTA funds were directed to hire an additional Special Assistant United States Attorney to provide support to the prosecution of organized crime and drug trafficking.

The Administration also launched an interagency partnership, Project Safe Bakken, to coordinate law enforcement efforts in the region. ONDCP's HIDTA Program supports law enforcement efforts in Montana by facilitating cooperation among Federal, state, local and tribal agencies. Through the work of the Rocky Mountain HIDTA, more than \$900,000 in Federal grant funds are directed to drug task forces operating in the State of Montana. The Eastern Montana, the Missoula County, the Missouri River, the Northwest Montana, and the Russell County Drug Task Forces bring together Federal resources with 4 State and 12 local agencies.

The Administration also supports drug prevention efforts in the Bakken oilfield region. ONDCP's Drug Free Communities (DFC), Support Program, provides grant to community coalitions that are focused on identifying local drug problems and implementing comprehensive strategies that create community level change. There are currently seven Drug Free Communities funded by ONDCP in Montana, including one in Sidney, the Richland County Partnership for Promise Coalition. This coalition has been collaborating with various sectors of the community to prevent and reduce youth substance use, and each year DFC programs staffed from ONDCP conduct grant application workshops across the country, including special technical assistance sessions dedicated to helping tribes write competitive grant applications.

Senator, the Administration's efforts to confront drug trafficking and its public safety and public health consequences are comprehensive and varied. A few quick examples include the \$3 million dollar grant from the Department of Justice's Office of Violence Against Women to strengthen law enforcement's aid to victims of sexual assault and domestic violence. HHS and CDC support their public health programs and health centers in Montana and North Dakota. To strengthen substance abuse disorder services in the Great Plains Area of the Indian Health Service, there was increased funding for a contract mental health therapist and a part-time counselor to focus on substance abuse treatment.

Senator, as you work to implement the 2014 *National Northern Border Counternarcotics Strategy* in the coming weeks and months, we look forward to working with our many Federal, state, local and tribal partners to reduce use and its consequences on both sides of our Northern border and within the Bakken region as part of the comprehensive administration effort to address the issues that have arisen from the development in this region. Thank you, Senator Tester, for your leadership.

Senator TESTER. Yes, thank you Mike, I appreciate your testimony and thanks for being here once again. Scott Vito.

**TESTIMONY OF SCOTT VITO,<sup>1</sup> ASSISTANT SPECIAL AGENT IN CHARGE, SALT LAKE CITY DIVISION, FEDERAL BUREAU OF INVESTIGATION**

Mr. VITO. Good morning, Chairman Tester. I am pleased to be with you here today to discuss the FBI's efforts to combat crime in the Bakken region. The Bakken formation is now considered one of the most important sources of oil in the United States. In fact, late last year the U.S. Energy Information Administration projected that Bakken production in North Dakota and Montana would ultimately exceed 1 million barrels per day. The development of the Bakken oilfields has also caused a sharp spike in both population and income levels. Unfortunately, the boom in population in the region also provides significant opportunities for an influx of criminal elements. In early 2013 in response to this burgeoning crime problem, the FBI along with its Federal and State law enforcement partners began to develop a strategy that addressed the criminal threat to the region. In May 2013, the FBI working with the

<sup>1</sup> The prepared statement of Mr. Vito appears in the Appendix on page 94.

United States Attorneys' offices in Montana and North Dakota participated in a combined strategy session of Project Safe Bakken. This effort resulted in the FBI's decision to surge resources to the Bakken area and locate them in Sidney, Montana. Here in Montana, two agents have been co-located with their State and local counterparts in the Richland County Sheriff's Department since July 2013.

Additionally, their efforts are supported and bolstered by numerous FBI resident agencies and two FBI field offices. We used our intelligence gathering process to consistently assess the ongoing threat. This information influences our resource decisions to effectively address those threats, which in turn ensures the FBI addresses those threats created by the development in the Bakken. At present, the FBI headquarters has continued to evaluate the threat and has assured us they will continue to direct additional resources as necessary. As a threat-based, intelligence-driven organization, the FBI relies heavily on intelligence gathered from our State and local law enforcement partners and private sector relationships. Project Safe Bakken was a deliberate precise targeting of an emerging criminal threat to the area. The purpose of this long-term project is to detect, disrupt and dismantle drug trafficking organizations and criminal enterprises that are operating in the Bakken region in Montana and North Dakota. Importantly, this Task Force approach allows us to both share intelligence and force multiply. Through such efforts, we not only address those crimes which are statutorily within the FBI's jurisdiction, but also share vital information needed by our State, local and tribal partners to combat crime within the community.

For example, collaborative efforts among Federal, state, local and tribal partners in June 2013 resulted in the arrest of 22 people. Similarly in October 2013, a coordinated effort led to four arrests in North Dakota and 12 in Montana. Earlier this year, Operation Pipe Cleaner and Operation Pale Mule saw the arrest of more than 35 individuals. The charges were predominantly related to drugs, specifically related to heroin and methamphetamine, which have become increasingly available in the Bakken region. As an example of our continuing coordination and integration with local law enforcement, within the last month our agents working with the Sidney Police Department in Montana and the Williston Police Department in North Dakota on two firearms thefts. Our agents worked with the police departments and were able to gather significant evidence. Using this evidence, we were able to leverage our national resources to gather items of comparison from California that led to the identification and the arrest of a subject by the Sidney Police Department. This investigation is ongoing and may result in additional charges.

Chairman Tester, let me assure you that the FBI remains committed to assisting our State and local partners in making certain that the safety and well-being of the people in Montana remains a priority. Thank you again for the opportunity to testify. I will look forward to answering any questions that you may have.

Senator TESTER. Thank you, Scott. I appreciate your testimony. Attorney General Fox, you are up.

**TESTIMONY OF HON. TIM FOX,<sup>1</sup> ATTORNEY GENERAL, STATE  
OF MONTANA**

Mr. Fox. Chairman Tester, thank you for inviting me here to speak with you today and to answer questions. Thank you, also, for coming to Sidney, welcome home. I think it is vitally important for Congressional Committees to hold field hearings throughout the country, especially when the subject matter is tied to a particular place. Opportunities and challenges tend to be a little different up close than they do from Washington, DC, as you well know. I say opportunities and challenges deliberately because this is precisely what we face here in Eastern Montana. We cannot speak of one without the other. Oil and gas development is the second largest industry in Montana. It is responsible for more than 12,000 direct jobs locally, which pay on average \$60,000 per year, well above the majority of wages in Montana. The industry is also responsible for thousands of more indirect jobs. Last year, oil and gas development generated more than \$200 million dollars in tax revenue for Montana's State and local governments. By the way, much of that should be redirected back to this area I believe. But also many other States have faced sizable budget deficits in recent years. Montana has enjoyed comfortable surpluses and economic balances while still providing vital services to its citizens. We would not have been able to do so without the economic activity from resource development. What is happening here in Montana and North Dakota is part of the "all of the above" energy strategy emphasized by President Obama. Hydraulic fracturing and other technologies have evolved over the years and now represent an unprecedented opportunity to safely and responsibly work toward our Nation's energy independence.

As you have heard and will hear from others today, with such opportunity and growth comes the need to invest in infrastructure. Economic growth means thousands of new people are living and working in the region. Our highways are busier and the once quiet towns are now bustling with activity. This is the case in any part of the country with rapid population and economic growth comes an increase in crime rates. From 2008 to 2012, the number of arrests in all crime categories in the counties that fall within the Bakken region increased by 80 percent. From 2010 to 2013, the number of narcotics investigations undertaken by the Montana Department of Justice in Northeastern Montana increased by 281 percent. From 2008 to 2012, arrests for drugs and drug paraphernalia increased by more than 300 percent. Earlier this year, one city police chief in Northeastern Montana reported that domestic violence had increased by 148 percent in the past 5 years; and the number of attacks increased by 825 percent; and cases of drug abuse increased by 785 percent. In 2010, it became clear to law enforcement authorities in the region that much of the narcotic trafficking was being conducted by national and international criminal organizations including Mexican drug cartels. Their presence throughout Northeastern Montana and Northwestern North Dakota has become a commonplace. In 2010, in Northeastern Montana, a gram of methamphetamine brought a street price of around \$100; an

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<sup>1</sup> The prepared statement of Mr. Fox appears in the Appendix on page 96.

ounce sold for \$500 to \$600. Beginning in 2011 and continuing today, the price has continually increased. Currently, a gram of meth brings \$250 to \$300; and an ounce routinely sells for \$2,800 to \$3,000, and the area around Sidney far exceeding national prices for these drugs. Their quantity and purity indicate an origin in the Southern United States and Mexico.

These are just a few of the statistics that make it clear that law enforcement is and must continue to be a key part of any investment in infrastructure. As Montana's Chief Law Enforcement Administration Officer, the safety of our citizens is paramount, my paramount duty. It is also the drive of more than 800 public services of Montana Department of Justice who work tirelessly in all corners of this State, often under dangerous circumstances to protect their citizens. We take this responsibility very seriously as do the city, county, tribal and Federal law enforcement partners with whom we work on a daily basis. Our legislature meets only for 90 days every other year which gives State and local officials narrow windows of time to pursue many of the avenues available for responding to the growth in Eastern Montana. When I took office last year, it was clear that the Department of Justice needed to invest more resources in Eastern Montana. At the time, call response times for highway patrol troopers were unacceptable with very long durations. Our troopers were stretched too thin and were over-burdened so much in the fact that retention had become an issue with our ability to not only respond to calls in a timely manner, but also assist local agencies in jeopardy.

We went to the 2013 legislature and asked for funding to add additional troopers to our Eastern Montana detachments. We were successful in acquiring five new troopers who are already working in the field now. We also steered more resources to our Division of Criminal Investigation which helps local and Federal law enforcement agencies and tribal agencies as well investigate complex crime—profiled violent crimes. From day one of the 2013 Legislative Session, we worked to secure two additional DCI agents for Eastern Montana. In the end, we were successful, and much of that credit belongs to Governor Bullock who was a former attorney general and he understands the law enforcement challenges facing Eastern Montana.

Speaking of DCI, I am glad that Montana's U.S. Attorney, Mike Cotter, is here today. Mike and his team work very hard to prosecute Federal criminal cases throughout Montana. Our DCI agents assist Mike's office in such cases on a regular basis. It is an important and productive partnership that benefits Montanans and we are committed to maintaining it. I also want to mention that at Mike's suggestion, I am adding a budget item in my budget the next legislature to secure another prosecutor who will be solely responsible for Eastern Montana drug prosecutions, and Mike has committed that should this person have the right qualifications, and I am sure they will, that this person would be designated as a Special Assistant U.S. Attorney, and I think that will further our cooperation collaboration.

Field work is just one aspect of law enforcement. At the Department of Justice, we also operate the State Crime Laboratory which processes the evidence that can make or break successful prosecu-

tion facing a backlog created in part by cases in Eastern Montana. Last year we increased staffing at the lab in the key areas of forensic science. We also successfully advanced legislation establishing a THC impairment standard for driving under the influence (DUI) of marijuana as well as a bill banning the popular designer drugs that mimic dangerous illegal drugs.

To combat repeat DUI offenses, we are investing considerable time and resources into expanding the 24/7 sobriety program, including two counties impacted by Bakken growth. This has been a tremendously successful program that holds repeat offenders accountable and saves tax payer money by eliminating many incarceration costs. During the 2013 Legislative Session, we successfully advanced a bill changing from 5 years to 10 the window to determine if an offender is subject to the intent advanced enhanced criminal penalties and driver license sanctions for a second or subsequent DUI conviction.

Our Prosecution Services Bureau assists Montana's smaller counties—including those impacted by the Bakken region, with the toughest cases, our seasoned agents under the DIC, which I mentioned previously, help county sheriff offices and City police departments investigate the range of crimes that have increased with population and economic growth in Eastern Montana. I am excited to say that earlier this year with the help of Federal money and forfeiture money, we launched a Montana Highway Patrol's first ever K-9 Narcotic Units.

These six units are stationed in strategic locations along major corridors that conduct drug interdiction operations throughout Montana. This represents a significant advancement in our ability to intercept drugs being trafficked through Montana. We are also working very hard to raise awareness to human trafficking, which is now taking place in the Bakken region, and in the interest of time I am going to skip a little bit more about that. In addition, we are training our officers that come out of the Montana Law Enforcement Academy about human trafficking and how to look for signs of human trafficking. Just with one agency alone cannot fully address the public safety challenges in the Bakken region. The public sector alone will not suffice. A holistic approach requires partnership with the companies operating in the region. To that end, the Department of Justice has been working with the Montana Petroleum Association and its members to explore ways we could work together. For example, our agents have been training human resource staff on how to identify red flags during the screening process. Most of the people that come to work in the Bakken are honest men and women who want to work hard and earn a good living for themselves and their families, yet we cannot deny that there are criminals and others with nefarious intentions seeking employment as well. If we can work together with these companies during the hiring process, we can make big strides in helping prevent that element from gaining access to the region.

My staff and I are more than happy to answer any questions from you, Senator Tester, others in attendance here today, again, I do appreciate the opportunity to be here and speak with you and I want to personally say that you and your staff have always been

attentive and receptive to inquiries from my office and I appreciate that very much.

Senator TESTER. Well, thank you, Tim, and I appreciate you being here today. Sheriff Anderson, last but not least, you are up.

**TESTIMONY OF HON. CRAIG ANDERSON,<sup>1</sup> SHERIFF, DAWSON COUNTY, MONTANA**

Mr. ANDERSON. Well, good morning, Senator, and thank you for the invitation to visit with you and I echo the Attorney General's compliment to you and your staff. You have been very responsive to our office and our county with our challenges. As I sit here listening to everything, I could either chamber up a shotgun shell and kind of scatter out a message, but I think I would rather take my time and deliver a rightful shot, I believe it is a warning shot and nobody's talking about it, it is the stepchild of the justice system and it is called jail. And to give you some background, in 1996 after two unsuccessful GO Bonds in Dawson County, the good folks in Dawson County passed a bond issue that was about \$4.1 million and we built a 28-bed jail, and at the time we thought that capacity would take us well into the future, and we woke up one morning with a 900-pound gorilla in our bedroom and it was called the Bakken and all of a sudden our jail filled up. And prior to the Bakken, our average daily production (AVP), in Dawson County was about 12. Today, or last month, our average daily population is 27. That's average. Now, we are sleeping people on the floor, and our problem isn't unique to Dawson County. We have undertaken a planning effort to expand, and we took a snapshot of all the jails in Eastern Montana and Western North Dakota. Williston, North Dakota's capacity is 132 bed, and their AVP was 145; Richland County is at 26 beds, their AVP is 33; Roosevelt County has 17 beds, their AVP is 15; Rosebud County has 26 beds, their AVP is 23; Valley County has 26 beds, their AVP is 22. We have a problem. So last, about a year ago, Dawson County Commissioners decided we would retain an architectural firm and we are in the design phase, or the conceptual phase, and right now the dollar amount that they are projecting for us to expand is \$9 million dollars. Dawson County Commissioners chose to ask the Dawson County tax payers to invest half of that in a GO Bond that will be on the ballot in November for \$4.5 million, and we need to find \$4.5 million because the good people of Dawson County, we solved our jail problem, and what is being visited upon us and every other jail in the region is not of our making, we could not foresee it, so we are looking for help from the Federal Government, from the State government, from other counties and we are going to create some creative funding opportunities, but our taxpayers, hopefully, will at least double that and invest half. Now, the U.S. Attorney, Montana Attorney General, they can decide today to put boots on the ground with badges and guns, and this is a target rich environment, and when they start cuffing up people, where are they going to take them? The inn is full. Now, we could change our priorities and funding mechanisms and move personnel on a dime, but nobody's talking about the fact that if we need to recognize we have

<sup>1</sup> The prepared statement of Mr. Anderson appears in the Appendix on page 100.



a jail shortage. We do not have capacity. If we decide that we do not today and we have the money, we are 24 to 36 months out before those jail beds come on line.

So let me close with an analogy and a question. Why would a farmer plant more grain than they have room in the bin to store? And while our country has been dependent on foreign oil, how much money have we spent as a country protecting oil interests abroad? And I just raise the question on a proportionate level, are we investing that same amount of money to protect the people who are living in the Bakken region, and with that Senator I'll close and I look forward to any questions.

Senator TESTER. Fair point, Sheriff. Thank you for your testimony. I appreciate it very much. I am going to change the format a little bit based off of your testimony since it is fresh in my mind. You bring up a point—if we start arresting folks, and the need is great out there, I think everybody kind of accustomed to the fact; the percentages the Attorney General brought up and the rest of the testimony, I would like to know your view about our jail capacity, and I think I will put this to Tim and to Mike Cotter. What is your perspective on that? Is it an issue that we need to be dealing with in a proactive way? Obviously, the Sheriff's dealing with it in a proactive way in Dawson County, is it big enough we need to deal with it statewide and from a Federal standpoint?

Mr. FOX. As I mentioned earlier in my testimony, Senator, those who bear the greatest burden of the benefit that is coming out of the Bakken I believe about to receive their share back, and that will be part of the legislature's duty and the Governor's duty in the next legislature; and I might add that it is not just jails; it is victim's services; it is mental health services; anything and everything related to the justice system is overtaxed and overburdened here, and sheriff's become very creative in moving people around, but every time you have to take a prisoner to another jail or another county or someplace else there's a day's worth of wages, someone whose not there when the call for help is made, so you know, I can not even begin to imagine the kind of stress this puts not only on the sheriff's department, police department, others here locally, but on the people, because as you get creative, one of the things you start doing is releasing people you would rather not release because you just do not have room for them. Another thing you might do is you, you find an outstanding warrant, you do not pick them up just because you have no place to put them; so those are tough decisions for law enforcement, and you know that holistic approach that I was speaking about I think will be very important. That's one of the reasons that I am exploring something new and different which is putting together a task force to identify the needs for law enforcement, first responders, victim services and the like and setting up a foundation for the companies who are benefiting from the Bakken boom to be investing in so that money again also rolls around or is more targeted to the individual needs that are necessary here in these communities.

Senator TESTER. Gotcha.

Mr. FOX. I hope that answers your question.

Senator TESTER. It does. I mean I think basically you agree there's a jail shortage, but there's also mental health services and

family services and other services that we are short on, Tim, we are short, bingo. Mike Cotter, would you address the jail issue if you could?

Mr. COTTER. I will, Senator, thank you very much. It is obvious that when down in Sheriff Anderson's county when they built that jail they did not anticipate that——

Senator TESTER. Right.

Mr. COTTER [continuing]. They would ever need——

Senator TESTER. Sure.

Mr. COTTER [continuing]. A larger jail. And I know that——

Senator TESTER. And it is probably the same thing here in Richland County, too. I mean you guys have a pretty new facility, pretty recent, the same thing, so yes, go ahead.

Mr. COTTER. And with respect, we do not have a Federal holding facility, we do not have a Federal prison in Montana, but what the Marshal Service does once that goes into the Federal system they are, the defendants, are housed in county jails whether it is Yellowstone County, they are up in Shelby, they are in Lewis and Clark County, and there is no doubt in my mind that Sheriff Anderson probably has some Federal prisoners in his jail as well or those that are arrested through the efforts of the Montana Highway Patrol through interdiction, couriers with drugs, that's where they wind up, and they eventually get moved into the Federal system, and we do not have a jail capacity here in the eastern part of the State.

Senator TESTER. I got it.

Mr. COTTER. We do not.

Senator TESTER. OK. Thanks. You might as well keep the mic, Mike, we are going to go a little different way. We have a little different area that's very important. You all spoke about the prevalence of increased criminal activity and the evolving nature of the crimes that are happening here in the Bakken. From your perspective, from your work, what is the primary criminal threat to the communities here if you could talk about a primary? You might have to talk about more than one, but——

Mr. COTTER. Well, there is more than one, Senator, and when I started this job 5 years ago, methamphetamine was not necessarily a big problem, but we are awash in meth——

Senator TESTER. OK.

Mr. COTTER [continuing]. In Montana. We are also seeing heroin, which is something we did not see 5 years ago; and the other thing that we do see is violent crimes. My family is from Miles City, and I have to tell that the 100 years that my family lived in that community I do not think they ever locked the door to their house, but violent crime is now here in Eastern Montana, and this all came about and our focus was brought to it with the Arnold murder.

Senator TESTER. Right.

Mr. COTTER. And it was a wakeup call; and you know, people choose to live in this part of the State because they enjoy it, it is a good place to be, it is a good place to raise a family, it is family oriented communities, but that is no longer with the problems that have come in recently.

Senator TESTER. So with the meth, excuse me, Mike, but with the meth and the heroin and the violent crime, would you say they are all attached at the hip?

Mr. COTTER. I would say yes they are. I picked up the Billings Gazette today. There was a six pound meth bust yesterday. The two men were complained to have been joined, and, I am going to address the task force that created the Project Safe Bakken and the work that has been done. I mentioned one matter and that was the Armstrong case. The partnerships that were created in that task force in order to dismantle that drug trafficking organization, it involved agents—and there were scores of law enforcement that were involved. The DEA was involved, FBI was involved, Montana DCI, Sidney Police Department, the border patrol, Sweetgrass County Sheriff's Office and the Montana Highway Patrol, and we have something good that is going on in terms of law enforcement with respect to that task force and that is the only way that we can address these issues.

Senator TESTER. OK. Mike Gottlieb or Scott Vito, do you have anything to add as to far as what you are seeing as the primary criminal throughout here?

Mr. GOTTLIEB. I will defer to Montanans in terms of what the most serious threat is locally, but I will say I think the U.S. Attorney makes a fantastic point here, the consequences of drug trafficking and what we are seeing in the Bakken region in terms of not just the violence, but in terms of dangers on the road, the public health consequences, and really as the Sheriff mentioned, what it does to the fabric of our communities. I think it shows that we need a strategy that's strong on law enforcement, but it is also multifaceted and it needs to take into consideration prevention efforts, mental health efforts, public health efforts, and that's what we are trying to push here with the *Northern Border Counter-narcotics Strategy* and the *National Drug Control Strategy*, and that's a balanced approach, and we commend you all in this region for your efforts in that regard.

Senator TESTER. Scott, anything to add?

Mr. VITO. I would say methamphetamine, drug crimes and the violent criminals associated with that trafficking in the Bakken area as well as across the State. You see in Billings the large scale methamphetamine seizures, those are destined to the Bakken, but they are also being distributed in Billings and Bozeman and Helena and those places, so the methamphetamine trafficking being brought into the Bakken tends to have a spillover affect into both North Dakota and Montana in the larger picture.

Senator TESTER. OK. And you might as well keep the mic, Scott, and anybody can add to your answer, is there, and I do not want to get into profiling, but is there a profile that you are looking at or is it—as far as the criminals, or is it across the board?

Mr. VITO. It is pretty much across the board. It is economics really and General Fox mentioned you can buy an ounce of methamphetamine in California for \$300 and you can bring it to the Bakken and sell it for \$3,000, you are always going to have that flow into the area, and so our efforts to address that is pretty much what we have always done in the criminal investigative field. We work those cases and we try to expand it and go back and stop the

suppliers so that larger source or supply doesn't make it into the Bakken.

Senator TESTER. OK. Do the rest of you feel the same way that it is pretty much across the board. OK. And this is for anybody that wants to answer it and multiple if you would like, we hear a lot about organized crime. I had a listening session up in Poplar a month ago and we heard about organized crimes existence here and how there's no separation. Could you talk about the extent of organized crime that is in this region? And it doesn't matter, whoever wants to talk. You have the mic, Scott, so you can hand it off or keep it.

