

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Rules

BILL: CS/HB 629

INTRODUCER: Gaming Control Subcommittee and Representative Robinson

SUBJECT: Lottery Games

DATE: April 23, 2019

REVISED: _____

| ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|-------------------|----------------|-----------|------------------------|
| 1. <u>Kraemer</u> | <u>Phelps</u> | <u>RC</u> | Fav/1 Amendment |

Please see Section IX. for Additional Information:

AMENDMENTS - Significant amendments were recommended

I. Summary:

CS/HB 629 requires lottery tickets to be exclusively in paper form that is purchased and conveyed by an authorized retailer within the physical premises of the authorized retailer. The bill prohibits the use of a personal electronic device to play, store, or redeem a lottery ticket or game or representation thereof. A personal electronic device may be used to pay for the ticket or game while on the premises of an authorized retailer. A person who violates the prohibition commits a misdemeanor of the second degree, which is punishable by a definite term of imprisonment not to exceed 60 days or a fine of no more than \$500.

Beginning January 1, 2020, the bill requires every advertisement or promotions for lottery games to include the statement: **WARNING: PLAYING A LOTTERY GAME CONSTITUTES GAMBLING AND MAY LEAD TO ADDICTION AND/OR COMPULSIVE BEHAVIOR. THE CHANCES OF WINNING A BIG PRIZE ARE VERY LOW.**

If the advertisement is in print, including a newspaper, magazine or billboard, or on television, the internet or another electronic medium it must occupy at least 10 percent of the surface area of the advertisement or promotion. If the advertisement is on the radio, the statement must be audibly announced at the conclusion of the advertisement or promotion.

Beginning January 1, 2020, all contracts for lottery tickets must require the vendor to include the above statement on every lottery ticket under ch. 24, F.S. The statement must appear in prominent text on the front of each ticket, occupy at least 10 percent of the face of the ticket, and be on every lottery ticket printed on or after January 1, 2021.

CS/HB 629 may have a negative impact on state revenues. *See* Section V., Fiscal Impact Statement.

The effective date of the bill is July 1, 2019.

II. Present Situation:

General Overview of Gambling in Florida

In general, gambling is illegal in Florida.¹ Chapter 849, F.S., prohibits keeping a gambling house,² conducting 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.

Article X, section 7 of the Florida Constitution prohibits lotteries other than the types of pari-mutuel pools authorized by law.

The Florida Lottery

In 1986, Florida voters approved Article X, section 15 of the Florida Constitution to allow lotteries to be operated by the state. Section 15 of Article X of the Florida Constitution, provides:

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 (department) and states the Legislature's intent that it be self-supporting, revenue-producing, and function as an entrepreneurial business enterprise. Section 24.102(2), F.S., provides:

- The net proceeds of lottery games shall be used to support improvements in public education;

¹ Section 849.08, F.S.

² Section 849.01, F.S.

³ Section 849.09, F.S.

⁴ Section 849.16, F.S.

⁵ Section 849.085, F.S.

⁶ Section 849.0931, F.S.

⁷ Section 849.086, F.S.

⁸ Section 849.0935, F.S.

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

¹⁰Section 546.141, F.S.

- Lottery operations shall be undertaken as an entrepreneurial business enterprise; and
- The department shall be accountable through audits, financial disclosure, open meetings, and public records laws.

The department operates the Florida Lottery to maximize revenues “consonant with the dignity of the state and the welfare of its citizens”¹¹ for the benefit of public education.¹²

Florida began offering lottery games in 1988, with a \$1 weekly drawing.¹³ 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 \$30.¹⁴ This growth resulted in more than \$6.7 billion in total sales for the 2017-2018 fiscal year.

Lottery Warnings and Problem Gambling

Currently, the department is not required to inform customers who purchase lottery tickets of the risks associated with gambling, including the potential for compulsive or addictive gambling. The Lottery’s website includes a “Play Responsibly” page with the prominent headline “HAVE FUN BUT REMEMBER...IT ONLY TAKES ONE TICKET TO WIN!” Below the headline, the “Play Responsibly” page includes “tips for safer gaming” and contact information for the Florida Council on Problem Gambling, the National Problem Gambling Helpline, and Gamblers Anonymous.¹⁵ The department also provides information about gambling-related problems and contact information for the same problem-gambling resources on its “Where to Play” webpage.¹⁶

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 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 1-888-ADMIT-IT.”²⁰

¹¹ See s. 24.104, F.S.

