

NAR ISSUES MOBILIZATION PROGRAM POLICY REVIEW WORKGROUP: AUGUST 23-24, 2018 REPORT TO ISSUES MOBILIZATION COMMITTEE

INTRODUCTION

NAR's Issues Mobilization Program provides financial and technical assistance to state and local REALTOR® associations to support their public policy advocacy efforts. The Program provides assistance on a wide range of state and local public policy issues. The Program is governed by a policy document that covers the scope of the Program, the grant application process, and the grant consideration/approval process. It is revised periodically as the Program grows and matures.

The Program budget increased substantially with the advent of the REALTOR® Party in 2008, and the Program has continued to grow in budget and usage since that time. The 66 grants awarded in 2017 significantly exceeded any previous year, and 2018 grants are on pace with 2017.

The Program is managed by the State and Local Issues Mobilization Support Committee, which is comprised of NAR volunteer members and state/local association staff. In accordance with Work Group recommendations in 2014 and 2015, the Committee approved Program policy changes that addressed such subjects as: a grant applicant "skin in the game" contribution requirement; usage of Corporate Ally program funds; and a streamlined process for considering smaller grant requests.

Considering that the Program continues to experience significant growth, a 2018 Work Group has been approved for the purpose of reviewing current Program operations and recommending policy revisions that will enhance its efficient and effective operation. In 2018, demand (grant requests) has far exceeded supply (grant funds). Program staff and leadership have requested and received additional funds from NAR Finance three times in the 2018 budget year, and we will likely need to make an additional request in 2018 given the continuing high demand.

Since we expect that strong demand will continue to strain Program resources in the coming years, the Work Group will consider and recommend policy revisions designed to: 1) improve management efficiencies; 2) improve Committee oversight; 3) better meet increased demand.

WORK GROUP MEMBERSHIP

The Work Group is comprised of the following 15 members: Committee Vice Chair/Work Group Chair **Greg Herb** (PA); Committee Chair **Chris Rost** (KS); Committee Immediate Past Chair **Rick Violett** (CA); Committee Liaison **Eric Sain** (FL); Vice President-Government Affairs **Kenny Parcell** (UT); GAD Committee Chair **Cady Thomas** (NC); current and past Committee members **Cindi Bulla** (TX), **Nancy Cardone** (FL), **Mike Ford** (AR), **Steve Francks** (WA), **Erin Hervey** (MO), **John Kmiecik** (IL), **Robert McMillan** (AL), **Susan Renfrew** (MA), **Chris Sloan** (UT).

RECOMMENDED POLICY REVISIONS

(Approved by NAR Leadership Team at September 27 Meeting)

GRANTS BUDGET: MANAGEMENT OF BUDGET

Recommended Motion #1: That the Finance Committee consider changing the Issues Mobilization Program's grants budget to operate on a two-year cycle, beginning in odd years and ending in subsequent even years. Any Program grant funds not expended in an odd year carry over to the following even year. Any grant funds not expended in an even year do NOT carry over to the following odd year and revert back to the REALTOR® Party Reserve Fund.

EXAMPLE: The Issues Mobilization Program's 2019 grants budget is \$11.8 million. The Committee awards 60 grants in 2019 for a total expenditure of \$10 million. The unexpended \$1.8 million in grant funds carries over to the Program's 2020 grants budget and supplements the grant funds that have been budgeted for the 2020 fiscal year. The Program's 2020 grants budget is \$11.8 million. With the \$1.8 million in unexpended grant funds carried over from 2019, the total available funds in the grants budget is \$13.6 million. The Committee awards 70 grants in 2020 for a total expenditure of \$12 million. The unexpended \$1.6 million in grant funds does NOT carry over to the Program's 2021 grants budget.

Rationale: This policy addresses the "demand exceeds supply" situation. It will help in managing demand so that grant funds are available through the budget year without requesting additional funds. The odd/even year cycle corresponds to the election cycle, and large issue campaigns on state ballot initiatives are more frequent in even (election) years.

