



Department of Justice

**STATEMENT OF THE
U.S. DEPARTMENT OF JUSTICE**

**ANNE MILGRAM
ADMINISTRATOR
DRUG ENFORCEMENT ADMINISTRATION**

BEFORE THE

**COMMITTEE ON THE APPROPRIATIONS
SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE, AND
RELATED AGENCIES
UNITED STATES SENATE**

FOR A HEARING ENTITLED

**“A REVIEW OF THE PRESIDENT’S FISCAL YEAR 2024 FUNDING
REQUESTS FOR THE FEDERAL BUREAU OF INVESTIGATION AND
FOR THE U.S. DRUG ENFORCEMENT ADMINISTRATION”**

PRESENTED

May 10, 2023

**Statement of Anne Milgram
Administrator
Drug Enforcement Administration
U.S. Department of Justice**

**At a Hearing Entitled,
“A Review of the President’s Fiscal Year 2024 Funding Requests for the Federal Bureau of
Investigation and for the U.S. Drug Enforcement Administration”**

**Before the Senate Subcommittee on Commerce, Justice, and Science
United States Senate**

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Chair Shaheen, Ranking Member Moran, and distinguished members of the committee: On behalf of the Department of Justice (Department), and in particular the over 10,000 employees working at the Drug Enforcement Administration (DEA), thank you for inviting me to testify on the DEA’s Fiscal Year 2024 Budget request and the mission it is designed to support.

I would like to first express our collective appreciation for the support this subcommittee has shown for DEA over the last two years.

Americans today are experiencing the most devastating drug crisis in our nation’s history. This is because one drug—fentanyl—has transformed the criminal landscape. Fentanyl is exceptionally cheap to make, exceptionally easy to disguise, and exceptionally deadly to those who take it. It is the leading cause of death for Americans between the ages of 18 to 45, and it kills Americans from all walks of life, in every state and community in this country. The criminal organizations responsible for bringing fentanyl into this country are modern, sophisticated, and extremely violent enterprises that rely on a global supply chain to manufacture, transport, and sell fentanyl, and rely on a global illicit financial network to pocket the billions of dollars in revenue from those sales.

DEA has been hard at work to undertake a transformation of its own to meet this moment. DEA has acted with urgency to set a new vision, target the global criminal networks most responsible for the influx of fentanyl into the United States, raise public awareness about how just one pill can kill, and hire and promote hundreds of people across the agency and across the nation. We have transformed our vision by focusing on fentanyl—the drug killing the most Americans—and the criminal organizations responsible for flooding fentanyl into our communities—the Sinaloa Cartel and the Jalisco New Generation (Jalisco) Cartel. We have transformed our plan by building an entirely new strategic layer—our counterthreat teams for the Sinaloa Cartel and the Jalisco Cartel—that map the cartels, analyze their networks, and develop targeting information on the members of those networks wherever they operate around the globe. We have transformed our execution by providing that targeting information to our 334 offices worldwide, drawing from our global intelligence and law enforcement teams worldwide, and working as One DEA to take the networks down. And we are already starting to see results—as demonstrated earlier this month with the indictment of the Chapitos network of the Sinaloa Cartel.

But we are just beginning. The 10,000 employees that I have the privilege of working with at DEA are the most committed and mission-driven people in Federal law enforcement. They are laser-focused on one goal—to save American lives. As Administrator, I have worked hard to empower our hardworking law enforcement personnel with the technology and tools they need to confront the current crisis. But we must do more. We must continue to transform and modernize DEA and add to its workforce. This transformation is crucial for DEA to confront the current and evolving threat, address the worst drug crisis this country has ever faced, and to achieve its mission to protect the national security, safety, and health of the American people.

This written testimony will describe DEA's accomplishments and requests for FY 2024.

The Drug Poisoning Epidemic

From August 2021 through August 2022, 107,735 people lost their lives to drug poisonings in the United States. Every day, nearly 300 people die from drug poisonings. Countless more people are poisoned and survive. These drug poisonings are a national crisis.

According to the Centers for Disease Control (CDC), a majority of the drug poisoning deaths in the United States involve synthetic opioids, such as fentanyl, that are being distributed in new forms. Fentanyl is being hidden in and being mixed with other illicit drugs such as cocaine, heroin, and methamphetamine. Drug traffickers are also flooding our communities with fentanyl disguised in the form of fake prescription pills. These fake pills often are made to appear legitimate using pill presses and marketed by drug traffickers to deceive Americans into thinking that they are real, diverted prescription medications. In reality, these fake prescription pills are highly addictive and are potentially deadly. DEA lab testing reveals that 6 out of 10 of these fentanyl-laced fake prescription pills contain a potentially lethal dose.

