INDIANA ASSOCIATION OF REALTORS DEFENSE FUND Q & A

Why is this needed now?
Like it or not, market conditions guarantee that the government will continue to be involved in our business in an unprecedented way for the foreseeable future. Forward looking leadership demands that we recognize this reality and prepare for it.

Housing as a product has been tarnished.

> *The market collapse has dramatically changed our position with policymakers, the media, economists, and many now have a stated goal to diminish the nation's homeownership rate. We face a much rockier terrain in the legislative process.*

Lobbying as we have known it has undergone dramatic changes.

> *The best advocacy organizations have a capacity to go over the heads of elected officials directly to the voters in each district. PACs and paid lobbyists are important but insufficient in today's changed world.*

The above trends have emerged at a time when we know that government at all 3 levels is broke. Someone is going to pay those bills. The budget commitment and expanded RDF programming puts us in the best possible position to ensure it is not us.

Wasn't this supposed to be a one-time assessment?
When originally proposed, the assessment was a one-time contribution to establish the fund and create an immediate deterrent. It was not proposed as a multi- year program as many other states had implemented. However, additional contributions were not precluded. As expenditures are made it is prudent to maintain the original deterrent level in the fund, as well as prepare for the changed circumstances described above.

How much have we spent to date?
We have spent or committed approximately $175,000. Those funds have been spent on coalition efforts to promote passage of property tax caps and the Kernan Shepard local government consolidation proposal.

Why does the fund need to be so large?
Statewide issue campaigns are extremely expensive. A one week statewide TV buy can cost $250,000. One week of statewide radio is $60,000-$100,000. Sister states that have fought major battles have spent several hundred thousand dollars in short periods of time.

What about RPAC? Isn't this the same thing?
No. RPAC dollars are exclusively used for contributions to candidates that support REALTOR® issues. RDF dollars allow us to go over the head of legislators and speak directly to voters in their districts, a highly effective but expensive technique.

Does anyone else do this?
Yes, many of our sister state associations have had similar programs for years, often at levels well in excess of what is proposed here. Within our NAR Region 7, Illinois has a $50 annual contribution, Wisconsin $70.

Will this be a recurring thing?

As with all aspects of the budget, the Board of Directors will examine this issue every year. No decisions have been made for future years, but we do know that the public policy environment will remain unusually challenging for the foreseeable future, so this is likely to be a sustained effort.

What will the money be used for?

We will develop a comprehensive issues advocacy program. This means developing a sustained effort to mobilize members and communicate with the public. It is more than leaving funds in the bank for use in emergency situations, it means developing the staff and technological capability necessary for an institutionalized program.

Specifically, we will:

1. Replenish the fund to $1 million, maintaining the big stick that is the best deterrent we have.
2. Develop a comprehensive grassroots involvement strategy for our membership, putting resources into our member's hands that maximize their ability to carry the REALTOR flag.
3. Provide high quality research in support of our positions.
4. Develop an ongoing capability to use paid and earned media.

What happens to the money, and who determines how it is spent?

The money is placed in a segregated fund, separate from association operations. It is invested in a highly conservative manner. Its use is governed by an operating policy adopted by the Executive Committee. A committee of REALTORS from throughout the state, including one from each region, makes funding decisions.

Can't these efforts be funded from association reserves?

Association reserves are currently being used to manage our way through the recession. While we have funded some advocacy efforts with reserves in the past, it is not a viable long-term strategy. In fact, one of the original reasons for the creation of the RDF was that use of reserves was not sustainable. In addition, our reserves are not sufficient to mount a major campaign as may be required. Our investment policy calls for long term reserves to be at 50% of our annual operating budget, we are slightly below that level now.

Do we have to do this now, in the midst of this difficult market?

We recognize that the market is taking a toll on members. We don't propose spending additional dollars lightly. At the same time, we would be remiss in our leadership role if we ignored environmental realities. Our best analysis of the environment shows serious and potentially very costly threats on the horizon. We have watched many of our fellow states fight tax proposals that would cost their members thousands of dollars per year. If just one sale is lost, or one commission taxed, members stand to lose several times their contribution to the advocacy fund. NAR estimates that the median annual commission income for REALTORS in Indiana is $35,600. If taxed at 5%, the annual tax bill becomes $1,780.00 for the average member. In addition, passage of such negative legislation would guarantee that the industry would spend large sums, and perhaps several years, in pursuit of its repeal. We think the responsible, though difficult way to react to such realities is to acknowledge them, and to then prepare.