

STAND. COM. REP. NO.

2229

Honolulu, Hawaii

APR 22 2019

RE: H.C.R. No. 224
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committees on Government Operations and Judiciary, to which was referred H.C.R. No. 224, H.D. 1, entitled:

"HOUSE CONCURRENT RESOLUTION CONVENING A DIGITAL GAMING ADVISORY GROUP TO ASSESS AND MONITOR GAMBLING AND PREDATORY PRACTICES IN THE DIGITAL GAMING INDUSTRY,"

beg leave to report as follows:

The purpose and intent of this measure is to convene a digital gaming advisory group to assess and monitor predatory practices in the digital gaming industry.

Your Committees received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Hawaii Youth Services Network, League of Women Voters of Hawaii, National Council on Problem Gambling, Consumers for Digital Fairness, and four individuals. Your Committees received testimony in opposition to this measure from the Retail Merchants of Hawaii, Entertainment Software Association, and Chamber of Commerce Hawaii. Your Committees received comments on this measure from the Department of Health and Legislative Reference Bureau.

Your Committees find that variable reward mechanisms known as "loot boxes", which operate similarly to slot machines, are designed into digital games. Your Committees also find that negative psychological impacts from extended exposure to



exploitive variable reward mechanisms have been found, which can lead to addiction and cognitive development problems, leading some countries to regulate or ban variable reward mechanisms in video games.

Your Committees further find that in the United States, departments and agencies heavily regulate exploitive variable reward mechanisms in casino games by requiring strict disclosure to consumers of the odds of winning possible rewards contained within. However, there is currently no requirement for digital game developers to disclose to consumers the odds of winning any rewards and inclusion of variable reward mechanisms, making it impossible for parents to know which games contain these mechanisms. Video games require active, lengthy participation during which consumers are exposed to the psychological manipulation techniques employed by exploitive variable reward mechanisms that aggressively compel spending and can lead to psychological and developmental harm. This measure convenes a digital gaming advisory group to assess gambling and predatory practices within the digital gaming industry.

Your Committees have amended this measure by:

- (1) Adding a member to represent parents to the digital gaming advisory group;
- (2) Adding a member from a game development company to the digital gaming advisory group;
- (3) Removing references to "predatory" from the phrase "predatory variable reward mechanisms";
- (4) Specifying that the members of digital gaming advisory group shall select its chairs;
- (5) Specifying that the House and Senate Standing Committees with subject matter jurisdiction over Judiciary shall convene the first meeting of the advisory group;
- (6) Specifying that the Executive Director of the Office of Consumer Protection shall be a member of the group;



- (7) Specifying that the advisory group shall cease to exist on June 30, 2021;
- (8) Updating its title; and
- (9) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Government Operations and Judiciary that are attached to this report, your Committees concur with the intent and purpose of H.C.R. No. 224, H.D. 1, as amended herein, and recommend its adoption in the form attached hereto as H.C.R. No. 224, H.D. 1, S.D. 1.

Respectfully submitted on
behalf of the members of the
Committees on Government
Operations and Judiciary,



KARL RHOADS, Chair



LAURA H. THIELEN, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Government Operations
GVO

Bill / Resolution No.:* <i>HCR 224 HD1</i>	Committee Referral: <i>GVO/JDC</i>	Date: <i>4/18/19</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
THIELEN, Laura H. (C)	✓			
INOUYE, Lorraine R. (VC)				✓
BAKER, Rosalyn H.	✓			
KANUHA, Dru Mamo	✓			
FEVELLA, Kurt				✓
TOTAL	<i>3</i>			<i>2</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>[Signature]</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