¹² See s. 24.121(2), F.S.

¹³ See Department of the Lottery, *History*, <http://www.flalottery.com/history> (last visited Apr. 19, 2019).

¹⁴ *Id.*; and Lottery of the Lottery, *Scratch Offs*, <http://www.flalottery.com/scratch-offs?amount=30> (last visited Apr. 19, 2019).

¹⁵ See Department of the Lottery, *Play Responsibly*, <https://www.flalottery.com/playResponsibly> (last visited Apr. 19, 2019).

¹⁶ See Department of the Lottery, *Gambling Should Never Be a Problem*, <http://www.flalottery.com/whereToPlay> (last visited Apr. 19, 2019).

¹⁷ American Society of Addiction Medicine, *Definition of Addiction*, <http://www.asam.org/quality-practice/definition-of-addiction> (last visited Apr. 19, 2019).

¹⁸ See Psychguides.com, *Compulsive Gambling Symptoms, Causes and Effects*, <http://www.psychguides.com/guides/compulsive-gambling-symptoms-causes-and-effects/> (last visited Apr. 19, 2019).

¹⁹ *Id.*

²⁰ Copy on file with the Innovation, Industry, and Technology Committee.

III. Effect of Proposed Changes:

The bill amends s. 24.107, F.S., to revise the requirements for all advertisements or promotions of lottery games. Beginning January 1, 2020, every advertisement or promotions for lottery games must include the statement:

WARNING: PLAYING A LOTTERY GAME CONSTITUTES GAMBLING AND MAY LEAD TO ADDICTION AND/OR COMPULSIVE BEHAVIOR. THE CHANCES OF WINNING A BIG PRIZE ARE VERY LOW.

If the advertisement or promotion is on television, the internet or another electronic medium it must appear in black font on a white background and occupy at least 10 percent of the surface area of the advertisement or promotion. If the advertisement is in print, including a newspaper, magazine or billboard, the statement must appear in prominent text and occupy at least 10 percent of the surface area of the advertisement or promotion. If the advertisement is on the radio, the statement must be audibly announced at the conclusion of the advertisement or promotion.

The bill amends s. 24.111, F.S., to require that, beginning January 1, 2020, all contracts with a vendor must contain a provision requiring the vendor to print the following statement on every lottery ticket:

WARNING: PLAYING A LOTTERY GAME CONSTITUTES GAMBLING AND MAY LEAD TO ADDICTION AND/OR COMPULSIVE BEHAVIOR. THE CHANCES OF WINNING A BIG PRIZE ARE VERY LOW.

The statement must appear in prominent text on the front of each ticket and occupy at least 10 percent of the total face of the lottery ticket.

The effective date of the bill is July 1, 2019.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

On March 8, 2019, the Revenue Estimating Conference (REC) estimated that the bill will result in a reduction in lottery ticket sales and transfers to the Educational Enhancement Trust Fund (EETF). The REC estimated transfer reductions to the EETF over the next three fiscal years of \$31.6 million for Fiscal Year 2019-2020, \$64.4 million for Fiscal Year 2020-2021, and \$65.2 million for Fiscal Year 2021-2022.²¹ The following chart shows the estimated fiscal impact to the EETF for the next five fiscal years:²²

| Fiscal Year | Cash (\$/Millions) | Recurring (\$/Millions) |
|-------------|--------------------|-------------------------|
| 2019-2020 | (31.6) | (63.2) |
| 2020-2021 | (64.4) | (64.4) |
| 2021-2022 | (65.2) | (65.2) |
| 2022-2023 | (66.2) | (66.2) |
| 2023-2024 | (67.9) | (67.9) |

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

²¹ Office of Economic & Demographic Research, *Revenue Estimating Conference, Impact Conference*, March 8, 2019, available at: http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2019/_pdf/Impact0308.pdf (last visited Apr. 19, 2019).

²² *Id.*

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 24.107 and 24.111.

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:**Barcode 834516 by Rules on April 23, 2019:**

The amendment removes the provision creating s. 24.1056, F.S., to require that lottery tickets must be in paper form, prohibiting the use of a personal electronic device to play, store, or redeem a lottery ticket or game or representation thereof, with certain conditions, and providing criminal penalties.