The availability of fentanyl throughout the United States has reached unprecedented heights. In 2022, DEA seized more than 57 million fake pills and 13,000 pounds of fentanyl powder equating to more than 400 million deadly doses of fentanyl. This is enough fentanyl to supply a potentially lethal dose to every member of the U.S. population. These seizures occurred in every state in the country.

The Drug Enforcement Administration

As the single mission agency tasked with enforcing our nation's drug laws, DEA's top operational priority is to relentlessly pursue and defeat the two Mexican drug cartels—the Sinaloa Cartel and the Jalisco Cartel—that are primarily responsible for driving the drug poisoning epidemic in the United States. DEA is focusing its resources to counter this worldwide threat, and has launched a number of key initiatives that build upon resources and success achieved so far in FY 2023.

DEA operates 23 domestic field divisions with 241 domestic offices and nine forensic labs. Internationally, DEA has nine foreign field divisions with 93 foreign offices. DEA's robust domestic and international presence allows it to map and target the entire Sinaloa Cartel and Jalisco Cartel networks.

In addition, DEA has launched two cross-agency counterthreat teams to execute a network-focused operational strategy to defeat the Sinaloa and Jalisco Cartels. The two teams are mapping, analyzing, and targeting the cartels' entire criminal networks. The teams are composed of special agents, intelligence analysts, targeters, program analysts, data scientists, and digital specialists. This network-focused strategy is critical to defeating the Sinaloa and Jalisco Cartels.

We are already starting to see results from our new strategy. As part of the network-focused strategy, DEA recently charged 28 members and associates of the Sinaloa Cartel, including leaders, suppliers, brokers, smugglers, and money launderers in multiple countries, for operating the global criminal enterprise that manufactures and traffics most of the fentanyl that comes into the United States. This is just the beginning.

DEA is simultaneously focused on American communities. We are targeting the drug trafficking organizations and violent gangs located in the United States that are responsible for the greatest number of drug-related deaths and violence. DEA's Operation Overdrive uses a data-driven, intelligence-led approach to identify and dismantle criminal drug networks operating in areas with the highest rates of violence and drug poisoning deaths. In each of these locations, DEA is working with local and state law enforcement officials to conduct threat assessments identifying the criminal networks and individuals that are causing the most harm. DEA works with state, local, tribal and Federal law enforcement and prosecutorial partners to pursue investigations and prosecutions that will reduce drug related violence and drug poisonings. Phase one of Operation Overdrive took place in 34 locations across the United States, and phase two is currently occurring in 57 locations.

In 2021, DEA launched the "One Pill Can Kill" enforcement effort and public awareness campaign. As part of the first two phases of the enforcement effort, DEA and our law enforcement partners seized more than 20 million fake fentanyl-laced prescription pills. In phase three of the enforcement effort, which was conducted between May and September 2022, DEA seized more than 10 million fake fentanyl-laced prescription pills and approximately 980 pounds of fentanyl powder. This equates to roughly 43 million potentially lethal doses of fentanyl, which could have entered our communities. Additionally, this enforcement effort resulted in 390 investigated cases, including 35 cases with a direct link to one or both of the primary Mexican cartels responsible for the majority of fentanyl in the United States: the Sinaloa Cartel and the Jalisco Cartel.

DEA is also combatting the sale of fentanyl on social media. Drug traffickers are using social media platforms to recruit associates, find customers, and sell fentanyl and other deadly drugs. In particular, drug traffickers use social media to deceptively advertise fake prescription pills—pills that look like Xanax, Percocet, or Oxycodone but actually contain fentanyl—directly to young people and teenagers. DEA investigated more than 150 cases directly linked to the sale of counterfeit pills containing fentanyl on social media.

DEA also works closely with families who have lost loved ones to drug poisonings. These families are often brave advocates for change, and help ensure that people in their communities are aware of the dangers of fentanyl and fake pills.

DEA is working closely with our local, state, tribal, territorial, Federal, and international counterparts to target every part of the illegal drug supply chain and every level of the drug trafficking organizations that threaten the health and safety of our communities. To succeed, we must use every tool to combat this substantial threat that is being driven by the Sinaloa and Jalisco Cartels, as well as the Chinese

sourced precursor chemicals and Chinese money laundering operations that facilitate the cartels' operations.

