

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
53rd LEGISLATURE - REGULAR SESSION**

**JOINT SUBCOMMITTEE ON NATURAL RESOURCES**

**Call to Order:** By **CHAIRMAN ROGER DEBRUYCKER**, on February 18, 1993, at 8:00 A.M.

**ROLL CALL**

**Members Present:**

Rep. Roger DeBruycker, Chairman (R)  
Sen. Cecil Weeding, Vice Chairman (D)  
Sen. Gerry Devlin (R)  
Sen. Greg Jergeson (D)  
Rep. John Johnson (D)  
Rep. William Wiseman (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Terri Perrigo, Legislative Fiscal Analyst  
Florine Smith, Office of Budget & Program  
Planning  
Theda Rossberg, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing: DEPARTMENT OF COMMERCE  
Montana State Lottery  
Director Management Services

Executive Action: DEPARTMENT OF COMMERCE  
Montana State Lottery  
Director Management Services

**HEARING**  
**MONTANA STATE LOTTERY**

**Charmaine Murphy**, Director, Montana State Lottery, gave testimony on the division.

She stated that, since 1987, the Lottery has generated over \$25 million dollars for education in Montana. The division designs and markets lottery tickets. The lottery division is comprised of a five-member commission appointed by the Governor. The Governor also appoints a director who coordinates the marketing

and administration functions. Approximately 45% of the revenue generated from scratch-off tickets goes to prizes and 5% for retail sales and operating expenses.

The net revenues are transferred to the Office of Public Instruction for state distribution for state equalization to public schools. In 1992, \$90,000 was awarded to the Board of Crime Control to help fund the Montana Juvenile Detention program. Up to \$698,000 was distributed to each county.

Lotto America was introduced in November 1989 and was replaced with the multi-state PowerBall game in 1992. The Montana players wanted a game that was only for Montanans and, as a result, Montana Cash was launched in May of 1991. In April of 1992 two weekly drawings were initiated for PowerBall and Montana Cash. EXHIBIT 1.

Terri Perrigo, Legislative Fiscal Analyst, reviewed the budget differences with the committee. EXHIBIT 2.

Florine Smith, Office of Budget Program and Planning, said this is a proprietary funded operation, and all the prizes and commissions are statutorily appropriated.

Jerry LaChere, Director, Operations and Fiscal Manager, reviewed the budget items.

**5 Percent Personal Services Reductions:**

Mr. LaChere said the division would concur with the 5 percent reductions.

**EXECUTIVE ACTION**  
**MONTANA STATE LOTTERY**

**Motion/Vote:** SEN. DEVLIN moved to approve the Executive of (\$24,918) in FY94 and (\$24,945) in FY95 and (\$18,169) each year of the biennium for the 2.0 FTE reductions in Personal Services. Motion CARRIED unanimously.

**Contracted Services:**

Mr. LaChere said the \$450,000 is ticket expenses for Montana Cash and PowerBall games. There was an increase in revenue in FY92 which is the reason for the increased authority request. Part of the cost is associated with the computer terminals throughout the state. It is a contracted service that is based upon a percentage of revenue. In 1992 over \$3.7 million was spent on ticket expenses. In FY94 the request is for \$3.5 million and in FY95 \$3.1 million. If the subcommittee does not add the \$450,000 to LFA current level, the operating budget will be reduced because they will have to pay for the computer terminals.

SEN. WEEDING asked what the \$450,000 in ticket costs would provide in revenue. Mr. LaChere said the profit amounts to twenty cents on the dollar.

**Motion/Vote:** SEN. JERGESON moved to approve the Executive of \$450,000 each year of the biennium for Contracted Services. Motion CARRIED unanimously.

**Advertising:**

Mr. LaChere said advertising is vital to generate ticket sales. The scratch-off tickets are changed to new games periodically to encourage ticket sales. Advertising expenses have increased from 1992 to 1993. Newspaper advertising has increased by 15%, radio by 12% and television by 10%. Outdoor billboard advertising has increased by 8%.

SEN. DEVLIN asked if there was a ratio between advertising and the amount of ticket sales. Mr. LaChere said there is no set rule as to the percentage of advertising to sales.

The higher the jackpot the more sales that are generated and that is the reason advertising is necessary. People who normally would not play will buy tickets when the jackpots are higher.

**Motion/Vote:** REP. WISEMAN moved to approve the Executive of \$75,123 in FY94 and \$55,123 in FY95 for advertising. Motion CARRIED 5-1 with SEN. JERGESON voting no.

**Education & Training:**

Mr. LaChere said the increase in the budget is because of a legislative audit report for FY93. There is a need for training on the Stratus Computer System which is unique for security reasons. Two staff people are sent out-of-state for training because there is no such training available in Montana.

SEN. DEVLIN asked what the current expenditures are. Ms. Perrigo said in FY92 they spent \$3,675 for education and training.

**Motion/Vote:** SEN. JERGESON moved to approve the Executive of \$3,300 each year of the biennium for Education & Training. Motion FAILED 3-3.

**Motion/Vote:** SEN. JERGESON moved to approve \$2,000 each year of the biennium for Education & Training. Motion CARRIED unanimously.

**Equipment:**

Mr. LaChere said the division needed to replace five Chevrolet Corsica automobiles that the sales force uses to service the retailers throughout the state. The cars are three years old and have approximately \$100,000 miles on them. Memory systems in the computers need to be upgraded at a cost of approximately \$20,000. There are some new security measures that need to be in place because of the legislative audit report.

SEN. DEVLIN asked what the interval of changing vehicles was. Mr. LaChere said the 100,000 miles is put on in a three-year period and so that would be the interval of change.

**Motion:** REP. WISEMAN moved to approve the Executive of \$39,384 in FY94 and (\$40,081) in FY95 for Equipment.

**Substitute Motion:** SEN. WEEDING moved a substitute motion to approve \$20,000 in FY94 and (\$40,081) in FY95 for Equipment.

**Discussion:**

SEN. DEVLIN asked what the breakdown was for equipment. Ms. Perrigo said in the Executive Budget there is \$56,000 for vehicles, \$21,000 for computers, \$3,000 for office equipment, and \$3,298 for software for a total of \$84,158.

REP. WISEMAN asked how many vehicles the \$56,000 would purchase. Mr. LaChere said that amount would purchase five vehicles. If the intent of SEN. WEEDING'S motion was to drive the vehicles longer, then the total vehicle replacement budget should not be cut.

Tape 1, B.

After a lengthy discussion as to the wording of the motion, SEN. WEEDING withdrew his motion and REP. WISEMAN withdrew his motion.

CHAIRMAN DEBRUYCKER said if there were no further motions, the committee would stay with the LFA's recommendations.

