

Frequently Asked Questions

Regarding the Proposed Changes to the RPAC Fundraising Goal Policies

Background

1. Why do we need to change RPAC fundraising goals, anyway?

Today's new political landscape calls for a new system of raising money if RPAC is to remain effective. Instead of a "Fair Share" goal that is arbitrary and has no relevance to RPAC's overall financial needs, we need a strategic process that is based on what we need to influence the races we choose to enter.

We need a strategically set goal that, along with other recommendations, will ensure NAR can continue to be the preeminent advocate for the American Dream of Homeownership and the buying and selling of real property.

2. What does the *Citizens United* Supreme Court Ruling have to do with these recommendations?

The cost of making our voice heard in an election has grown dramatically since the *Citizens United* Supreme Court ruling in 2010. This ruling eliminated the requirement that only hard dollars (or personal voluntary contributions) be used to pay for campaigns designed to influence the outcome of an election. Soft dollars can now be used when communicating with the public to influence voter opinions. Wealthy individuals and corporations can now spend unlimited amounts of money on elections. The cost to compete against these well-funded entities is high and means we must change our strategy. In short, this changes everything.

NAR reacted to this new political landscape by taking a hard look at our RPAC fundraising goals and the way we set them. Are we still being effective? Are we still the strongest voice for real estate? The result of all of this research, analysis and discussion was the creation of a set of recommendations to change key aspects of our fundraising programs.

We need a system that will be responsive to the changing environment and provide a foundation for our continued effectiveness as the voice for real estate in the new political landscape.

3. What are the benefits for State and Local Associations?

The new structure will give State Associations greater flexibility in how they meet their goals. State Associations would have the freedom to decide when they send their Hard and Soft dollar investments to NAR to meet their needs-based goal. It will also reinforce the understanding that the best fundraising is done at the local level. By working together to raise more money at all levels of the organization, State and Local Associations will be able to continue to be the best voice for real estate in their states and communities. Additionally, several of the recommendations seek to simplify a sometimes confusing set of requirements for State associations.

Important Definitions

4. What's the difference between hard dollars and soft dollars?

Hard dollars are voluntary contributions from individuals and are the only type of funds that can be given directly to candidates.

Soft dollars are generally raised from organizations and corporations and can ONLY be used for independent expenditures. Soft dollars also include non-voluntary investments from individuals—in our case, dues dollars or assessments. Unlike "hard money," with its firm limits on contributions, soft money is largely unregulated. There is, in fact, no limit whatsoever on the amount individuals can invest. Hard dollars are deposited into RPAC accounts, while soft dollars must be deposited into the NAR Political Advocacy Fund (PAF).

5. What are independent expenditures (IEs)?

Independent expenditures are expenditures made in support of a candidate that are independent of the candidate's campaign. In other words, these expenditures (commercials, ads, flyers, and phone banks for example) are done without coordinating with the candidate's campaign.

This form of involvement in the electoral process has become critical since the *Citizens United* Supreme Court Ruling. Simply contributing to a candidate's election committee is not enough anymore.

By the way, NAR only does positive campaign advertising. We do not engage in negative advertising.

Where the Money Goes

6. If the 70/30 split is going away, how does each State Association know how much to send to National?

Before the two-year election cycle begins, each State Association will receive its needs-based goal based on membership. The goal will be the same for each of those two years in the election cycle. The goal will be set at the Realtor Party Convention and Trade Expo in order for State and Local Associations to know the amount for which they are billing in the coming cycle.

7. May my Local Association send money directly to NAR to meet its goal?

No, Local Associations must still work through their respective State Association to send contributions to NAR – even if the Local has its own PAC.

8. What happens if a State Association sends more than its needs-based goal to NAR?

Investments are still counted *only* in the fundraising year for which they were raised. State Associations can continue to send more than their goal and, just like now, the total sent will continue to be displayed on all appropriate fundraising reports.

Additionally, State Associations that go above and beyond will be recognized at the National Awards Ceremony. Having State Associations exceed their goal is critical to ensuring the National needs-based goal is met even if some State Associations are unable to meet their specific goal.

States Associations that exceed goal are also critical in ensuring NAR maintains a strategic financial reserve for occasional unanticipated political funding opportunities that may arise mid-cycle. Any such opportunities would be scrupulously examined by the RPAC Disbursements and Fundraising Trustees and sent through the appropriate NAR approval process.

9. What happens if a State Association does not meet its needs-based goal?

Just like now every state will be encouraged to meet their fundraising goal. There is no punitive action taken against a state that does not meet goal but that state will not receive recognition at NAR national meetings.