Mexican Cartels and Drug Trafficking

The Sinaloa and Jalisco Cartels pose the greatest criminal drug threat the United States has ever faced. These ruthless, violent, criminal organizations have associates, facilitators, and brokers in all 50 states in the United States, as well as in more than 40 countries around the world.

The Sinaloa Cartel and the Jalisco Cartel and their affiliates control the vast majority of the fentanyl global supply chain, from manufacture to distribution. The cartels are buying precursor chemicals in the People's Republic of China (PRC); transporting the precursor chemicals from the PRC to Mexico; using the precursor chemicals to mass produce fentanyl; using pill presses to process the fentanyl into fake prescription pills; and using cars, trucks, and other routes to transport the drugs from Mexico into the United States for distribution. It costs the cartels as little as 10 cents to produce a fentanyl-laced fake prescription pill that is sold in the United States for as much as \$10 to \$30 per pill. As a result, the cartels make billions of dollars from trafficking fentanyl into the United States.

The business model used by the Sinaloa and Jalisco Cartels is to grow at all costs, no matter how many people die in the process. The cartels are engaging in deliberate, calculated treachery to deceive Americans and drive addiction to achieve higher profits.

The Sinaloa Cartel

The Sinaloa Cartel, based in the Mexican State of Sinaloa, is one of the oldest drug trafficking organizations in Mexico. The Sinaloa Cartel controls drug trafficking activity in various regions in Mexico, particularly along the Pacific Coast. Additionally, it maintains the most expansive international footprint of the Mexican cartels. The Sinaloa Cartel exports and distributes wholesale amounts of fentanyl, methamphetamine, heroin, and cocaine in the United States by maintaining distribution hubs in cities that include Phoenix, Los Angeles, Denver, and Chicago. Illicit drugs distributed by the Sinaloa Cartel are primarily smuggled into the United States through crossing points located along Mexico's border with California, Arizona, New Mexico, and Texas. The Sinaloa Cartel reportedly has a presence in 15 of the 32 Mexican states.

The Jalisco Cartel

The Jalisco Cartel is based in the city of Guadalajara in the Mexican state of Jalisco, and was originally formed as a spin off from the Milenio Cartel, a subordinate to the Sinaloa Cartel. The Jalisco Cartel maintains illicit drug distribution hubs in Los Angeles, Seattle, Charlotte, Chicago, and Atlanta. Internationally, the Jalisco Cartel has a presence and influence through associates, facilitators, and brokers on every continent except Antarctica. The Jalisco Cartel smuggles illicit drugs such as fentanyl, methamphetamine, heroin, and cocaine into the United States by accessing various trafficking corridors along the southwest border that include Tijuana, Mexicali, Ciudad Juarez, Matamoros, and Nuevo Laredo. The Jalisco Cartel's rapid expansion of its drug trafficking activities is characterized by the organization's willingness to engage in violent confrontations with Mexican Government security forces and rival cartels. The Jalisco Cartel reportedly has a presence in 21 of the 32 Mexican states.

People's Republic of China and Precursor Chemicals

Chemical companies within the PRC produce and sell the majority of precursor chemicals that are used today by the Sinaloa and Jalisco Cartels to manufacture fentanyl and methamphetamine. These precursor chemicals from companies within the PRC are the foundation of the fentanyl and methamphetamine that are manufactured and transported from Mexico into the United States, and are causing the hundreds of thousands of drug-related deaths in our country.

According to the State Department's 2021 International Narcotics Control Strategy Report, there are approximately 160,000 chemical companies in the PRC. Chemical companies within the PRC distribute and sell precursor chemicals that are used in fentanyl and methamphetamine production around the world. Some companies within the PRC, for example, engage in false cargo labeling and ship chemicals to Mexico without tracking the customers purchasing the chemicals.

DEA has been and remains willing to engage the PRC government on fentanyl related substances and fentanyl precursor chemicals. However, due to diplomatic tensions between the United States and the PRC, the PRC government has suspended all counter-narcotics cooperation with the United States. Moreover, since 2019, the PRC government has repeatedly declined diplomatic and congressional requests to stop precursor chemicals from going to Mexico for the production of illicit fentanyl and methamphetamine.

Chinese Money Laundering Operations and the Cartels

The Sinaloa and Jalisco Cartels utilize U.S. based Chinese Money Laundering Organizations (CMLOs) around the world to facilitate laundering drug proceeds. CMLOs use trade-based money laundering and bulk cash movement to facilitate the exchange of foreign currency. The use of CMLOs by the cartels simplifies the money laundering process and streamlines the purchase of precursor chemicals utilized in manufacturing drugs.

