



Katherine E. Collins
Vice President for Finance

MEMORANDUM

To: All Departments

From: Kathy Collins, Vice-President for Finance *KC*
Darrow Zeidenstein, Vice-President for Resource Development *DZ*

Date: October 18, 2013

Re: Fundraising Events Using Raffles, Bingo, Casino Nights and Other Games of Chance

Texas law generally prohibits most types of gambling or games of chance in which prizes of value are at stake. Even when the law does occasionally permit some charitable organizations to use raffles, bingo, drawings, or even poker games as fundraisers, important restrictions and limitations apply. We are writing to provide some guidance on the use of these activities to raise money at Rice University.

A. Raffles

Under Texas law, certain non-profit organizations that are exempt from federal taxation under Internal Revenue Code Section 501(c) are permitted to hold a limited number of raffles, though the law regulates and scrutinizes the manner in which a raffle is conducted. A raffle is defined 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.” The rules and limitations on raffles are found in the Texas Occupation Code, Chapter 2002. Rice is permitted to hold two raffles each calendar year, but due to regulatory requirements and heightened law enforcement scrutiny, student groups are not permitted to hold raffles. Those University offices, departments or units interested in holding a raffle fundraiser should first obtain the permission of the Vice-President for Resource Development, who will consider whether such a raffle would fit within the University’s overall fundraising strategy and will be responsible for ensuring that Rice does not exceed the limit of two raffles per calendar year. Permission should be obtained very early in the planning of a raffle fundraiser in order to avoid compliance problems and to ensure that the raffle will be allowed to occur.

State law defines “drawings” to mean “a contest in which the recipient of a prize is determined from all of the entries received” and does not involve a payment or promise of a thing of value in order to participate (e.g., a door prize). Any questions about holding a drawing as a fundraiser should be directed to the Office of the General Counsel.

B. Bingo

Texas law also permits operation of bingo fundraisers by certain charitable organizations that are exempt from federal taxation under Internal Revenue Code Section 501(c). The rules and legal restrictions for holding a bingo fundraiser are voluminous and complex and are contained in Texas Occupations Code Chapter 2001. These legal requirements include requiring bingo events to be licensed in advance, organizers to complete state training, and charities to maintain certain accountings and collect specified levies (to be remitted to the state) on winnings. Charities are

allowed to obtain temporary licenses for occasional bingo games. Criminal penalties can arise from violations of these detailed bingo laws. For these reasons, the University has determined that Rice groups and organizations should refrain from using bingo fundraisers in which participants must pay to play. Bingo games may be staged, even if they involve prizes of value, only if the participants are not required to pay money or promised a thing of value for the right to play; of course, due to these limitations, such games are not effective fundraisers and can only serve as entertainment.

C. Casino Nights and Poker Tournaments

Recent years have seen a growing popularity in casino night fundraisers and charity poker tournaments. Texas Penal Code Section 47.02, however, prohibits many types of gambling and may prohibit some of these fundraisers. The statute prohibits, among other things, betting "anything of value" at a game involving dice, cards, or other gambling devices. The law broadly defines the concepts of "betting" and "anything of value," which consequently prohibits some of the more common types of casino night fundraisers.

Typically, a patron at a casino night fundraiser pays an admission charge or makes a donation to receive a predetermined amount of "chips" which are then used to gamble; the patrons may also have an opportunity later in the evening to buy, or bid on, prizes of value using the chips they have accumulated while gambling at the event. Technically, the availability of these prizes of value makes the event illegal. A casino event can be held only if the gambling is solely for enjoyment ("for fun") and the gaming does not increase a patron's chances of winning or buying a prize. A casino event can be held if there are no prizes of value auctioned, sold or awarded based on the outcome of the gaming. An event is also permissible if it has prizes with no real monetary value, such as certificates of recognition or nominal value plaques, or if the prizes are given away after a door prize drawing. But the event is illegal if patrons can, through their gaming, improve their chances of winning prizes of value.

Similarly, poker tournaments can easily cross the line into illegality if prizes of value are awarded based on play. Penal Code Section 47.02 prohibits games of chance for money, and specifically includes games involving cards. Texas law allows some exceptions from this general prohibition, but these exceptions are intended to allow people to play gambling games, like poker or other card games, in their private homes without risk of prosecution. The gambling prohibition does not apply when a game is held in a "private place" (court interpretations limit this to one's home), there is no economic benefit other than personal winnings and all the money is awarded as winnings (there is no house "cut" or "vig"), and the players have an equal chance of winning except for their own skill or luck. Practically speaking, state law only allows card games for money in private games, in one's home, and as long as no one is taking a cut from the pot. Despite the growing popularity of card events, state law makes illegal those card tournament fundraisers in which people pay money to play and have a possibility of receiving money prizes (or other things of value). Therefore, Rice cannot allow its offices or organizations to host a casino night or poker event as a fundraiser.

The prohibitions in Penal Code Section 47.02 also apply whenever games of chance are "played with cards, dice, balls, or any other gambling device," which requires applying the analysis above to any events involving those games.

We hope that this guidance is helpful to offices and departments in planning events. You may forward any questions to one of us or to the Office of the General Counsel.