Mr. LaChere asked what amount of mileage would the committee approve for vehicle replacement. SEN. WEEDING said about 130,000 and a four-year replacement schedule.

**Minor Differences:**

Mr. LaChere said Minor Differences were a conglomerate of different things.

CHAIRMAN DEBRUYCKER asked why there was such a big increase in the second year. Mr. LaChere said that was because of anticipated increases of ticket sales.

**Vacant Positions:**

Ms. Murphy said the vacant position is their marketing director position. The position became vacant in October, they started interviewing in November and by December 29th had narrowed it down to a final candidate list. That position oversees the marketing, sales and public relations that is essential to the lottery operation. The elimination of that position would not save the general fund.

**Motion/Vote:** SEN. DEVLIN moved to approve reinstatement of position #7705, Lottery Marketing Manager. Motion CARRIED unanimously.

**HEARING**

**DEPARTMENT OF COMMERCE**

**DIRECTOR/MANAGEMENT SERVICES**

Annie Bartos, Administrator, Consumer Affairs, said the office

recovered over \$700,000 for Montana consumers last year. **EXHIBIT 3 AND 3A** She said the office investigated 580 complaints in FY91 and 645 in FY92. Because of the New Vehicle Warranty Act, 400 consumers have sought assistance of the manufacturers arbitration program.

The office also investigates telephone scams, credit card scams, free gift scams, etc. **EXHIBIT 4**

Currently, the office consists of 2.5 FTE, one compliance technician, one investigator and one part-time legal counsel.

She said in order to stop fraud, consumers have to be educated. Presentations are provided to schools, consumer groups, senior citizen groups and attorney conferences.

**Questions:**

**SEN. WEEDING** asked if the office had a hot-line. **Ms. Bartos** said no.

**SEN. WEEDING** asked if the office investigated Readers Digest sweepstakes. **Ms. Bartos** said that was investigated and it is a legitimate sweepstake.

**SEN. DEVLIN** asked if the office sent their brochures to senior citizen centers, as the brochures are very informative. **Ms. Bartos** said the information is sent upon request and information is also sent to landlords pertaining to the Landlord Tenant Act.

**SEN. JERGESON** asked if a promotion sent a person an 800 number, then when that is dialed, they are told to call a 900 number which is billed to the caller, whether that would be investigated by this office. **Ms. Bartos** said if the consumer is not notified of the charge for that call, it would be illegal.

**Ms. Perrigo** reviewed the budget difference with the committee. **EXHIBIT 5**

**Contracted Services:**

**SEN. JERGESON** asked what the base was for Contracted Services. **Ms. Perrigo** said the total was \$4,059 that includes legal, consultants, printing, etc.

**Ms. Bartos** said the office was willing to forego the modifications requested previously. Also, the office is not asking for the \$10,905 each year of the biennium for Contracted Services.

**Carolyn Doering, Administrator, Management Services**, said this division is comprised of four functions: 1) Directors Office, 2) Management Services Division, 3) Legal Services, and 4) Consumer Affairs. **EXHIBIT 6**

The Maintenance Contract is on the new computer system. There is

a data processing manager, a programmer analyst and a software specialist.

Management Services and the Directors Office is funded by a proprietary account through indirect charges from each program. The \$100,000 modification request is for the new local area network (LAN).

Ms. Smith said the office was in support of the budget modification for the LAN system of \$100,000.

Maintenance Contracts:

Motion/Vote: SEN. JERGESON moved to approve Executive of \$4,356 in FY94 and \$4,462 in FY95 for Maintenance Contracts. Motion CARRIED unanimously.

Budget Modifications

Data Processing/Computer Capacity:

Motion/Vote: SEN. WEEDING moved to approve the Executive for \$100,000 in FY94 and zero in FY95 for the local area network system. Motion CARRIED unanimously.

Tape 2, A.

REP. WISEMAN asked the committee to consider action on the Lewis & Clark Interpretive Center in Great Falls. The state set aside \$500,000 general fund towards that project and the authority to spend that ends this year. Our Congressmen feel sure the federal government will approve \$8 million for that project. The request is for a committee bill to retain the \$500,000 to be used as a sixteen to one match with the federal funds.

Construction could start as early as this spring if the project was a top priority of the Forest Service. The site has been identified where the center, and roads could be started if that is approved.

Steve Browning, Attorney, representing the Lewis & Clark Interpretive Center, said he was not retained because of the state funding. He said he was retained to assist with the federal funding. In order to keep the federal fund, it is important to be able to keep the state match.

Sen. Burns has been appointed to the Appropriations Committee, and the congressional delegation is working together on this project. A new strategy was devised that instead of receiving all the funding at once, it would be spread over a longer period of time. In talking with Sen. Baucus and Sen. Burns, they were optimistic that there could be \$2 million available for FY94. The intent was to spread the \$8 million out each year for a four year cycle. If that would happen, the intent would be to move the state match from 1993 to 1997.

There is a lot of interest in the state supporting the Interpretive Center. At the local level there was only a \$300,000 match contemplated in the 1991 appropriation. Currently over \$500,000 has been raised from the city of Great Falls, the county and private sources. Therefore, the federal amount was moved from \$4 million to \$8 million. EXHIBIT 7

**Motion:** REP. WISEMAN moved to request a committee bill to retain the \$500,000 from the general fund appropriated by the 1991 Legislature for matching funds for the Lewis and Clark Interpretive Center instead of having it revert at the end of fiscal 1993.

**Discussion:**

SEN. JERGESON stated that in times of economic problems, it doesn't seem appropriate to be spending funds on the Interpretive Center. He did, however, support the Interpretive Center in the past.

SEN. DEVLIN agreed with SEN. JERGESON and would not support the motion.

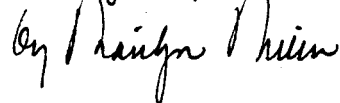
**Vote:** Motion FAILED 5-1.

**ADJOURNMENT**

Adjournment: 10:00 A.M.

  
ROGER DEBRUYCKER, Chairman

  
THEDA ROSSBERG, Secretary



RD/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUB-COMMITTEE

ROLL CALL

DATE

2-18-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ROGER DEBRUYCKER, CHAIRMAN	X		
SEN. CECIL WEEDING, VICE CHAIRMAN	X		
SEN. GERRY DEVLIN	X		
REP. WILLIAM WISEMAN	X		
REP. JOHN JOHNSON	X		
SEN. GREG JERGESON	X		



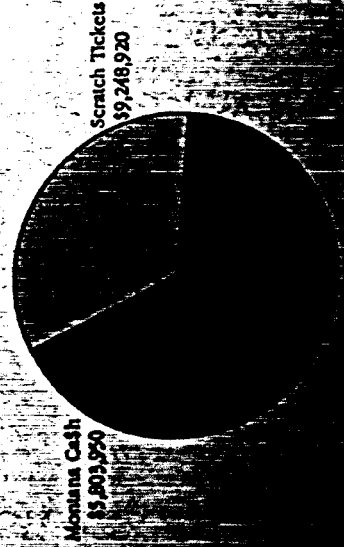
Montana Lottery currently sells a variety of scratch games and two Lotto games, Montana Ca\$h and Powerball. Profits from each of these games are transferred on a quarterly basis to the School Equalization Aid Account and the Board of Crime Control.