These money laundering schemes are designed to remedy two separate issues: (1) the desire of Mexican cartels to repatriate drug proceeds into the Mexican banking system, and (2) wealthy Chinese nationals who are restricted by the PRC's capital flight laws from transferring large sums of money held in Chinese bank accounts for use abroad. To address these issues, CMLOs acquire U.S. dollars held by Mexican cartels as a means to supply their customers in China.

Recent Enforcement Action Against the Chapitos Sinaloa Network, PRC-Based Chemical Suppliers, and Money Laundering Operations

As part of our new network-focused operational strategy, on April 14, 2023, DEA announced indictments against the Chapitos—the leaders of the Sinaloa Cartel—and their criminal network.

The Sinaloa Cartel supplies the majority of the fentanyl trafficked into the United States, which has resulted in the United States' unprecedented fentanyl epidemic. The Chapitos, the sons of the cartel's notorious former leader Joaquin "El Chapo" Guzman, currently lead the most violent faction of the Sinaloa Cartel. El Chapo was once the world's most dangerous and prolific drug trafficker. Now his sons have stepped in to fill their father's void by flooding the United States with deadly fentanyl and leaving a wake of destruction across families and communities throughout the United States.

Following their father's arrest and subsequent extradition and conviction, we allege that the Chapitos expanded their enterprise with sophisticated fentanyl laboratories in Culiacan, Mexico. We allege that the Chapitos now run the largest, most violent, and most prolific fentanyl trafficking operation in the world, resulting in billions of dollars in profit per year. The cartel is highly organized and sophisticated, employing military-grade weapons and vehicles and hundreds of people who protect the cartel and its leadership at all costs. In addition, we allege that the Chapitos use extreme violence and intimidation, including murder, torture, and kidnapping, to ensure dominance and expand their territory.

The Chapitos pioneered the manufacture and trafficking of fentanyl, and are responsible for the massive influx of fentanyl into the United States over the past eight years. The Chapitos oversee and control every step in their fentanyl trafficking process and will stop at nothing to ensure the expansion of their operations and the flow of fentanyl into the U.S. From procuring fentanyl precursors from illicit sources of supply in China; to distribution in the United States, and, ultimately, reaching the hands of Americans; to the surreptitious repatriation of massive proceeds through money launderers to avoid detection, the cartel has direct involvement – and culpability. Investigations found that even when test subjects died as a result of high-potency fentanyl, the cartel sent the deadly batch to the United States anyway – knowingly poisoning Americans for their own profit.

The indictments announced this month charged 28 members of the Chapitos network. These include suppliers of fentanyl precursor chemicals based in the PRC, a broker based in Guatemala assisting with the transport of those chemicals from the PRC to Mexico, managers of clandestine fentanyl laboratories based in Mexico converting the precursor chemicals into fentanyl pills and powder, weapons traffickers and assassins perpetuating extreme violence in Mexico to protect and expand the fentanyl production operation, smugglers transporting the fentanyl from Mexico into the United States, and illicit financiers laundering the proceeds of fentanyl sales from the United States back to Mexico through bulk cash smuggling, trade-based money laundering, and cryptocurrency.

These indictments reflect the work of 32 DEA offices in the United States and abroad, as well as our law enforcement partners and other DOJ components, such as the U.S. Attorney's Office. As part of the investigation, the DEA conducted operations in ten countries and seized staggering amounts of illicit materials, including 2,557,000 fentanyl-laced pills, 105 kilograms of fentanyl powder, and 37 kilograms of fentanyl precursor chemicals, amounting to 22,747,441 potentially lethal doses of fentanyl.

Seven of the charged defendants were arrested pursuant to the investigation—in Colombia, Greece, Guatemala, and the United States—with the assistance of DEA's law enforcement partners in the United States and abroad. Ovidio Guzman-Lopez was arrested earlier this year by military officials in Mexico.

Simultaneously with the announcement of these indictments, the Department of State has announced up to nearly \$50 million in monetary rewards for information leading to the capture of the defendants who remain at large, and the Department of the Treasury Office of Foreign Assets Control announced sanctions against two chemical companies that operate in the PRC, and five individuals associated with those companies, for supplying precursor chemicals to drug cartels in Mexico for the production of illicit fentanyl intended for U.S. markets.