Mr. VITO. Sure. And again, we go back to the economics of criminal activity. Any large scale market for those things such as drugs would draw those elements in. We have seen an increase in connections to Mexican drug trafficking organizations coming into the Bakken directly through the State of Montana and other trafficking routes, so it is not just the guy on the street selling a rock of crack or an ounce of methamphetamine. It is a larger scale—

Senator TESTER. So without giving away any trade secrets here, is it flowing from the Mexican border up here or is it flowing to Canada, Mexico to Canada and back through, how's it getting here?

Mr. VITO. I would say Mexican border. That is the most prevalent route.

Senator TESTER. OK.

Mr. VITO. Through California.

Mr. COTTER. Senator, I will give an example of a case that was prosecuted in 2013 in Billings by the U.S. Attorneys' Office. It was a case that came through the work of DEA, Montana DCI and Billings PD. The defendants were Alvarado and Martinez. They were members of the Sinaloa Cartel. They were in Montana for a period of only 6 months. At sentencing, they admitted to moving 80 to 90 pounds of meth, pure meth, into Montana toward the Bakken. In the debriefing, they admitted to 400 pounds. At the time of the arrest, they had \$56,000 cash, 2 pounds of coke; 6 pounds of meth; 100 grams of heroin; 17 guns were seized, two of which were SKS assault style weapons; and it is estimated that 175 weapons were traded for drugs and those weapons did go south. These men were connected to high levels of the Sinaloa Cartel, so you know we have big City problems in Montana.

Senator TESTER. OK.

Mr. COTTER. It is not what it used to be.

Senator TESTER. Pass the mic all the way down to the end to Sheriff Anderson. Sheriff, you have been in your position for, just a say a number of years, and you have seen the challenges that your law enforcement agency had. Could you talk about what the changes have been over the last 10 years, pre-Bakken to today, what are your officers seeing that disturbs you?

Mr. ANDERSON. Obviously, the drugs and the outside influence and the economic opportunity that the Bakken creates with workers that have high wages and—but collateral to that, increased domestic violence calls, and those are the most dangerous calls for law enforcement to respond to. Interestingly enough, Highway 16, we were running into some road rage issues. Prior to the Attorney General diverting troopers out here, we were having some horrific

accidents, head-ons, that were really hard on first responders and law enforcement, so a pretty significant uptick in that area. As I think about it, thefts of copper. These methamphetamine users that are addicted are stealing a lot of copper and so we are seeing an increase there, but you know I could prattle on but there's a brief stamp job for yes.

Senator TESTER. That's good. Attorney General Fox, in your testimony you talked about working with Montana Petroleum Association. I applaud that effort by the way, because I think if we can cutoff demand it really helps the situation, and if you can get those folks to work with your office and other offices or give them the tools. Can you just talk about how long the relationship has been going on, what's the receptivity of it, is there anything that the folks at the table that sitting with you or I or the Governor's office that can do to help kind of forge a partnership that would—

Mr. FOX. Sure. I started this discussion with the Petroleum Association, Dave Gold, last year.

Senator TESTER. Yep.

Mr. FOX. My experience in the private sector has been that when the public agencies and private individuals and companies put their heads together good things can come of it, so I am a big fan of public/private collaborations and partnerships, and you know we see various things that these companies who are working here and benefiting from the Bakken do for their communities, and they are usually very community oriented. They want to be a part of the community, and tapping into that mentality I thought that what a great opportunity for a public/private partnership in a big way to get the kinds of resources directed to those who need them. Of course, as Montana's Chief Law Enforcement Officer, my primary concern is public safety, and so my vision on this, and I have already discussed it with the NDA and several other members and there are people who are ready to write checks, but my vision is is that it is the local folks who need to drive the understanding of what the needs are, so that's why I intend to put together a task force who would then identify those needs and then a foundation, because it is always good to have a tax write-off, for the oil companies and oilfield service companies and others to contribute to and then have that money flow directly back here. We would have a very defined geographical area envisioned for the foundation such as law enforcement, victim services, first responders—

Senator TESTER. Yes.

Mr. FOX [continuing]. And the like.

Senator TESTER. Are there tools that you can give them that they can utilize during the interview process and hiring process that might be able to—

Mr. FOX. Right. We have offered that, and to my knowledge we have not had our first training yet but we are setting it up.

Senator TESTER. OK, good.

Mr. FOX. We want to make sure that, again, we partner on those things to help them make sure they are hiring folks that are not going to be a problem. That's good business.

Senator TESTER. Yes, exactly right. That is good business. The next two questions are for—are for Mike Gottlieb and Scott Vito and it is about jurisdictional lines of both your respective agencies,

the FBI and the DEA, and I have noticed that the Bakken was split at the North Dakota border with Montana. As a result, and correct me if I am wrong if it is been changed, but Sidney's jurisdiction is in Denver; Williston's jurisdiction is in St. Louis, and Mike Gottlieb this is for you. Are those jurisdictional boundaries an impediment from your perspective?

Mr. GOTTLIEB. I think what you are referring to, Senator, are the High-Intensity Drug Trafficking areas that—

Senator TESTER. Yes, that's correct.

Mr. GOTTLIEB. So you are absolutely right. The State of Montana falls into the Rocky Mountain HIDTA, which is Montana, Wyoming, Colorado, Utah; and North Dakota falls within the Midwest HIDTA, which is based in Kansas City and includes a number of States in the Midwest.

Senator TESTER. Right.

Mr. GOTTLIEB. And I do not believe that poses an impediment whatsoever. I think what we have seen and we have learned at ONDCP really is, and I think it is certainly true in the Bakken, is that no one agency, no one level of government, no one State is going to be able to solve these types of issues, and I would think the HIDTA Program and the emphasis it places on cooperation and collaboration is essential, and the folks in the Bakken, both in North Dakota and Montana, have shown not just a willingness to do that, but actually a demonstrated commitment to work together. I know the U.S. Attorney in Montana works very closely with his counterpart in North Dakota, and we see those two HDTAs, both the Rocky Mountain HIDTA and the Midwest HIDTA working together on a regular basis so we are very pleased with that.

Senator TESTER. So you are not getting conflicting direction from St. Louis or Denver?

Mr. GOTTLIEB. No, we are not; and in fact, I mean although it is actually Kansas City and Denver is where the management offices would be for those particular HDTAs.

Senator TESTER. Right.

Mr. GOTTLIEB. But in both cases it's local control.

Senator TESTER. OK.

Mr. GOTTLIEB. I mean it is really an effort governed by folks in Montana and North Dakota to work collaboratively, and the direction's not coming from Washington, D.C., Kansas City, or Denver in terms of how to operate.

Senator TESTER. I got you, and I have talked to FBI Director Comey, and I would ask you the same question, but he gave me the same answer that doesn't matter; that border doesn't matter; the region doesn't matter; that it is seamless.

Mr. VITO. That's correct. That's how we look at it. The task force approach working with State, local and tribal partners bringing everyone to the table. There's so few in Eastern Montana and Western North Dakota that we all have to work together to get the job done so—

Senator TESTER. That's good. And of course you know, I know we have a staff member from Hoeven's office here, I hope he's still here, yes, he's still here. I just want to make sure that I put a lot of pressure and make sure those FBI agents came to Montana and not to North Dakota, but no, just kidding. [Laughter.]

The fact is is that the problem is there in North Dakota as well as Montana and it is a serious problem. Scott, could you talk about, I do not know what's going on as far as staffing in North Dakota, but I do know that, and we talked about it literally before this hearing started, about the term that the person's here, how long they are here. Is there any plans to extend on a regular basis the staffing here in Eastern Montana by FBI agents?

Mr. VITO. Right. We have been staffing probably 60 to 90 day TDY's over the course of the last year.

Senator TESTER. Wait, say that one more time.

Mr. VITO. Sixty to 90 day TDY's over the course of the last year. Moving forward from probably, hopefully, November time period we are going to be looking to a 12 to 18-month TDY time period.

Senator TESTER. OK.

Mr. VITO. That will allow more continuity and more cases to be developed, and longer termed cases.

Senator TESTER. OK. That's good. And can you talk about, and maybe you can and maybe you can not, can you talk about the FBI's long-term plan for agents in this region, and I am talking about North Dakota and Montana. Do they have plans to put more agents into this area?

Mr. VITO. Right. The process is ongoing as I am sure you are well aware after talking to Director Comey. Both sides will have agents working the crime problem. We do not know exactly how many and where yet, but it is definitely a commitment from the FBI to maintain agents in the Bakken region.

Senator TESTER. And you do a regular assessment on need I would assume?

Mr. VITO. We do.

Senator TESTER. And do you bring in local law enforcement when you do that assessment and highway patrol and let me put it this way, do you bring in all your collaborators when you do that assessment?

Mr. VITO. Right, absolutely. We engage in conversation with all of our partner agencies in the area.

Senator TESTER. Are the Tribes a part of that, too?

Mr. VITO. They are.

Senator TESTER. OK. Thank you very much. Just hang on here for a second. Mike Cotter, I want you to talk a little bit about, it was touched on I think by Mike Gottlieb, I want you to talk a little bit about your coordination efforts with your counterpart in North Dakota when it comes to meth, heroin, violent crimes. Are you able to connect up with those folks and have regular conversation? Is that something that you do or is it something that you do only when it looks like it's absolutely necessary. I just kind of want to get the idea on what kind of communication is going between the U.S. Attorney Offices in the respective States.

Mr. COTTER. I have Purdon on speed dial.

Senator TESTER. You have what now?

Mr. COTTER. I have Tim Purdon on speed dial. [Laughter.]

He is very accessible as am I to him. So we speak often on various issues whether it is Bakken or Indian Country or anything along those lines or border issues, but I think the sharing of intelligence under the umbrella project Safe Bakken between North Da-

kota and Montana through the, like in Montana schematic, and through Montana DCI and through its counterpart in North Dakota, the Bureau of Criminal Investigation, as well as the sharing of intelligence between FBI on both sides, DEA on both sides, ATF——

Senator TESTER. Yes.

Mr. COTTER. It is ongoing. And I can tell you, Senator, that there are agents from Montana who are members of the Bureau, members of ATF, and members of the DEA that actually operate in North Dakota; they do.

Senator TESTER. OK.

Mr. COTTER. And it's to get the job done.

Senator TESTER. Good. Project Safe Bakken included a grant and I will get this title right, "Special Assistant United States Attorney for Fort Peck".

Mr. COTTER. Correct. That's is from the Office on Violence Against Women (OVW).

Senator TESTER. Right.

Mr. COTTER. Office on Violence Against Women, yes. The same is true for Fort Berthold.

Senator TESTER. OK. And so basically this would be a tribal prosecutor——

Mr. COTTER. Yes.

Senator TESTER [continuing]. To Federal crimes on the Reservation done by your office, right?

Mr. COTTER. Well, that's correct, but that individually will also be a tribal prosecutor who will prosecute cases in Tribal Court if there is an event or a case where it would get prosecuted in Federal court.

Senator TESTER. Is that person currently hired?

Mr. COTTER. The position has been posted but not yet filled. There is also one over at——

Senator TESTER. Fort Berthold?

Mr. COTTER. Yes.

Senator TESTER. And so the person has already been hired? Are they currently working? I mean they are there?

Mr. COTTER. Yes, they are.

Senator TESTER. Well, that's good news then. Who is it? Can you tell me who it is?

Mr. COTTER. I do not recall the young man's name, sorry.

Senator TESTER. All right, sounds good. This is for Mike Gottlieb. I don't think this is a fair comparison, but I am going to ask the question anyway, can you talk about the differences in anti-trafficking operations between the U.S. Canadian border and the U.S. Mexican border?

Mr. GOTTLIEB. I think, and it is a tricky question, I think the concept remains the same. I think the key is cooperation between the U.S. Government and our law enforcement officials and folks in Canada and folks in Mexico, and what I can comment on specifically are our collaboration, our partnership with our Canadian partners because I think that's essential for where we sit today and we could not be more pleased. I think the T3National Northern Border Counternarcotics Strategy, T1 sets forth a whole number of action items and a whole number of ways which we in the United



States collaborate with our Canadian partners both in terms of integrated border activities, in terms of shared personnel, so we think the concepts remain the same and are very pleased with our partnership with the Canadians. In terms of drug trafficking, I think as Mr. Vito said, some of it varies in terms of where drugs are coming from, depending on what particular substances and whether they are trafficked across the Southern border or whether they are trafficked from the Northern border down into the United States, and I defer to Scott on those particular issues, but the general concepts remain the same and the key is partnership.

Senator TESTER. OK, good, thank you. This is a question for Cotter and Fox and will probably be the last one. We will go to Tim Fox, Attorney General. What are the most pressing needs for prosecutors and aid workers in the Bakken to be able to most effectively address the sexual violence issue?

Mr. FOX. Address what? I'm sorry.

Senator TESTER. Domestic and sexual violence issues.

Mr. FOX. Well, we have identified a number of things in our office, and I know that the U.S. Attorney's Office has as well back to the Department of Justice. We believe that training is paramount. How do I say it? There are some old mindsets about how these cases should be investigated and prosecuted, and I think what we have been proactive in is traveling around and doing training for county attorneys and deputy county attorneys on how to successfully investigate and prosecute a sexual assault case. I also believe that more resources for victim services are absolutely imperative, and there's a shortfall and always has been in victim services, and we need to make sure there are more professional resources available there for all victims of crime, but in particular sexual assault, domestic abuse and those kinds of things. One of the things that we are going to ask the legislature to do in this next session is designate within our Prosecution Services Bureau a Sexual Assault Prosecution Unit. We have those kinds of units for other types of crimes. We have seen I think such a need here in Montana and across the Nation for those kinds of services and that type of training and the right personnel that we want to make it a priority at the Department of Justice; and really quickly if I can say I anticipated a question that you didn't ask.

You asked the last panel, you know, what are your greatest needs and your top priorities; from our perspective from the Federal Government, more resources for the FBI and U.S. Attorney's Office in particular. I think we need additional prosecutors, and I hope Mike would agree with me in his office. We certainly do need those FBI agents. I think it would be best stationed here in Sidney. That's where they have been. They have worked hard here we want to see that continue.

And then last, Senator, you and I and our offices have worked on the penalizing that we get, particularly with Federal funds to go to our drug task forces.

Senator TESTER. Yes.

Mr. FOX. We get penalized under the Sex Offender Registration Notification Act (SORNA), under the Prison Rape Elimination Act (PRETA), and under the National Institute for Background Check System (NICS). All of those penalties, if they are assessed this year

or the next fiscal year will amount to about \$120,000 to money that will not go to our drug task forces. Our local agencies are strapped; they need the help. If there's a way to have a moratorium on those penalties, Senator, we would sure appreciate it.

Senator TESTER. Amen to that, Attorney General. I appreciate you bringing those points up. It is very important, and you know as well as I do the kind of services your office offers and every one of these costs money. It doesn't happen by accident. It happens with vision and you got to have some resources, so I appreciate you bringing that point up, but I'm sure Cotter will disagree. [Laughter.]

No, I know he won't; but let's get back to the pressing need for prosecutors and aid workers when it comes to domestic and sexual violence, if you could touch on that, and then if you want to respond to the Attorney General you sure may.

Mr. COTTER. Thank you, Senator. With respect to sexual assault and domestic violence, jurisdictionally, those matters fall to us if they occur on Tribal lands or in Indian Country, and we are within my office we are sufficient number of aides because we have an aide assigned to each Reservation to handle matters. We have victim/witness people in our office. The FBI has victim/witness specialists who work with victims until the case is indicted and comes to our office. The BIA is also involved and tribal police. On each of our Reservations, we have child protective teams that meet, SART teams as well as NDT; those are a group of professionals; law enforcement, lawyers, county attorneys as well as healthcare providers who identify people who are either in terms of need or help or perhaps victims of assaults. If an assault occurs off tribal lands, it becomes a county matter that has to be dealt with by local county attorneys with perhaps assistance from the Montana Attorney General.

Senator TESTER. Right.

Mr. COTTER. There was this struggle that we have, quite honestly, with respect to staffing. It was during the period of sequestration. We were down a number of attorneys. Today, I can tell you we are allocated 26 FTEs, we have 25 on board.

Senator TESTER. Yes.

Mr. COTTER. We certainly are keeping pace with prosecutions as they are coming forward. I believe that in the next 12 months, I have made this statement publically and I will make it again, I have learned that drugs or narcotics cases will be coming into our office, specific of the Bakken. We will probably incite 100 individuals in the next 12 months, maybe 125. That's not to say that if I was offered another FTE I would take it.

Senator TESTER. Yes.

Mr. COTTER. And I would also add a staff person to also help.

Senator TESTER. Yes. Well, thank you and thank you all for your testimony. Thank you for your correct answers to the questions. I very much appreciate the work you do. You guys have an incredibly tough job on all levels, and the fact is that I think that you have touched on the synergy that happens, and we have touched on some of the things that we are lacking, whether it's jails, whether there's a number of things, but the truth is, is that you guys do a great job and I just want to thank you for the work that you do.

Every one of you have stepped up to the plate and done a job that we all could be proud of as policymakers, so thank you all very much and thanks for your time today.

Mr. COTTER. Thank you, Senator.

Senator TESTER. You bet; thanks, Mike. And as this panel is dismissed, we are going to go to our final panel of the day which includes Tony Preite from the USDA; Mike Tooley from the Department of Transportation; John Dynneson from the Richland County Sheriff's Office; Paul Groshart, Richland County Housing Authority; and Commissioner Loren Young from Richland County, if you guys would kind of meander your way up.

Senator TESTER. So the last Panel if we could get the folks to come on up and I want to thank you guys for waiting around. We are saving the best for last here, obviously. It is pretty tough to beat the last two panels, but you guys will do just fine. This panel will speak about infrastructure challenges that have arisen for the explosion in the Bakken. Infrastructure covers a lot of different things and we have a lot of different perspective up here. First we have Tony Preite who is State Director of the Montana Rural Development Program for the Montana USDA. In that capacity, he oversees that office's grants and loan programs and coordinates with State and local officials on infrastructure and economic development projects important to Montana. Tony has an incredible experience in economic development in Montana. No one can quite do what he's done because he's been at it a while, more than 50 years serving the State in various roles including a period with the U.S. Department of Commerce; the Montana Department of Commerce; and Bearpaw Development in Havre, Montana. Thank you, Tony. We look forward to your testimony.

We also have Mike Tooley who is Director of the Montana Department of Transportation (MDT). He serves on the U.S. Department of Transportation National Freight Advisory Committee. Prior to taking the helm at the Montana Department of Transportation, Mike served the Montana Highway Patrol for 28 years, including four as Colonel. Mike, thank you for your service, thank you for being here today.

We have John Dynneson. Is that correct, John?

Mr. DYNNESON. That's correct.

Senator TESTER. Did I get you right? He's the Deputy Sheriff with Richland County Sheriff's Office here in Sidney. He also serves as coroner for Richland County and is president of the Richland County Law Enforcement Association. Previously, John worked approximately 25 years with the Sidney Police Department. He is also involved with various groups within the community including Richland County Coalition Against Domestic Violence and the Foundation of Community Care. John, thank you for taking the time to be with us today.

Mr. DYNNESON. Thank you, Senator.

Senator TESTER. Paul Groshart is the Executive Director of the Richland County Housing Authority. You have a big job. It was created in 1950. It is the largest affordable housing provider in Eastern Montana. Paul first worked on affordable housing in 1986. He has served as president of the Montana Association of Housing and Rehabilitation Organization and was a trustee of the Public Hous-

ing Authority Directors Association. He served as a member of the Sidney City Council for 8 years and was council president for two of those years. I want to thank you for being here today, Paul.

And finally, Loren Young, Commissioner of Richland County. Among his priorities as chairman is addressing the counties infrastructure needs, particular affordable housing. We appreciate that. Loren has served on numerous boards and committees in Richland County prior to running for his seat as commissioner including the Montana Oil, Gas and Coal Counties Board. Loren is a fourth generation agricultural producer farming for over 40 years with his farmer, with his father, and now with his son. Congratulations on that. And, Loren, I understand you got harvest done. That's always a good feeling. It's good to have you here.

Mr. YOUNG. Back down to normal now.

Senator TESTER. There you go. Tony Preite, you have the floor.

**TESTIMONY OF ANTHONY PREITE,<sup>1</sup> STATE DIRECTOR, UNITED STATES DEPARTMENT OF AGRICULTURE, MONTANA OFFICE OF RURAL MONTANA**

Mr. PREITE. Thank you, Senator Tester. I am pleased to have the opportunity to discuss the Bakken and the work of my agency, USDA Rural Development. First, I would like to express my appreciation to you for continuing to focus on the challenges and opportunities that oil and gas development have provided to rural Northeastern Montana and Western North Dakota. For most of my career I have studied the needs in economic development of State and local economies. While activity in the Bakken has created much needed jobs in a region that has been long underserved, it has also brought additional challenges to the area. The sense of excitement about the energy boom has today been replaced with deep and intense conversations about issues of housing, traffic, crime, water and waste and other social needs. USDA Rural Development Programs play a key role in investing in rural economies. Rural development staff and programs help deliver safe and affordable housing, support for business growth, community facilities for health and safety, reliable electricity for our homes and industry, broadband to expand the access to education, healthcare, businesses and social services and clean, safe water to support healthy rural communities. The USDA Rural Development has a nationwide loan for over \$200 billion in direct and guaranteed loans. Continued investment in key infrastructure is essential to ensuring rural America is a place where families and business can grow and thrive. Since 2009, USDA Rural Development in Montana has invested more than \$37,500,000 in single family housing in the Bakken area.

Over that same period in the Bakken counties in Montana and North Dakota, USDA Rural Development has supported 22 new or improved broadband service projects for residents, schools, hospitals and businesses. We have funded 27 water and waste water projects and provided grants and loans to assist 60 small and midsize businesses. Local development corporations and cooperatives in the region have also been served. Thanks to the new tools

<sup>1</sup> The prepared statement of Mr. Preite appears in the Appendix on page 102.

in the 2014 Farm Bill aimed at improving program delivery, we will be able to continue to build on these investments. Over the course of the last 2 years, USDA Rural Development has participated in numerous meetings with local, State and tribal leaders. We have tried to maintain a leading role in planning and development sessions with community organizations and engaged in listening sessions throughout the region. These interactions make clear that technical assistance, coordination and community outreach are key in meeting the overall needs in the area.

That is why USDA Rural Development has worked to deliver programs that ensure that taxpayers' dollars make the greatest impact. A focus on community economic development while using the regional strategy is our goal like in the Bakken. We can develop important sources of growth and help extend limited resources in the region by providing a set aside with preference for projects that are part of a regional approach as described in the 2014 Farm Bill, USDA Rural Development will be able to more effectively support rural places that are working in a cooperative effort to realize the long-term community and economic development goals.

In Montana, USDA Rural Development has played a lead role in the formation of the Eastern Montana Coalition, a cohesive area-wide planning organization in the Bakken. The benefits of this Coalition are numerous including better service throughout the entire area, and the Coalition also provides a unified force and voice for the region, especially when approaching State and Federal leaders for assistance. As the Montana Director for Rural Development, I am committed to ensure that USDA Rural Development will continue to serve a leadership role in the Bakken. We also recognize the importance and fully support the participation and help of all other partners and efforts to better serve the region.

Mr. Chairman, I appreciate your continued support for providing assistance to the Bakken area. USDA Rural Development joins you in your efforts to ensure that the residents of the Bakken are well-served. I hope I have provided you with some insight as to how USDA Rural Development has and continues to contribute to the Bakken, and I look forward to responding to any questions. Thank you.

Senator TESTER. Tony, thank you for your testimony, thank you for your insight. Mike Tooley, you are up.

