



OFFICE OF THE ATTORNEY GENERAL OF TEXAS

AUSTIN

GERALD C. MANN
ATTORNEY GENERAL

Honorable J. W. Calhoun
Comptroller, The University of Texas
Austin, Texas

Dear Sir:

Opinion No. C-2511
Re: United States Treasury Notes
as eligible for investment of
the University Permanent Fund.

Under date of July 2, 1949, you submitted the following question to this Department:

"Will you please advise this office as to whether in your opinion United States Treasury Notes are legally eligible for investment of the University Permanent Fund?"

Article 7, Section 11, of the Constitution of the State of Texas, as amended in 1932, provides that the Permanent University Fund ". . . shall be invested in bonds of the United States, the State of Texas, or counties of said State, or in school bonds of municipalities, or in bonds of any city of this State, or in bonds issued under and by virtue of the Federal Farm Loan Act approved by the President of the United States July 17, 1916, and amendments thereto; . . ."

United States Bonds and Treasury Notes are issued under the provisions of United States Code Annotated, Title 31, Chapter 12, The Public Debt. Section 752 of this statute is the section under which United States Treasury Bonds are issued. Section 753 is the section under which United States Treasury Notes are issued. Section 767 requires the creation of a cumulative sinking fund, ". . . for the retirement of bonds and notes. . . ."

United States Bonds and United States Treasury Notes are direct and unconditional obligations of the United States. In each instance, there is an unconditional obligation on the

part of the United States to pay a sum certain on a date certain, and for the payment of such obligation a sinking fund is provided. The chief distinction between the United States Bond and the United States Treasury Note seems to be that Treasury Bonds are issued for periods in excess of five years, while Treasury Notes are issued for periods of over one year and not exceeding five years.

All of the essential characteristics of a bond are possessed as well by United States Treasury Notes as by United States Treasury Bonds. It is our belief that the framers of the constitutional provision in using the term "Bonds of the United States", did not intend it in the technical sense in which it is used by the Congress to distinguish between long term obligations and obligations issued for periods of over one year and not exceeding five years. On the contrary, we believe it was intended to authorize the investment of the Permanent University Fund in those direct obligations of the United States Government possessing all of the essential characteristics of a "bond", regardless of the appellation used by Congress in describing the issue.

For the reasons stated, we are of the opinion that United States Treasury Notes are eligible investments for the Permanent University Fund.

Yours very truly

ATTORNEY GENERAL OF TEXAS

APPROVED JUL 20, 1940

Robert Allen
FIRST ASSISTANT
ATTORNEY GENERAL

By

Richard W. Fairchild
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Assistant

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