

# Issues Briefing Paper

www.C.A.R..org

May 28, 2009

**Executive Office:**  
525 South Virgil Ave.  
Los Angeles, CA  
90020  
213.739.8200

**Legislative Office:**  
980 Ninth St., Ste.  
1430  
Sacramento, CA  
95814  
916.444.2045

Political Affairs Committee

## **Study the Adoption of A New Fundraising Method with Options**

The following is for discussion and has NOT been approved by any Committee.

**Issue:** Should C.A.R. explore the feasibility – both legally and politically – of a reverse dues check-off system to increase political giving.

**Action:** Optional

**Options:**

- A. Conduct a thorough fundraising study of a reverse dues billing system for consideration by C.A.R. (As outlined in Section 2 below.)
- B. Retain the current system of inclusion on some local association dues billing statements while continuing the current REALTOR® Action Fund solicitation on the dues billing statement (\$49.00 suggested amount). In addition, C.A.R. should continue to generate additional funds through the various high donor investment programs currently in place.

**Status/  
Summary:** The slowing real estate economy has resulted in a predictable reduction in "discretionary" contributions to, among other things, C.A.R.'s political action committees. Some local REALTOR® associations use a dues billing mechanism that builds a political contribution share into each member's dues billing. Other industries and professional organizations build a standardized political contribution into each member's dues which contain a mandatory portion allocated to political action. In these outside groups, members that choose not to support political campaign funds would not see a reduced dues bill, but could choose to have their contribution share go to the general fund. CREPAC will have adequate resources through the 2010 election cycle. Changes, if any, to the RAF fundraising system would not be expected or needed until 2011. Independent of any changes in that system C.A.R. fundraising major donor programs for REALTOR® Political Action Committee RPAC will continue.

**Discussion:** The California Association of REALTORS® is a non-profit trade association that raises voluntary contributions to support the political action committees (PACs) that promote and protect C.A.R.'s state and federal public and policy agendas. The candidate campaign contributions from the various PACs are an important part of C.A.R.'s Government Affairs effort. Unlike membership dues, political contributions are not tax deductible, and have historically been voluntary. Over the years it has been suggested that political investments for supporting candidates should be mandatory so that all members invest their "fair share" in supporting the political agenda of the organization, just as all support it's legal or risk management activities. Currently - 22 percent in 2008 - contributed to the RAF. We are not experiencing anything unique given the current state and national economy; predictably voluntary political contributions have dropped from \$5.5 million in 2006 with 30 percent contributing to a projected \$2.5 million for the year 2009 with 18 percent investing (See attached charts 2001-2009). It is interesting to note that NAR is only at 13% for 2009. Finally, the current system is complex with different local associations utilizing a variety of non-standard, dues billing statements.

## **I. C.A.R.'s Current Political Fundraising Programs**

### **A. REALTOR® Action Fund – C.A.R.'s main fundraising program**

As part of the annual C.A.R. dues billing statement, members may contribute to C.A.R.'s voluntary REALTOR® Action Fund. Some dues billing statements include the \$49.00 recommended voluntary contribution "above the line", others "below the line". It is either included and you subtract it (above the line) or you add it on (below the line). The C.A.R. Board of Directors directed local REALTOR associations to use the "above the line" system. Currently seventy-one of the one hundred and eighteen associations use this system.

Each C.A.R political action committee receives a designated percentage of the total REALTOR® Action Fund dollars received. The 2009 standard allocation is: (1) California Real Estate Political Action Committee/Board of Realtors Political Action Committee 30 percent; (2) California Real Estate Political Action Committee/State forty-five percent; and (3) California Real Estate Independent Expenditure Committee twenty-five percent.

### **B. California Real Estate Political Action Committee/Federal**

C.A.R. also raises funds for the Realtor Political Action Committee (RPAC) on the federal level. Dollars collected for CREPAC/Federal cannot come from corporate sources. Given this legal restriction, should a reverse dues billing system be adopted, it should be understood that C.A.R. will have to maintain separate fund raising efforts for RPAC. In other words, the "99 Club", the NAR Sterling and Golden R levels will all be continued if a reverse dues billing system is ultimately adopted.