**TESTIMONY OF MIKE TOOLEY,<sup>1</sup> DIRECTOR, MONTANA  
DEPARTMENT OF TRANSPORTATION**

Mr. TOOLEY. Mr. Chairman, good morning. Thank you for being here today and thank you for asking me to testify before the Committee and before you. I think it is terrific that you are here to hold this field hearing and outreach session in Montana's active Bakken region. It has obviously made a big difference in how the Montana Department of Transportation does business. Our focus is to provide safe and efficient transportation to the motoring public and to support economic activity here in the Bakken, but for as it is almost always the case for any infrastructure agency, our needs vastly outpace the resources that are available, so it is essential that

<sup>1</sup> The prepared statement of Mr. Tooley appears in the Appendix on page 107.

we are making the best most timely decisions. To provide some scale to the issue, our MDT own infrastructure of 12,000 road miles in the State of Montana.

Nearly 30 percent of that is within the Bakken region in the Glendive district. The numbers that I am going to give you, Chairman, are related only to MDT owned infrastructure, and please be aware that there are also major impacts to local streets and county infrastructure. What have we seen? We have seen a significant increase in traffic volumes largely made up of heavy truck traffic. We have seen the increase in truck traffic as much as 32 percent between 2007 and now. Pavement designs are largely driven by the heavy truck traffic and this kind of an increase can drastically impact the life and condition of pavement. As a matter of fact, as part of the Bakken Impact Study that we finished in 2012, we determined that the MDT District 4, which we are in today, has an estimated additional \$52 million dollars in annual need over the next 20 years to address pavement distress.

That is just our infrastructure. In addition to pavement, the increased volumes of high truck traffic also have impacts on roadway operations and safety and I will address some of those things that we have done to address those shortly. We have also had a hard time in the Bakken attracting and retaining employees and contractors in this district. While on a statewide, State employee basis, this may not be an issue; unfortunately, I am the exception. I employ a large number of truck drivers that have CDLs; I employ mechanics; I employ welders and they are all very attractive to the oil patch. As a matter of fact, I have seen a statistic that says that they are hiring up to 30 CDL holders a week, and one of the first places they will come is where somebody has a CDL already, and unfortunately, that may be one of my snowplow drivers and that becomes an impact to the community.

Once we have trained and hired staff, they can easily move on to better paying jobs in the oil development industry. One of the things that we are doing to address that is workforce development through tribal colleges, and specifically on the Flathead Reservation and Fort Peck Community College, MDT does provide grants that trains individuals to hold jobs in our agency or in that type of line of work. We think it is important to develop those technical skills and keep those workers working right here in the Bakken in a place that they will probably stay. Increased competition, however, isn't limited just to our staff, but it also includes raw materials and private engineering and construction services. We have seen a massive increase for key materials which drive up the project costs or decreases the buying power that we have in comparison to other districts. We have had instances where prime contractors have come out here to work. We see few or no bids from contractors or subcontractors for highway projects due to the increased demand in the area; and so now the prime contractors have to bring more of their staff in instead of hiring a subcontractor increasing immobilization costs and the entire project costs more. It is important because we want to make the right decisions and continue to invest in infrastructure across the State. Connectivity for us is important. We don't want to have one district have great roads; the next one not have good roads. It is very important and

through the process that we use, we use the Performing Program Process to manage our assets and that allows MDT to make appropriate investment decisions, and this process directs the longer term direction of investment for MDT. And in fact, some of the recent P-3 recommendations are directing more funding to this district for system improvements. And in response to increased truck traffic, our agency was able to modify pavement design in several recent and upcoming projects to make sure that they last longer and accommodate the added truck traffic. Studies show that both short term and easily implemented improvement projects and long-term needs are there. We have identified some easily implemented improvements that address or head-off some emerging issues, and in this area specifically we did a quarter study on Montana 16/200, Glendive to Fairview. It was a 60-mile study along with a safety audit that caused us to take some immediate action including installing some passing lanes that might not have been the original design; installing centerline rumble strips; and increasing the shoulder widths. We also, as part of the Safety Study, determined that we needed to normalize or match the speed limits in that quarter between passenger vehicles and trucks, and so now the entire quarter has the same speed limit no matter what you are driving, and I think that has contributed greatly to safety.

In addition to short-term improvements, MDT's district staff has identified many projects to address area needs. Right now on the books we have over 100 miles of recently completed and planned projects in the Glendive district through 2019 for a total investment of about \$50 million dollars. Many of these investments are influenced by the energy impacts. However, the most responsive aspects of our program is in maintenance, and we have recognized need to invest more State funds in that area and \$6 million more that could have previously been allocated to other districts is now coming to the Glendive district to address that; however, our efforts extend beyond highways. We fund law enforcement for overtime patrols to arrest DUI drivers, and we also work with other outside entities such as Burlington Northern Santa Fe Railroad. We are investing \$5 million dollars in this area to upgrade rail crossings. That includes installing stop signs, flashing lights and new crossbuck for \$5 million dollars. We also pay very much attention to air transportation through the essential air service. We have seen a 27 percent increase in air traffic and air travel in this region thanks to the Bakken. I heard Chairman Stafne speak to folks that can't get around, and we invest \$6.5 million dollars per year statewide in transit to make sure that folks who may not have their own transportation have those needs met.

To close, we anticipate the impact in the Bakken to continue for at least two more decades and recognize that additional funding and attention to our infrastructure is necessary. To maintain the condition and operation of our systems, we feel that funding levels must at least remain where they are with impacts for inflation. Montana's transportation infrastructure is dependent on the continued and predictable Federal participation and a strong Federal investment in the Nation's transportation systems. These Federal programs are essential for our economy. In Montana, \$0.87 of every construction project is federally funded. Supporting the industry,

the jobs and the growth in the Bakken and ensuring the Nation is poised to capitalize on the investments here are important and that requires Federal participation, and I again would just like to say thank you for the opportunity to testify before you today. Your staff has been extremely good to work with. I understand that we may not see you every day, but I know you are involved behind the scenes in Washington and thank you for all you do.

Senator TESTER. Thanks, Mike, appreciate your testimony. John Dynneson.

**TESTIMONY OF JOHN DYNNESON,<sup>1</sup> DEPUTY SHERIFF,  
RICHLAND COUNTY SHERIFF'S DEPARTMENT**

Mr. DYNNESON. Yes. Thank you, Senator. Prior to being on the third panel today sitting here listening to the other testimony, it's obvious that the testimony I provide to you much of that information has already been presented; however, there are a few points that I would like to address. A common theme echoed by many in this region is the need for an increase and experienced staff and staff that is able to afford the living situation in this region long enough to stay and obtain the necessary experience to effectively serve our communities. Though our sheriff's office and local police departments have had some outstanding individuals willing to serve our continued commitment to effectively serve our communities require more officers, jail staff and dispatchers. These are only just a few of employment opportunities available and necessary to facilitate the work our law enforcement agencies are expected to undertake and provide. Finding individuals willing to work in these areas rather than seek higher paying oilfield employment is difficult.

Besides finding an experience person and locating others willing and able to dedicate adequate time to train persons, multiple obstacles still stand in the way. Housing infrastructure—though slowly increasing—is still lagging. Increased construction of housing units does not remedy the issue of affordable housing. With housing prices at alarming rate in this region in relation to comparable housing in other parts of the country, our local agencies and departments are faced with budget concerns and the need to provide further monetary assistance or housing subsidies to address those needs of prospective and existing personnel. It is not only the high cost of living or the high cost of housing that is astonishes the people, but everything here is limited and comes with a price. The costs associated with living in the region including groceries, home repairs, vehicle maintenance and childcare, are unprecedented compared to many areas of the United States and our State. What the State and Federal Government may not see is that adequate childcare is extremely limited here in the region. Enticing the right recruits to join our local agencies is difficult. It is difficult enough without mentioning all the accompanying hardships that those potential employees may face for themselves as well as their families. Logically, the increase in population comes with a growth in crime.

Increased incidences of abuse, mental health concerns, growing numbers of homeless and other strains on local infrastructures as

<sup>1</sup> The prepared statement of Mr. Dynneson appears in the Appendix on page 110.



well as other unsavory ideas such as organizations coming to this area that support criminal activity. Currently, all of our local State agencies work together to address the impacts on our communities. These agencies include Mental Health, Child and Family Services, Sidney Health Center, Richland County Coalition Against Domestic Violence and other service agencies. All of these agencies are affected by the same issues as law enforcement; concerns with affordable housing and the lack of experienced personnel willing and able to live and work in the area of the Bakken region and the lack of childcare.

In regards to Federal agencies, I want to express our need that we need the assistance of the FBI here because the FBI has the time and the resources that are necessary to devote to the particular crimes of high-profile cases that the local and county law enforcement agencies cannot match at this time. Currently, the FBI rotates agents through this region based on temporary duty. From my observations, I believe that it would be helpful if FBI personnel were assigned to this region as a permanent position. Though our local and State officials continue to do a great job in their work in this region, the permanent FBI official would provide much needed assistance to the cities and counties in Eastern Montana. Besides assisting local law enforcement, the FBI officials would be expected to proactively investigate, assist in prosecuting Federal crimes that are committed in this area. This would primarily consist of but not limited to the drug investigations, human trafficking and white-collar crime. If permanent officials were assigned here, it would like require a Federal stipend or some type of assistance to deal with the high cost of living to this region. In addition to the FBI and other Federal agencies, may require financial and personal increases in order to effectively serve the Bakken area. It may not be necessary for those dedicated personnel to be stationed in our city or in our or county rather; however, setting up a task force and importing personnel to assist in protecting our region would be helpful. This increased presence would aid local entities in dealing with crimes that surpass the capacity of available local personnel and provide additional expertise and cover issues outside the bounds of the local jurisdictions.

Again, Senator, I appreciate the Subcommittees' consideration of our testimony today and we are hopeful that our emphasis on these issues will lead to further assistance from the Federal Government and appropriate agencies. Though our local law enforcement personnel is dedicated to do everything it can to protect the residents of Richland County and the Bakken region, we welcome further efforts, financial support and additional resources in order to more effectively remedy the issues affecting our personnel, our agencies, and most importantly, the residents of Richland County and the residents of the region of the Bakken area. Thank you very much.

Senator TESTER. Thank you, John, for your testimony. I very much appreciate it, and you might be on the third panel but your testimony was very insightful, thank you.

Mr. DYNNESEN. Thank you.

Senator TESTER. Paul Groshart.

**TESTIMONY OF PAUL GROSHART,<sup>1</sup> DIRECTOR, RICHLAND  
COUNTY HOUSING AUTHORITY**

Mr. GROSHART. Thank you, Senator Tester, for inviting me to give testimony at this hearing on affordable housing in our community. I apologize if this first part sounds like a teacher giving a lesson, but several decades ago when I did go to college I graduated to be a teacher, so it may sound like a history lesson instead of testimony, but 30 years ago Sidney residents would probably have known their neighbors by their first name, knew where they worked, how many children were in the family and what they liked to do for their hobbies. The residents of Sidney and the surrounded area were like an extended family, distant cousins if you will; and when families moved into the area they were often invited to join service groups, churches, chamber of commerce and school organizations.

Thirty years ago also marked the end of the first oil boom in our county. That boom saw a span of 7 years. It brought high-paying jobs, but by the time it ended there were several reposed homes for sale, mobile home parks abandoned, trailer houses abandoned and infrastructure costs left unpaid by special improvement districts. 1984 was a long time ago for many, but for some of us here in the community, the economic collapse lasted a long time and made our community financially distressed for several years after that. Fast forward to the present and most everyone here can attest to the fact that the oil boom is back bigger and better, but not so much for those wanting to move here and make Sidney their home. Right now in 2014, there are jobs available in our area, high-paying jobs that typically pay three to four times more than minimum wage. Someone moving to the area may very well have that job, they may very well have job security, but they do not have the most important thing they need to succeed here in the Bakken, an affordable place to live.

If you are fortunate to own your own home or are in the process of buying a home, no doubt as a resident of Sidney, you are much better off than those who in the community who are renters. Those who rent now, see that the lack of rental housing in our community is an acute and serious problem with no short term solution in sight. For instance in 2013, a rental market study was prepared for the Richland County Housing Authority, and based on that study just one year ago, the rents for existing rental units for 2012 were rising at a rate of 5 to 10 percent every month. The vacancy rate for privately owned rental properties was at 0 percent; waiting lists for private housing were nonexistent as turnover was rare. Furthermore, a more followup market study that we did in 2014 revealed that the same units that were filled prior to the year 2000 had rent increases in 2012 and 2013 were now increasing their rents from 30 percent to 300 percent after a vacancy occurred or when a lease expired. This vast increase in rent puts the local working families in jeopardy of losing their rental housing because rents can now exceed 50 percent or more of the take-home pay. The families affected by this increase work at local retailers such as

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<sup>1</sup> The prepared statement of Mr. Groshart appears in the Appendix on page 114.

restaurants, hotels and stores, and they may even be the teachers, hospital workers, and law enforcement officials that we rely on.

So who decides what is low income in our area? HUD annually publishes a report on median incomes for nearly every community in our State. Right now, the median income for Sidney and our county is \$70,600 for a 4-person family. This means that there are wage earners below that amount and wage earners above. It is not the average, but should give everyone here in this room an idea of wages are being paid in Richland County. If we compare it to Rosebud County, our median income is \$10,000 higher; compared to Park County, we are \$16,000 higher; and when we compare the median income to places like Helena and Billings, we are about equal to their median incomes. Why is housing not a problem in Billings and Helena? The supply of housing in those areas probably exceeds the demand right now. There are more places to rent; there are different levels of quality; and there are far more providers of affordable housing such as housing authorities. Our housing authority was created in 1950 and has a contractual relationship with the United States Department of Housing and Urban Development to provide housing to low income community members.

Who can qualify for assisted housing programs? A majority of our owned homes and managed properties are for people who earn less than 30 percent of the median income. For instance, a single person wishing to rent a 1-bedroom apartment from me has to earn less than \$12,250 per year to qualify; a 2-person family would have to earn less than \$15,730 a year; a 3-person family less than \$19,790; and a 4 person family has to earn less than \$23,850 per year to qualify for assisted housing.

What can Congress do to help us? First of all, I thank Senator Tester for his support of the Small Housing Authority Reform Proposal (SHARP). As long as I have been with HUD, they seem to come up with acronyms for everything. Some of the issues that affect housing authorities, although there are only 14 in the State of Montana, HUD has come along with a new requirement for a fiscal needs assessment program that would cost our housing authority anywhere from \$30,000 to \$50,000 just to tell them what's wrong with their housing. They started program 2 years ago called Rental Assistance Demonstration Program which would allow housing authorities to opt out of public housing and create properties that have vouchers or Project Based Section 8, so we'd like to have that support also. Of course, I know the programs have been brought up that there are Section 8 Programs and I would like to just address that. Three years ago prior to this oil boom coming, we administered a Section 8 rental assistance program here in the community and Fairview and Savage and we had 92 participants. What that means is we were helping pay rent for 92 families or single people in the three communities. We are now down to 42 families. It's not that those 50 116 people somehow went away; it's that we cannot afford to pay the rents that the landlords are now requesting. HUD has a limit, they say 'fair market rent' they call it where a 2-bedroom place in Sidney is about \$800 a month.

Unfortunately, that doesn't ever happen anymore. The rents are just too high for that program to work here. So the answer as far as we are concerned in my area here is there has to be a little bit

more involvement from the Federal Government to maybe declare us a disaster area and maybe we can hit some other kind of funding because the restriction for the low income people here as far as their income, they just don't exist for us. So thank you again for your allowing me to speak today.

Senator TESTER. Paul, thank you for your testimony; thank you for your work, and I know it's a difficult conundrum, but I think working together we could find some solutions. Commissioner Young, you're up.

**TESTIMONY OF LOREN YOUNG, CHAIRMAN, RICHLAND  
COUNTY COMMISSION**

Mr. YOUNG. Thank you, Senator Tester, for inviting me to the hearing today, and I also want to make a note that you have a very wonderful staff to work with on the local level. You are very blessed with that.

Senator TESTER. Thank you.

Mr. YOUNG. Well, I kind of went into about four or five different areas here and have some statistics and since Paul just got done talking, I am going to also mention that we are doing a joint venture with the city for city and county employees on a little housing project and being we have the housing authority we kind of let Paul decide how that's going to go out, so I wanted to announce that kind of joint venture with us for law enforcement especially, for city and county.

And my next subject I want to talk about is the workforce that all in common has been said here. It has been a revolving door. It is quite a problem to compete with government salaries with the oilfield, and as a county commissioner and a bean counter it is a very scary trend that we have seeing these budgets. Our county budget, our monthly payroll, is just a few thousand, about \$40,000 to \$50,000 shy of a million dollars a month, and conventional methods of creating revenue and taxes through levies and stuff, it is a tremendous burden that's being put on the county taxpayers that if the oil revenues are lost, it can't be maintained, so I am sure you already know that.

The other area I wanted to talk about was our health department. I went back 10 years and got some statistics, and this is the slow part of the department, it only went up 122 percent in 10 years, and most of the problems is the increased traffic flow of out-of-State workers that arrive here, but they are very overwhelmed, and that's the statistics for that one.

The next one I went into was law enforcement. I went back 10 years there. Law enforcement costs here have went up 288 percent to the best of my knowledge fingering through that Black Mountain program. We also just got done building a new \$17 million plus dollar jail. As Mr. Anderson I believe, or one of the gentlemen earlier stated, there have been times where the reports come to our office in the excess of 40 people in there, but it is averaging in the 30s. We built it for 24 adults and 12 juveniles, and we pretty much had to boot the juveniles out and put the adults in there, and every morning when the county attorneys come to work and the Justice of the Peace that's sitting here they have to look at the list and see who's bad, and who's badder, and who's baddest and the bad

gets to go home, and the badder and the baddest stays so it's really a problem to deal with.

Also, with law enforcement here I asked Judge Mohr to give me some statistics. In 2013, Judge Mohr saw 4,773 cases across the bench. I did a little math on that. That's 13 cases a day 7 days a week or 91 to 92 cases a week, and he's well on his way to that number and probably exceeding that number this year again, so just a little statistic there that I would like to pass on.

All right, Mr. Dynneson talked a lot about the sheriffs and the law enforcement and we talked about the housing so I will let that be on that one. Now, I am going to move to county attorneys. County attorneys are overwhelmed in our county. The statistic that I come up with on the county attorney is 954 percent based on the expenditures from 2004 to the new budget that was just submitted to me in the last month, or last couple months, so it's a very overwhelming thing that's going on there and I just wanted to pass that number on because it's just mind-boggling and I think these gentlemen who spoke on the panel before me can relate to me with the increased domestic violence, increased drugs and the murders and everything that's going on here, so I guess that's all I am going to say about the county attorneys' office.

My last one that I want to talk about is roads and bridges and the county department. The road department has went up 743 percent in the last 10 years based on numbers that pulled. One of our biggest calls and the most problem we have course is rough roads. That's a daily thing. But dust suppression is a nightmare. Everybody in the country is mad because of the dust that's coming in so I believe a lot of this has came back in the 70s, maybe 1973, the Constitution was opened up and something put in there about the Montanans are entitled to a clean and health environment. Well, they play that trump card on us and we literally pay out. It's in the excess of \$100,000 to \$200,000 a year in buying Mag. Chloride. We have dedicated a whole crew of people to handle the road patrol work and the semis and we have even put up storage tanks and we have semi loads of Mag. Chloride brought to us to try to appease the public with all the phone calls that the commissioners and the road bosses get and it's really a task. We have about 35 people on the road department and it looks like they don't get anything done. It's quite a bit of deterioration on the roads with the truck traffic. And also, I will add here that our public works director had a counter out on one of the local gravel pits where all the gravel is heading into North Dakota and we are getting nothing for it but a worn out road and giving that man back there, Shane Mintz, a headache because of all the road work it requires to maintain the roads out there; and we have about 2,200 and some odd loads that went on that road in one day out there into North Dakota. Well, that's fine; that's business. I'm for business. But I'm going to give you a little statistic here that you are not going to believe me but that's fine; 2,280 semis in one on this road. One 80,000 pound semi is equivalent to approximately 2,300 ordinary vehicles like you and I drove to work today, so when you take the math and you work that out this is one day, it would be equivalent wear and tear on these roads of 5,244,000 ordinary vehicles on that one stretch of road, and I will admit that this isn't something that

goes on 24 hours a day, it goes on and then it slows down, it peaks up and it peaks down, but these are the kinds of things that we have to deal with.

And I also have some pictures I am going to give Senator Tester in regards to some accidents that have happened on some of the roads in my area. There's been probably 20 rollovers since the first of the year on some of these roads that were built in the 1940s. I don't want to get the Department of Transportation in trouble. I think they do a wonderful job at trying to take care of the roads, but we probably have one of the finest district directors in Glendive that money can buy, but he ain't got enough money to take care of these roads out here. Why can't you guys come and do a one-time infusion for the impacted Bakken counties and get him some money so that he can do something with these roads. I know that they try to go on the fairness issue and based on population and stuff and I have seen the numbers and they are fair numbers when you look at them, but this is the area that's creating a \$200 and some million dollar surplus for the oil companies and I would like to see the Federal Government help the State out with a one-time infusion for this Bakken region for road rebuilding.

And on that issue, I think I am kind of running out. I know I have overused my time. We have also done quite a lot of work with the City of Savage, it's a non-incorporated town, and we got the sewage lagoon fully funded thanks to all the different agencies involved; and you asked earlier about red tape and I think that's an understatement. CDBG has been great to work with but there's a lot of red tape there, but it doesn't matter, I'm not singling them out because the whole works is just awful for red tape. I bet one of the first things that happened when I got into office was a Order on Consent for the lagoon being out of compliance and I have been working on that almost 4½ pushing 5 years now and we still haven't even moved an ounce of dirt, so that's bureaucracy and that's red tape that's causing all those problems and it's nightmare and now Sidney's facing it and it is a terrible thing that we have to do all this red tape, so I guess I'll go ahead and hang up the mic now and let you ask your questions and thank you.

Senator TESTER. Thank you, Commissioner Young, for your testimony. I very much appreciate it and my first question is probably going to be self-explanatory by the testimony that you have already given, but I will give you an opportunity to be brief and say it again, and it is a question that I asked the first panel and Attorney General Fox pointed out that I did not ask the second panel and that is from your perspective what's the biggest challenge you have out there because this Panel's about infrastructure. Who's got the mic? Commissioner, what's your biggest challenge as a county commissioner if you were to pick one?

Mr. YOUNG. Oh, I would say that trying to keep the roads caught up to the traffic is probably our worst challenge.

Senator TESTER. Yes.

Mr. YOUNG. Helena has done a real good job with the severance tax and we are ahead of the game because, just a little history note here, Richland County is the county that where the very first Bakken oil well just northwest of town here was drilled. Everybody thinks everything is North Dakota, but it happened right here just

northwest of town; but roads are a nightmare. That's our No. 1 complaint.

Senator TESTER. OK.

Mr. YOUNG. And we do the best we can with what we have. I know we have tremendous revenue stream but it's still not enough.

Senator TESTER. Yes.

Mr. YOUNG. And of course we try to make good decisions.

Senator TESTER. Just curious, you said you have folks on your road crew, how much has that changed in the last 5 years?

Mr. YOUNG. Well, I believe 10 years ago they had about 15, 13 to 15.

Senator TESTER. OK.

Mr. YOUNG. But we can't even find anybody to hire that's experienced.

Senator TESTER. I gotcha.

Mr. YOUNG. They don't want to work for what counties are paying. They want that \$35/\$40/\$50 an hour.

Senator TESTER. I gotcha. Point well taken; thank you. Paul? Not that you are working on housing or anything, but what's your biggest challenge?

Mr. GROSHART. Parking my car at the office now that school has started. We have seen a large increase in the number of rental units made available in the last year, probably last year and half; unfortunately, as mentioned before, rents are on the \$2,000 range or higher, and as a business person, you know as well as anyone, that if you are going to invest your money in something like housing you want to get your money back out faster rather than later, so as we find out when we go to the bank to do a project, they are talking 10 years/20 years. If you are going to 10 or 20 years you are going to have to get your money out faster.