10. Isn't NAR putting itself at risk of not raising what we need at the federal level?

Moving to a needs-based goal setting model will actually *reduce* the risk to NAR because the need *is* the goal, not an arbitrary "Fair Share" amount. Isn't there a risk that a state may not meet its needs based goal? Yes, but that is the same risk that already exists under the current RPAC fundraising goal policies.

Additionally, under the current policies State Associations may choose to keep everything they raise after reaching Fair Share Goal. This *has* put NAR at risk for the past several cycles because the Fair Share amount is not sufficient to meet the federal need and state associations *are* permitted to stop sending funds to NAR after they've hit their goal. However, a large portion of State Associations *have* made the strategic decision to continue to send funds to NAR well after they've reached their Fair Share Goal, enabling NAR to continue to meet the federal need despite the fact that the goal was too low.

Under the proposed policies State Associations that are able to send funds above and beyond their needs-based goal will continue to be recognized for their efforts at the RPAC Awards Ceremony. Funds sent to NAR above the needs-based goal will be critical in developing a strategic financial reserve for NAR's federal funding.

11. How does the money raised through President's Circle impact a State Association's fulfillment of its needs-based goal?

Money contributed through the President's Circle Program will not be counted toward an Association's needs-based goal. However, this program continues to be a critical part of our electoral involvement and will be counted toward the achievement of other NAR Awards and Recognition, like the Triple Crown and President's Cup Awards.

Presidents Circle contributions will continue to be counted toward a members Hall of Fame total.

Determining and Meeting the Goal

12. Who sets the "needs-based" goal every even-numbered year?

The goal is set every two years by the NAR RPAC Disbursements Trustees Committee, endorsed by the RPAC Fundraising Trustees, reviewed and approved by the NAR Leadership Team, and voted on by NAR's Board of Directors. This transparent process ensures ample opportunity for feedback at all levels of the organization.

13. Can my State Association continue to raise money the same way it does now?

Yes, each State Association decides how they want to raise money and when to send it to National. For example, a State Association might choose to continue to split it 70/30 (70 percent in the state and 30 percent to National), or in some other way, until the needs-based goal is reached. Or a State Association may decide to send all of its RPAC receipts to National until it has reached goal and then keep the rest for that year. However states decide to proceed they **must comply** with state and federal law.

Regardless of how states choose to meet their goal, 30% of funds raised must be forwarded to NAR for Major Investor Recognition. And yes, each dollar of the 30% forwarded to NAR counts toward that state's goal.

14. How will Local Association goals be determined under the new needs-based goal structure?

State Associations will continue to work with their Local Associations, as they do now, to determine how best to meet the goal in their state. They may choose to continue to fundraise and set goals as they have been or they may identify a new approach that better fits their needs. This flexibility will enable State and Local Associations to make the best decisions for their specific needs.

15. What happens if the goal is not approved by the Board of Directors?

If the BOD does not approve the needs-based goal for the coming election cycle, the proposal goes back to the Disbursement and Fundraising Trustees Committees. Recommendations from the Trustees' Committees then go to the Leadership Team for their consideration per the existing process. Since the BOD meets regularly only twice a year, the Leadership Team would then make the final determination of the needs-based fundraising goal so that State and Local Associations can move forward with their fundraising plans and dues billings.

16. How can you possibly know how much we need each election cycle?

The RPAC Disbursement Trustees set the goal through a detailed analysis. The most important requirement is that candidates NAR supports must be strong proponents of REALTOR® issues. The Trustees are very thorough and realistic in their analysis. For instance, we don't waste money on elections where there is very little chance of influencing the outcome. And, we don't spend money on

Independent Expenditures where we believe the REALTOR® Champion is going to easily win.

Once we have identified the races where we think we can truly have an impact, we look at the cost of purchasing TV, radio, print and online advertising in those markets. Like housing, advertising costs vary greatly from market to market and from year to year. For example, a TV spot in San Francisco is far more expensive than purchasing the same one in Peoria, Illinois. Once again, we do not run negative advertising.

MLS & Corporate Involvement

17. What is this RPAC/MLS Independent Expenditure Program?

The RPAC/MLS Independent Expenditure program is an NAR-lead effort, in collaboration with state and local associations, to partner with Multiple Listing Services and encourage them to contribute to NAR's Independent Expenditure efforts. This program is a strong first step to help us compete in the post-*Citizens United* world. Money raised will be added to the NAR Independent Expenditure program. Fifty percent of the funds raised will be used for Federal Independent Expenditure Campaigns. The remaining 50% will be allocated for use in State and Local Independent Expenditures in the state in which they were raised.

