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*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 under-served, 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.