There's a HUD program called 221(d)(4) that is a mortgaged guarantee program for multi-family developers, and basically that helps lower the interest rate for the loan that the developer may go get. That is about the only alternative that I am aware of in the multi-family area that could help our community if there was a developer available that wanted to do this kind of housing and give him a 40-year mortgage instead of 10 or 20 years. They could keep the rents affordable for that long of a period. The housing authority and our affiliate the Richland Affordable Housing Corporation, we own one of those properties that we were able to purchase with home funds in 2001. The original owner was from Kennewick, Washington. He had ran out of his need to have that kind of a project. We were able to buy it and keep it locally, but it is a 221(d)(4) project where the mortgage was guaranteed. There was also a Section 8 rental assistance into that project so you did increase the amount of housing available for low income housing families.

Senator TESTER. OK. Thanks, Paul. John, if you were to pick the one thing that's biggest infrastructure priority for you what would it be?

Mr. DYNNESEN. Probably maintaining a workforce, an experienced workforce, and then of course if this region expands we are going to have the same issues that we currently have is the overcrowding of the jail and workspace within the facility that we have.

Senator TESTER. Good, thanks. OK, Mike Tooley.

Mr. TOOLEY. Thanks for asking that question, Senator, and it goes back to part of my response toward the end of my closing, it would be dependable funding, not just funding, but dependable. Let me explain why that is. The Department of Transportation knows what to do and where the problems are, we just don't have the resources to address it.

It's the same issues the counties deal with. My needs are \$1.5 billion per year to do what we should be doing. Right now, the State of Montana between State and Federal funds, we are making an investment of \$440 million a year between State and Federal funds; and so you can do the math, we fall behind every year.

Senator TESTER. Yes.

Mr. TOOLEY. So one of the most difficult things for us is our inability to plan based on short-term funding fixes. Congress recently transferred funds into the highway trust fund to make it solvent through the end of May, which was great because we were able to keep those construction projects going, but what we like to do at the DOT is get 85 percent of our contracts let by March.

Senator TESTER. Yes.

Mr. TOOLEY. So that helps the contractors know what they need to buy or who they need to staff and it keeps prices low. Unfortunately, the two-thirds of the year is two-thirds of the funds and so we don't have a full year of funding and so we have to be pretty tentative on how let those contracts. It dries up costs. It keeps the contractors from hiring the personnel they need, buy the materials they need, and it all winds up in cost increases, so we need dependable long-term funding so we know that we can implement the plans the work that we know needs to be done. A one-time infusion to the Commissioner's question, that might help, but the problem is you have to plan these projects. Administrator Mintz has a big backlog of projects that he could probably work on, but it doesn't mean because the money's here today that it's going to get done today, and so if that's something that Congress is interested in doing I think that the State DOTs would want to be part of that conversation to make sure that your intent is met at the end.

Senator TESTER. Right.

Mr. TOOLEY. So basically, coming back to dependable long-term funding, something we can plan on and actually do some work.

Senator TESTER. Thanks, Mike. We don't have to take this up today, but at some point in time I do want to have a conversation with you about what the capacity is in this State for road building. You say you have a \$1.5 billion dollar need out there and there's no doubt about that because we have been all over the State and you do a great job but there is plenty of need. We are doing about a third of that or a little less than a third of that a year. If you had \$1.5 billion, do we have the construction capability to spend that kind of money? You don't have to answer that now, but we do need to visit about it. Go ahead if you want you can, but we can talk about that later.

Mr. Preite, you deal with everything from soup to nuts, what's the biggest infrastructure need from your office?

Mr. PREITE. Well, Senator, I think the challenge that I spend most of my time is trying to figure out a way to bring people to-



gether so we can get the most effective use of the resources that we have available to us out there. Now, in this particular area, the Bakken, no question the resources are scarce resources.

That's going to take a while to get that done. Having said that though, as an example, Governor Bullock is proposing the \$45 million dollar bond issue. It's got to go to the Legislature and then it will be available. Now, we should be working, and we are working, with other people to try to figure out the best way to at least at a minimum match that with other resources and leverage it so that at a minimum we have double that. Now, we spent a lot of time—I have to acknowledge this we have like 17 or 18 community meetings over a 2-year period a couple of years ago in the area, and what we found is every time we had one of those meetings at least people in the communities were incorporating, in-cooperating I should say, we need to bring, and we do it, but we need to do a better job of bringing everybody together to the table. Now, at USDA Rural Developmental I have in my work plan scheduled 10 to 12 community meetings in this area, primarily, but throughout Montana in the next 18 months, and at these meetings I am going to go back because several years ago I had these meetings and whenever we would have them and have all of the departments there, and that's the best way to cut red tape, is to bring those people there and let them, the CDBG people, my people, the trust people, transportation people, the SBA people; we have them all there and we invite them all there and we are going to sit down, they are going to present their programs, and then at the end of the meetings there's going to be tables at the end for individual consultations so that the people at the meeting can best understand the resources that are there and other participants from the local, State and Federal agencies understand what other people have. Sometimes we take it for granted that everybody knows what's available out there; no, they don't. There are more resources there that are available that are not being tapped.

Now, I want to make a claim here that there's enough resources to take care of all the problems, but we can do a whole lot better job than we are doing in coordinating our efforts. So, Senator, that's really what I am really concerned is that knowing that we have scarce resources; knowing we have these needs, we can not afford to let opportunities escape us. We can not afford to not take the actions necessary to get the best utilization and if I don't get another opportunity, I just need to say your staff has been terrific, just great to work with.

Senator TESTER. You will probably get another opportunity. Mike Tooley, this question has to do with staff retention and recruitment and it will go to John Dynneson and Loren Young after you get done, but your question is a little bit different than the question I am going to ask them, and that is do you have the flexibility to offer additional stipends for different regions of the State, particularly this one because rental costs are so high, as Paul pointed out, do you have the flexibility within your budget to be able to say, 'Yes, I'm going to pay this guy an extra \$500 a month because the cost of living is so high'?

Mr. TOOLEY. Senator Tester, that's exactly what we do. We, in the Bakken area, offer a housing stipend of \$500 a month, and

what that has done has helped at least with the retention side for existing employees. We are still having positions that are open until filled, which is something in my years of State government I rarely see, but we have had the flexibility through statewide policy to effect that type of stipend.

Senator TESTER. Good.

Mr. TOOLEY. And it does work.

Senator TESTER. Perfect. John, yours and Loren's is a little bit different because it's two-forked: Number 1, do you have the flexibility? And Number 2, do you have the budget to be able to fulfill that flexibility if you have it? Do you understand what I'm saying?

Mr. DYNNESEN. Yes.

Senator TESTER. If you so choose to give an additional stipend, are the dollars there to do it?

Mr. DYNNESEN. I believe that they probably are. You need to understand, though, that I am here representing the Sheriff and I am not sure what communications he's has in regards to that.

Senator TESTER. What's said in the room stays in the room. OK? [Laughter.]

Mr. DYNNESEN. OK. But I would applaud Mr. Groshart, the county commissioners and the City council for the efforts that they have made to start this housing project.

Senator TESTER. Yes.

Mr. DYNNESEN. But what I would like for everyone to consider is the support people. Those are primarily for law enforcement. The support staff, the entry-level people that come in; the cooks, the janitors, the secretaries; they are kind of forgotten about, and a single lady with a child or a man with a child. a married couple comes to town they both have to work.

Senator TESTER. Yes.

Mr. DYNNESEN. But if there's no daycare, you have that issue.

Senator TESTER. Amen.

Mr. DYNNESEN. So I applaud them for what they are doing, but there needs to be some consideration for those level-entry that do support us as much as they do.

Senator TESTER. OK. First of all, I should have echoed that after your testimony, I too, want to thank you for the joint venture to build housing to help recruit and retain staff. I think that's good thinking outside of the box and I can't commend you enough.

As far as recruitment and retention, that's a plumb; housing is a plumb, if you get this project done, to be able to get them in with rental prices that I assume since this is a joint venture the rental prices will probably be lower than what they are——

Mr. YOUNG. Yes, they would be. We are not going to be renting apartments out for \$2,200 a month.

Senator TESTER. Right, exactly.

Mr. YOUNG. Most of them \$1,000 down and another \$2,000 retainer.

Senator TESTER. There you go. So that's good. The question is do you have the flexibility to offer incentives over and above wages? And you are going to look at a whole package if you have a housing component.

Mr. YOUNG. I believe that we do probably have the authority to offer stipends and incentives like that.

Senator TESTER. Yes.

Mr. YOUNG. But so far we have just wanted to focus on basically the law enforcement because that seems to be the worst revolving door. We are blessed to really have a lot of people that are established and living here and have their homes.

Senator TESTER. OK.

Mr. YOUNG. And we have not really wanted to go down that road because when you start stipends you start mutiny on the bounty.

Senator TESTER. You got it. I understand.

Mr. YOUNG. But we have to come up with a price if we are going to work on the housing authority that allows retention of these employees in law enforcement without having to pay that high rent, but also it's fair enough that we won't have too many of the constant employees wanting to put their name on the list and move into the new housing so it's a hard balance.

Senator TESTER. OK. Pass the mic over to Paul. Paul, I kind of touched on this issue with the Mayor and with Leslie. When it comes to housing, is there enough land that can be developed for housing? Is that an impediment for housing in Sidney?

Mr. GROSHART. Yes. The City basically was in a mode for a number of years where they didn't annex a lot of land next to the City in for any developments, and now that land is really becoming limited, and when you do annex in land the City's obligated to extend the services, meaning water and sewer, which adds on to the cost of the project itself, so we are basically landlocked in a way because we have a railroad on the east side of town, the hills on the west, and you either go north or south, and there is some prime farmland there that could be developed, but again it's getting the services out to that area. Perhaps, on your way to town you saw the new Town Pump out on the four corners, and that is a huge development there for the community, but it is outside the City limits.

Senator TESTER. I did. OK, the Bakken I think needs about \$750 million bucks, three-quarters of a billion dollars in infrastructure needs. Tony, given that magnitude, given the fact that you have already addressed leveraging of funds and how critically important that is, could you talk about if there are other programs out there that you see that could be plussed up to really meet the needs of a high-growth area like this area?

Mr. PREITE. Well, Senator, I am sure there are other programs out there. That's what I was trying to get out earlier in that, the day is gone when just one Federal agency or one vendor or whatever can take care of the needs of a project. Now, as far as the need for the infrastructure here in the Bakken in North Dakota and Montana, sure it's a significant amount, and today, no, we don't have the resources today to address each one of them in an orderly manner, but we still need to start the process of planning; you still need to start the process of bringing all of the potential resources that are with all agencies, local, State, Federal and the private sector. We haven't talked very much about the private sector, especially, in talking about the housing. We don't have, or it doesn't appear that we have, and you please correct me because you are the expert on it, but it doesn't appear that we have the entrepreneurial dollars to go out and to build multi-family complexes or even apartments and stuff, and I know you are working very hard on that,

but that's something we have to work on; that all of those fit in the same bucket.

Senator TESTER. Right.

Mr. PREITE. In the final analysis. There are resources out there that we have never utilized and we are going to have to revisit that.

Senator TESTER. Yes, that's fine, Tony, thanks. I'm want to go back to a point that we brought up in the second panel, the Attorney General was developing a plan with the Montana Petroleum Association on hiring and helping law enforcement that way and I said I applaud that effort and I do. The question is from an infrastructure standpoint, and I talked about this on the first panel, is there an avenue by which, or have you approached this avenue, by which you could ask the oil companies to pitch in a few extra bucks? Lore, do you want to answer that, that's fine?

Mr. YOUNG. Us commissioners, Mr. Mitchell is the other commissioner that's here in the house, we have a really good relationship with most of the oil companies—

Senator TESTER. Sure.

Mr. YOUNG [continuing]. Our road boss and the commissioners, but when we bring up funding they all say that we pay that 9-point something percent severance tax and we are paying that to the State and it's coming back to us and they feel that that's pretty much their commitment.

Senator TESTER. OK.

Mr. YOUNG. Now, some of them have stepped up and furnished trucks and equipment if we furnish material.

Senator TESTER. Yes.

Mr. YOUNG. There's a couple of companies that are really good to work with.

Senator TESTER. Yes.

Mr. YOUNG. But very few of them.

Senator TESTER. Yes, I gotcha. I just wanted to know just for the record. I appreciate that, Loren. We are going to bounce around a little bit. I want to get back to Mike, and Mike I will tell you from my perspective, I want to apologize that we don't have a Highway Bill done, a 5-year Highway Bill that is paid for and funded so you can plan, so your contractors you contract with can go out and buy the equipment they need to meet the contracts that you are going to let. That aside, could you talk a little bit about if the money was there, how do you make determinations for allocations? You talked about there's a \$50 million dollar additional just in road maintenance, but how do you make that allocation? Because you have roads in Western Montana that need work; you got roads in Central Montana that need work; and you got roads in Eastern Montana that need work. How do you make that allocation so that everybody's not totally mad at you?

Mr. TOOLEY. That's a good question, Senator. The way we do it is we look at a number of different factors, among them being pavement condition; we look at congestion; and we look at safety. Those are the three big things that we put into consideration, and it's a pretty complicated process to get there. It's managed through the districts through people like Mr. Mintz that when those scores or when everything is added up it rises to the top and those are the

projects that wind up being nominated and put into the program. As far as how the actual funding distribution is, it usually comes back largely to pavement condition, and certain percentage then is derived from that. In this current case, the Glendive district is number 2 only to Missoula in terms of pavement condition and funding, and so funding has actually been shifted from some of the other districts like Billings and Butte and Great Falls to come out this way. While Missoula's remain pretty stagnant, Glendive has continued to rise, and so it's a really delicate balancing act for us.

Senator TESTER. Well, I want to thank you and I want thank you all for your testimony. I know we could literally go on. We are past noon by a bit and I wanted to kind of wrap this up by noon, but I just want to thank you all for your work; local, State, Federal law enforcement; highways; county commish; housing; Priete, everything that you do, I just want to say thank you very much for what you do. I want to thank you for taking the time this morning because I know you all had a whole bunch other stuff you could have been doing so thank you for your testimony; thank you for what you have done. We have covered a fair amount of ground here today, and the issues are out there. I think where we go from here is going to determine whether we can address the issues here in the Bakken in a way that meets the needs of the people here and meets the needs of the businesses here, and I think that there has been a ton of information put out on the challenges. They are many. We need to remember there is a lot of positive out there too to help. The Bakken has helped for energy sufficiency for this country, so we are going to take this information back; we are going to scrutinize it and try to compress and take it back to our colleagues in the Senate and continue to work with the State and local officials along the way to try to get some things done here to solve some of the problems that we have heard about today and there has been a bunch. For the record, this hearing record will remain open for 15 days for any additional comments or questions that you may want to put in the record; and with that, once again, thank all the panelists and this hearing is adjourned.

[Whereupon, proceedings adjourn at 12:19 p.m.]



## A P P E N D I X

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**Statement for the Record - Senator Heidi Heitkamp  
Committee on Homeland Security and Government Affairs  
Subcommittee on Efficiency and Effectiveness of Federal Programs & Federal Workforce  
“Examining Efforts to Address Law Enforcement, Infrastructure and  
Human Capital Needs in the Bakken”**

Thank you, Chairman Tester, for holding this hearing to examine the law enforcement, infrastructure, and human capital needs in the Bakken. I appreciate you bringing the Subcommittee’s attention and focus on these important issues. While I was unable to attend the field hearing in person, my attention was clearly focused on these issues as I hosted Office of Personnel Management (OPM) Director, Katherine Archuleta in North Dakota to discuss the impacts of the oil boom on the federal workforce.

While the energy boom has made North Dakota the envy of the country with the lowest unemployment rate, about 27,000 open jobs, and new innovation, research, and development, it has not come without challenges for our state and communities. We are experiencing tremendous stress on our transportation and housing, increased crime, drug activity and human trafficking impacting local law enforcement, and workforce recruitment and retention of public employees, including teachers, first responders, police officers, and federal workers.

**Infrastructure**

One of the impacts we see on a daily basis in the region is on our transportation infrastructure. Our transportation network is strained due to the increase in the amount of truck traffic on our roads and through our communities. Not only is transportation infrastructure needed for residents, but also for moving increased oil and agricultural production. Statewide, from 2010 to 2012 alone, traffic increased 22 percent from 8.3 billion vehicle miles traveled to 10.1 billion in 2012 and 2013. Seventy three percent of the oil is transported from well to transfer locations by truck, and in the near-term 90 percent of oil is expected to leave the state by rail.

Because of the increase in traffic, particularly from wide, heavy trucks on narrow two-lane roads, our roads and highways are taking a significant hit. North Dakota State University estimates that over the next four years, the oil patch will need \$963 million in highway investments and this amount does not include the needs on other roads, including Forest Service roads, city streets or Indian Reservation roads.

In addition to our transportation infrastructure, we are also seeing huge impacts on housing. With our state’s population expected to continue to grow, we will see ever increasing demand for housing, particularly affordable housing. Housing demand in the oil patch is expected to increase from 69 to 167 percent, which has resulted in significant increases in costs for rent. So many are struggling to afford a place to live as increased demand coupled with a limited supply has created some of the highest rent prices in the country, exceeding those in New York City. According to Census figures, median rent in North Dakota increased 23 percent between 2008-2012 compared to 8.5 percent nationwide. And more recent data from the Department of Housing and Urban Development finds the average increase in rent for a two-bedroom unit was 33 percent. The lack of affordable housing has also resulted in an increase in homelessness and a surge in folks without shelter.

### **Crime and Drug Crime/Human Trafficking**

With the influx of new residents, we are also seeing a corresponding increase in crime and drug activity in the Bakken, including human trafficking. Statistics show on average children are 13 years old when they are forced to become victims of sex trafficking. Around the world, it is estimated that more than 20 million individuals are trafficked for sex or labor – including an estimated 100,000 children in the sex trade alone in the United States. Too often, when we think of human and sex trafficking, we think about them happening at other places across the world. But they are also happening right here in our own backyard.

In North Dakota, we have seen an increasing number of news stories in the last year about sex trafficking in our state. And for every story we read in the papers, I'm hearing from social workers, law enforcement, and other service providers that the problem is potentially much worse. Sadly, those who are most likely to get caught up in human trafficking rings are often the most vulnerable members of our society – children, the impoverished, the less educated, and those who are struggling. As a result, sex trafficking is a particularly growing concern in Indian Country, where the remote locations can encourage traffickers. Additionally, these areas are safe from law enforcement and where extreme poverty and drug and alcohol abuse have made young people on the reservations likely targets for the traffickers.

In addition to human trafficking, we also confronting a significant increase in crime and drug related activity. Over the last several years, we have seen an uptick in crime across North Dakota. Violent crimes in North Dakota increased by more than seven percent for the third consecutive year, and arrests for drug offenses increased 19.5 percent. The majority of these increases have occurred in the oil patch counties in the western part of the state. However, this increase isn't just constrained to the oil patch as we are seeing unfortunate trendlines across the state, in particular for drug and sex trafficking crimes.

I hear from law enforcement folks in North Dakota that the criminals they are encountering are more violent and that when it comes to drug seizures, the quantities are much larger than anything they'd ever seen before. Law enforcement has also advised me that the Mexican cartels are now more or less operating directly here in North Dakota. When I was Attorney General, you had to trace three or four steps back to place the drugs in Mexico. That is no longer the case today. The cartels are here and operating right in our backyard. It is not just the Cartels that have increased their presence here in North Dakota, we are seeing an increase in the Bakken of Organized Motorcycle Gangs and other organized criminal gangs.

Our local, state, and federal law enforcement officials are doing their best to address these emerging public safety challenges with resources that are stretched far too thin. More federal resources are needed to address these growing numbers of crimes and help reign in drug abuse in the region.

### **Human Capital**

The other challenge we have not only in the oil patch, but across the state, is recruiting people to fill the thousands of job openings we have or retaining existing employees. In meetings and discussions I have had across the state, I have heard from businesses and local leaders about the challenges in recruiting and retaining employees with the lure of more lucrative jobs in the oil fields pulling more and more people away. Many workers, including those in public service are struggling to make ends meet as they deal with ever increasing costs in the region, including housing. And nowhere is this more acute than in our federal workforce.



I recently visited the Minot Air Force Base with Office of Personnel Management (OPM) Director, Katherine Archuleta. During our visit we had the chance to speak with hundreds of civilian employees about the surge in the cost of living happening in the Bakken, which, when coupled with the lack of federal competitive wages in the region, has created unsustainable living conditions for the civilian workforce. Many of these hardworking employees were brought to tears while sharing the hardships they face in the region.

To put this issue into some context, the average housing price in Minot, North Dakota, is 42 percent higher than the Cleveland metropolitan area, while Minot federal workers are paid five percent less for the same job due to the Locality Pay Rate in Cleveland. In addition, the Minot Air Force Base is experiencing a staggering recruitment delay time of more than 200 days for many skilled occupations, falling far short of the OPM recruitment goal of 80 days or less. It is my firm belief the Minot Air Force Base cannot fulfill its mission critical duties without a civilian workforce that is treated fairly regarding pay. Every one of these employees is working on behalf of their country, and there is no reason they should have to suffer unfair financial stress in order to live in their community and work at the air base.

I have also met with Federal agency heads and hiring managers across North Dakota and one thing I heard over and over again was the struggle Federal agencies face in recruiting and retaining critical employees. For instance, in North Dakota, the U.S. Forest Service is anticipating their Watford City Office to be 50 percent vacant by the end of the year, the U.S. Fish and Wildlife Service is facing a 70 percent turnover rate of new employees, and the U.S. Farm Service Agency's workforce is down 25 percent over the past five years. Critical occupations from federal law enforcement and social work positions in Indian Country, jobs at federal oil and natural gas permitting offices, and positions in the natural resources and engineering fields are being left unfilled as more lucrative private sector jobs open up in the Bakken.

We must work proactively in places like the Bakken to ensure our workforce is fully staffed and engaged. All too often I see us playing catch up in responding to the issues we are facing instead of taking practical steps to address the challenges. If we do not use the tools at our disposal effectively, I fear we will be years behind the energy boom in North Dakota. If we do not act, our Federal workforce will continue to struggle delivering the crucial services our country needs in the region. It is my hope that our continued efforts to highlight the struggles facing our communities in the Bakken will help us move towards solving many of these issues.

Again, Chairman Tester, thank you for holding this hearing and helping to highlight the tremendous challenges we are facing. I look forward to working closely with you as we tackle these issues.

TESTIMONY OF  
**A.T. STAFNE, CHAIRMAN,**  
**FORT PECK TRIBAL EXECUTIVE BOARD,**  
**ASSINIBOINE AND SIOUX TRIBES OF THE FORT PECK RESERVATION**

BEFORE THE  
**SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS**  
**SUBCOMMITTEE ON THE EFFICIENCY AND EFFECTIVENESS OF FEDERAL PROGRAMS**  
**AND THE FEDERAL WORKFORCE**

OVERSIGHT HEARING ON  
**“THE BAKKEN: EXAMINING EFFORTS TO ADDRESS LAW ENFORCEMENT,**  
**INFRASTRUCTURE, AND ECONOMIC DEVELOPMENT NEEDS”**

SEPTEMBER, 2014

My name is A.T. Stafne and I am the Chairman of the Assiniboiné and Sioux Tribes of the Fort Peck Reservation. I would like to thank the Subcommittee for the opportunity to share our unique perspective as an Indian Nation bordering the unprecedented oil development of the Bakken. Unfortunately, our Reservation has been burdened by the negative impacts of rapid development without realizing any of its benefits. While the oil industry extracts millions in profits from the region, our Reservation has witnessed dramatically rising social ills, such as increased criminal activity, including the use and movement of methamphetamine and the abuse of prescription drugs. This surge in crime has reversed the downward trend our Tribal police worked so hard to achieve through years of effective policing techniques, task force and multi-jurisdiction collaboration, and education campaigns. The meth epidemic is back and we lack the resources to fight it.

