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**RQ-0303-GA**

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December 16, 2004

The Honorable Greg Abbott  
Texas Attorney General  
209 West 14th Street  
Austin, Texas 78701

FILE # MC-44061-04  
I.D. # 044061

**Re: Request for Opinion whether a 501(c)(3) Nonprofit Texas Corporation (Johns Community Hospital) may offer one or more savings bonds and/or prepaid bank credit cards as prizes, in accordance with the Charitable Raffle Enabling Act.**

Dear General Abbott:

Pursuant to Texas Government Code Section 402.043, I respectfully request your opinion as to whether Johns Community Hospital (the "Hospital") in Taylor, Texas, in its annual charitable raffle may offer certain items as prizes. The Hospital is a valid 501(c)(3) Nonprofit Texas Corporation, and it conducts a raffle annually for the benefit of the Hospital. The raffle is conducted strictly in accordance with the Charitable Raffle Enabling Act (V.T.C.A., Occupations Code, Chapter 2002).

V.T.C.A., Occupations Code, Section 2002.056 states that a prize to be offered under this statute may not be money. This year, one or more savings bonds and one or more prepaid bank credit cards may be available as prizes.

The Hospital asks whether the following may be offered as prizes:

- a. one or more savings bonds, and/or

b. one or more prepaid bank credit cards.

A brief on this question is attached as Exhibit "A".

Respectfully submitted,

*Wayne Park,  
Supt. Assistant*



Eugene D. Taylor  
County Attorney  
Williamson County, Texas

**Brief on question whether a 501(c)(3) Nonprofit Texas Corporation may offer one or more savings bonds and/or prepaid bank credit cards as prizes, in accordance with the Charitable Raffle Enabling Act.**

The Texas Occupations Code, § 2002.056(a) states that a prize offered or awarded at a raffle may not be money. The term "money" is not defined in this statute, and words not defined by the legislature are given their ordinary meaning. [*Getters v Eagle Ins. Co.*, 834 S.W.2d 49 (Tex. 1992)], and the ordinary meaning is here assumed.

A savings bond is a nonmarketable security issued by the United States Treasury in relatively small denominations for individual investors. Three categories of bonds are available. Interest on these bonds is exempt from state and local, but not federal, taxation.

Series EE bonds pay a variable interest rate and are sold in denominations as low as \$50 at a 50% discount from face value. They earn interest at 90% of the average yield on five-year Treasury securities for the previous six months. They may be redeemed after six months, but a three-month interest penalty is assessed for redemptions during the first five years.

The Series I bond pays semiannual interest based on a combination of a fixed rate established by the Treasury and the semiannual inflation rate as measured by changes in the Consumer Price Index. They are issued at face value in amounts that range from \$50 to \$10,000. They have a maturity of 30 years but may be redeemed beginning 6 months after issuance.

The Series HH bond is issued in multiples of \$500 that pays interest every six months. The security has a maturity of ten years but may be redeemed after being held six months. It may be obtained only by swapping the Series EE at its maturity, and is not here under consideration.

Due to their ready convertibility to United States currency, even with restrictions as to time and as to the amount recovered, it would appear that savings bonds are essentially equivalent to cash.

With a prepaid bank credit card, a specific amount of money is paid to purchase the card, which may be redeemed for goods and/or services from entities which accept credit cards in payment. Under some circumstances, currency may be obtained up to the remaining value of the card.

Again, the ready redeemability of the credit card for cash or for the cash equivalent of goods and services makes it virtually equivalent to "money".

A previous opinion of the Attorney General stated "The purpose of the Act's prohibition is to prevent a charitable raffle from being a gambling or money-making activity for those who purchase a raffle ticket (Op. Atty. Gen. 1999, No. JC-0111).

That Opinion states that “. . . money as used in the Charitable Raffle Enabling act includes negotiable instruments that represent money and are readily convertible to money, or in other words, are the equivalent of money.” (Op.Atty.Gen. 1999, No. JC-0111).

It is respectfully suggested that savings bonds and prepaid bank credit cards also fall into this category as being “readily convertible to money”, or “the equivalent of money.”

**Exhibit “A”**