Scratch games have been sold by the Lottery since 1987, and continue to be strong sellers. A new game being introduced every six weeks.

Montana Ca\$h offers players a chance to win a guaranteed minimum jackpot of \$20,000 by matching five numbers from a field of 37.

Powerball replaced Lotto\* America in April of 1992 offering players an entirely new game structure and nine prize levels. To win the jackpot, players must match five numbers ranging from 1 to 45, plus the "Powerball" number selected from a second group of 45 numbers. Additionally, players can win other cash prizes, ranging from \$1 to \$100,000.

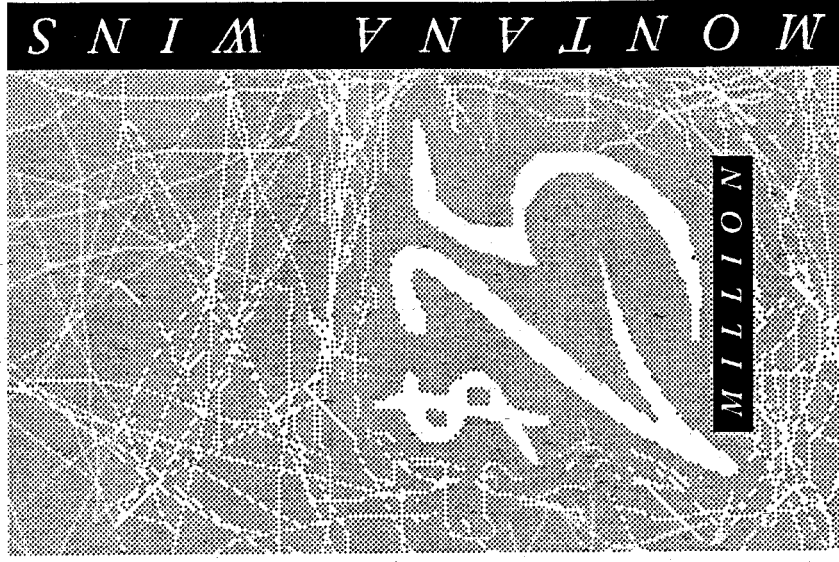
#### Lottery Revenues By Game



**Montana Lottery**  
2525 North Montana  
Helena, MT 59601  
(406) 444-LUCK

To find out about  
**Winning Numbers**  
(406) 444-1278

5,000 copies of this public document  
were printed at a cost of \$.16 per  
copy for a total cost of \$793.



**Montana Lottery**

# Montana Wins

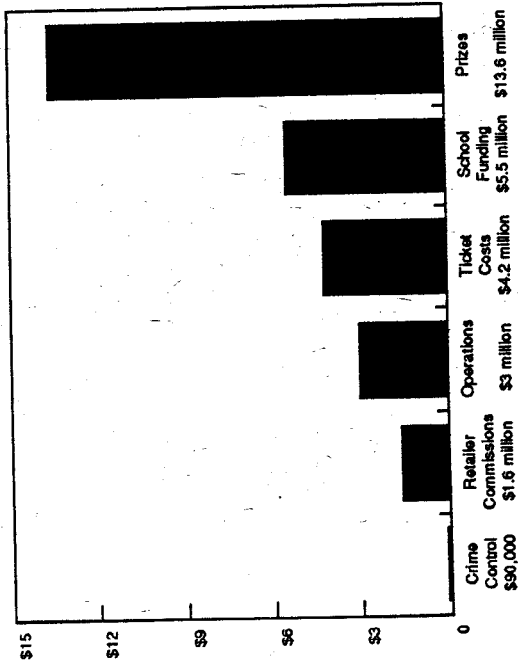
Montana wins...when Montanans play!

Every time you buy a lottery ticket a portion of the money goes toward funding essential state programs.

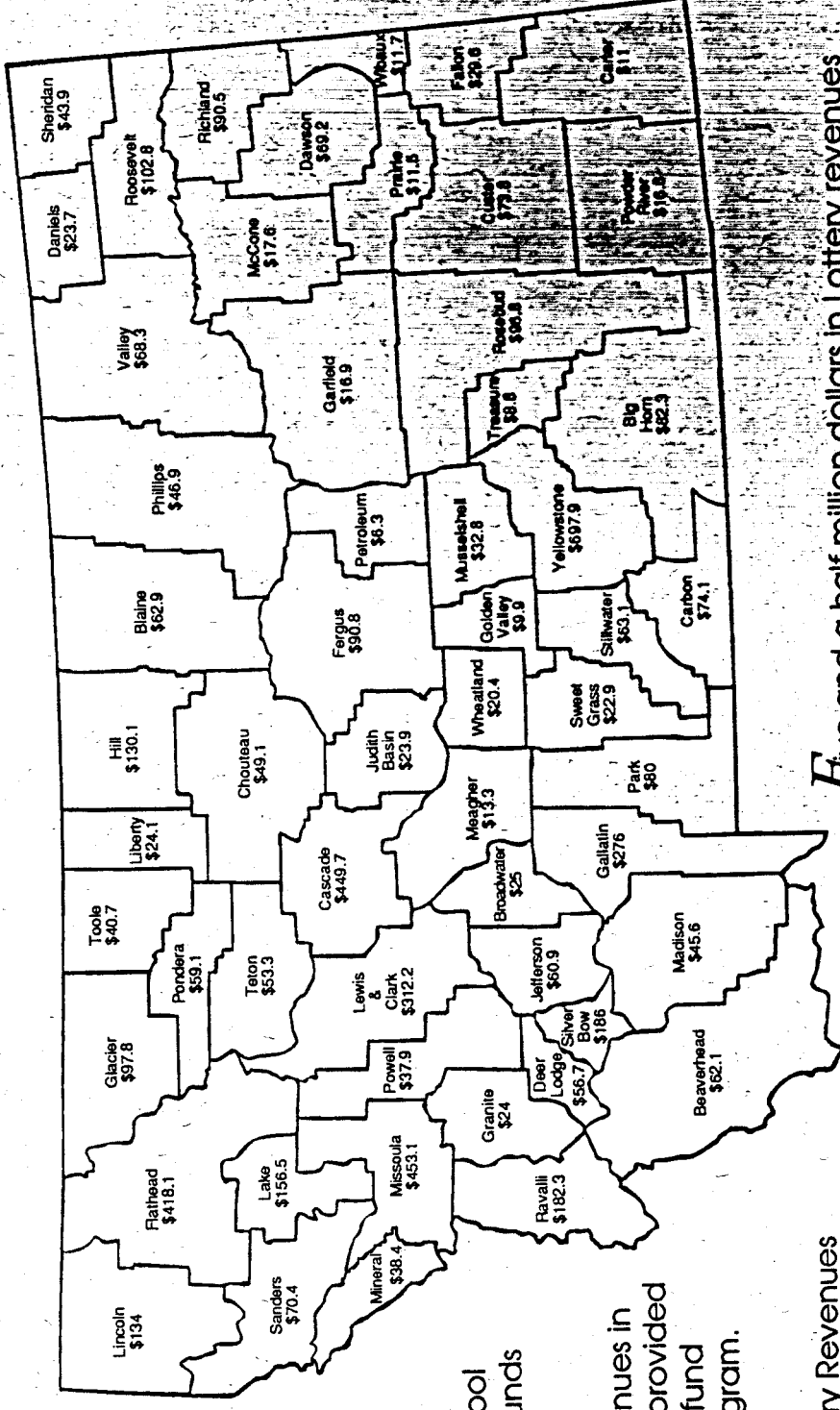
In fiscal year 1991/92 the Lottery generated \$5.5 million for the School Equalization Aid Account which funds Montana's public schools.