To be clear, our Tribal leadership does not oppose responsible development of natural resources. We have been an oil-producing tribe since the 1950s and income derived from our natural resources has funded essential services to our membership. We have provided detailed recommendations for Congress to encourage responsible, sustainable, and culturally sensitive development in Indian Country to the Senate Indian Affairs Committee, *see Fort Peck Tribal Executive Board Testimony on Hearing on Energy Development in Indian Country, February 16, 2012*. We encourage you to review that testimony as you consider ways to promote development across Indian Country.

But the focus of this hearing is on resources—for law enforcement, infrastructure and economic development—for which the Fort Peck Reservation has been deprived for decades. Senators Tester and Heitkamp know this all too well. Essential government services and infrastructure were inadequate well before the boom and have been further weakened by the dramatic increase in demand. Yet time and time again we are asked to be magicians and perform the impossible. We cannot. Our law enforcement and public health programs are simply stretched too thin. We need resources, personnel, and the facilities to house them. Despite the federal government's promotion of Bakken development, it has done little to help the ailing communities surrounding the Bakken.

I urge the Department of Homeland Security to work with tribes by promptly providing DHS funds and equipment to our Bakken affected communities using instruments akin to our self-determination contracts to ensure our immediate receipt of the resources we so desperately require. They are long overdue and the clock is ticking.

I further urge Congress, especially its appropriators, to educate your colleagues and help them connect the dots; if tribes must continue to use our limited resources to subsidize underfunded federal programs to meet the most basic needs of our members, then we will not be able to invest in economic development or build our reservation's infrastructure -- we simply won't have the resources. We have exhausted our funds doing your job, fulfilling your trust responsibility. It is hard for me, as Chairman, to look my constituents in the eye and tell them we don't have money to help them start a business,

patch a pothole, repair a leaky roof, get treatment for a loved one, or build a wellness center to keep their families healthy.

Our sparsely populated Reservation spans 2.1 million acres adjacent on the north and west of the Bakken. Despite this close proximity to the Bakken, our Reservation remains one of the most impoverished communities in the country. Nearly half of the people living on the Reservation are below the federal poverty level. Recent U.S. Housing and Urban Development (HUD) data shows that nearly 1,600 Indian families residing on our Reservation have household incomes from less than 30% of Median Family Income to 80% of Median Family Income. Roosevelt County, where most of our Reservation is located, has the poorest health in the state of Montana. Moreover, our review of recent data suggests that the average age of death of Fort Peck Tribal members in the past two years is 51 years of age. Tragically, the poor quality of life depicted through these statistics exists only 50 miles from the epicenter of the nation's largest oil producing region.

This situation continues to worsen as we approach yet another fiscal year without a full-year federal budget, forcing us to operate our programs under last year's spending levels. When Congress delays in approving a budget, government agencies—and tribes operating federal programs under the Indian Self-Determination and Education Assistance Act—are unable to effectively plan their activities.

Over the past few years we have endured sequestration, months without a Congressionally-approved budget, and a government shut-down. In these instances, Indian Country and its neighbors throughout rural America are disproportionately affected. In the government shut-down alone, communities across our region lost millions of dollars. This cannot continue. Congress must fulfill its Constitutional obligations to the American people.

And Congress must remember the special trust responsibility owed to American Indians. The Bakken region, which is now pumping millions of dollars into the nation's economy, was once Indian land. In exchange for federal commitments to provide for the essential needs of our people, our ancestors ceded vast swaths of the Great Plains. The

same region that has served as the nation's bread basket for nearly a century and a half. Now it has also become its fuel station. We fulfilled our promises and removed ourselves to reservations, now Congress must fulfill yours. Congress can begin to live up to its mandatory trust responsibility by securing Indian services funding - as an entitlement - not subject to the broken federal budgeting process. Indian services should never be subject to mandatory spending cuts or sequestration when the BIA and IHS have historically been and remain severely underfunded. The latest sequestration further imposed problems of furloughs, hiring freezes, and loss of institutional knowledge through retirement buy-outs upon agencies that were already struggling.

You have indeed heard other Tribal leaders make this same plea. Indeed, some of my testimony today is duplicative of what you have heard me or other Tribal leaders say at hearings over the last two years. However, it bears repeating, lest we become the miner's canary for rural America.

**A. DRUGS AND THE NEED FOR ENHANCED LAW ENFORCEMENT.**

Methamphetamine and prescription drug abuse are increasing. Through effective policing techniques, our Tribal law enforcement, along with our state, federal, and local partners, were seeing a reduction in methamphetamine use in our region. But over the last two years, meth has returned with a vengeance. The growing transient population working in the Bakken has created an easy source of meth that has made its way onto our Reservation.

We have seen a wave of children born with methamphetamine addiction. These infants must be placed off-reservation in foster families that are trained to deal with their special-needs. We lack the resources to raise these children on the Reservation among their families. We require additional policing, counseling and education funding to battle drugs and break up drug distribution to combat the terrible effects these drugs are having in our communities.

Our Tribes have provided law enforcement and correctional services on our Reservation since 1996 under Indian Self-Determination Contracts with the Secretary of Interior. Our budget to operate this program, in many respects, reflects the needs and

demographics of our Reservation in 1996, at a time when the Bureau of Indian Affairs operated these programs. As you drove into Sidney this morning you may have noticed the significant changes the communities in this region have seen since the 1990s. No community has gone unaffected.

Our law enforcement department has 18 police officers and 3 criminal investigators. We have dedicated 2 FTEs to drug enforcement out of necessity, even though we could hardly spare the personnel in other areas. For decades we have forged positive relationships with neighboring law enforcement agencies and governments in our region. We were one of the first Indian tribes in the nation to enter into a cross-deputization agreement with state, county and city law enforcement agencies. Under this agreement, first ratified nearly fifteen years ago, Tribal officers are deputized to enforce state and local law on the Reservation, and state and local officers are authorized to enforce Tribal law. Our revolutionary agreement has been the model in Indian Country for effective policing.

We continually work to maximize the limited resources that have existed in our area for years. We jointly operate emergency dispatch—911—with Roosevelt County, pooling our resources to eliminate duplication of services.

But we cannot face the new challenges of rapid development on our doorstep through creativity alone. We desperately need additional funding if we are to succeed. Ideally, we could immediately use six drug enforcement agents to help with the rising workload. According to the President's budget request: "Drug use and distribution is a major factor in violent crime and seriously impacts the health and economic vitality of Indian communities. The abuse of prescription drugs is quickly becoming a crisis in Indian Country along with the illegal methods involved in obtaining these drugs." This reality is borne out at Fort Peck. Our law enforcement estimates that nearly 80% of criminal conduct on the Reservation has a drug component, with assaults and burglaries arising predominantly out of drug use and addiction. We suspect that communities like Williston and Sidney are seeing corresponding statistics. Yet unlike states,

municipalities, and counties, the ability of Tribes to raise revenue for these crucial functions through taxes has been dramatically eroded by the courts.

To combat rising meth use, we have launched a media campaign and are targeting young people so that they understand the harm caused by meth use, but we lack resources. The BIA's own statistics are alarming: over a five-year period, drug related arrests in Indian Country increased nearly ten-fold from 443 arrests in FY 2008 to 4,289 arrests in FY 2013. After years of stagnation, Congress has finally started to increase appropriations for BIA law enforcement, tribal prosecutors, and tribal courts. But these programs still have not kept pace with the need. Drug cases worked in Indian country have increased five-fold from FY 2008 – FY 2013 (from 606 to 3,364 cases), and have increased 110% since FY 2011.

How can the Federal government expect us to combat rising crime rates with stagnant resources? It's simply not possible.

With oil and gas development coming to our region, the Administration's FY 2015 funding request of \$350 million for law enforcement and Tribal Courts (an increase of \$1.6 million or four-tenths of one percent (0.004%) is inadequate for us to address current policing, drug enforcement and tribal prosecution needs. The reemergence of meth use and growing prescription drug abuse is a public safety issue that will quickly overrun our Reservation and harm surrounding communities unless met with resources to combat it. We urge Congress to invest in Tribal law enforcement, drug enforcement and tribal court needs in ways that reflect our great challenges and limited resources needed to address this difficult social problem.

We have completed a modern adult detention facility and will soon move from the BIAs wholly unsatisfactory facility. However, at current funding levels proposed by the Administration, Indian country correctional facilities, including our new 42,000 sq. ft., 88-bed facility, can only be staffed at 40-50% of capacity. At the same time, there are no additional BIA funds for patrol officers, criminal investigators, prosecutors, probation officers or funds to provide temporary housing for the personnel we hire.

## **B. INDIAN EDUCATION.**

The President's FY 2015 budget acknowledges that many Native communities exhibit above average rates of crime, high percentages of single-parent households and below average literacy rates. As a result of these and other conditions, such as overcrowded homes and high unemployment rates, "many students enter school unprepared." The Administration adds that "improving education and literacy in tribal communities is essential to improvement of community life, the promotion of economic development, improved employment opportunities and improved standards of living." We could not agree more.

To realize these goals, however, Congress must increase the President's FY 2015 budget for Indian Education. It adds just 0.007% to last year's BIE budget, which certainly does not even account for inflation. Congress should more than double the \$14.7 million proposed increase for Indian Education.

This month a young woman from our Tribes will be admitted to practice law by the Montana Supreme Court. She is the newest member of the Tribes' legal team. We are extremely proud of this young woman and her accomplishments.

But we are saddened by the fact that with a population approaching 14,000, she is only the 7<sup>th</sup> Tribal member to ever be admitted to the practice of law. Even fewer of our members have become doctors or engineers or accountants. Professions such as these need a strong educational foundation so that young tribal members can aspire to whatever profession they choose.

Our Tribal college, Fort Peck Community College, has achieved great success in educating our residents for jobs that exist in our area. For example, through cooperative arrangements with Rocky Mountain College and Montana State University, FPCC has educated dozens of teachers who now teach in our Reservation schools. We can do so much more with increased resources. Now is not the time to consider cuts to Tribal higher education funding; the federal government must be our partner and build a better future by investing in our Tribal colleges and our youth so they can achieve more.



**C. BUILDING INFRASTRUCTURE FOR TODAY'S NEEDS AND TOMORROW'S.**

Federal appropriations for rural water systems, transportation systems, and health and public safety facilities can and so often do make the difference between the success and failure of our Tribal initiatives. Adequate infrastructure will determine whether conditions on our Reservation improve or deteriorate. It is only with community stability that we can create an environment for future economic development on our remote reservation.

First, we urge Congress to support Rural Water Development Construction and Operation and Maintenance to ensure efficient construction of the Assiniboine and Sioux Rural Water System and the Dry Prairie Rural Water System. We thank the Senate for its support for \$55 million in “additional funding” for ongoing rural water projects included in the proposed Energy and Water Development appropriations measures. We hope that Congress will ultimately agree on the Senate’s wisdom in proposing this increase for FY 2015, and encourage your further efforts on this issue. With our share of additional funding—anticipated at \$14 million (\$3.249 million in the President’s FY 2015 budget request and \$10.7 million as the Assiniboine and Sioux/Dry Prairie share of the \$55 million)—we can complete the interconnection between the Tribes’ system and Dry Prairie’s at Porcupine Creek near Nashua in 2015 and begin to deliver treated water from Fort Peck to as far north as St. Marie and Plentywood in Dry Prairie’s service areas. Without this funding for ongoing water projects in FY 2015, construction funding for our Projects would be cut by two-thirds over FY 2014 enacted levels and leave us with only enough money to pay our overhead: No new construction would occur in 2015. As Senator Tester has pointed out, it will merely allow us to put gas in the truck.

Similarly, operation, maintenance, and replacement (“OM&R”) funding for the Tribes’ system needs continued support from the Senate. BIA has obligated only \$1.7 million of the \$2.5 million appropriated in FY 2014. Without justification, BIA has withheld \$800,000 in FY 2014 appropriations (Pub. L. 113-76) within the Construction Program Management subactivity to fund ongoing operation, maintenance and replacement duties we perform under our Indian Self-Determination contract. The BIA

has grossly underestimated our OM&R funding needs for FY 2015 by \$1.1 million (requesting only \$750,000). The \$750,000 figure is not supported by the BIA's own expert research. We ask that you pressure the BIA to immediately obligate the remaining \$800,000 to our ISDA contract to meet our FY 2014 contractual obligations, and add \$1.05 million to BIA's "Construction Program Management" line-item to provide \$1.8 million for required OM&R activities in FY 2015.

Moreover, should Congress pass H.R. 4420 and S. 715 this session, it will ensure the timely completion of authorized rural water projects that will provide adequate construction funds to better ensure the timely and cost-effective completion of our joint rural water systems project. Due to the careful and coordinated construction planning by the Tribes, Dry Prairie and the Bureau of Reclamation, project construction continues to operate under budget. This status, however, will not continue after 2015 if federal appropriations for rural water construction remain at inadequate levels.

Second, we urge you to increase Tribal Highway, Safety and Transit Funding in the Next Long-Term Highway Bill (MAP-21 Reauthorization). We are disappointed by the Senate EPW Committee's approval of S. 2322, the "MAP-21 Reauthorization Act of 2014," in May. The bill locks in a \$14 million cut to the Tribal Transportation Program MAP-21 made in 2012, authorizing \$450 million each year for six years (with no adjustment for inflation), down from \$464 million in the final years of SAFETEA-LU. Motor vehicle crashes continue to be the leading cause of death among Native Americans 0-19 years and nearly four times the national rate in the IHS Billings Area. Road surfaces, shoulder widths, signage, rurality and lack of access to trauma centers all contribute to the high fatalities Native American communities experience. This places a terrible strain on our already underfunded and inadequate IHS health care system.

As Congress considers a multi-year highway reauthorization bill, we ask that Congress: (1) restore the \$14 million reduction and provide an annual inflation adjustment to the Tribal Transportation Program (TTP) in parity with funding for the Federal-Aid Highway Program; (2) restore the Obligation Limitation Deduction exemption to the Tribal Transportation Program. The "ob limit" deduction has

withdrawn approximately \$300 million over the last 10 years from the IRR Program and TTP Program to the detriment of Indian country; and (3) enact sensible, no-cost streamlining measures to improve the delivery of program and funding to tribes (i.e., make tribes, like States, direct recipients of all USDOT discretionary and competitive grants, facilitate the transfer of State Federal-Aid and highway safety and FHWA ERFO funds to tribes).

Third, We urge Congress to provide special block grant funds to address the health and wellness, transportation, housing, law enforcement, environmental and employment training needed for well-planned and coordinated economic development in Indian Country, rural America, and in particular, communities in and around the Bakken.

The Fort Peck Tribes are working tirelessly to address the dire conditions that exist, especially among young people. American Indians in Montana have a diabetes rate that is 2.5 times higher than non-Indians. Forty-five percent of children screened at schools on our Reservation in 2007 were overweight or obese. The physician-to-patient ratio on our Reservation is 1 to 4,010. These figures are in addition to the increased crime and illicit drug use on the Reservation, which exist without any economic benefit, that I have mentioned already. We appreciate Senator Tester's recent acknowledgement concerning the "plague of diabetes" that continues to rampage through Indian country. It is killing our members and must be addressed.

To counter these conditions, the Tribes and its Health Promotion and Disease Prevention Program (HPDP) have raised \$7.5 million to build a \$22 million 60,000 sq. ft. "Fort Peck Wellness Center," a much needed healthcare and fitness center to address the physical, emotional, mental and spiritual wellness needs of our members while promoting the culture and traditions of the Assiniboine and Sioux Tribes.

But construction costs in our region are very high due to the competition in the Bakken and our contribution comprises roughly one-third of the estimated \$22 million construction costs to build and open the facility that would include space for 20 exam/counseling rooms, 13 offices for health/wellness service providers, physical and occupational therapy space, gym, weight and cardio room, pool, cultural and conference

space, administrative offices, and equipment storage. Without increased federal appropriations for construction grants, loans, loan guarantees or other innovative financing programs, the Tribes will be hard pressed to build and open this much needed facility.

Fourth, Congress must increase FY 2015 Appropriations to Interior Department's Office of Facilities Maintenance and Construction ("OFMC") for Indian Country facilities like schools, detention facilities and other critical governmental facilities. Nearly 3 years ago the Tribes entered into an Indian Self-Determination contract with the BIA in anticipation of operating a new jail that the Tribes have now completed through funding under the American Reinvestment and Recovery Act. However, we anticipate receiving only a fraction of the amount necessary to operate and maintain the new facility from OFMC. The Indian Self-Determination Act requires that the BIA fund operations and maintenance (O&M) for the new facility, but OFMC provides only a few dollars per square foot per year, which amounts to well less than half of the actual O&M needs.

Without funding to operate and maintain facilities, those facilities deteriorate and fall into disrepair. Once again, it falls to the tribes redirect our limited resources to make up for the shortfalls of the Federal government. When Congress appropriates fund to build infrastructure, it must ensure that there are resources necessary to operate them. These facilities are precious and must be maintained because we cannot replace them. The federal government must not remain indifferent to insufficient maintenance funding.

#### **D. BRINGING DEVELOPMENT ACROSS RESERVATION LINES.**

We believe that proper investments in building capacity on our Reservation and other communities surrounding the Bakken will promote responsible and sustainable economic development. However, Congress can ensure that this development does not stop when it reaches Indian Country.

First, Tribes need a real source of capital for economic development. Grants and loans are necessary and serve good purposes, but they alone do not have the capacity to produce measureable change in the conditions of Indian Country. Incentives for business investment in Indian Country, such as Accelerated Depreciation and the Indian

Employment Tax Credit, are important and should be made permanent. But they are also not enough.

Tribes also need the flexibility to pool federal funds from multiple agencies, like EDA, SBA and Rural Development, to carry out Tribally-designed economic development programs without conflicting rules and restrictions. The 477 model under the Department of Health and Human Services could become the model for federal funding as could proposed amendments to NAHASDA should Congress find the resolve to pass the legislation this year. We encourage you to establish a pilot project on our Reservation to allow us to pool funds from various sources to address growing needs relating to the Bakken.

Second, Congress must eliminate the problem of dual taxation in Indian Country. The Fort Peck Tribes were one of the first Tribes in the country to institute a severance tax on oil and gas development on our Reservation. However, the 1989 U.S. Supreme Court decision in *Cotton Petroleum Corp. v. New Mexico*, 490 U.S.163 (1989), has allowed States to tax certain activities by non-Indian companies on Indian and tribal trust lands. When *Cotton* is applied to allow States to impose taxes in addition to Tribal taxes, economic activity on tribal lands is discouraged. Tribal and State taxes are owed for energy development activities in Indian Country where only State taxes must be paid for energy development elsewhere. This double taxation creates a serious disincentive to energy and mineral development on Tribal lands and is inconsistent with well-established federal policies designed to promote Tribal economic development and self-sufficiency.

Our Tribal government has long urged Congress to overturn the poorly-decided *Cotton* decision and to bar State taxation of commercial activities on Indian and tribal trust lands, but Congress has repeatedly failed to act. Therefore, the only way we could avoid the disadvantage *Cotton* creates was either to forego our right to tax energy development on Reservation lands altogether or seek to enter into an innovative tax sharing agreement with State of Montana.

As an example of our Tribes' leadership in this area, the Fort Peck Tribes reached an historic tax-collection and tax-sharing agreement with the State of Montana in 2008.

While we are pleased with this agreement and believe it presents a model for other Tribes to follow, we also continue to believe it is a poor substitute for Congressional action. Simply put, the *Cotton* case was wrongly decided. I ask Congress once again to pass legislation returning full taxing authority to Tribal governments for commercial activities on Indian and tribal trust lands.

In conclusion, I would like to thank Senator Tester for his recent response to the National Northern Border Counternarcotics Strategy Report and commitment to “continue working to bring more attention and resources to the northern border and the Bakken so our communities are safe and our quality of life is strong.” For decades, the Fort Peck Tribes and its partners in the region have been leaders in enhancing communication and collaboration to address the “dearth of resources” in Indian Country confirmed in the report by the Office of National Drug Control Policy resources. Now we need Congress to fulfill its responsibility to supply those resources to make our communities safe.

I thank the Committee for the opportunity to present this testimony.

**Remarks by Lt Gov Angela McLean  
US Senate Field Hearing on the Bakken  
Sidney, MT – September 26, 2014**

Good afternoon and thank you for the opportunity to testify before the committee today.

Development in the Bakken Region has presented tremendous economic opportunities for Eastern Montana, but with those opportunities come challenges.

Governor Bullock was helping address those challenges long before he became Governor. As Attorney General, he instituted the first cross-border jurisdiction with North Dakota. And as governor, when the legislature refused to fund a public safety initiative in Eastern Montana, Governor Bullock worked with Chief DiFonzo to hire 2 new drug agents out of discretionary funds. Our administration intends to continue to fund those DCI agents.

We are also assisting oil and gas impacted schools. The Wibaux School District, for example, was awarded \$900,000 this year to assist in building a new building, among other things, and development-impacted schools have received a total of \$11.5 million in assistance this year alone.

Additionally, Miles, Dawson and Fort Peck Community Colleges have received over 2.5 million to address workforce challenges in Eastern Montana.

As part of his Main Street Montana Project, Governor Bullock announced a plan to assist the impacted counties in Eastern Montana.

The reduction in SRF long-term interest rates is already saving water and sewer ratepayers \$29 million this year alone.

And, as soon as the legislature approves the plan, the \$45 million grant program will get money where it's needed

But it is not just monetary assistance that we are providing. We are mobilizing "Rapid Response Teams." These teams are composed of the best people from Commerce, DEQ and DNRC, and customized to meet the needs of each community.

Existing programs such as CDBG and TSEP help counties and local governments fund infrastructure, public facility and housing projects.

There are also multiple infrastructure loan and financing programs, including the Commercial Loan Participation Program, the Infrastructure Loan Program, the Value-added Loan Program, and the INTERCAP Loan Program.

Additionally, there are programs that are designed to help communities with housing issues. The HOME Investment Partnership Program, Section 8 Program, Homeownership Program, and Housing Tax Credit Program serve to help mitigate affordable housing needs in Eastern Montana.



Programs such as the Community Technical Assistance Program work with local government officials, planners, developers, and the public to help communities address the impacts of development and population growth by providing technical assistance through the sharing of professional knowledge, conducting workshops, and providing templates, publications and research materials.

Since Governor Bullock took office, we have awarded funding to numerous projects in the Eastern Montana, including a \$450,000 grant to the City of Bainville, right here in Richland County, for a wastewater project.

These are just a few examples of the grant funding and investments that Governor Bullock's administration has made in Eastern Montana. The total amount of funding allocated for the 2013 and 2015 biennia to oil-impacted counties in Eastern Montana totals over \$57 million.

**U.S. Senate Subcommittee Testimony: Economic Development in the Bakken, presented by Richland Economic Development Corp, 9/26/14 at Sidney, MT:**

The current economy overall in Richland County, Montana is robust and busy! Our labor force is scrambling and our unemployment rate is currently at 2.1%. This results in extreme stress on the employers as the oilfield draws workforce away from downtown jobs. The employers have to be creative in circumventing this issue: modifying hours of operation, limiting services, and offering creative incentives.