CONSENT AGENDA: INCREASE GRANT AMOUNT CEILING

Recommended Motion #2: That Program policy be amended to increase the limit on grant requests that are eligible for consideration through Consent Agenda from \$50,000 to \$100,000.

Rationale: This policy change will improve Program efficiency by addressing the need for quick action, particularly on smaller grant requests from local associations. Local governments often move quickly on public policy actions with little or no advance notice. The Consent Agenda provides for consideration of smaller grant requests on a weekly basis as needed, rather than waiting for a scheduled monthly conference call or in-person meeting. To date in 2018, the Committee has awarded 34 grants of \$50,000 or less and 9 grants between \$50,000 and \$100,000. If a \$100,000 ceiling had been in place in 2018, it would have eliminated the March, April and June monthly Committee conference call meetings. However, existing policy provides that the full Committee retains authority to consider smaller grant requests. If a Committee member objects to consideration of a grant application through the Consent Agenda process, that application is removed from the Consent Agenda and placed on the agenda of the next scheduled monthly Committee meeting.

CONTRIBUTION STANDARDS: INCREASE REQUIRED MINIMUM “SKIN IN THE GAME” CONTRIBUTION

Recommended Motion #3: That Program policy be amended to increase the association contribution requirements as follows: a 10% minimum contribution on grant requests of \$25,000 or less; a 25% minimum contribution on grant requests between \$25,001 and \$250,000; a 50% minimum contribution on grant requests between \$250,001 and \$750,000; a 100% minimum contribution on grant requests between \$750,001 and \$2 million; a 200% minimum contribution requirement on grant requests over \$2 million.

Rationale: This policy change will address the “demand exceeds supply” situation. It will help in managing demand so that grant funds are available through the budget year without requesting additional funds. Current policy requires: a 10% minimum contribution on grant requests of \$25,000 or less; a 25% minimum contribution on grant requests between \$25,000 and \$1 million; a 50% minimum contribution on grant requests over \$1 million. In recent years, both state and local associations have increased their capacity to contribute funds on issue campaigns. Increasing the contribution requirement will further cement the partnership between NAR and the state and local associations in working together to promote public policies that benefit the real estate industry.

COALITION CAMPAIGNS: LIMITATION ON DIRECT CAMPAIGN FUNDING WITHOUT REALTOR® ADVOCACY ACTIVITY

Recommended Motion #4: That a new Program policy be created to: 1) limit the grant amount on coalition campaigns to no more than 50% of the total campaign budget unless the applicant association is actively involved in the coalition campaign; 2) provide that associations contributing NAR Issues Mobilization funds to a coalition campaign are expected to take an active role in the campaign regardless of the amount of the REALTOR® funding contribution. Additionally, associations are expected to mobilize REALTORS® at an appropriate level in support of coalition campaigns through member advocacy and association communication tools.

Rationale: REALTORS® should be at the forefront in supporting issues that affect homeownership and private property rights. NAR has resources available to assist state and local associations in developing and executing issue advocacy campaigns. Experience has shown that Issues Mobilization funds are often requested by an association and then turned over to a coalition with no further input or involvement from the association. This new policy ensures that, rather than simply turning over funds to another group on issues that affect REALTORS®, state and local associations will be taking a leadership role on advocacy efforts on issues that affect real estate.

DECISION-MAKING CRITERIA: ELABORATE ON CRITERIA FOR COMMITTEE CONSIDERATION OF A GRANT APPLICATION TO PROVIDE BETTER DIRECTION

Recommended Motion #5: That Program policy be amended to provide more detailed guidance to assist the Issues Mobilization Committee in determining whether a grant application: 1) involves a public policy issue that “affects REALTOR® interests” and is therefore within the purview of the Program; 2) qualifies for approval. Program policy shall be amended as follows:

“The Committee will consider the following criteria in making its decision on applications. In applying these criteria to a particular application, the Committee will engage in a balancing process with the objective of approving applications that satisfy one or more of the criteria under each of the following categories:

Importance/Scope of Impact of Public Policy Issue

1. The outcome of the issue will have ~~an economic impact~~ **consequences** at the state, regional or local level **that significantly impact the real estate industry.**
2. The outcome of the issue will have ~~a non-economic impact~~ **consequences** at the state, regional or local level **that significantly impact the real estate industry.**
3. **The outcome of the issue will potentially or likely have nationwide consequences for the real estate industry.**

REALTOR® Involvement in Public Policy Issue

1. ~~The application demonstrates that REALTORS® are actively involved in the issue.~~
2. ~~The application demonstrates REALTORS® commitment to the issue.~~ **The applicant association and its members have an active role in the issue campaign** (i.e., evidence of volunteer time; evidence of coalition building; membership in coalition steering committee; participation in coalition meetings; contribution of funds ~~toward issue campaign~~).
3. The applicant association has taken an official position on the issue.
4. **The applicant association has a policy statement on the issue.**

Winnability of Public Policy Issue

1. ~~The information in the application~~ (recent polling data, news analysis, media editorials, interviews with opinion leaders/elected officials, etc.) demonstrates that the REALTOR® position on the issue is “winnable.”
2. ~~The application reveals~~ **applicant association has a viable campaign strategy for dealing with opposition groups and/or organizations.**
3. ~~Assistance to REALTORS® through the Issues Mobilization Grant~~ **NAR assistance** is likely to make a significant difference to the outcome of the ~~public policy issue~~ **campaign.**
4. **There is community support for the REALTOR® position on the issue beyond the real estate industry.**
5. Coalition ~~members~~ **partners** have made a significant commitment (financial support, **lobbying support**, meeting participation, devotion of staff time, etc.).
6. There has been a reasonable degree of success in previous efforts or activities on the issue.”

Rationale: This policy change will address the “demand exceeds supply” situation. It will help in managing demand so that grant funds are available through the budget year without requesting additional funds. Drawing a bright line that divides a REALTOR® issue from a non-REALTOR® issue is difficult to do, and doing so would likely result in a significant limitation on local association usage of the Program (e.g., no school funding or transportation funding requests). Providing more detailed guidance will help the Committee carry out its responsibility and make good decisions on a case-by-case basis.

NOTE: There was considerable Work Group discussion on the question of “What is a REALTOR® issue?” Ideas included: 1) a tiered priority list (e.g., primary and secondary issues); 2) carving out “quality of life” issues and moving them to another grant program – e.g., Smart Growth, Sustainability. Staff agreed to further study this issue and explore possible approaches to addressing it.

STAFF REVIEW: ELABORATE ON STAFF RESPONSIBILITIES IN REVIEWING AND FINALIZING GRANT APPLICATIONS

Recommended Motion #6: That Program policy be amended to provide more specificity in order to: 1) affirm NAR staff’s authority to scrutinize applications and campaign plans and request changes and additional information; 2) be completely transparent so that associations are aware of and understand staff’s authority. Program policy shall be amended as follows:

“Upon receipt of a draft application, NAR Campaign Services staff and consultants will review the draft to determine if it requires supplemental information or is otherwise incomplete or inadequate for proper review by the Committee. If so, a revised draft application addressing the identified incompleteness or inadequacy must be submitted for final NAR staff review. In reviewing a draft grant application, NAR staff and consultants will closely review it – including the campaign plan - to ensure that the applicant association is undertaking a well-designed, well-supported, winning effort. Such review includes, but is not limited to: research (e.g., economic, political); member support; overall strategy; timeline; budget (e.g., cost per vote); coalition partner participation and funding. When appropriate, NAR staff will request the NAR Campaign Services contract vendor to develop a comparable campaign plan. If the NAR vendor can provide the same campaign service(s) at a lower cost, the plan will be presented to the applicant association for their consideration.”

Rationale: This policy change will improve Program effectiveness. The role of NAR staff (and contract consultants when applicable) is to apply our knowledge and expertise to ensure that the information provided in a grant application - including campaign plan details - is thorough and complete and reflects a well-designed strategy for accomplishing the public policy objective.

