



Legal Minute

July 2016

Texas Charitable Fundraisers: Cow Chip Bingo and Gun Boards

*Special thanks to Samuel Pinkston, Holland & Knight, LLP, for contributing to this Legal Minute

Nonprofit organizations often rely on fundraising events to raise money for their charitable purposes. Two popular fundraising events are “Cow Chip Bingo” and “gun board raffles.” Because Texas strictly regulates raffles and gambling, nonprofits should be aware of all restrictions in planning their fundraising activities. Before examining Cow Chip Bingo and gun board raffles, the following legal background should be considered:

Gambling

In Texas, gambling prohibitions may put an end to some popular nonprofit fundraising events. There are three parts to an activity that could make it illegal gambling:

1. Money or anything of value is paid to enter the game;
2. The winners are decided by a game of chance; and
3. Prizes of value are awarded.

Both hosts and participants of illegal gambling activities can be charged with criminal offenses. Gambling itself is a Class C misdemeanor and is punishable by a \$500 fine. Hosts can be charged with a Class A misdemeanor for keeping a place of gambling or gambling promotion, offenses which each carry a \$4,000 fine and punishment of up to one year in jail. There are limited exceptions to the gambling prohibitions.

Cow Chip Bingo

Cow chip bingo is a fundraising event held in locations with open fields and cows. A field is marked off into a numbered square. A person purchases a square (or a temporary deed), reflected by receipt of a numbered ticket. A prize is awarded to the person who owns the square where the cow drops a patty. It is known by in different locations by names such as Cow Pie Lottery, Bovine Bingo, or a similar variation known as Chicken “Stuff” Bingo. Therefore, Cow Chip Bingo is a game which meets the definition of illegal gambling.

The Texas legislature has excepted the game of Bingo from the state’s gambling restrictions. “Bingo” is defined as “a specific game of chance . . . in which prizes are awarded on the basis of designated numbers or symbols conforming to randomly selected numbers or symbols.” Tex. Occ.Code Sec.2001.002(4). In order to operate a legal bingo activity, a qualified organization must have a license and operate a game of chance in which prizes are awarded on the basis of

designated numbers or symbols **on a card** conforming to numbers or symbols selected at random, whether or not a person who participates as a player furnishes something of value for the opportunity to participate. Tex.Occ.Code Sec.2001.551. The Bingo commission has authority to **regulate bingo cards**. An open field marked off in a grid does not appear to be a card so as to fall within the definition of an unlawful bingo activity.

Additionally, Cow Chip Bingo does not fall within the statutory definition of unlawful Bingo because the winner is determined by the ultimate “placement” of the cow chip, rather than by “designated numbers or symbols conforming to randomly selected numbers or symbols on a card.” Instead, participants in Cow Chip Bingo choose their board piece by purchasing a square on a grid and winners are determined by the landing of a cow chip.

Cow Chip Bingo does not fall within the “Bingo” exception to gambling. The Texas Attorney General has not issued an opinion letter discussing the legality Cow Chip Bingo, so the question remains whether the popular fundraising activity could fall within the raffle exception to gambling.

Raffles

In Texas, The Charitable Raffle Enabling Act (“CREA”) governs nonprofit fundraising events involving raffles. The following is a brief overview of the guidelines a nonprofit organization must follow to conduct a legal raffle:

Qualified Organizations.

Only the following organizations may hold raffles:

- Religious societies
- Volunteer emergency medical service providers
- Volunteer fire departments
- Qualified nonprofit organizations (i.e., the organization has been in existence for three years or more and is exempt from federal taxes under Section 501(c) of the Internal revenue Code)

What is a “raffle”?

A raffle is defined in CREA as “the award of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize.”

Prizes offered

It is unlawful to hold a raffle in which cash, or anything readily convertible to cash, is offered as a prize.

- If the raffle prize has been *purchased or exchanged* for some consideration, then the value of the prize may not exceed \$50,000, or \$250,000 if the purchased prize is a residential dwelling.
- There are no value limits on prizes *donated* to the organization.
- The raffle prizes must be in the possession or ownership of the organization, or it must post a bond for the full amount of the value of the prize with the county clerk of the county where the raffle will be held.

Ticket Requirements

Nonprofits often utilize rolls of small numbered tickets. However, CREA has very specific requirements for raffle tickets. Each raffle ticket must have the following information printed on it:

1. The name of the organization conducting the raffle;
2. The address of the organization conducting the raffle;
3. The ticket price;
4. A general description of each prize having a value of more than \$10 to be awarded in the raffle;
5. The date on which the raffle prize(s) will be awarded.

Other Restrictions.

- No person can be compensated directly or indirectly for organizing or conducting a raffle or for selling raffle tickets.
- Organizations cannot promote the raffle statewide or through paid advertising, including television, radio or newspapers.
- A qualified organization may hold only two raffles per calendar year and only one raffle may be held at a time, except for wildlife conservation associations, which can hold an unlimited number of raffles.

Both hosts and participants of illegal gambling activities can be charged with criminal offenses. Conducting an unlawful raffle is a Class A Misdemeanor and participating in one is a Class C misdemeanor.

If the award of prizes for the winner of cow chip bingo is given to the holder of the ticket or deed corresponding to the number on the grid where the animal has made a deposit, a nonprofit could legally operate the event if it complies with the other restrictions of CREA. Most importantly, the ticket should meet the statutes' requirements and the prize must not be "cash".

Gun Boards

A gun board raffle is a type of raffle in which prizes (guns) are grouped in various "boards" and tickets are sold specific to each board. Participants purchase tickets based on which group of prizes they would like to win, and a drawing takes place for each board. This type of fundraising activity fits the statutory definition of "raffle" because it involves "the award of one or more prizes by chance at a single occasion among a single pool or group of persons" who paid for a "ticket that represents a chance to win a prize." For a gun board to be legal, the nonprofit must follow all raffle ticket requirements outlined above. Moreover, the nonprofit (except wildlife conservation associations) conducting the gun board should know that they may only host such events twice a year.

Nonprofits should carefully review fundraising ideas to fall within the limited exceptions to the gambling laws. Don't just let the chips fall where they may.