**REDC's Accomplishments over the last 3 years:**

- Launched a new website to educate, welcome and inform the public about Richland County. The site has 1,000 hits per week seeking information on our area.
- REDC's Revolving Loan Fund, which provides gap financing, has awarded a total of 12 loans with 71 jobs tied to new or expanding businesses in Richland County. All loans are current, and 3 are paid off.
- Our office conducted over 60 consultations with engineers, developers, consultants, and entrepreneurs in 2014 so far.
- We created an informational presentation describing many aspects on how the oil development has impacted the overall economy in Richland County. We've presented this information over 30 times in the last three years.
- We've conducted educational and informational tours of our community for Congressional, State and Legislative leaders. We've also hosted two Canadian trade missions as well, to describe and explain the needs of our area.
- Created / Participate in an impact coalition to address the impacts that the 16 NE MT counties are facing. Were awarded a grant to hire a resource coordinator, a regional planner, and to conduct an impact study.
- Our office surveyed the residents and contributing members on the services and needs of Richland County. The top five priorities are: 1) Infrastructure 2) Housing 3) Workforce 4) Lack of daycare or childcare providers 5) Additional restaurants.
- Recruited a company to Richland County to provide immediate and temporary housing solutions.
- Created a cost analysis of the cost of living in Richland County.
- Worked collaboratively with the Miles and Dawson Community Colleges to conduct a workforce survey of the business' needs.
- Advocated for the Lower Yellowstone Irrigation Project in their measures to address the endangered species, the pallid sturgeon.

**Future or Current Challenges next 2 – 5 Years:**

- Infrastructure is aging and at capacity: requires additional funding resources
- Lack of work force
- Lack of housing for the workforce other than oilfield related
- Constraints and accessibility to financing for real estate loans: poor credit

I have only been Mayor of the City of Sidney for less than a year, but I served on the Sidney City Council for 6 years prior, and I can say that the largest concern that my administration has is for its citizens. A simple singular concern that encompasses so many avenues.

The City of Sidney and its neighboring communities are experiencing growth on an unsubstantiated rate, and we are all struggling to keep the priorities that make up the epitome of the small Montana Town. Safety, affordable living, and community activities are what draws people to live in our communities over the larger boom towns that North Dakota is offering. We are a place to raise a family, not just work and sleep.

In order to maintain this type of community the City of Sidney and its neighbors are working diligently to bring in more police, and even federally funded units such as the DEA and the FBI. As Mayor, I know that having a safe community that my citizens can walk freely in is important to my constituents. Since Sherry Arnold's tragic murder it has been an up-hill battle to get the feeling of safety back to the community, but with the collaboration of all agents; local, state, or federal, we are finally getting back to that feeling. Maintaining that safety in a place that can easily get out of hand fast, is imperative to the entire nation. Keeping the agents that are stationed here to aid in this is required.

Housing is a constant discussion being had for the area. Affordable housing is almost non-existent, and if it is affordable it is not livable. Apartments are what is being developed mostly in Sidney, but they are not the answer. Even with new apartments going up to help with the constant need, the price gouging is not going down. To rent a two bedroom apartment in Sidney you could be paying upwards of \$2,050.00 per month. This causes multiple people to pile into the same apartment, just so they can afford to live there. The shelters in Sidney are also constantly overloaded due to people not being able to afford the establishments currently provided. I believe the answer is to develop more single family homes, to help equal out the housing costs in this area. Single family homes also urge people to buy, not rent, increasing the long term citizens of the area. This will bring in families, not just workers, which will increase the number of workers in the area for non-oilfield jobs and bring more a consistent population.

Housing is not the only large cost in the area at the moment. We are also experiencing a higher cost of living than that in other areas. The increase in big money oil jobs has caused price gouging on all fronts, including groceries, gas, recreational activities, and basic living needs. The high paying jobs has increased the per cap income in Richland County by 29.5 % since 2012. This means that rates are being forced to increase based off of target rates as provided by the state. When rates increase the cost to provide goods increases, and prices are raised. Most of the base citizens in the City of Sidney do not make oil field wages. They are still expected to pay the higher rates everywhere from the pump to the grocery line. This is causing many long term citizens who would have taken their lasts breaths in Sidney to pack up and move to more affordable communities.

Higher wages also makes getting long term employees hired next to impossible. The City of Sidney starts their public works department laborers at \$18.00/hour, which is a pretty good wage until you compare it to the average non-educated oil field position starting wage of \$25.00. How do small businesses afford to pay the increase in wages that is demanded due to the oil boom? They raise their prices, which in turn cancels any increase in wage that is possible. The City of Sidney gave a 3% Cost of Living wage increase to all its employees this year, but we also had a 200% sewer increase, which canceled most of the employees monthly wage increase.

If you look at the impact the oil boom has on the basic citizen in the Sidney and its surrounding area it is substantial. They are now in a daily struggle to maintain their way of living in order to stay in their home town. The City of Sidney does not want to lose its citizens, or replace them with new ones. We want to focus on expanding the City and its area while maintaining everything our predecessors fought for. We want to see the old mingle with the new to create a better place to live. We do not want to be the bedroom community for the Bakken Oil Boom, we want to be its hometown. In order to accomplish any of this, we need everyone to see the area as we see it: the best place to live. We cannot accomplish this if we do not get help. The Bakken is about utilizing its natural resources, and people need to realize that we cannot capitalize on the Bakken Oil Boom until we utilize the surrounding areas.



# **Department of Justice**

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**STATEMENT OF**

**MICHAEL W. COTTER  
UNITED STATES ATTORNEY  
DISTRICT OF MONTANA  
U.S. DEPARTMENT OF JUSTICE**

**BEFORE THE**

**SUBCOMMITTEE ON THE EFFICIENCY AND EFFECTIVENESS OF  
FEDERAL PROGRAMS AND THE FEDERAL WORKFORCE  
COMMITTEE ON HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE**

**FOR A HEARING ENTITLED**

**THE BAKKEN: EXAMINING EFFORTS TO ADDRESS LAW  
ENFORCEMENT, INFRASTRUCTURE AND ECONOMIC  
DEVELOPMENT NEEDS**

**PRESENTED**

**SEPTEMBER 26, 2014  
RICHLAND COUNTY FAIR & RODEO  
SIDNEY, MONTANA**

**Testimony of Michael W. Cotter**  
**United States Attorney, District of Montana**  
**U.S. Department of Justice**  
**Before the Subcommittee on the Efficiency and Effectiveness of Federal Programs**  
**and the Federal Workforce**  
**Committee on Homeland Security and Governmental Affairs**  
**United States Senate**  
**September 26, 2014**

Good afternoon Chairman Tester, Ranking Member Portman, and distinguished Members of the Committee. I am pleased to speak with you about federal law enforcement efforts in the Bakken oilfields of Montana and North Dakota. The Bakken region has faced a significant increase in drug trafficking and serious and violent crime, such as homicides, assaults, thefts, burglaries, vandalism, and highway accidents caused by the explosion of population growth. In response, the Department of Justice has developed and implemented a multi-agency law enforcement strategy for the Bakken region with notable law enforcement success.

**I. Introduction**

The development of the Bakken oil fields of northeastern Montana, northwestern North Dakota, and southern Saskatchewan has caused a sharp spike in both population and income levels. Between 2005 and 2012, the population in the Williston Basin region – driven by the addition of more than 20,000 jobs – grew an estimated 17 percent. The Williston Basin/Bakken Shale, spans approximately 150,000 square miles in northeastern Montana, western North Dakota and Saskatchewan, Canada. This influx of highly paid oil field workers into an area with limited opportunities for spending their income has created a market for drugs and contributed to an overall increase in crime. The Federal Bureau of Investigation (FBI) Uniform Crime Report shows that crimes in the Williston Basin region increased 32 percent from 2005 through 2011, and violent crimes (which include murder, aggravated assault, forcible rape, and robbery) increased 121 percent. For example, the Bakken region has experienced a large influx of Outlaw Motorcycle Gangs attempting to facilitate the illegal drug trade and prostitution. Law enforcement intelligence also indicates a rising presence of Mexican drug trafficking organizations in this area. These dramatic increases have overwhelmed state, local, and tribal law enforcement agencies working with limited resources.<sup>1</sup>

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<sup>1</sup> Office of National Drug Control, Executive Office of the President, *National Drug Control Strategy*, 47 (2014), accessible at, [http://www.whitehouse.gov/sites/default/files/ondcp/policy-and-research/ndcs\\_2014.pdf](http://www.whitehouse.gov/sites/default/files/ondcp/policy-and-research/ndcs_2014.pdf).

## II. The Department of Justice's Response

In April 2012, the United States Attorneys' Offices for the District of Montana and the District of North Dakota convened a law enforcement strategy session in Glasgow, Montana to address the exponential rise in crime in the Bakken Region. More than 150 federal, state, local, international, and tribal law enforcement personnel from Montana, North Dakota, and Canada attended this meeting. The "Project Safe Bakken" strategy emerged from this session and remains a high priority for the United States Attorneys' Offices for Montana and North Dakota.

Project Safe Bakken's mission is to coordinate and synchronize the law enforcement efforts between federal, state, tribal, and local law enforcement entities. The purpose is to detect, disrupt, and dismantle organized criminal enterprises that distribute illegal drugs and commit other crimes in the Bakken region of Montana and North Dakota. To that end, the United States Attorneys for Montana and North Dakota, the Attorneys General for Montana and North Dakota, and federal, state, local, and tribal law enforcement have formed a task force to share intelligence and combat crime in the Bakken region and affected communities, including Fort Peck and Fort Berthold Indian Reservations. The National Guard assists these efforts by providing intelligence support including collection, analysis, and dissemination of intelligence data. The task force is also augmented with state and local law enforcement agencies.

Since the inception of Project Safe Bakken in 2012, the United States Attorney's Office for the District of Montana has indicted 117 defendants on federal drug trafficking charges specific to the Bakken region. In one case, the United States Attorney's Office for the District of Montana successfully prosecuted the leader of a large methamphetamine drug trafficking organization. This defendant, Robert Farrell Armstrong, received 20 years in prison for trafficking large volumes of almost-pure meth from Washington State for distribution in the Bakken region. The United States Attorney's Office for the District of Montana has also opened cases involving child pornography, oil/gas scams, worker endangerment, and environmental crimes.

Similarly, the U.S. Attorney's Office for the District of North Dakota has also seen a caseload increase in western North Dakota from 126 defendants in 2009 to 336 in 2013. While these numbers include defendants charged with all crimes, the exploding caseload is due in significant part to an increase in organized drug trafficking prosecutions. For example, a two-year FBI-led investigation into organized heroin trafficking in New Town, Williston and Watford City called Operation's Winter End has led to the conviction of more than 60 defendants.

The increase in federal cases reflects the presence of additional federal agents in eastern Montana and western North Dakota since 2013. All federal agencies with a presence in the area have dispatched additional federal agents into the communities in the Bakken region to develop

and investigate cases and target those who violate federal and state laws. The U.S. Marshals Service in North Dakota, for instance, has coordinated four sex offender compliance checks with state and local agencies in the Bakken region during the past three years, and completed over 375 case assessments and 71 investigations on reported unregistered sex offenders.

The Department of Justice has also responded with training and financial assistance to state, local, and tribal law enforcement. Since 2012, the United States Attorney's Office for the District of Montana has coordinated at least five separate trainings for state, local, and tribal officers. Additionally, the Drug Enforcement Administration has conducted a two-week "Drug Investigation School" in North Dakota for Bakken drug agents.

On April 25, 2014, the Department's Office on Violence Against Women (OVW) announced the release of two grant solicitations as part of a new \$3 million special initiative for the Bakken Region. OVW's Bakken Region Initiative will support the expansion of services to victims of sexual assault, domestic violence and stalking in Indian Country as well as aid the local criminal justice system in responding to these crimes by providing the resources for Tribal Special Assistant U.S. Attorneys. These prosecutors will maintain an active violence against women crimes caseload in tribal and federal courts, while also helping to promote higher quality investigations, improved training and better inter-governmental communication. On August 26, 2014, Associate Attorney General Tony West announced that the recipients of the Bakken Region Initiative are Fort Peck Assiniboine and Sioux Tribes, Poplar, Montana; First Nations Women's Alliance, Devils Lake, North Dakota; Montana Coalition Against Domestic and Sexual Violence, Helena, Montana; North Dakota Council on Abused Women's Services, Bismarck, North Dakota; and Three Affiliated Tribes of the Fort Berthold Reservation, New Town, North Dakota. In addition, the Assiniboine and Sioux Tribes of the Fort Peck Indian Reservation in Montana and the Three Affiliated Tribes of the Fort Berthold Reservation in North Dakota are each receiving a grant to support a Tribal Special Assistant U.S. Attorney.

### **III. Conclusion**

Project Safe Bakken illustrates the dynamic working partnership in Montana and North Dakota between federal, state, local, and tribal law enforcement entities to combat crime and address public safety issues. The U.S. Attorneys for the District of Montana and the District of North Dakota are committed to communication, coordination, and collaboration with our law enforcement partners to promote public safety in this area.

We are already witnessing encouraging signs by the willingness of all levels of government to work cooperatively in addressing the challenges posed by crime in the Bakken, but understand that systemic long-term changes will be necessary in order to provide security to the region. Although the Bakken encompasses hundreds of miles, the FBI has deployed agents on rotating details to Sidney, Montana and created a new squad for western North Dakota. The



Drug Enforcement Administration (DEA) and the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) have also dispatched agents from Billings to work cases in the Bakken region. As part of Project Safe Bakken launched last year, Federal agencies are combining their efforts and resources to detect, disrupt, and dismantle drug trafficking organizations and criminal enterprises that are operating in the Bakken region. These efforts have helped produce the criminal prosecutions discussed above.

Thank you for the opportunity to address these critical issues with the Committee today and I look forward to taking your questions.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

**“A More Efficient and Effective  
Government: Examining Efforts to Address  
Law Enforcement, Infrastructure and  
Economic Development in the Bakken”**

Statement for Field Hearing of the  
Subcommittee on the Efficiency and Effectiveness  
of Federal Programs and the Federal Workforce  
Committee on Homeland Security and Governmental Affairs  
United States Senate

Friday, September 26, 2014  
9:00 a.m.  
Richland County Event Center  
Sidney, Montana

Michael K. Gottlieb  
National Director  
High Intensity Drug Trafficking Areas Program  
Office of National Drug Control Policy  
Executive Office of the President

Chairman Tester and members of the Subcommittee, thank you for the opportunity to appear before you to discuss the Office of National Drug Control Policy's (ONDCP) recently released *National Northern Border Counternarcotics Strategy (Strategy)* and ONDCP's work to coordinate the efforts of Federal, state, local, and tribal resources to address emerging drug threats in the Bakken oil field region.

I am Michael Gottlieb, the National Director of ONDCP's High Intensity Drug Trafficking Areas (HIDTA) Program. The HIDTA Program provides assistance to Federal, state, local, and tribal law enforcement agencies to facilitate coordination and cooperation to combat drug-related safety and health consequences in areas determined to be critical drug-trafficking regions of the United States. Thus, as part of our activities we regularly interact with the law enforcement entities working to halt illicit drug use in the Bakken region. There are 28 regional HIDTAs, which include approximately 16 percent of all counties in the United States and 60 percent of the U.S. population.

The *National Northern Border Counternarcotics Strategy* is the Administration's plan for substantially reducing the flow of illicit drugs and drug proceeds along our Nation's Northern border. It provides an overview of current counternarcotics efforts in the region and identifies strategic objectives and specific actions that will enable us to achieve our goal. The 2014 *Strategy* acknowledges the inherent challenges in curtailing illicit drug trafficking across the Northern border. Among them are the vastness of the border itself, which extends more than 5,000 miles, as well as the ever-evolving illegal drug production and trafficking trends that confront law enforcement officers.

One such challenge is the emergence of drug trafficking and related crime resulting from the development of the Bakken oil fields of northeastern Montana, northwestern North Dakota, and southern Saskatchewan. In recognition of this emerging threat, the 2014 *Strategy* includes a section dedicated to drug trafficking in the Bakken region and our efforts to address this threat. To highlight the challenges present in the Bakken region, we elected to announce the release of the *Strategy* in Minot, North Dakota, on August 19<sup>th</sup>.

The 2014 *Strategy* updates and expands upon the Administration's first *National Northern Border Counternarcotics Strategy*, which was released in 2012. Like its predecessor, the 2014 *Strategy* builds upon existing relationships, programs, and policies; seeks further opportunities to pursue national security by disrupting transnational criminal organizations; and improves information sharing, thereby enabling more efficient and effective use of resources to curb the flow of illicit drugs and drug proceeds across the Northern border.

Specifically, the *Strategy* lays out several strategic objectives central to our efforts. They include:

- Enhancing intelligence and information-sharing at the Northern border;
- Interdicting illicit drugs and drug money at and between the ports of entry along the Northern border, on land, in the air, and over water;
- Enhancing counterdrug efforts and cooperation with tribal governments along the Northern border; and
- Investigating and prosecuting dangerous criminal organizations operating along or exploiting the Northern border.

The 2014 *Strategy* contains more than 40 individual action items that will be implemented in the coming weeks and months. ONDCP will oversee this process, which is supported by our numerous Federal, state, local, and tribal partners as well as representatives of the HIDTA Program. The *Strategy* aligns with the Administration's foundational document, the *National*

*Drug Control Strategy*, as well as the *National Southwest Border Counternarcotics Strategy* and the forthcoming *National Caribbean Border Counternarcotics Strategy*.

As we work to substantially reduce drug trafficking and related crime along the Nation's Northern border, we are also engaged in efforts to address the emerging threat of drug trafficking in the Bakken oil field region.

For example, in 2013, ONDCP officially designated Williams County, North Dakota, as part of the HIDTA program. With this designation, \$70,000 in HIDTA funds were directed to Williams County to hire an additional Special Assistant United States Attorney. This position will provide support to the prosecution of organized crime and drug trafficking investigations and potential corruption cases.

The Administration also launched an interagency partnership "Project Safe Bakken" to coordinate law enforcement efforts in the region. Law enforcement agencies, including the U.S. Attorneys for Montana and North Dakota; the Attorneys General for Montana and North Dakota; the Drug Enforcement Administration (DEA); the Federal Bureau of Investigation (FBI); the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); the Bureau of Indian Affairs (BIA); the Environmental Protection Agency (EPA); the Department of Homeland Security (DHS); the U.S. Marshals Service (USMS); the Montana Division of Criminal Investigation; and the North Dakota Bureau of Criminal Investigation, have joined together to combat a broad spectrum of potential activity, including drug trafficking organizations and criminal enterprises operating in the Bakken region and the surrounding communities.

In October 2013, Federal law enforcement officials from the Department of Justice (DOJ), DHS's U.S. Immigration and Customs Enforcement's Homeland Security Investigations

(ICE/HSI), and the Department of the Treasury held a summit in the Bakken region with state and local law enforcement agencies and addressed staffing allocation and increased collaboration on investigations; this has resulted in enhanced intelligence sharing and increased joint operations. Just last month, DEA held a two-week Basic Narcotics Investigators school in North Dakota, with an emphasis on training officers in the Bakken region.

In addition, \$3 million in grants has been allocated to strengthen law enforcement and aid victims of sexual assault. DOJ's Office on Violence Against Women (OVW) released two grant solicitations that will provide victim assistance and improve criminal justice response. The first will expand services to victims of sexual assault, domestic violence, and stalking. Recipients under that solicitation are: Fort Peck Assiniboine and Sioux Tribes, Poplar, Montana; First Nations Women's Alliance, Devils Lake, North Dakota; Montana Coalition Against Domestic and Sexual Violence, Helena, Montana; North Dakota Council on Abused Women's Services, Bismarck, North Dakota; and Three Affiliated Tribes of the Fort Berthold Reservation, New Town, North Dakota. The second will aid local and tribal criminal justice systems by designating a tribal Special Assistant United States Attorney for the Assiniboine and Sioux Tribes of the Fort Peck Indian Reservation in Montana and the Three Affiliated Tribes of the Fort Berthold Indian Reservation in North Dakota, which will enable the prosecution of cases in both Federal and tribal courts. In addition, OVW is providing specialized training for law enforcement officials on domestic violence, sexual assault, dating violence, and stalking.

ONDCP's HIDTA Program supports law enforcement efforts in Montana by facilitating cooperation among Federal, state, local, and tribal agencies. Through the work of the Rocky Mountain HIDTA, more than \$900,000 in Federal grant funds are directed to drug task forces operating in the state of Montana. The Eastern Montana, Missoula County, Missouri River,

Northwest Montana, and Russell County Drug Task Forces bring Federal resources together with four state and twelve local agencies.

The Administration also supports drug prevention efforts in the Bakken oil field region. ONDCP's Drug Free Communities (DFC) Support Program provides grants to community coalitions that are focused on identifying local drug problems and implementing comprehensive strategies that create community-level change. There are currently seven DFC coalitions in Montana, including one in Sidney: the Richland County Partnership for Promise Coalition. This coalition has been collaborating with various sectors of the community to prevent and reduce youth substance use. Each year, DFC Program staff conduct DFC grant application workshops across the country, including special technical assistance sessions dedicated to helping tribes write competitive grant applications.

Within the Department of Health and Human Services (HHS), the Centers for Disease Control and Prevention (CDC) is providing funding and support to public health programs at the Montana and North Dakota health departments, including epidemiological support. CDC's National Institute for Occupational Safety and Health (NIOSH) developed an oil and gas fatality surveillance system and will recruit North Dakota oil field workers in a nationwide worker safety and health survey.

The Health Resources and Services Administration (HRSA) is providing funding and support for two community health centers adjacent to the oil field region. HRSA is also supporting 25 National Health Service Corps clinicians, who will provide health care professional services in the region in return for scholarships or loan repayment. HRSA currently funds a telehealth

project that provides tele-mental health and substance use disorder services to Dickinson, North Dakota, that is also linked to other small communities in the Bakken Region.

The Substance Abuse and Mental Health Services Administration (SAMHSA) provides state block grants for substance abuse and mental health. SAMHSA also recently funded a prevention grant in North Dakota that issued contracts to all tribal areas and 22 public health units to promote and implement local prevention efforts. ONDCP continues to work with SAMHSA to develop effective prevention, treatment, and recovery messaging and programming for the tribal community.

The Administration for Children and Families (ACF) provides state and Tribal Family Violence Prevention and Services Grants to support local domestic violence shelters and supportive services as well as grants to State Domestic Violence Coalitions to coordinate state-wide services. ACF is collaborating to expand training and provide technical assistance; monitor demands for hotlines; address needs of victims of domestic and sexual violence and human trafficking; and develop strategies to support homeless youth, the elderly, and reductions in childcare resources.

The Great Plains Area of the Indian Health Service (IHS) increased funding for a contract mental health therapist and part-time counselor; provided training on suicide prevention and substance abuse treatment; and initiated tele-therapy services. Federal agencies are also supporting activities that are exploring the impact of development of the region on housing, homelessness, and the land itself.

As we work to implement the 2014 *National Northern Border Counternarcotics Strategy* in the coming weeks and months, we look forward to working with our many Federal, state, local, and



tribal partners to reduce drug use and its consequences on both sides of our Northern border and within the Bakken region as part of a comprehensive Administration effort to address the issues that have arisen from the development of the region.

Thank you.

**“THE BAKKEN: EXAMINING EFFORTS TO ADDRESS LAW ENFORCEMENT, INFRASTRUCTURE  
AND ECONOMIC DEVELOPMENT NEEDS”**

**ASAC Scott Vito  
September 26<sup>th</sup>, 2014**

Good morning, Chairman Tester and distinguished members of the subcommittee. I am pleased to be here with you today to discuss the FBI's efforts to combat crime in the Bakken region.

The Bakken formation is now considered one of the most important sources of oil in the United States. In fact, late last year, the U.S. Energy Information Administration projected that Bakken production in North Dakota and Montana would ultimately exceed one million barrels per day.