For the first time ever, Lottery revenues in the amount of \$90,000 were also provided to the Board of Crime Control, to fund Montana's juvenile detention program.

Distribution of Lottery Revenues



Five and a half million dollars in Lottery revenues were distributed through the School Equalization Aid Account to Montana's 56 counties, as illustrated above. Figures are in thousands of dollars.



Since its inception, the Montana Lottery has generated over \$25 million to help fund education in Montana.

6501 77 00000		Montana State Lottery						
DEPARTMENT OF COMMERCE								
Program Summary								
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	37.00	36.00	36.00	37.00	(1.00)	36.00	37.00	(1.00)
Personal Services	1,073,942	1,114,842	1,151,565	1,176,483	(24,918)	1,154,000	1,178,945	(24,945)
Operating Expenses	5,436,407	5,192,354	6,037,000	5,496,589	540,411	5,533,847	5,001,354	532,493
Equipment	26,049	55,500	84,158	44,774	39,384	4,798	44,879	(40,081)
Total Costs	\$6,536,399	\$6,362,696	\$7,272,723	\$6,717,846	\$554,877	\$6,692,645	\$6,225,178	\$467,467
Fund Sources								
Proprietary Fund	6,536,399	6,362,696	7,272,723	6,717,846	554,877	6,692,645	6,225,178	467,467
Total Funds	\$6,536,399	\$6,362,696	\$7,272,723	\$6,717,846	\$554,877	\$6,692,645	\$6,225,178	\$467,467

Page References

LFA Budget Analysis (Vol II), ppC 151-152  
Stephens Executive Budget, p C 64

Current Level Differences

5 Percent Personal Services Reduction - The Executive Budget reflects elimination of 1.0 FTE in compliance with Section 13 of House Bill 2. *Devlin passed*

5 Percent Personal Services Reduction "Switch" - The agency proposed, and the subcommittee approved, elimination of 1.0 FTE in Lottery instead of 1.0 FTE in Montana Promotions Division. This reduction is not reflected in either the Executive Budget or LFA current level. *Devlin*

Contracted Services - The Executive Budget contains \$900,000 more in contracted services than LFA current level. The additional funds represent continuation of fiscal 1992 expenditures from a statutory appropriation. LFA current level does not includes funds expended through the statutory appropriation. *Devlin passed*

Advertising - The Executive includes \$130,246 more for advertising than LFA current level which contiues fiscal 1992 expenditures. *Wisner - passed*

Indirect Charges - The Executive Budget includes \$19,634 more than LFA current level for indirect charges for Management Services and Director's Office support.

Education & Training - The Executive Budget includes \$6,600 more for education and training than LFA current level which continues fiscal 1992 expenditures. *Devlin*

Equipment - The Executive Budget contains a net 697 less than LFA current level which budgets at the program's average equipment expenditure.

Minor Differences

TOTAL CURRENT LEVEL DIFFERENCES

Budget Modifications

None

Language and Other Issues

Vacant Positions - The joint House Appropriations and Senate Finance and Claims committees eliminated 1.0 FTE vacant as of the 12-29-92 snapshot.

Exec. Over(Under) LFA  
Fiscal 1994 Fiscal 1995

(24,918) (24,945)

(18,169) (18,169)

450,000 450,000

55,123 55,123

9,825 9,809

26,049 3,300  
39,384 3,300

26,049 3,300  
39,384 (40,081)

2,163 14,261

554,877 467,467

(43,413) (43,769)

Lottery

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

Position #		Position Description	Total Personal Services		FTE Removed By		Total FTE Removed	Non-Approp. FTE
			Fiscal 1994	Fiscal 1995	5% Reduction	Being Vacant		
All or Partial General Fund Positions								
None							0.00	
Sub-Total			0	0	0.00	0.00	0.00	0.00
Non - General Fund Positions								
7702	Administrative Aide	24,918	24,945	1.00		1.00		
7740	Administrative Aide	18,169	18,169	1.00				
7705	Lottery Marketing Manager	43,413	43,769		1.00			
Debra Russell								
Sub-Total			86,500	86,883	2.00	1.00	3.00	0.00
TOTAL			86,500	86,883	2.00	1.00	3.00	0.00

EXHIBIT 2  
DATE 2-18-93



## MONTANA DEPARTMENT OF COMMERCE

1424 9TH AVENUE  
PO BOX 200501  
HELENA, MONTANA 59620-0501  
(406) 444-3494

### REPORT TO THE LEGISLATIVE APPROPRIATIONS SUBCOMMITTEE OFFICE OF CONSUMER AFFAIRS

#### I. Montana Consumer Advocacy

Last year, the Office of Consumer Affairs recovered in excess of \$700,000 for Montana consumers. This amount includes recoveries for cash refunds, cancellation of contracts, replacement or repair of products. This recovery also reflects the savings to Montana consumers because the Office advised Montanans not to participate in specific deceptive or unfair business transactions offered to them.

#### II. Montana Consumer Information

The Office also provides information to Montana consumers. Presentations to high school classes, consumer advocacy groups, senior citizen groups, and attorney conferences pertaining to consumer fraud and consumer protection have been provided.