18. How does the money raised for the MLS Independent Expenditure Program affect the RPAC Goal my State Association is expected to meet?

Money raised through the RPAC/MLS Independent Expenditure Program will be applied to the National needs-based goal. This has the potential to dramatically reduce the amount needed from each state in the next fundraising year. As the cost of Independent Expenditure Campaigns continues to climb, this will help us continue to be competitive in Federal, State and Local elections without a drastic increase in what we must otherwise raise.

19. How does my MLS participate in the RPAC/MLS Independent Expenditure Program?

NAR will take the lead, in collaboration with State and Local Associations, and work directly with Multiple Listing Services. MLS's have different options on how to participate. For example, the solely-owned MLS or MLS committee may make a lump sum contribution from its operating budget, spread out the total investment across all members or some other combination.

20. Isn't this "robbing Peter to pay Paul" since we were already fundraising from MLSs?

No, in the past less than 1% of NAR's total raised per year was from MLSs, which is small compared to the amount anticipated to be raised by this effort. See Appendix A for details on different investment types and what 'counts' towards the fundraising goal.

State Association Guidelines

21. If the goal is set for a cycle, will recognition be every two years as well?

No, recognition will still be done on an annual basis. This will help to keep fundraising on an even keel and allow State and Local Associations along with the volunteer leadership to be recognized for their achievements every year.

22. Is there anything else my State Association needs to do if they want to change the way they raise money and send it to NAR?

Yes, while a State Association has a great deal of flexibility in implementing its fundraising efforts, it is requested they notify NAR if they intend to significantly change the amount of hard versus soft dollars or the timing of their transmittals. The purpose of this notification is to help manage cash flow over the course of the election cycle.

23. Doesn't changing how a State Association raises money change legal compliance requirements?

Yes. If a State Association wants to change how they raise money they will work with the NAR Legal team to ensure we are all meeting our compliance requirements (Federal, State and Local). NAR will review proposed disclaimers needed for soliciting political contributions.

24. Won't this cause a problem since the proposed changes would take effect in 2015 and dues billing is already going out in many states for that year?

No. The overall needs-based goal proposed for 2015 is less than the amount that State Associations actually sent NAR in the last full fundraising year (2013) so their current efforts should be sufficient to meet the needs.

25. Why change the recognition year to a calendar year?

In order to be perfectly in sync with election cycles it is necessary to change the Fundraising Year to the calendar year. This will also greatly benefit State Associations as it will simplify their book keeping. A calendar year also has the

advantage of being this easier to explain and allows members on payment plans to more easily spread them out for a longer period. This will require a change to the timing of the National Awards Ceremony from the Annual Convention to the Mid-Year meetings.

26. How will changing the Fundraising Year to the calendar year be implemented?

The 2015 Fundraising year will be extended two months to so that it ends on December 31st, 2015. From that point forward the Fundraising year will run from January 1st to December 31st. Note that just like now, there will continue to be deadlines for transferring funds to NAR prior to the official end of the Fundraising Year in order to be counted towards that year.

27. Is there a per member goal?

No. However, the membership count is used to determine the portion of the National goal for which a State Association is responsible. Once the goal is set though, the State Association may raise money from members and organizations such as Local Boards, Brokerages and other businesses.

28. Have there been any changes to how participation is counted with the change from Fair Share to needs-based goals?

No. While there is no per-member investment amount, NAR will continue to base participation on members who contribute \$15 or more.

29. Will my State and Local Associations still receive awards for meeting fundraising goals?

Yes. Although there will be some changes to the timing of awards, the overall structure of Awards and Recognition will mostly stay the same. The change in timing will be to move the yearly awards ceremonies from the November Convention to the May meetings.

Miscellaneous

30. May State or Local Associations assist each other to accomplish their election objectives?

Yes. NAR will continue to facilitate exchanges that associations that have sufficient financial resources may make those available to others who may want

to participate in an important election with an independent expenditure but not have the funds available at that time to do so. In most cases those funds will be provided based on an agreement or understanding that the funds will be later returned to the association that provided them.

31. I have opinions and questions about this – where and how do I direct them?

Is this a done deal?

At this stage, these are recommendations only. Before any of them are adopted as policy they must be approved by the NAR Board of Directors. Prior to that vote, questions and comments are welcome and can be directed to Designated Representatives of the PAG!