FY 2024 Budget Request – Building Upon FY 2023 Investments

DEA's FY 2024 requested and anticipated funding totaling \$3.7 billion¹ provides DEA with the resources needed to build upon the work we have accomplished to defeat the cartels and emerging drug threats. This funding is needed to continue our transformation, build out counterthreat teams in every field division, start a digital operations center that serves as a hub for our data and intelligence tools, and combat increasingly sophisticated threats on social media, the dark web, and cryptocurrency. The President's Budget request includes \$2.7 billion for DEA's Salaries and Expenses Account, an increase of 4 percent over FY 2023. In FY 2024, DEA expects to face an estimated \$72 million in increased costs to maintain current operations. This includes annualizing new positions from FY 2023, including new Special Agent positions, pay raises, and other mandatory expenses. With current and requested funding, DEA is working to hire nearly 1,000 Special Agent positions over the next two years to support our critical mission.

Fentanyl is the greatest criminal drug threat that America has faced. Accordingly, our FY 2024 budget request builds upon the resources that are needed to defeat those who are responsible for bringing fentanyl into our country—the Sinaloa Cartel and Jalisco Cartel and their global networks—and to confront the fentanyl crisis in our communities. The men and women of DEA work relentlessly every day to combat the fentanyl threat and save American lives. But the current threat facing our country is unprecedented in its sophistication and speed and requires DEA to approach its work in a fundamentally different way. To enable us to continue to modernize and meet the threats we face in this moment, DEA's FY 2024 request will focus on the following priorities:

Empowering DEA Missions with Data and Information Technology

Across its many domestic and foreign field divisions and laboratories, DEA has a sophisticated data set related to the operations of the drug cartels that are driving the overdose epidemic in the United States. That information must be collected and centralized—and broken out of data silos—so that it can be operationalized. DEA must similarly develop a modernized mission-wide operating system that allows it to share information across offices about the conduct being investigated and the suspects involved. Data-driven intelligence and analyses enable DEA to trace the flow of fentanyl and other deadly drugs across the supply chain and across the globe, from source materials to manufacturing to distribution. With the ability to track and map trafficking networks, DEA will have a more sophisticated means of isolating and eliminating threats while increasing public awareness and safety by strengthening prevention efforts. DEA requests these investments for modernizing case management systems and building a unified data platform to enhance DEA's capability and capacity for processing, analyzing, and applying intelligence to large volumes of data as it dismantles the most egregious criminal networks.

Enforcement and Counter-Threat Targeting Teams

DEA has also created specialized counterthreat teams to target the criminal networks that pose the greatest threat to Americans. These networks are global in nature—with suppliers, manufacturers, and transporters located in multiple countries and continents and online—and every component in those networks bears responsibility for the fentanyl and other deadly drugs entering the United States.

¹ Anticipated funding includes Salaries and Expenses (S&E), DCFA, Asset Forfeiture Fund, HIDTA, and reimbursable funds

The targeting teams are mapping these global criminal enterprises and helping build cases that can lead to the dismantling of the entire networks. These targeting teams are key to DEA's efforts to combat the Sinaloa and Jalisco Cartels, precursor chemical suppliers in the PRC, Chinese money laundering organizations, and other emerging threats. The counterthreat teams established in this enhancement will leverage DEA's investigative data to develop targeting packages for timely and coordinated pursuit of criminal network investigations.

Staffing

Recruitment and retention of personnel skilled at investigative techniques is crucial to combatting the threats of today and the emerging threats of tomorrow and sustaining an aggressive drug seizure posture. DEA's 100% staffing goal of our special agent workforce is a top priority. Currently, we are 13% below allocated positions, driven primarily by retirements. Currently, DEA is in the early stages of this rebuild and utilizing funding received in the FY 2023 Omnibus to "reverse the decline in staffing." DEA plans eight special agent classes in FY 2023.

Conclusion

DEA greatly appreciates the funding Congress provided in FY 2023. The men and women of the DEA work tirelessly, each day, to defeat transnational drug cartels and save American lives. We will continue to relentlessly pursue these cartels, and in particular target the Sinaloa and Jalisco Cartels, which are the criminal networks most responsible for the fentanyl-related drug poisonings, deaths, and violence in our country. However, DEA must also modernize its data systems and adapt its technology to be better equipped to confront these constantly evolving threats, and to empower our agents with the very best information and tools to confront the current crisis, defeat the threat, and protect the safety, health, and national security of the United States.

Thank you again for the opportunity to appear before the committee today. I look forward to answering your questions.