Information provided to Montana consumers by the Office through press releases; i.e., in 1990

- (a) Informing consumers of services provided by the Office.
- (b) Small claims court procedure brochures reproduced and mailed to consumers.
- (c) Landlord-Tenant Act brochure reproduced and mailed to consumers.
- (d) Public and media warnings of telemarketing scams
  - (1) Golden Credit Card
  - (2) West Virginia Telemarketing Scam
  - (3) Gasoline Fixation Devices
  - (4) Travel and Vacation Scams

#### III. The Montana New Vehicle Warranty Act - Title 61, MCA

Four hundred consumers have sought the assistance of the Office to utilize the manufacture arbitration program.

The Office reviews the arbitration program by each automobile manufacturer. The Department issues certification to companies in compliance with federal law - Magnuson Moss Act - and Montana's New Vehicle Warranty Act.

IV. Postsecondary Proprietary School Program

The Office oversees the function of the Postsecondary Proprietary School Program. The Office assures that adequate bonding exists prior to licensure or renewal. The Department also preserves school and student records following school closure.

EXHIBIT 3  
DATE 2-18-93



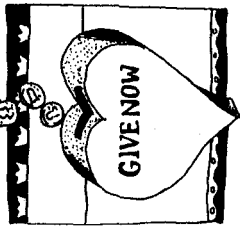
EXHIBIT 3A  
 DATE 2-18-93  
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# MONTANA DEPARTMENT OF COMMERCE

1424 9TH AVENUE  
 PO BOX 200501  
 HELENA, MONTANA 59620-0501  
 (406) 444-3494

## OFFICE OF CONSUMER AFFAIRS DOLLAR AMOUNT OF RECOVERIES FOR MONTANA CONSUMERS

	<u>FY '91</u>	<u>FY '92</u>
TOTAL COMPLAINTS PROVIDED TO CONSUMERS	1593	1622
TOTAL COMPLAINTS INVESTIGATED	580	645
OTHER CORRESPONDENCE INQUIRIES ANSWERED	2056	2051
MONETARY RECOVERY TO CONSUMERS	<u>\$658,801.32</u>	<u>\$717,934.52</u>



#### CHARITIES

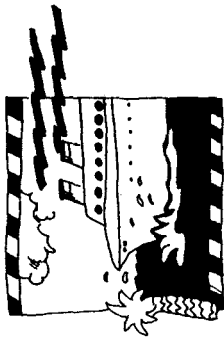
Some unscrupulous telemarketers will say they're calling on behalf of a charity. They may ask you to buy tickets for a benefit show, make a donation toward sending handicapped children to the circus, or purchase light bulbs or other household items at inflated prices, to cite a few recent examples. If you are not careful, your generosity may be exploited and little or none of your contribution will actually go to the charity.

## TIPS ON SPOTTING FRAUD

As the examples in this pamphlet illustrate, there are many kinds of telemarketing scams, and new ones are invented every day. But certain elements are common to most of these scams.

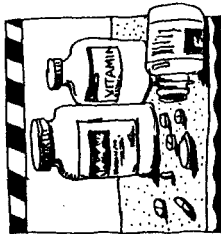
### BEWARE OF:

- "Free" gifts that require you to pay "shipping and handling" charges, "redemption" fees, or "gift taxes" before delivery.
- "High-profit, no-risk" investments. No high-profit investment is free of any risk.
- High-pressure sales tactics and demands for you to "act now."
- A request for your credit card number for "identification" purposes or to "verify" that you have won a prize.
- Refusal to provide written materials or even the most basic details about the organization, such as its exact location or names of its officers.
- Organizations that are unfamiliar to you or that have only a P.O. Box for an address. (Some organizations use a P.O. Box so you will not know their location.)



#### TRAVEL

So-called "free" or "low-cost" vacations often come with extra charges, hidden restrictions, and hard-to-meet conditions. You might be required to join a travel club. A vacation-for-two may only include airfare for one. You could be charged extra for "peak season" reservations. As a result, your vacation ends up costing two to three times what you would have paid had you made your own arrangements.



#### VITAMINS

Some health-conscious consumers fall prey to telemarketers selling vitamins. As with many other scams, the sales pitch may include a prize offer to get you to pay as much as \$600 for a six-month supply of vitamins that are worth as little as \$40.

## DON'T BE A VICTIM!

- o avoid being swindled, follow these precautions:
- Don't give out your credit card number over the phone unless you know the organization is reputable.
- Insist on getting written information about the organization. At the same time, don't assume an organization is legitimate solely on the basis of impressive-looking brochures or enthusiastic testimonials.
- Find out if any complaints have been registered against the company with your state Attorney General or local Better Business Bureau. But remember that scam artists frequently change names and locations. Just because there are no complaints on file does not mean a business is trustworthy.
- In the case of charitable organizations, you have the right to know if the caller is a volunteer or a professional telemarketer/fundraiser. Don't commit yourself over the telephone. Ask for written information about how much of your donation will actually go to the charity and how much will be spent on administrative and fundraising costs.
- Take time to make a decision before investing. Consult someone whose financial advice you trust—a banker, lawyer, accountant, or friend. Have them review any contract or prospectus before you commit yourself.
- If a caller is uncooperative in answering your questions, simply hang up the phone. Remember, you have a right to know specifics. They have no right to your money.

**Above all, follow the advice: "If it sounds too good to be true, it probably is!"**





## ARE VICTIMIZED

leading consumer protection enforcers, the Federal Trade Commission and the state Attorneys General, are marketing fraud a high priority. Together they are addressing this problem that robs American consumers more than \$1 billion a year.

If you are victimized by a telemarketer, don't be embarrassed to report it. It's not worth your time. By reporting the information, you help ensure that others aren't victimized.

For more information, contact the Federal Trade Commission, Room 200, 1400 Pennsylvania Avenue, NW, Washington, DC 20580.

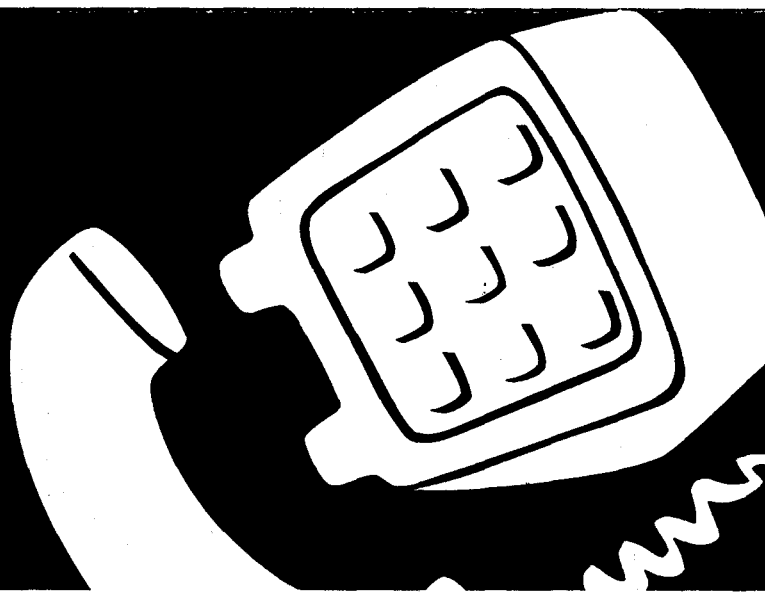
Commerce Department, Consumer Affairs

For a public service by the Federal Trade Commission, call 1-877-FTC-HELP or write to the nation's consumers.

