

STAND. COM. REP. NO. 2548

Honolulu, Hawaii

MAR 01 2018

RE: S.B. No. 3025
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 3025 entitled:

"A BILL FOR AN ACT RELATING TO CONSUMER PROTECTION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish certain disclosure requirements for publishers of video games that contain a system of purchasing a randomized reward or consumable virtual item that can be redeemed and directly or indirectly converted to a randomized reward.

Your Committee received testimony in support of this measure from the Hawaii Youth Services Network and four individuals. Your Committee received testimony in opposition to this measure from the Entertainment Software Association and Retail Merchants of Hawaii. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs.

Your Committee finds that the multi-billion-dollar video game industry is extremely popular in America. Video games and gaming content are widely and easily available to consumers and may be purchased at the touch of a button through smart phones, gaming consoles, or personal computers. However, video games that contain randomized rewards or variable reward mechanisms, also known as loot boxes, may introduce children and young adults to the thrills of gambling at an age when their brains are not fully



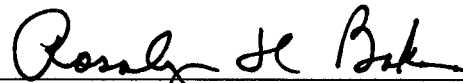
developed. According to testimony received by your Committee, children and youth are vulnerable to developing behavioral addiction to gambling and lack the maturity or knowledge to recognize the risks they encounter. Furthermore, parents and other responsible adults are often unaware of the randomized rewards that are often available in the video games their children are using. Your Committee notes that the ubiquitous reach of video games, which require active, lengthy participation and exposure to the psychological manipulation techniques of loot boxes, may present harmful risks to the financial well-being and mental health of individuals, especially vulnerable youth and young adults. This measure therefore establishes certain disclosure requirements for publishers of video games that contain a system to purchase a randomized reward or consumable virtual item.

Your Committee has amended this measure by:

- (1) Inserting a definition of "randomized reward"; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3025, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3025, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