### **C. Issues Action Fund**

In addition to the committees supported through REALTOR® Action Fund, C.A.R. has established a mandatory Issues Action Fund (“IAF”). This fund is a line item in the C.A.R. budget that collects \$10.00 from the annual dues of each C.A.R. member to pay PAC administrative expenses and legal, accounting, and reporting expenses. Any funds remaining in the IAF, after paying PAC administrative expenses, are allocated to C.A.R.’s Issue Mobilization Political Action Committee (IMPAC). Investments remaining from the IAF are allocated between state and local IMPAC’s using a ratio of 70%:30% between the two. PAC administrative expenses are approved annually as part of the normal C.A.R. budgetary process. State law requires C.A.R. to report its PAC administrative expenses.

#### D. Political Activities Fund

In addition to the Issues Action Fund, C.A.R. has established a mandatory Political Activities Fund (PAF). This fund is a line item in the C.A.R. budget that collects \$10.00 from the annual dues of each C.A.R. member to pay for member education in various political action arenas, member mobilization services, a portion of the Government Affairs Division field representative operation, and assists in offsetting other costs related to C.A.R.’s political action agenda.

#### E. RAF Fundraising Enhancements

As of July 31, 2009, Chase Bank (formerly WaMu) is no longer supporting the RAF Online Investment Management Service. The transition will be done in two phases:

1. Phase one: The RAF Online Investments will be done through the new Convio system.
2. Phase two: C.A.R.’s REALTOR® Action Fundraising will be partnered with the Aristotle 360 system, which will allow C.A.R. to maintain and manage multiple tasks, i.e. the data flow from the local AORs to C.A.R. and disbursement of RAF investment funds.

On August 1, 2009, REALTOR® Action Fund Contribution Management Services will be provided to C.A.R. by the NAR RPAC Convio (formerly known as GetActive Software) and Aristotle 360 system. The new contribution management system will provide C.A.R.’s REALTOR® Action Fund with the ability to tailor our fundraising to be more effective in reaching or “targeting” our members.

1. The system has ability to target each member based on participation level with specifically tailored messages.
  - A. If a member has been a \$197 investor, the system is aware that the member is renewing their RAF investment; therefore, the message would “thank” the member for their continued support.

- B. If a member never invested in RAF, the system would generate an investment landing page that would provide information on the “importance of investing,” rather than thanking them for their investment.
2. The system has the ability to communicate information between different membership systems, i.e. Rapattoni and IMIS. Consequently, this would alleviate the need for repetitive reporting.
3. The system has the ability to provide “real time reporting” to better reflect and track RAF investments.

#### F. General Discussion

Nine years ago, a “reverse dues billing system” was considered by C.A.R. with a \$30.00 per member “fair share” investment per year. [A reverse dues billing system works by itemizing on the dues billing statement an amount which must be paid as a part of the dues. The member does have the option of electing to have that amount directed to the C.A.R. general fund, if the member does not want that money to go to a candidate fund, but the member must pay it. ] After discussion and debate, it was concluded that the reverse billing system was not to be pursued and the Political Activities Fund (PAF) was instituted at \$10.00 per member per year. The theory of the PAF was that, if C.A.R. educated its members on the value of governmental affairs, there would be no need for a mandatory contribution to the political action committees. The “reverse” system also generated a plethora of legal questions which were ultimately left unresolved due to the adoption of the PAF. Those legal concerns continue and there is further concern from legal that a reverse dues billing approach may be ripe for challenge.

## II. Fundraising Projections

Conservative projections for PAC fundraising, using the current practices, raise serious questions about C.A.R.’s ability to sustain its position beyond 2011 as a leader in the professional and business community sectors of California state politics. In 2001, C.A.R. raised just short of \$1,500,000 with 16 percent of the almost 100,000 members contributing. By 2006, C.A.R. raised just short of \$5,500,000 from 30 percent of a membership totaling 206,000. Projections for 2009 predict C.A.R. will raise just short of \$2,500,000 from 18% of a membership totaling 166,000 members.