# TELEMARKETING FRAUD

## HOW TO SPOT IT HOW TO AVOID IT

Presented as a public service by  
Federal Trade Commission  
National Association of Attorneys General



## A BILLION DOLLAR PROBLEM

Fraudulent telemarketers will swindle American consumers out of a billion dollars or more this year. These professional con artists peddle everything from overpriced and useless water "purifiers" to "gold mines" that are nothing more than piles of dirt.

Of course, selling products or services by phone is not in itself a crime. Most telemarketers represent honest, reputable businesses. But because so many customers enjoy the ease and convenience of shopping by phone, it is an attractive tool for unscrupulous salesmen.

Anyone with a telephone is vulnerable to the high-pressure sales tactics and enticing offers of the dishonest telemarketer. Stockbrokers have been lured into phony investments schemes. Real estate professionals have bought into worthless land deals.

The Federal Trade Commission, state Attorneys General, and others are working hard to put fraudulent telemarketers out of business. Over the last several years, the FTC has closed down telemarketing scams with sales of more than \$780 million. And in the past two years, the Attorneys General have taken action against an estimated 150 operations.

Unfortunately, though, fraudulent telemarketers are hard to track down. Most are "fly by night" operators working out of so-called "boilerrooms"—leased space with banks of telephones staffed by professional scam artists. Once under investigation, they can easily shut down and move—virtually overnight—to another town or state. They may even change their name—anything to cover their tracks.

Because enforcement is so difficult, it is essential that today's consumer be an informed telephone shopper. The following tips suggest how you can detect telemarketing fraud and avoid becoming a victim.

**INVESTMENTS**  
"Get rich quick" schemes involving rare coins, gemstones, real estate, securities, oil and gas leases, and precious metals are commonly pushed on the unsuspecting consumer. Most are worthless. Frequent targets are those who have been victimized before, since they are often eager to recoup losses from previous deals.

6501 81 00000 DEPARTMENT OF COMMERCE Program Summary		Director/Management Services							HB
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995	
FTE	22.59	22.84	22.59	22.59	0.00	22.59	22.59	0.00	
Personal Services	751,876	764,654	813,181	813,174	7	815,652	815,643	9	
Operating Expenses	156,145	145,775	148,370	130,804	17,566	152,791	134,646	18,145	
Equipment	16,685	1,000	12,624	13,589	(965)	10,800	11,795	(995)	
Total Costs	\$924,707	\$911,429	\$974,175	\$957,567	\$16,608	\$979,243	\$962,084	\$17,159	
<u>Fund Sources</u>									
General Fund	93,551	99,873	116,128	103,377	12,751	116,595	103,969	12,626	
Proprietary Fund	831,156	811,556	858,047	854,190	3,857	862,648	858,115	4,533	
Total Funds	\$924,707	\$911,429	\$974,175	\$957,567	\$16,608	\$979,243	\$962,084	\$17,159	

### Page References

LFA Budget Analysis (Vol II), pp C 154-155  
Stephens Executive Budget, p C 66

### Current Level Differences

Management Services (supported with proprietary funds collected from other agency programs)

1. Maintenance Contracts - The Executive Budget contains \$8,818 more for computer maintenance contracts than LFA current level which continues fiscal 1992 expenditures. *Jerome P. J. J.*

Director's Office (supported with proprietary funds collected from other agency programs)

There are no significant differences between the Executive Budget and LFA current level in the Director's Office.

Consumer Affairs (general fund supported)

1. Contracted Services - The Executive Budget includes \$21,810 more for consultants and legal services than the LFA current level which continues fiscal 1992 expenditures. In its justification for the additional funds, the department cites enforcement requirements of the Unfair Trade Practice, Consumer Protection, and New Vehicle Warranty Acts as reasons for the additional funds.

2. Indirect Charges - The Executive Budget contains \$,1416 more than LFA current level for indirect charges that support Management Services and the Director's Office

### Minor Differences

### TOTAL CURRENT LEVEL DIFFERENCES

### Budget Modifications

Data Processing/Computer Capacity - The Executive Budget includes this modification to expand the department's computer capacity and to implement a Department of Administration recommendation to move toward a local area network (LAN) system. This request is for a biennial appropriation from the proprietary account that receives revenue from indirect charges assessed to all other agency programs.

### Language

*Weeding - passed*

Exec. Over(Under) LFA  
Fiscal 1994 Fiscal 1995

4,356 4,462

0 0

10,905 10,905

710 706

637 1,086

16,608 17,159

100,000

DEPARTMENT OF COMMERCE								
Director/Management Services								
Program Summary								
Budget Item	Actual Expenditures Fiscal 1992	Current Level Fiscal 1992	Current Level Fiscal 1993	LFA Fiscal 1994	Executive Fiscal 1994	LFA Fiscal 1995	Executive Fiscal 1995	LFA Change 92 - 94
FTE	22.59	22.59	22.84	22.59	22.59	22.59	22.59	0.00
Personal Services	756,460	751,880	764,654	813,174	813,181	815,643	815,652	61,294
Operating Expenses	180,913	156,153	145,775	130,804	148,370	134,646	152,791	(25,349)
Equipment	998	16,686	1,000	13,589	12,624	11,795	10,800	(3,097)
Total Costs	\$938,372	\$924,719	\$911,429	\$957,567	\$974,175	\$962,084	\$979,243	\$32,848
<b>Fund Sources</b>								
General Fund	93,551	93,554	99,873	103,377	116,128	103,969	116,595	9,823
Proprietary Fund	844,820	831,165	811,556	854,190	858,047	858,115	862,648	23,025
Total Funds	\$938,372	\$924,719	\$911,429	\$957,567	\$974,175	\$962,084	\$979,243	\$32,848

## Program Description

The Director's Office and Management Services Division consists of four programs. The **Director's Office** assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana. The **Management Services Division** provides internal support to all agency programs. Services provided include budgeting, accounting, purchasing, contracting, personnel administration, payroll, training, and the analysis, development, maintenance, and supervision of department data processing systems and hardware. **Legal Services** provide legal counsel to the department director and legal supervision and overview for all other agency attorneys. The **Consumer Affairs** unit provides information and assistance to Montana consumers regarding unfair methods of competition or deceptive acts in the conduct of any trade or commerce.

