

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 937 Warnings for Lottery Games

SPONSOR(S): Commerce Committee, Tourism & Gaming Control Subcommittee, Sullivan and others

TIED BILLS: **IDEN./SIM. BILLS:** SB 1370

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR or BUDGET/POLICY CHIEF |
|--|---------------------|-----------|--|
| 1) Tourism & Gaming Control Subcommittee | 10 Y, 0 N, As CS | Sarsfield | Barry |
| 2) Commerce Committee | 26 Y, 2 N, As CS | Sarsfield | Hamon |

SUMMARY ANALYSIS

Gambling is generally prohibited and illegal in Florida. However, in 1986, Florida voters adopted a constitutional amendment authorizing the creation of the Florida Lottery. Since that time, the Florida Lottery has grown into one of the largest state-run lotteries in the country, with annual sales exceeding \$5 billion. Lottery tickets can be purchased at over 13,000 retail locations throughout Florida.

Certain studies show that lottery games and other forms of gambling can lead to addiction in gamblers. The Florida Lottery encourages customers to "Play Responsibly" and widely advertises a toll-free phone number for a referral service to assist people with gambling problems.

The bill amends current law by directing the Florida Lottery to contractually require vendors and retailers, respectively, to place the following warning prominently on the front of all lottery tickets and at the point of sale: "WARNING: GAMBLING CAN BE ADDICTIVE."

The bill does not have a fiscal impact on state or local government.

The bill provides for an effective date of January 1, 2018.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

General Overview of Lottery in Florida

In general, gambling is illegal in Florida.¹ Chapter 849, F.S., prohibits keeping a gambling house,² running a lottery,³ or the manufacture, sale, lease, play, or possession of slot machines.⁴ Certain exceptions have been authorized, with restrictions on permitted locations, operators, and prizes, including penny-ante games,⁵ bingo,⁶ cardrooms,⁷ charitable drawings,⁸ game promotions (sweepstakes),⁹ and bowling tournaments.¹⁰ In addition, Chapters 550 and 551, F.S., respectively, authorize pari-mutuel wagering on certain live events at licensed facilities and slot machine gaming at specified locations.

Section 7 of Article X of the Florida Constitution provides, "Lotteries, other than the types of pari-mutuel pools authorized by law as of the effective date of this constitution, are hereby prohibited in this state."¹¹

In 1986, Florida voters approved an amendment to the Florida Constitution to allow the state to operate a lottery. Section 15 of Article X of the Florida Constitution provides as follows:

Lotteries may be operated by the state.... On the effective date of this amendment, the lotteries shall be known as the Florida Education Lotteries. Net proceeds derived from the lotteries shall be deposited to a state trust fund, to be designated The State Education Lotteries Trust Fund, to be appropriated by the Legislature. The schedule may be amended by general law.

Chapter 24, F.S., was enacted by ch. 87-65, L.O.F., to establish the state lottery pursuant to the constitutional authorization set forth above. Section 24.102, F.S., creates the Department of the Lottery (Lottery) and states the Legislature's intent that it be self-supporting, revenue-producing, and function as an entrepreneurial business enterprise. Florida began offering lottery games in 1988, with a \$1 weekly drawing.¹² Since then, the Lottery has grown to include approximately 60 different scratch-off games available at over 13,000 retailer locations, with Lottery ticket prices ranging from \$1 to \$25.¹³ This growth resulted in more than \$5.58 billion in total sales for the 2014-2015 fiscal year.¹⁴ More recently, during a single week in March 2017, sales exceeded \$141 million.¹⁵ The Lottery has

¹ s. 849.08, F.S.

² s. 849.01, F.S.

³ s. 849.09, F.S.

⁴ s. 849.16, F.S.

⁵ s. 849.085, F.S.

⁶ s. 849.0931, F.S.

⁷ s. 849.086, F.S.

⁸ s. 849.0935, F.S.

⁹ s. 849.094, F.S., authorizes game promotions in connection with the sale of consumer products or services.

¹⁰ s. 546.10, F.S.

¹¹ The pari-mutuel pools that were authorized by law on the effective date of the Florida Constitution (Nov. 5, 1968) include horseracing, greyhound racing, and jai alai games.

¹² FLA. LOTTERY, *History*, <http://www.flalottery.com/history> (last visited Mar. 24, 2017).

¹³ *Id.*

¹⁴ See generally FLA. LOTTERY, 2014-15 Achievement Report (2015), <http://www.flalottery.com/exptkt/annualreport14-15.pdf>.