The development of the Bakken oil fields has also caused a sharp spike in both population and income levels. Unfortunately, the boom in population in the region also provides significant opportunities for an influx of criminal elements. In its 2014 National Northern Border Counternarcotics Strategy, the Office of National Drug Control Policy specifically highlighted drug trafficking within the Bakken region among its significant threats.

In early 2013, in response to this burgeoning crime problem, the FBI along with its federal and state law enforcement partners began to develop a strategy to address the increase in the criminal threat to the region. In May, 2013, the FBI working with the United States Attorney's offices in Montana and North Dakota participated in the first combined strategy session of Project Safe Bakken. This effort resulted in the FBI's decision to surge resources to the Bakken area and locate them in Sidney Montana. Here in Montana, two Agents have been co-located with their state and local counterparts in the Richland Sheriff's Office since July, 2013. Additionally, their efforts are supported and bolstered by numerous FBI Resident Agencies and two FBI Field Offices. Our intelligence process to consistently assess the ongoing threat which informs and influences resource decisions to effectively address those threats which in turn ensure the FBI effectively addresses the threats created by the Bakken development. At present, FBI Headquarters is continuing to evaluate the threat and has assured us they will continue to direct additional resources as necessary.

As a threat based, intelligence driven organization, the FBI relies heavily on intelligence gathered from our state and local law enforcement partners and private sector relationships. Project Safe Bakken was a deliberate, precise targeting of an emerging criminal threat to the area. The purpose of this long-term project is to detect, disrupt, and dismantle drug trafficking organizations and criminal enterprises that are operating in the Bakken region of Montana and North Dakota.

Importantly, this task force approach allows us to both share intelligence and force multiply. Through such efforts, we not only address those crimes which are statutorily within the FBI's jurisdiction, but also share vital information needed by our state, local, and tribal partners to combat crime within their community. For example, collaborative efforts among federal, state, local, and tribal partners in June 2013 resulted in the arrest of 22 people. Similarly, in October 2013, a coordinated effort led to four arrests in North Dakota and 12 in Montana.

Earlier this year, Operation Pipe Cleaner and Operation Pale Mule saw the arrests of more than 35 individuals. The charges were predominantly related to drugs, specifically heroin and methamphetamine, which have become increasingly available in the Bakken region.

As an example of our continuing coordination and integration with local law enforcement, within the last month our agents worked with the Sidney Police Department in Montana and the Williston Police Department in North Dakota on two large firearms thefts. Our Agents worked with the police departments and were able to gather significant evidence. Using this evidence we were able to leverage our national resources to gather items of comparison from California that led to the identification and arrest of a suspect. This investigation is ongoing and may result in additional charges.

Chairman Tester, let me assure you the FBI remains committed to assisting our state and local partners in making certain that the safety and well-being of the people of Montana remains a priority. Thank you again for the opportunity to testify. I now look forward to answering any questions you might have.

# ATTORNEY GENERAL

## STATE OF MONTANA

Tim Fox  
Attorney General



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PO Box 201401  
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September 26, 2014  
Sidney, Montana

Mr. Chairman and members of the committee, thank you for inviting me to speak before you today. Thank you also for coming to Sidney. I think it is vitally important for congressional committees to hold field hearings throughout the country, especially when the subject matter is tied to a particular place. Opportunities and challenges tend to look different up-close than they do from Washington, DC.

I say opportunities and challenges” deliberately, because that is precisely what we face here in eastern Montana. We cannot speak of one without the other.

Oil and gas development is the second largest industry in Montana. It is responsible for more than 12,000 direct jobs locally, which pay, on average, \$60,000 per year – well above the majority of wages in Montana. The industry is also responsible for thousands of indirect jobs.

Last year, oil and gas development generated more than two hundred million dollars in tax revenue for Montana’s state and local governments. While so many other states have faced sizeable budget deficits in recent years, Montana has enjoyed comfortable surpluses and ending-fund balances while still providing vital services to its citizens. We would not have been able to do so without the economic activity from resource development.

What is happening here in Montana and North Dakota is part of the “all of the above” energy strategy emphasized by President Obama. Hydraulic fracturing and other technologies have evolved over the years and now represent an unprecedented opportunity to safely and responsibly work toward our nation’s energy independence.

As you have heard and will hear from others today, with such opportunity and growth comes the need to invest in infrastructure. Economic growth means thousands of new people are living and working in the region. Our highways are busier and once-quiet towns are now bustling with activity. As is the case in any part of the country, with rapid population and economic growth comes an increase in crime rates.

- From 2008 to 2012, the number of arrests in all crime categories in counties that fall within the Bakken region increased by 80%.
- From 2010 to 2013, the number of narcotics investigations undertaken by the Montana Department of Justice in northeastern Montana increased by 281%.

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### MONTANA DEPARTMENT OF JUSTICE

Legal Services Division • Division of Criminal Investigation • Highway Patrol Division • Forensic Sciences Division  
Gambling Control Division • Motor Vehicle Division • Information Technology Services Division • Central Services Division

- From 2008 to 2012, arrests for drugs and drug paraphernalia increased by more than 300%.
- Earlier this year, one city police chief in northeastern Montana reported that domestic violence had increased by 148% in the past five years, the number of attacks increased by 825%, and cases of drug abuse increased by 785%.
- In 2010, it became clear to law enforcement authorities in the region that much of the narcotic trafficking was being conducted by national and international criminal organizations, including Mexican drug cartels. Their presence throughout northeastern Montana and northwestern North Dakota has become commonplace.
- In 2010, in northeastern Montana a gram of methamphetamine brought a street price of around \$100. An ounce sold for \$500 - \$600. Beginning in 2011 and continuing to today, the price has continually increased. Currently a gram of meth brings \$250 - \$300, and an ounce routinely sells for \$2,800 - \$3,000 in the area around Sidney, far exceeding national prices for these drugs. Their quantity and purity indicate an origin in the southern U.S. and Mexico.

These are just a few of the statistics that make it clear law enforcement is and must continue to be a key part of any investment in infrastructure.

As Montana's chief law enforcement and legal officer, the safety of our citizens is my paramount duty. It is also what drives the more than 800 public servants at the Montana Department of Justice, who work tirelessly in all corners of this state – often under dangerous circumstances – to protect our citizens. We take this responsibility very seriously, as do the city, county, and federal law enforcement partners in Montana and North Dakota with whom we work on a daily basis.

Our legislature meets only for ninety days every other year, which gives state and local officials narrow windows of time to pursue many of the avenues available for responding to the growth in eastern Montana.

When I took office last year, it was clear that the Department of Justice needed to invest more resources in eastern Montana. At the time, call-response times for our Highway Patrol Troopers were nearing unacceptable durations. Our Troopers were stretched too thin and were overburdened – so much so, in fact, that retention had become an issue. With our ability to not only respond to calls in a timely manner but also assist local agencies in jeopardy, we went to the 2013 Legislature and asked for funding to add additional Troopers to our eastern Montana detachments. We were successful in acquiring five new Troopers, who are already working in the field now.

We also steered more resources to our Division of Criminal Investigation, which helps local and federal law enforcement agencies investigate complex and high-profile crimes. From day one of the 2013 Legislative Session, we worked to secure two additional DCI agents for eastern Montana. In the end we were successful, and much of the credit belongs with Governor Bullock, who as a former attorney general understands the law-enforcement challenges facing eastern Montana.

Speaking of DCI, I am glad that Montana's U.S. Attorney Mike Cotter is here today. Mike and his team work very hard to prosecute federal criminal cases throughout Montana. Our DCI agents assist Mike's office with such cases on a regular basis. It is an important and productive partnership that benefits Montanans, and we are committed to maintaining it.

Field work is just one aspect of law enforcement. At the Department of Justice, we also operate the state crime laboratory, which processes the evidence that can make or break a successful prosecution. Facing a backlog driven in part by cases in eastern Montana, last year we increased staffing at the laboratory in key areas of forensic science.

We also successfully advanced legislation establishing a THC impairment standard for driving under the influence (DUI) of marijuana, as well as a bill banning the popular “designer drugs” that mimic dangerous illegal drugs.

To combat repeat DUI offenses, we are investing considerable time and resources into expanding the 24/7 Sobriety Program, including into counties impacted by Bakken growth. This has been a tremendously successful program that holds repeat offenders accountable and saves taxpayers money by eliminating many incarceration costs. During the 2013 Legislative Session, we successfully advanced a bill changing from five years to ten the window used to determine if an offender is subject to enhanced criminal penalties and driver licensing sanctions for a second or subsequent DUI conviction.

While we have worked with the legislature to improve public safety in eastern Montana and throughout the state, there are also areas where the Department of Justice uses existing resources and takes steps independently under its own authority.

Our Prosecution Services Bureau assists Montana’s smaller counties – including those impacted by growth in the Bakken region – with the toughest cases. Earlier this year we began offering specialized training in sexual assault prosecution to Montana’s county attorneys, to help them ensure offenders are held accountable and victims are treated with respect and dignity.

Our seasoned agents at the Division of Criminal Investigation, which I mentioned previously, helps county sheriff offices and city police departments (many of which have small forces) investigate the range of crimes that have increased with population and economic growth.

Earlier this year we launched the Montana Highway Patrol’s first-ever K-9 narcotic units. With the equipment and start-up costs funded entirely by grant moneys and drug-forfeiture funds, these six units are stationed in strategic locations along major corridors but conduct interdiction operations throughout Montana. This represents a significant advancement in our ability to intercept drugs being trafficked through Montana.

We have also been working to raise awareness of human trafficking, which we know is taking place in the Bakken region. Last year we launched a statewide poster campaign targeted to victims and those who suspect trafficking is taking place. We have also partnered with private companies to spread awareness in key areas along Montana’s most heavily traveled corridors. In addition, the Montana Law Enforcement Academy, which we operate, trains city police officers, county sheriff deputies, Highway Patrol Troopers, commercial vehicle enforcement officers, as well as some tribal law enforcement officers in how to spot the potential indicators of human trafficking. I cannot overstate the importance of this, as many career officers will tell you that 20-30 years ago they likely encountered victims of human trafficking but were not aware of it at the time when they had the chance to do something about it.

Just as one agency alone cannot fully address the public safety challenges in the Bakken region, the public sector alone will not suffice. A holistic approach requires partnership with the companies operating in the region. To that end, the Department of Justice has been working with the Montana Petroleum Association and its members to explore ways we can work together. For example, our agents can train human resource staff on how to identify red flags during the screening process. Most of the people who come to work in the Bakken are honest men and women who want to work hard and earn a good living for themselves and their families. Yet we cannot deny that there are criminals and others with nefarious intentions seeking employment as well. If we can work with the companies during the hiring process, we can make help prevent a

bad element from gaining access to the region. This is just one example of how and why working with the oil companies is essential to protect public safety.

In collaboration with our city, county, state, and federal law enforcement partners, we at the Montana Department of Justice have done much, but more work remains if we are to fully address the needs driven by population growth and increased economic activity in eastern Montana. On behalf of the people of Montana, I encourage the members of this committee to devote more federal resources to the regions of Montana and North Dakota that are experiencing significant rates of growth. Those resources could include a permanent local presence of the Federal Bureau of Investigation and Drug Enforcement Administration, as well as more prosecutors focused on eastern Montana in the U.S. Attorney's Office. Our partnerships with these agencies have proven effective, but from our standpoint, limited resources at the local, state and federal levels continue to be a significant obstacle toward greater progress in improving public safety.

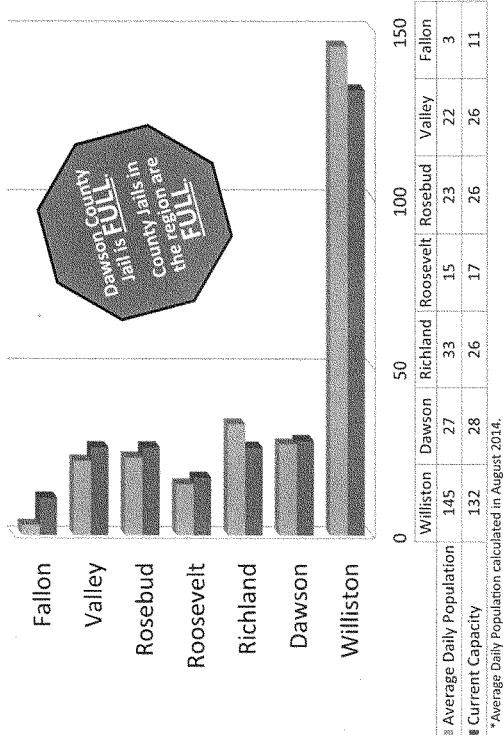
My staff and I are more than happy to answer questions from members of the committee at any time, and lend whatever assistance we can to your efforts in this area.

Thank you for your time, and thank you for paying attention to this vital issue.



Tim Fox  
Attorney General of Montana

## Capacity and Usage of Area Jails



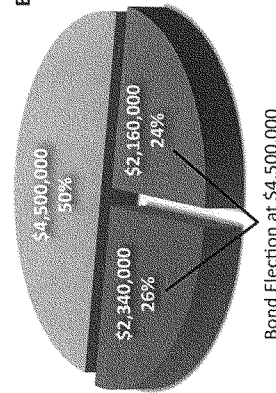
## Dawson County Detention Center

Bond Issue Expansion Information

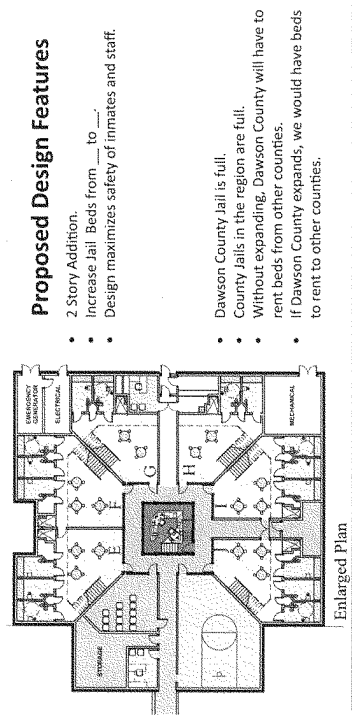
### Estimated Project Cost Breakdown

- 10 Largest Corporation / Business Taxpayers in Dawson County (as of the 2014/15 tax year)
- Remaining Dawson County Taxpayers (Excluding the current top 10)
- Other Sources (State, Federal Grants, Contracts) \*

\*The bond issue represents 50% of the current estimated cost of the project with the other 50% expected to come from other sources.

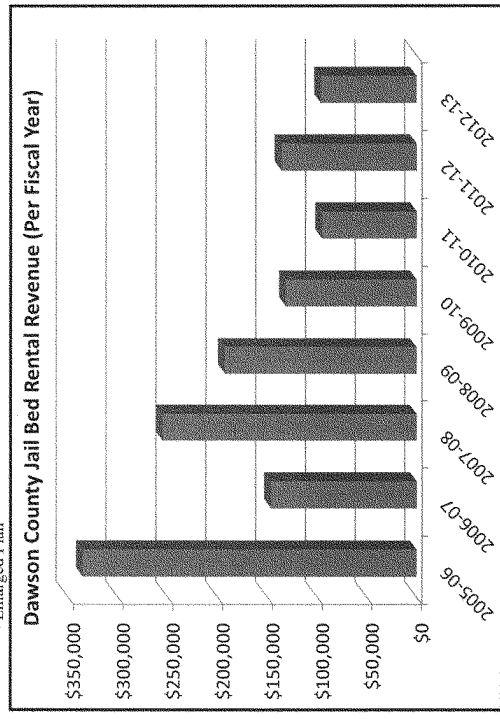






**Proposed Design Features**

- 2 Story Addition.
- Increase Jail Beds from    to   .
- Design maximizes safety of inmates and staff.
- Dawson County Jail is full.
- County Jails in the region are full.
- Without expanding, Dawson County will have to rent beds from other counties.
- If Dawson County expands, we would have beds to rent to other counties.



**ESTIMATED TAX IMPACT OF THE 20-YEAR PROPOSED \$4,500,000 G.O. BONDS**

- Approximately:
- **\$22.96** per year (\$4.96 per month) on a **\$100,000** residence.  
(Taxable Value on the tax rolls of \$1,309)
  - **\$45.92** per year (\$3.83 per month) on a **\$200,000** residence.  
(Taxable Value on the tax rolls of \$2,619)

ALL property owners (including farming and ranching operations, commercial businesses and homeowners) should use the following formula to calculate the estimated annual tax impact of the Bonds:

$$\$ \text{ (Average Annual Taxable Value of Property)} \times 0.01754 = \$ \text{ (Estimated Annual Impact of the Bonds)}$$

**Comparison to Prior County Jail Bonds**

	Dawson County 1996 Jail Bond Issue	Dawson County Proposed New Bond
<b>Bond Amount</b>	\$4,166,000	\$4,500,000
<b>Term of Bond</b>	15 years *refinanced and paid early in 2010	20 years
<b>Mill Levy Rate</b>	22.14 mills *based on 1996 tax base	17.54 mills *based on 2014 tax base
<b>Debt service</b>		
<b>*Estimated</b>		

For distribution by the  
Senate Subcommittee on  
the Efficiency and Effectiveness  
of Federal Programs and  
the Federal Workforce

**Statement of Anthony J. Preite**  
**Rural Development State Director for Montana**  
**U.S. Department of Agriculture**

*A More Efficient and Effective Government: Examining Efforts to Address Law  
Enforcement, Infrastructure and Economic Development in the Bakken*

**Senate Subcommittee on the Efficiency and Effectiveness of Federal Programs and  
the Federal Workforce – Sidney, Montana Field Hearing**  
**September 26, 2014**

Mr. Chairman and Members of the Subcommittee, I am pleased to have the opportunity to join fellow panelists to discuss the Bakken and the work of my agency, USDA Rural Development. First, I would like to express my appreciation to you for continuing to focus on the challenges and opportunities that oil and gas development have provided to rural, northeastern Montana and western North Dakota.

For most of my career, I have studied the needs and economic development strategies of state and local economies. I understand the importance of investing in rural communities. USDA Rural Development provides tools and resources that enable me, as State Director, to utilize my knowledge to work for rural America.

While activity in the Bakken has created much-needed jobs to a region long underserved, it also has brought additional challenges to the area. The sense of excitement about the energy boom has today been replaced with deep and intense conversations about issues of housing, traffic, crime, water use and other social needs.

USDA Rural Development's programs play a key role in investing in rural economies. Rural Development staff and programs help deliver safe and affordable housing, support for business growth, community facilities and equipment for health and safety personnel, reliable, reasonably priced electricity to power our homes and industries, broadband to expand access to education, healthcare, business and social services, and clean, safe water to support healthy rural communities.

The three Rural Development agencies – Rural Business-Cooperative Service (RBS), Rural Housing Service (RHS) and Rural Utilities Service (RUS) – together have a loan portfolio of over \$200 billion in direct and guaranteed loans. Continued investment in key infrastructure is essential to ensuring rural America is a place where families and businesses can thrive.

For example, USDA Rural Development provided funding to the Town of Culbertson to repair their aging wastewater facilities. The town, like many in the region, is experiencing significant growth in population – and the subsequent strain on infrastructure – as a result of the oil and gas extraction in the Bakken. The Town of Culbertson's wastewater system was originally constructed in 1945. The mostly clay collection pipes were severely deteriorated, causing sewage backups into homes and businesses; the lift station was nearing the end of its useful life, and the treatment lagoons were undersized and did not meet Montana Department of Environmental Quality standards. Financial assistance of more than \$4 million from USDA Rural Development was leveraged with resources from the State Department of Natural Resource Conservation, the applicant, and the State revolving loan fund. This financial support has significantly assisted the town in addressing the growing wastewater needs of the community.

USDA Rural Development makes strategic investments to help improve the quality of life in rural America. Since 2009, USDA Rural Development in Montana has invested more than \$37.5 million in Single Family Housing in the Bakken region. Over that

same period, in the Bakken counties of Montana and North Dakota, USDA Rural Development has supported 22 new or improved broadband service projects for residents, schools, hospitals and businesses; funded 27 water and waste water projects; and provided grants and loans to assist 60 small and mid-sized businesses, local development corporations and cooperatives in the region. Thanks to new tools in the 2014 Farm Bill aimed at improving program delivery we will be able to continue to build on these investments.

Over the course of the last two years, USDA Rural Development has participated in numerous meetings with local, state, and tribal leaders; maintained a leading role in planning and development sessions with community organizations; and engaged in listening sessions. These interactions make clear that technical assistance, coordination, and community outreach are key in meeting the overall needs in the area. That is why USDA Rural Development – with the support of Secretary Vilsack – has worked to deliver programs that ensure that taxpayers’ dollars make the greatest impact. A focus on community economic development while using a regional strategy – like the Bakken – can develop important sources of growth and help extend limited resources even further. By providing a set-aside with preference for projects that are part of a regional approach as described in the 2014 Farm Bill, USDA Rural Development will be able to more effectively support rural places that are working collaboratively to realize long-term community and economic development goals.

Northeastern Montana is an area of the state that has the attention of Montana Rural Development. Over the past three years, my office has invested more than \$40 million in the affected counties of this state. Millions more has also been invested in the region by the North Dakota Rural Development office. Furthermore, the national USDA Rural Development Office, since 2009, has invested more than \$200 million in telecommunications projects in the Bakken Region and approximately \$2 billion in electric upgrades and extensions in Montana and North Dakota. Although this is a relatively significant amount of funding and our agency leveraged millions of dollars of funds from other public and private sources, it does not come close to meeting the

burgeoning demand for assistance in the area. As more people move into the region, the demand for housing, businesses, and services is growing. According to a North Dakota state study, Bakken counties are expected to see their population climb 50 percent over the next two decades. Recognizing that there is a shortfall in funds, we have aggressively identified potential partners to leverage USDA Rural Development funds with those of local and state government, private sector and non-profit entities.

In Montana, USDA Rural Development has played a lead role in the formation of the Eastern Montana Coalition, a cohesive area-wide planning organization consisting of 17 counties. Within the Bakken region there are three multi-county development organizations. Each of the three is recognized as Economic Development Districts by the U.S. Department of Commerce Economic Development Administration. Each is also recognized by the State of Montana as Certified Regional Development Corporations. These organizations cover the same counties and are governed and controlled by local public and private residents. Richland County also has a local development organization. The benefits of this coalition are numerous, including better service throughout the entire area. The coalition also provides a unified voice for the region when approaching state and federal leaders for assistance.

As the Montana State Director for Rural Development, I am committed to ensure that USDA Rural Development will continue to serve a leadership role in the Bakken. Our mission is to increase economic opportunity and improve the quality of life for rural Americans. The oil and gas development in the Bakken has certainly helped increase economic opportunities in rural areas in northeastern Montana and western North Dakota. Improving the quality of life for residents continues to be a focus for us. USDA Rural Development's local presence and willingness to lead the effort will ensure that programs and services are administered in a strategic well-coordinated manner. We will leverage those funds to make sure that the region is getting the most out of limited resources. We also recognize the importance and fully-support the participation and help of all other partners – federal, state, and non-profit – in efforts to better serve the region.

Mr. Chairman, I appreciate your continued support for providing assistance to the Bakken area. USDA Rural Development joins you in your efforts to ensure that the residents of the Bakken are well-served. I hope I have provided you with some insight as to how USDA Rural Development has and continues to contribute to the Bakken.

I look forward to responding to your questions.

Statement of

Mike Tooley, Director  
Montana Department of Transportation

Before the

Subcommittee on the Efficiency and Effectiveness of Federal Programs and the  
Federal Workforce

Committee on Homeland Security and Governmental Affairs  
United States Senate

on

*“A More Efficient and Effective Government Examining Efforts to Address Law  
Enforcement, Infrastructure, and Economic Development in the Bakken”*

Sidney, Montana

September 26, 2014

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Chairman Carper, Senator Tester, and Members of the Committee:

I am Mike Tooley, Director of the Montana Department of Transportation (MDT). I greatly appreciate the opportunity to be here today.