## LFA Current Level

Personal services increase by \$61,294 due to continuation of the 1993 biennium pay plan increase in the 1995 biennium. In fiscal 1992, the division spent \$1,804 more on personal services than appropriated, due to minimal vacancy savings and allocation of special session budget cuts. A 0.25 FTE attorney was transferred from this program to the Financial Division in fiscal 1992 and is continued in the 1995 biennium.

Most of the operating expense decrease is due to audit costs. In fiscal 1992, audit costs of \$30,095 were paid for in this program. The 1995 biennial audit cost is allocated to each program within the agency. This decrease is partially offset by a \$3,100 increase in rent and a \$3,200 increase in data network fees.

Equipment includes computers, office furniture and equipment, and software.

## Funding

General fund provides support for the Consumer Affairs Unit and \$1,500 per year for the County Printing Board, which is administratively attached to the department. The remainder of the program is funded by indirect costs assessed to other programs in the department and deposited in a proprietary account.

## DEPARTMENT OF COMMERCE

## Board Of Horse Racing

## Program Summary

Budget Item	Actual Expenditures Fiscal 1992	Current Level Fiscal 1992	Current Level Fiscal 1993	LFA Fiscal 1994	Executive Fiscal 1994	LFA Fiscal 1995	Executive Fiscal 1995	LFA Change 92 -- 94
FTE	4.78	4.78	4.78	4.78	3.78	4.78	3.78	0.00
Personal Services	96,787	96,788	119,744	134,482	114,973	134,626	115,095	37,694
Operating Expenses	91,037	91,039	194,921	95,581	124,128	95,980	124,498	4,542
Equipment	0	0	2,000	2,000	2,000	2,000	2,000	2,000
Total Costs	\$187,825	\$187,827	\$316,665	\$232,063	\$241,101	\$232,606	\$241,593	\$44,236
<u>Fund Sources</u>								
State Revenue Fund	<u>187,825</u>	<u>187,827</u>	<u>316,665</u>	<u>232,063</u>	<u>241,101</u>	<u>232,606</u>	<u>241,593</u>	<u>44,236</u>
Total Funds	\$187,825	\$187,827	\$316,665	\$232,063	\$241,101	\$232,606	\$241,593	\$44,236

## Program Description

The Board of Horse Racing program is responsible for: 1) regulating the live and simulcast horse racing industry; 2) ensuring compliance by the approximately 3,500 licensees with state laws and board rules; 3) licensing all racing personnel, establishing race dates for various communities, establishing veterinary practices and standards in connection with horse racing meets; and 4) the auditing, supervision, and investigations related to the parimutuel racing system in Montana.

## LFA Current Level

Personal services increase by \$37,694 due to annualization of the 1993 biennium pay plan and vacancy savings achieved by having one position unfilled throughout fiscal 1992.

Operating costs increase from fiscal 1992 to fiscal 1994 almost entirely due to allocation of department indirect costs.

The equipment budget will allow for the purchase of typewriters, calculators and field equipment used for licensing.

## Funding

The program is funded by a one percent tax on gross betting receipts from parimutuel betting. For simulcast facilities, the tax is the greater of one percent on gross betting receipts or actual cost to board for regulating the meet.

# Lewis & Clark Interpretive Center

CHAPTER NO. 820

[HB 990]

EXHIBIT # 7  
DATE 2-18-93  
HB

AN ACT APPROPRIATING \$700,000 FROM THE GENERAL FUND TO THE DEPARTMENT OF COMMERCE, TO BE USED AS MATCHING FUNDS FOR THE DEVELOPMENT AND CONSTRUCTION OF A LEWIS AND CLARK NATIONAL HISTORIC TRAIL INTERPRETIVE CENTER; AND PROVIDING AN EFFECTIVE DATE.

Be it enacted by the Legislature of the State of Montana:

Section 1. Appropriation. There is appropriated from the general fund \$700,000 to the department of commerce for the Lewis and Clark national historic trail interpretive center for the biennium ending June 30, 1993. The money, along with the \$300,000 of other funds specified in [section 2], is to be used to match federally appropriated funds on an 8-to-1 basis. The department of commerce shall administer the appropriation to add another tourism destination attraction in Montana. The department of commerce shall distribute the money for planning, design, and all phases of construction for a Lewis and Clark national historic trail interpretive center, as authorized in Public Law 100-552.

Section 2. Matching requirement — contingent reversion. (1) The general fund appropriation in [section 1] must be matched by other funds of \$300,000.

(2) If federal matching funds for the Lewis and Clark national historic trail interpretive center are not received by January 1, 1993, the appropriation in [section 1] reverts to the general fund.

(3) If other funds totaling \$300,000 are not donated to the Lewis and Clark national historic trail interpretive center by January 1, 1993, the appropriation in [section 1] reverts to the general fund.

Section 3. Effective date. [This act] is effective July 1, 1991.

Approved May 24, 1991.

	Existing Appropriations	Proposed Change
State Funding	\$ 500,000 (originally enacted at \$700,000 Reduced to \$500,000 in special session)	\$500,000 no change
Local Funding	\$ 300,000	\$500,000 (increase \$200,000)
Federal Funding	\$4,000,000	\$8,000,000 (increase \$4 million)
Federal Match	8 to 1	16 to 1 (double match)
Time Deadline	June 30, 1993	June 30, 1997 (extend by 4 years)
Projected Receipt from Federal Govt	\$ 4 million in FY 93	\$2 million per year in FY's 94, 95, 96, 97

EXHIBIT 7  
DATE 2-18-93

4B Great Falls Tribune

MONTANA

Wednesday, January 20, 1993

# County pledges money to Lewis and Clark center

By PETER JOHNSON  
Tribune Staff Writer

After hearing vocal pro and con arguments, Cascade County Commissioners Tuesday morning voted to commit \$200,000 in proceeds from the county nursing home sale to the proposed Lewis and Clark Interpretive Center.

The commission unanimously ratified a tentative agreement they made to a Lewis and Clark center earlier Friday.

Commissioners Tuesday emphasized the growing importance they expect tourism to play in the Great Falls area.

They stressed they are pledging the money for five years, contingent in the rest of the \$9.5 million project being raised from other government units and private contributors. Meanwhile, all the remaining nursing home sale money is invested and drawing interest, they said.

The proposal drew both strong

## City to try to double pledge to center

By Tribune Staff

The Great Falls City Commission on Tuesday pledged its "best effort" to double its initial \$100,000 commitment to the Lewis and Clark Interpretive Center. The action came with little comment and no complaints.



City Manager John Lawton said later the commission will try to come up with a second \$100,000 to be used in building the road,

sidewalk and water and sewage lines for the project.