¹⁵ See Les Neuhaus, *Despite lawsuit, Florida Lottery sees record sales; tops \$100M for 2nd week*, SAINTPETERSBLOG (Mar. 14, 2017, 5:36 PM), <http://saintpetersblog.com/despite-lawsuit-florida-lottery-sees-record-sales-tops-100m-2nd-week/>.

expressed a continued interest in expanding its presence throughout the state to further increase profits.¹⁶

Gambling Addiction

Addiction is characterized by the “inability to consistently abstain, impairment in behavioral control, craving, diminished recognition of significant problems with one’s behaviors and interpersonal relationships, and a dysfunctional emotional response.”¹⁷ Opponents of gambling contend that participants in gambling are particularly susceptible to addiction.¹⁸ Gambling studies indicate that games of chance present the illusion of quick and effortless financial gain yet can often lead to financial loss due to the statistical improbability of winning a prize.¹⁹ Researchers describe a cycle in which the gambler believes she can win back her losses, with the cycle continuing until she is forced to seek rehabilitation to break her habit.²⁰

Currently, there is no statutory provision requiring the Lottery to inform customers who purchase lottery tickets of the risks associated with gambling, including the potential for compulsive or addictive gambling. However, the Lottery’s website includes a “Play Responsibly” page,²¹ which states:

Florida Lottery games are designed to be a fun, low-cost form of entertainment with the added benefit of helping to support education. While most of our players enjoy the fun and entertainment of playing our games, for some, gambling of any kind can be a problem.

If someone you know has a gambling problem, help is available by calling a toll-free referral service at:

888-ADMIT IT (888-236-4848)

In addition, the following statement is found on the back of certain lottery products: “Play Responsibly – If you or someone you know has a gambling problem, call toll-free: 1-888-ADMIT-IT.”²²

Effect of Proposed Changes

The bill requires that all contracts executed by the Lottery for the printing of lottery tickets specify that all lottery tickets must include a warning that reads: “WARNING: GAMBLING CAN BE ADDICTIVE.” The bill requires this language to be placed or printed prominently on the front of each lottery ticket. The bill also requires that all contracts executed between the Lottery and retailers specify that retailers must display a sign, provided by the Lottery to the retailer, at the point of sale that reads: “WARNING: GAMBLING CAN BE ADDICTIVE.” The specified warnings are designed to inform all purchasers of lottery tickets of some of the potential dangers associated with playing lottery games.

B. SECTION DIRECTORY:

Section 1: Amends s. 24.111, F.S., to include a provision that requires that all contracts executed by the Lottery for the printing of lottery tickets specify that all lottery tickets must include a warning that reads: “WARNING: GAMBLING CAN BE ADDICTIVE.”

¹⁶ See FLA. LOTTERY, *supra* note 4, at 17.

¹⁷ AM. SOC’Y OF ADDICTION MED., *Quality and Practice*, <http://www.asam.org/quality-practice/definition-of-addiction> (last visited Mar. 15, 2017).

¹⁸ See PSYCHGUIDES.COM, *Compulsive Gambling Symptoms, Causes and Effects*, <http://www.psychguides.com/guides/compulsive-gambling-symptoms-causes-and-effects/> (last visited Mar. 24, 2017).

¹⁹ *Id.*

²⁰ See NATASHA DOW SCHÜLL, *ADDICTION BY DESIGN: MACHINE GAMBLING IN LAS VEGAS*, 225 (2012).

²¹ FLA. LOTTERY, *Play Responsibly*, <http://www.flalottery.com/playResponsibly> (last visited Mar. 24, 2017).

²² Document on file with the Tourism and Gaming Control Subcommittee, Florida House of Representatives.

Section 2: Amends s. 24.112, F.S., to require that all contracts executed by the Lottery under this section specify that retailers must display a sign at the point of sale that reads: "WARNING: GAMBLING CAN BE ADDICTIVE."

Section 3: Provides for an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

Indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill does not have a fiscal impact on state or local government.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 28, 2017, the Tourism and Gaming Control Subcommittee considered a Proposed Committee Substitute for HB 937, adopted one amendment, and reported the bill favorably as a committee substitute.

The committee substitute changed a portion of the title from “[a]n act relating to lottery games” to “[a]n act relating to specified warning for lottery games.” The committee substitute also added language to specify that the required warnings must appear on the front of the lottery tickets.

The amendment clarified that the contractual requirement to be imposed on retailers is to display a sign at the point of sale with the required warning – not to place the warning on the lottery tickets themselves.

On April 19, 2017, the Commerce Committee adopted three amendments and reported the bill favorably as a committee substitute. The amendments clarified that:

- the bill’s warning requirement applies to all contracts for the printing of lottery tickets between the Department of the Lottery and its vendors, regardless of the contract’s execution date;
- the bill’s warning requirement applies to all contracts between the Department of the Lottery and its retailers, regardless of the contract’s execution date; and
- the warning sign required to be posted by retailers under the bill must be provided by the Department of the Lottery to the retailer.

This analysis is drafted to the committee substitute.