I think it is terrific that the Subcommittee is holding this field hearing and outreach session in Montana's impacted Bakken region. Growth from energy exploration and extraction has generated additional pressure on transportation infrastructure and Montana communities, but also has contributed positively to the economic vitality of the region. We at MDT see this as a good challenge to have, given the positive growth and economic impact, and we are doing our best to respond responsibly to the impacts.

MDT's focus in the region is to provide safe and efficient transportation systems for the traveling public and to support the economic activity. For MDT, as is almost always the case with infrastructure agencies, needs vastly outpace the resources available, so it's essential that we make smart and timely decisions to provide the public with the greatest benefit possible from our resources.

**Bakken Region Transportation Issues: An Overview**

To provide some scale to the issues, of MDT's 12,000 system miles across the state, approximately 3,350 are in this district of MDT, the Glendive District. We've seen a significant increase in traffic volumes, largely made up of heavy truck traffic, which has increased as much as 32% between 2007 and 2013 in some areas. Pavement designs are largely driven by heavy truck traffic and this kind of an increase can drastically impact the life and condition of

pavement. In addition to deteriorating pavement, increased volumes and high truck traffic also have impacts on roadway operations with instances of limited passing opportunities and “tight” intersection geometrics, as our highways are also the main thoroughfares through communities.

We’ve also had a hard time attracting and retaining employees and contractors in the district as Maintenance, Motor Carrier Services, and Construction staff knowledge and experience are similar to the skills desired in the oil development industry. We cannot match energy industry pay. That, coupled with escalating housing prices in the region, have led to ongoing vacant positions and high turnover in our Maintenance and MCS units. Once we’ve hired and trained staff they can easily move on to better paying jobs in the oil development industry. Impacts of increased competition aren’t limited to our staffing needs, but also affect private engineering and construction services. We’ve had instances where prime contractors receive few or no bids from subcontractors for highway projects due to the increased demand in the area for energy sector and other private sector work. MDT has seen unit cost increases for key materials which drive up project costs, decreasing the buying power of limited funding we have available.

#### **MDT Efforts: So what are we doing?**

**In response to these challenges, we are doing the best with what we’ve got.** We have tools at hand that help us make good decisions while also allowing MDT to identify and provide targeted improvements when opportunity exists. Our long standing asset management based approach to allocating our federal funds, called the Performance Programming Process (P3), allows MDT to make appropriate investment decisions and develop an optimal funding plan, given limited resources. This needs based process is responding to the Bakken impact with recent P3 recommendations shifting slightly more funding to the Glendive District for system improvements, while still being mindful of statewide infrastructure needs. MDT currently has over 100 miles of recently completed and planned projects in the Glendive District through 2019 for a total investment of \$40-50M. Many of these project investments are influenced by energy impacts. Maintenance contracts have also increased since 2010, with nearly \$6 million more invested since 2010 than would have previously been allocated to the district for these activities.

**Quick Response Projects** - MDT’s district can identify emerging needs through communication with local Governments and develop projects quickly. For example, the 2012 Fairview Intersection Improvements project provided a traffic signal at MT-200 and 6th street, and intersection improvements at MT-200/Secondary 201 to better accommodate truck turning movements. In addition, MDT worked with local partners to develop a pre-NEPA corridor planning study and safety audit along the approximately 60-mile MT 16/ MT 200 corridor between Glendive and Fairview. Improvements have already resulted from these studies, including the addition of passing lanes, wider shoulders and centerline rumble strips along MT 16, and a reduced speed limit along the corridor.

**Local Support thru Planning** - These pre-NEPA Corridor Plans and Safety Audit Studies allow MDT to work with local governments, communities, FHWA, and resource agencies to target the highest need corridors and improvement options. Studies develop both short term easily implemented improvement projects and long-term corridor needs. These studies identify highly effective, easily implemented improvements that address or head off emerging issues. Another example is the Culbertson Corridor Study that identified cost effective improvements for the intersection of MT-16 and US-2 in Culbertson. An upcoming project in the community will include wider road surfaces, curb and gutter, and intersection improvements with turn lanes.



MDT has additional studies underway to consider options for addressing truck traffic impacts thru Baker and a cooperative effort with ND on a study through Fairview.

**Safety Focused** – MDT is committed to *Vision Zero*, zero serious crashes and zero fatalities along Montana highways and all of MDT's project and maintenance activities focus on improving safety for all travelers. MDT Motor Carrier Services recently partnered with the Montana Highway Patrol through two Operation Safe Driver events, each two days, involving an MHP Officer riding in a MDT commercial motor vehicle and observing how traffic operates around the test vehicle.

Given increased rail traffic, MDT is also using the Highway-Rail Safety Program to invest in rail-highway grade crossing improvements, with twelve highway-rail grade crossing projects in various stages. These include projects that will install stop signs, flashing lights, and crossbucks (railroad crossing signs), totaling almost \$5M.

In addition, MDT's Highway Traffic Safety Bureau provides about \$1 M between 2010 and 2015 for behavioral programs including multi-county DUI courts, additional Law enforcement patrols, coordination of seatbelt programs, and anti-drinking and driving campaigns.

**Federal Financial Role** – Except for some of our highway maintenance activities, all of the above highway and highway safety investments are supported by federal highway apportionments to our State – and they are vitally important. In addition, this region receives air service supported by the Essential Air Service program and Amtrak service. While those services are essential for national and regional connectivity to our State, without them there could be some additional highway traffic, causing additional pressure on our road system in this region.

#### **Closing:**

In conclusion, Montana's transportation infrastructure is dependent on continued federal funding and a strong federal investment in the nation's transportation systems. These federal programs/funds are essential for our economy, supporting industry, jobs, and growth in the Bakken, while ensuring that the nation is poised to capitalize on the benefits of domestic oil and natural resource production.

We anticipate the impact in the Bakken area to continue for the next few decades and recognize that additional funding and attention to our infrastructure is necessary. To maintain the condition and operation of our systems, federal funding levels must continue at least at current levels, adjusted for inflation. MDT encourages support for long-term funding solutions for the federal surface transportation program - and emphasizes our commitment to make the most effective use of the resources available for the benefit of Montana's citizens and industry.

Thanks again for the opportunity to testify today.

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U.S. SENATE SUBCOMMITTEE ON EFFICIENCY AND EFFECTIVENESS OF FEDERAL PROGRAMS  
AND THE FEDERAL WORKFORCE

*"A MORE EFFICIENT AND EFFECTIVE GOVERNMENT: EXAMINING EFFORTS TO ADDRESS LAW  
ENFORCEMENT, INFRASTRUCTURE, AND ECONOMIC DEVELOPMENT IN THE BAKKEN"*

TESTIMONY OF JOHN K. DYNNESEN

SEPTEMBER 26, 2014

[1] Thank you for the opportunity to speak today. Senator Tester's invitation was addressed to long-time Richland County Sheriff Brad Baisch. Sheriff Baisch requested that I, in my capacity as a current Deputy Officer, testify before you today as a representative of the Richland County Sheriff's Office. My testimony includes viewpoints and concerns of all local law enforcement, which I am familiar with in my capacity as President of the Richland County Law Enforcement Association and my current position as Coroner for Richland County. I am honored to provide my testimony to you all today.

[2] As a lifetime resident of Richland County, my parents were personally involved in the original oil boom of the 1950s, my wife and I experienced the effects of the boom and bust of the 1980s, and my family and peers are impacted by the current oil activity in our region. These impacts hit home to all of us in this area—it has impacted nearly every aspect of our daily lives.

[3] In dedicating over thirty years to various levels of our local law enforcement, I have been involved with a number of serious undertakings. A few of the most recent issues that strike in the hearts of our communities relate to (1) the unexpected event involving Sherry Arnold's disappearance that required extensive cooperation, coordination, and intensive involvement among local, county, state, and federal officials here and across the state border, and (2) the investigation and take-down of a large drug ring that resulted in numerous arrests after time-consuming coordinated efforts among various agencies of law enforcement.

[4] I was specifically asked to address the infrastructure needs of our agency as a result of its location within the Bakken region. In conjunction with the needs, I was requested to make mention of the resources and focus that we as the local agency devote to addressing these needs as well as related collaborative efforts provided by local, regional, and state partners. Further, I was asked to address how the lack of infrastructure in Richland County and the greater Bakken region impacts the ability of our agencies to carry out its law enforcement responsibilities.

[5] A common theme echoed by many in this region is the need for an increase in experienced staff and staff that is able to afford the living situation in this region long enough to stay and obtain the necessary experience to effectively serve our communities. Though our sheriff's office and local police departments have some outstanding individuals willing to serve, our continued commitment to effectively serve our communities requires more officers, jail staff, and dispatchers. These are just a few of the employment opportunities available and necessary to

TESTIMONY OF JOHN K. DYNNESEN  
SEPTEMBER 26, 2014  
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facilitate the work our law enforcement agencies are expected to undertake and provide. Finding individuals willing to work in these areas rather than seek higher paying “oil-field” employment is difficult.

[6] Besides finding an experienced person and locating others willing and able to dedicate adequate time to train the person, multiple obstacles still stand in the way. Housing infrastructure—though slowly increasing—is still lagging. Increased construction of housing units does not remedy the issue of “affordable housing”. With housing prices at an alarming rate in this region in relation to comparable housing in other parts of the country, our local agencies and departments are faced with budget concerns and the need to provide further monetary assistance or a housing subsidy to address these needs of prospective and existing personnel. It is not only the high cost of housing that astonishes people, but everything here is limited and comes with a price. The costs associated with living in the region, including groceries, home repairs, vehicle maintenance, and childcare, are unprecedented compared to many areas of the United States and our state. What the state and federal government does not see is that adequate childcare is extremely limited. Enticing the right recruits to join our local agencies is difficult enough without mentioning all of the accompanying hardships these potential employees may face for themselves as well as their families.

[7] Though an influx of people has come to our region, it is not enough to go out into the street and pick a person to serve in these capacities. We can and are willing to train people that come here without education or experience. Even when we find the right person, our agency expends money, resources, and manpower to actually conduct effective training by existing personnel. Months of effort, thousands of dollars, and a multitude of man hours go into training personnel that, ultimately, are forced to leave because of the excessive costs associated with living here. We have tried to better train and facilitate experiences of our employees by training locally and providing extensive training expected by our personnel. Yet, it appears that we continue to lose ground in manpower and experience.

[8] Logically, the increase in population comes with a growth in crime, increased instances of abuse, mental health concerns, growing numbers of homeless, and other strains on local infrastructure, as well as other unsavory ideas, such as organizations coming to this area that support criminal activities. Currently, all of our local and state agencies work together to address the impact on our communities. These agencies include Mental Health, Child and Family Services, Sidney Health Center, and the Richland County Coalition Against Domestic Violence, and other service agencies. All of these agencies are affected by the same issues as law enforcement: concerns with affordable housing and lack of experienced personnel willing and able to live and work in this area of the Bakken region and lack of childcare.

[9] We are also limited in physical workspace, equipment needs, and judicial resources. Taking a more desirable proactive approach—which is expected by our citizens—affects our community by putting a strain on court resources and jail space. I recognize that across our

country much of the judicial and law enforcement systems likely experience similar concerns; however, it appears that our region is impacted at an unprecedented level. The local agencies have tried to alleviate some of the concerns by sharing space and resources. The Richland County Sheriff's Office and the Sidney Police Department have shared space since the 1970s. The Fairview Police Department has a physical space of its own in Fairview. All of the agencies are willing (but not always able) to make their spaces available to one another.

[10] Particularly of note is the new Richland County Law and Justice Center and jail that was constructed in Sidney within the past few years. This facility provides physical space to the Richland County Sheriff's Office, Sidney Police Department, Montana Highway Patrol, Federal Bureau of Investigation, and Montana Division of Criminal Investigations. It has added a much-needed increase in physical space to our law enforcement entities and substantially heightened the security expected and required for the issues we address and the persons we are incarcerating. Though the facility—thanks to Richland County—has provided these valuable resources, our agencies are already feeling a strain. In planning the facility, it was anticipated to serve the area for many years; however, with the increased activity, the jail population is at capacity and space for personnel and staff is limited.

[11] It is worth noting that all of the city, county, and regional agencies have a long history of using collaborative efforts to prepare cases, proactively work investigations, and to utilize preventative efforts to limit the impact on this region. I have had experience working with each of these agencies at least once during my career. We appreciate their expertise and cooperation when necessary, as well as their willingness to seek our assistance where our agency is better-suited to address the needs of this community. Regionally, the State of North Dakota Bureau of Criminal Investigation provides a means for working and sharing information with others in the Bakken across the state line, including the City of Williston, Williams County, and McKenzie County. All of the communities in our region—which appears to include almost every local and county agency from Billings, Montana to Minot, North Dakota—understand the importance of working together to protect our residents and provide law enforcement needs.

[12] At the state level, the Montana Highway Patrol works with our agency by primarily providing highway safety but also facilitating with drug interdiction and coverage at motor vehicle crash sites. The Montana Division of Criminal Investigations has area coordinators and investigators to, among other things, assist with narcotics work and criminal investigations. The Montana Army and Air National Guard Counterdrug Unit has provided case analysis support to our local law enforcement. Additionally, the federal entities willing to work with our agency in multiple aspects of law enforcement include United States Alcohol, Tobacco and Firearms, United States Customs Agency, United States Border Patrol, the Drug Enforcement Agency, and the Federal Bureau of Investigation.

[13] With all of the efforts of local, state, and federal agencies and entities, we still have many obstacles in this region. Obviously, we appreciate the collaborative efforts and undertakings to

date. As most law enforcement agencies can attest to, we are always in need of money for updating equipment and for increasing staff. Besides assistance with funding and personnel for the actual work of undertaking law enforcement, it would be appropriate to provide monies and resources to applicable entities (nonprofit, governmental, and private agencies) that can assist in remedying the “affordable housing” issues of this area. Our region also needs monetary assistance and efforts to support local childcare programs, including viable after-school programs and daycares.

[14] Our agency needs the assistance of the FBI here because the FBI has the time and resources that are necessary to devote to particular types of higher profile cases that the local and county law enforcement agencies cannot match at this time. Currently, the FBI rotates officials through this region based on temporary duty. From my observations, I believe it would be helpful if FBI personnel were assigned to this region as a permanent position. Though our local and state officials continue to do a great job in their work in this region, the permanent FBI official would provide much-needed assistance to cities and counties in eastern Montana. Besides assisting local law enforcement, the FBI officials would be expected to proactively investigate and assist in prosecuting federal crimes that are committed in this region, which would primarily consist of, but would not be limited to, drug investigation, human trafficking, and white collar crime. If permanent officials were assigned here, it would likely require a federal stipend or some type of assistance to deal with the high cost of living in this region.

[15] In addition to the FBI, other federal agencies may require financial and personnel increases in to order to effectively serve the Bakken Region. It may not be necessary for dedicated personnel to be stationed in our city or in our county; however, setting up a task force and appointing personnel to assist in protecting our region would be helpful. This increased presence would aid local entities in dealing with crimes that surpass the capacity of available local personnel, provide additional expertise, and cover issues outside the bounds of the local jurisdictions.

[16] We appreciate the Subcommittee’s consideration of our testimony today, and we are hopeful that our emphasis on these issues will lead to further assistance from the federal government and appropriate agencies. Though our local law enforcement personnel is dedicated to doing everything it can to protect the residents of this county and the Bakken region, we welcome further collaborative efforts, financial support, and additional resources in order to more quickly remedy the issues affecting our personnel, our agencies, and, most importantly, the residents of Richland County.

## Affordable Housing in Richland County

I would first like to take this opportunity to thank Senator Tester for holding this hearing on affordable housing in our community.

### BACKGROUND

Thirty years ago Sidney residents would probably have known their neighbors by their first name or at a minimum knew where they worked and how many children were in the family. Residents of Sidney and the surrounding area were like an extended family, distant cousins if you will, and when families moved to the area, they were often invited to join service groups, the chamber of commerce, churches and school organizations.

Thirty years ago in 1984 also marked the end of the first oil boom in our county. That boom spanned seven years and brought high paying jobs but by the time it ended there were several houses for sale, mobile home parks abandoned and infrastructure annexations left unpaid. 1984 was a long time ago for many but for some of us here in Sidney the economic collapse made our community a financially distressed community for the first time in since the depression.

Fast forward to the present and most everyone can attest that the boom is back bigger and better but not so much for those looking to move here and make Sidney their home. Right now in 2014 there are jobs available, high paying jobs that typically pay three to four times more than the minimum wage. Someone moving to the area may very well have that job and the job security but do they have the most important thing they will need to succeed here in the Bakken? Probably not! An affordable place to live.

If you are fortunate to own or are in the process of buying a home no doubt as a resident of Sidney, you are much better off than those in the community who are renters. Those who rent now see that the lack of rental housing in our community is an acute and serious problem with no short term solution in sight. For instance, in 2013 a rental market study was prepared for the Richland County Housing Authority and based on that study, the

rents for existing rental units during 2012 were rising at a rate of 5-10% every few months, with a vacancy rate of 0%; waiting lists for private housing were nonexistent as turnover was rare. Furthermore, a follow up market study of rents in 2014 revealed that units built prior to the year 2000 were now increasing their rents from 30%- 300% after a vacancy occurred or when a lease expired.

This fast paced increase in rent puts the local working families in jeopardy of losing their rental housing because rents could now consume 50% or more of their take home pay. The families affected by this increase work at local retailers, such as restaurants, hotels, and stores. They may even be teachers, hospital workers, and law enforcement officials.

So who decides what is a low-income wage?

The U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT

HUD annually publishes a report on median incomes for nearly every community in our state, right now the median income is \$70,600 for a four person family per year for our county. This means that there are wage earners below that amount and wage earners above. It is not the average but should give everyone an idea of what people are being paid here in Richland County. If we compare it to Rosebud County our median income is \$10,000.00 higher, compared to Park County we are \$16,000.00 higher, and when we compare the median income to places like Helena and Billings we are about equal to their median incomes. Why is housing not a problem in Billings and Helena? The supply of housing exceeds the demand. There are more places to rent, different levels of quality, and far more providers of affordable housing such as the Richland County Housing Authority.

Our Housing Authority was created in 1950 and has a contractual relationship with the United States Department of Housing And Urban Development to provide housing to low income community members. Who can qualify for our assisted housing programs? A majority of our owned and managed properties are for people who earn less than 30% of the median income. For instance, a single person would have to earn less than \$12,250.00 per year to qualify, a two person family would have to earn less than

\$15,730.00, a 3 person family less than \$19,790.00 and a 4 person family less than \$23,850.00. Based on those incomes you can probably see that based on the rents for our area the housing authority is very limited on who we can assist. So what can Congress do to help provide affordable and efficient housing?

First of all I would like to take this opportunity to thank Senator Tester for his support of the Small Housing Authority Reform Proposal, (SHARP), a proposal to reform the regulatory regime applicable to small housing authorities that would significantly ease administrative burdens and increase program flexibility for organizations operating the public housing and/or HCV program. This proposal and others are essential efforts that would reform HUD's oversight and regulatory regime. It would also ease agencies' requirements for oversight and compliance activity so that reduced, but critical resources can be devoted to delivering services to the local community and fulfilling the HA's central mission of providing housing and related housing services for very low, low and moderately low income families and individuals.

In addition to regulatory reforms like SHARP discussed above, it would be very helpful if the Congress directed HUD to take steps now to provide regulatory and statutory relief measures, like the ones listed below, to HAs:

Here is what Congress could do to make our programs work better for the 14 public housing authorities in Montana:

Stop the burdensome reporting & regulatory requirements placed on agencies, such as:

- Suspend issuance/implementation of final PNA rule:

HUD's PNA rule would require that agencies submit a PNA. PNAs are time consuming and costly and would divert significant and limited resources from other priorities like capital improvements. Both House and Senate THUD bills mention the PNA as a burden to housing agencies. The Senate asks HUD to re-evaluate the timing of implementation and the House forbids the use of HUD funds implementing the new PNA. I strongly support this House prohibition, given the lack of capital funding to make the PNA meaningful.

- Lift the RAD cap:

Our agency currently has a RAD application in the pipeline with HUD. But, at this time, HUD has only approved applications for a limited number of units, not to exceed 60,000. If the Congress were to support the Senate Appropriations bill



that would lift the RAD cap from 60,000 to 180,000 units, our agency would be able to benefit from this demonstration. RAD would allow our agency to potentially raise private capital and address capital improvements.

- Fair Market Rents (FMRs) in excess of 120%:

Representative Shock's House amendment prohibits funding rents in the Tenant-Based Rental Assistance program that exceed 120% of the area FMR. This could severely limit housing choices for households, but especially those with large families or other special needs. Specifically due to the quickly rising local rents, I urge the Congress to oppose this amendment. Agencies should be able to make this determination locally to meet the identified needs of their residents.

- Convert Tenant-Based Vouchers to Project-Based Vouchers:

Over time, our Housing Choice Vouchers have been shrinking due to significant increases in local rents. Locally, we have lost half of our affordable rental resources available to this community. We are likely to never see those resources return. Our agency requests support to convert our dwindling Tenant-Based Vouchers to Project-Based Vouchers, which would ensure that the remaining affordable housing resources we have are preserved.

- Expand Moving to Work (MTW)

The MTW demonstration program provides agencies with the opportunity to design and test innovative, locally designed strategies that increase efficiency. Senators Brown, Portman and Bennet pre-filed an amendment to modestly expand the MTW program for ten (10) agencies in 2015. I strongly urge you to support this and any other future MTW expansion efforts in the Congress. Programs like MTW would allow us to better address our local community needs.

Finally, as funding continues to decrease, HUD continues to increase administrative and regulatory burdens on agencies. HAs need more flexibility and streamlining, and reduced burdens so that they may continue to operate their program efficiently at a time of greatest need. I ask that the Congress require HUD to take some, or all of the additional steps below to assist HAs in saving money and increasing efficiencies at a time of critically and historically low funding:

- Allow blanket regulatory suspensions and waivers under 24 CFR Part 5;
- Moratorium on new rules and data requests that increase administrative burden;
- Suspend burdensome PHA Plan requirements or eliminate it entirely;
- Permit Housing Assistance Payments (HAP)/Net Restricted Assets to be used for administrative purposes when pro-ratio is below 90% so that HAs have the ability to serve more families;
- Simplify portability - portability is a feature of the HCV program that allows an eligible family with a voucher to use that voucher to lease a unit anywhere in the

United States where there is a HA operating a HCV program. The current portability system is complex and flawed and with improvements and clarifications, agencies could better serve families and expand housing opportunities;

- Allow for full fungibility between the Operating Fund and Capital Fund so that agencies can utilize funds where they are most needed;
- Increase and simplify the cap on minimum rent and leave the option to set it up to the HA - currently, minimum rent is set at a maximum of \$50.00. MTW agencies have the flexibility to set minimum rents at their discretion and some have set minimum rents at various levels, including \$75.00 and \$150.00, for example. MTW has proven that increasing minimum rents does not harm families and gives an agency the discretion to make decisions based on its local needs;
- Make the community service requirement in Public Housing at the discretion of the HA;
- Simplify rent setting to save valuable administrative resources by permitting use of gross income in setting rents;
- Allow for triennial recertifications for fixed-income households and biennial recertifications for variable income households to save valuable administrative resources;
- Suspend non-statutory Public Housing Assessment System (PHAS) and Section 8 Management Assessment Program compliance - PHAS and SEMAP are assessment systems that essentially score HAs on their performance in the Public Housing and HCV programs, respectively. These assessment systems are not statutorily required and should be advisory only, especially due to the fact that funding levels of these programs are continually inadequate to address their operation.