Interpretive center backer Mike Labriola said the city and county action Tuesday meant there is now a total of \$332,000 in commitments and pledges locally. The local governments' help will mean the local legislative delegation might be able to reduce its state request from \$700,000 to \$50,000, he said.

support and strong criticism.

Mike Labriola, president of Lewis and Clark Interpretive Center Fund, said such quick action was essential

merce, called the proposal "a vote of confidence in the future of Great Falls."

The interpretive center could help stabilize tourism, which now fluctuates with the exchange rate on Canadian money, he said. The chamber projects the center could lead to 50,000 additional visitor days in Great Falls a year and more than \$3 million in increased spending.

Bob Doerk, a former president of the Lewis and Clark Trail Heritage Foundation, said the national group with 1,500 members wants to establish its national headquarters at the Great Falls center because of the area's importance to the early explorers and its link to other areas.

Jim Twedt said Great Falls hotel and hotel owners "wholeheartedly support" the allocation.

But frequent commission critic Clay Braden guessed only 20 percent of the local population would benefit directly, including the lodging industry and other businesses.

"but 100 percent of the taxpayers will pay for it."

"Local taxpayers are going to take three or four hits in their pocket," he contended, since center backers also are seeking money from the city, state and federal governments.

Donald Rowkamp called it "a shame" for county commissioners to spend money on such projects when a low-income resident like him has trouble even paying medical bills. It would be a better idea spending money on badly needed improvements to the county jail, he added.

Vickie O'Fallon, a Belt area rancher whose husband is a deputy sheriff, said commissioners should postpone spending decisions until next summer when they have a better idea of budgeting needs. Three or four jailers were laid off last summer, she said, and the number of deputies is so low that at times adequate backups are not available.

Commissioner Harry Mitchell

said commissioners do not want to spend the one-time money from the nursing home sale for ongoing budget items.

Commissioner Jack Whitaker said he won't approve spending the \$2 million for a new jail which would take at least \$4 million more than that to build and considerably more to operate each year.

Whitaker said he supports the interpretive center because it could help draw tourists from the Orient and Germany who "are just crazy about western history."

New Commissioner Roy Asfolt said the decision was very difficult because he wants to send the message to Helena and Washington, D.C., to cut spending. But Asfolt said he voted to pledge the county money — and seek greater state and federal matching funds — because of the need to create tourism and jobs in Great Falls.

United States  
Department of  
Agriculture

Forest  
Service

Washington  
Office

14th & Independence SW  
P.O. Box 96090  
Washington, DC 20090-6090

Reply To: 2390

Date: November 25, 1991

Honorable Stan Stephens  
Governor, State of Montana  
Office of the Governor  
Helena, Montana 59620

Dear Governor Stephens:

Thank you for your October 30, 1991, letter concerning the importance to the State of Montana of the proposed Lewis and Clark National Historic Trail Interpretive Center in Great Falls.

We, too, recognize the importance of the facility. We are pleased with the center's location and the potential for interpreting the history of the expedition and the area. We will request \$9.2 million in the President's budget in Fiscal Years 1993 and 1994 for the completion of the interpretive center.

Meanwhile, work on the project is continuing. Dale Gorman, Forest Supervisor of the Lewis and Clark National Forest, has shown his support by continuing his coordination with the community on planning for the eventual center opening and is assisting with the organization of an interpretive association. The project manager is still employed by the Lewis and Clark National Forest and is investing a small, but significant portion of her time and budget on interpretive center related work.

We appreciate the successful efforts of the State of Montana in providing the site, local support, and promotion for this effort. It has truly been a rewarding experience working with the various State and local agencies, private industry, and local groups and individuals to make this project possible. We will work with the Region and Congress to secure future funding to ensure timely construction and opening of the interpretive center which will provide recognition of the historic significance of the travels of Lewis and Clark on the High Plains and their portage around Great Falls.

Sincerely,

/s/Elizabeth Estill (for)

F. DALE ROBERTSON  
Chief

cc: R-1, Lewis & Clark NF

EXHIBIT 7  
DATE 2-18-93

February 11, 1993

Mr. F. Dale Robertson  
Chief, U.S. Forest Service  
U.S. Department of Agriculture  
Washington, D.C. 20250

EXHIBIT

DATE

7  
2-18-93

Dear Dale,

We are writing to indicate our strong support of the Forest Service in funding the construction of the Lewis and Clark National Historic Trail Interpretive Center in Great Falls, Montana. This Center will serve as the national centerpiece of the bicentennial of the journey of Captain Meriwether Lewis and William Clark in 1804-05 which served to open the Trans-Mississippi West to American settlement.

As you know, the Center has been authorized by the Congress in Public law 100-552, the Lewis and Clark National Historic Trail Interpretive Center, Montana, Establishment. The local community, the State of Montana and those interested in the Lewis and Clark expedition nationwide have demonstrated their support for this important center. Hundreds of local volunteers have devoted thousands of hours to Lewis and Clark projects in the community in anticipation that the Interpretive Center will become a reality. Numerous Great Falls citizens have also pledged to work for the Center as volunteers to help minimize personnel operating costs. We have also encouraged the idea that this project could be a pilot program for "user fees" for Forest Service Interpretive Centers. The State of Montana and the community of Great Falls together pledged more than one million dollars to support this project in 1991.

Great Falls is a natural site for this important Center. It represents the point where the expedition stopped to portage around the first significant falls on the Missouri River. From the plains in the area the expedition could see the ramparts of the Rocky Mountains that stood in their way. The Center would not only tell the story of the expedition but also the important story of the Native American culture of the High Plains at the time of contact.

The members of the Montana Congressional delegation are in strong support of Forest Service efforts to complete construction of the Lewis and Clark National Historic Trail Interpretive Center in Great Falls, Montana. We recall your encouraging letter of November 25, 1991 to Governor Stan Stephens in which you recognized the importance of the facility and pledged to work with us to secure future funding for timely construction. We hope that the Forest Service will reaffirm that support.

With Best Wishes,

Conrad Burns  
United States Senator

Max Baucus  
United States Senator

Pat Williams  
Member of Congress



HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER

NATURAL RESOURCES  
Commerce SUB-COMMITTEE

BILL NO. \_\_\_\_\_

DATE 2-18-93 ~~SPONSOR(S)~~ \_\_\_\_\_

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PLEASE PRINT

PLEASE PRINT

NAME AND <del>ADDRESS</del>	REPRESENTING	SUPPORT	OPPOSE
Jon Abel	Commerce	✓	
Alice Crum	"	✓	
Andy Posh	"	✓	
Leslie Dwyer	Lobby	✓	
Charmaine Murphy	Lobby	✓	
Jerry LaChere	"		
JOHN CADBY	Mt BANKERS ASSN	✓	
Bill Leary	Mt. BANK. ASSN	✓	
Steve Browning	Lewis & Clark Int Cntr	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.