Membership projections by C.A.R.’s Department of Research and Economics, predict that C.A.R. membership will fall to roughly 150,000 for 2010 and remain at that level for 2011. If C.A.R. can maintain the same percent of political contributors and they contribute the same per capita amount as in 2009, it can be expected that C.A.R. will raise \$2,270,000.00 in each year or roughly \$230,000 less than in this year.

Please see the attached Chart #1 for per year numbers and percentages. It should be noted that the rise and fall of C.A.R. political fundraising correlates with the ebb and flow of the dollar volume of real estate sales. Please view attached chart #2 for those figures.

### **III. Political Capital Needed: 2009-2010 Cycle**

In any given two year election cycle, C.A.R.'s PACs support literally hundreds of incumbents and/or candidates at the state and local level. Locally, CREPAC/State administers accounts for local REALTOR associations that support county supervisors, mayors, city council members and those running for a variety of lesser positions in local government. In some years the number of checks written has exceeded 600. It appears that there is sufficient funding to maintain the current levels of local spending through the next 3-5 years.

On the state level, in any given election cycle, CREPAC/State has supported an average of 70 incumbents and/or candidates in primary elections for the State Senate and Assembly. In addition, under the rules of Proposition 34, CREPAC/State has become a major source of funding to both the Democratic and Republican Parties. On top of the candidates and parties, CREPAC/State has become a major source of support for various internal legislative caucuses (New Democratic Caucus, Latino Caucus, Black Caucus, et.al.) Finally, CREPAC/State is a leader in a number of independent expenditure campaigns each of which has an ever changing cast of participants, allies, and coalitions dependent upon the specific candidate being supported. A final consideration in this election cycle is the 2010 governor's race. There has been serious discussion, over the last two years, of mounting a major independent expenditure campaign if an acceptable candidate emerges.

With the exception of the last two years, CREPAC/State and CREIEC have expended the majority of their funds in the election cycle for which they were contributed. The exception is that CREIEC has an adequate reserve fund for the 2010 governor's race. It is projected that the two state level PACs will be able to remain competitive through 2010 but that fundraising problems could develop in 2011 and beyond.

### **IV. For Consideration**

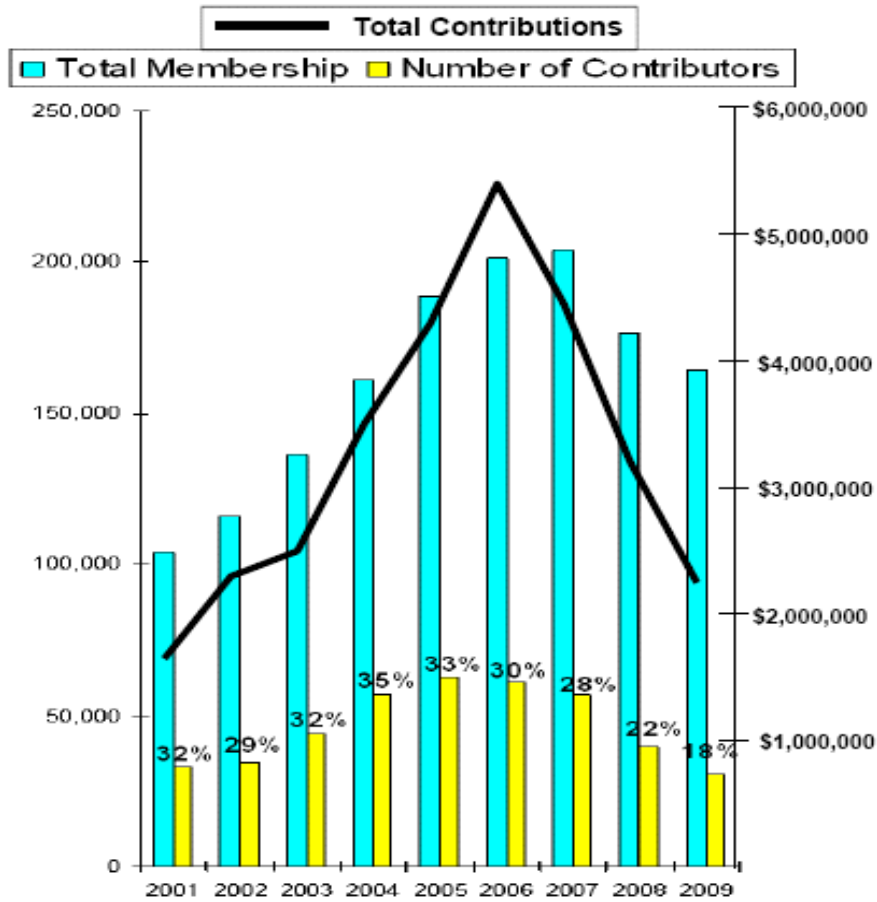
Pursue a fundraising study that would include:

- A. A determination of whether a "reverse dues billing system" is legally and politically feasible for C.A.R. membership.
- B. A determination of how we may better pursue member contributors by identifying: who past contributors are (e.g., new vs. "old" members); how best to target them; assessing why contributors stopped giving etc.
- C. A legal analysis of the proposed system and the possibility of a legal challenge in the form of a "test" case challenging that system.
- D. Polling C.A.R. membership to determine member acceptance of such a system with follow-up focus groups. Attention should be paid to member attitudes towards politics, political fundraising, and why past donors have stopped making PAC contributions.
- E. An assessment as to the appropriate dollar amount to be specified in such a system.

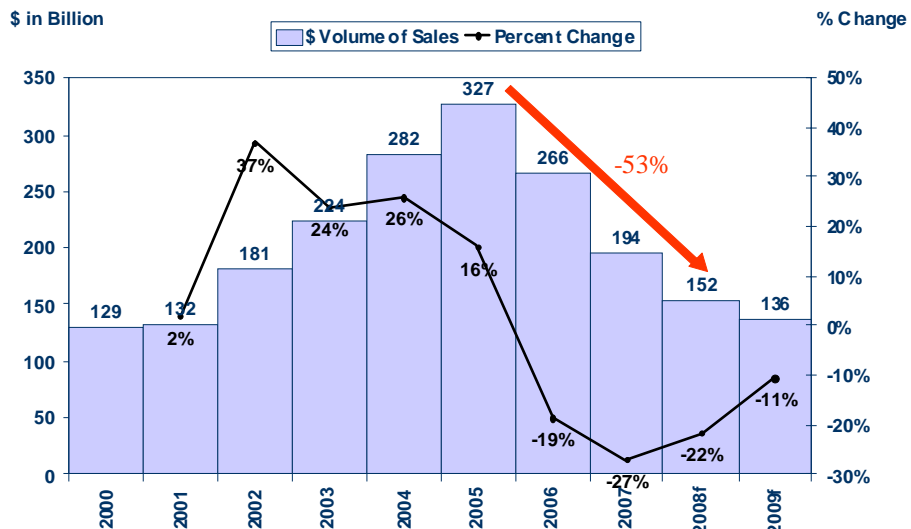
- F. An assessment as to what existing internal fundraising mechanisms to maintain and at what dollar amount.
- G. Study results would be submitted to the Political Affairs Committee for their review and consideration as well as recommendations, if any, to Strategic Planning and Finance Committee.

**V. Options**

- A. Conduct a thorough fundraising study of a reverse dues billing system for consideration by C.A.R.
- B. Retain the current system of inclusion on some local association dues billing statements while continuing the current REALTOR® Action Fund solicitation on the dues billing statement (\$49.00 suggested amount). In addition, C.A.R. should continue to generate additional funds through the various high donor investment programs currently in place.



**Dollar Volume of Sales Peaked in '05  
Down 53% Thru '08**



SOURCE: California Association of REALTORS®