GOAL OF ISSUES MOBILIZATION PROGRAM

Recommended Motion #7: That Program policy be amended to provide that the goal of the Program in supporting the public policy advocacy efforts of state and local REALTOR® associations is to enhance and support their capacity to be the leading authorities and primary points of contact on public policies that impact REALTORS® and the real estate industry.

Rationale: Existing Program policy contains a Purpose section that describes the assistance that the Issues Mobilization Program is designed to provide to state and local associations. It does not describe an overarching goal that the Program aspires to accomplish. It addresses the “What” but not the “Why” of the Program. Articulating the Program goal will provide better direction to both the Committee and staff in managing the Program efficiently and effectively and helping REALTOR® associations be the leading voice for the real estate industry in their communities.

POLLING: ELIMINATE REQUIREMENT ON \$100,000+ GRANT REQUESTS

Recommended Motion #8: That Program policy be amended to provide that polling on large grant requests - e.g., \$100,000 or more - is encouraged but not required.

Rationale: The usefulness of polling varies depending on the size of the campaign and the type of campaign. Polling is very helpful on ballot initiative campaigns to assess support and identify messaging that resonates with voters. It is less helpful and sometimes not necessary on legislative campaigns. Depending on the time of year and the circumstances of an issue campaign, it is sometimes difficult to field a poll and compile results prior to Committee consideration of a grant request.

COMMITTEE CONSIDERATION OF GRANT APPLICATIONS: ELIMINATE REQUIREMENT OF IN-PERSON MEETING PRESENTATIONS OF \$1 MILLION+ GRANT REQUESTS

Recommended Motion #9: That Program policy be amended to provide that grant requests of \$1 million or more must be presented either in-person or by video conferencing.

Rationale: This policy change will improve Program efficiency. Depending on the circumstances of an issue campaign, there are situations when it is impractical for an applicant to make an in-person grant presentation. Changing the policy will allow for accommodation of such situations.

LEGAL COMPLIANCE: MEMORIALIZE EXISTING PRACTICE INTO POLICY

Recommended Motion #10: That a new Program policy be created to articulate NAR's role in conducting a legal compliance assessment of every Issues Mobilization grant. The new Program policy shall provide as follows:

“On every awarded Issues Mobilization grant, NAR conducts a legal compliance assessment to ensure that NAR's contribution to the issue campaign complies with applicable state and local campaign finance laws. A state or local REALTOR® association receiving an Issues Mobilization grant should seek the advice of local legal counsel to ensure their own legal compliance.”

Rationale: NAR Legal staff conducts a legal compliance assessment of every Issues Mobilization grant in order to protect NAR's liability. NAR Legal does not advise state and local REALTOR® association grant recipients on their legal compliance responsibilities. Memorializing this practice into policy will make associations aware of NAR staff's responsibilities with regard to legal compliance and put them on notice of their own responsibilities.

RECOMMENDED POLICY REVISIONS

(Disapproved by NAR Leadership Team at September 27 Meeting)

CONTRIBUTION STANDARDS: ELIMINATE LEADERSHIP TEAM REVIEW OF COMMITTEE WAIVER OF MINIMUM “SKIN IN THE GAME” CONTRIBUTION REQUIREMENT

Recommended Motion: That Program policy be amended to eliminate the required Leadership Team review of a Committee decision to waive the minimum “skin in the game” contribution requirement on a grant application.

Rationale: This policy change will improve Program efficiency. The Committee has exercised good stewardship of the Program over the years, so they can be trusted to make good decisions with regard to an applicant association’s contribution. Since the skin in the game requirement became effective in 2015, the Committee has waived it 3 times...each time on grant requests from the Puerto Rico Association of REALTORS® to assist their ongoing sales tax on services/property tax reform campaign.

LEADERSHIP TEAM/EXECUTIVE COMMITTEE/BOARD OF DIRECTORS REVIEW OF GRANT APPROVALS: INCREASE GRANT AMOUNT THRESHOLD

Recommended Motion: That Program policy be amended to increase the threshold for Leadership Team/Executive Committee/Board of Directors approval of Committee grant approvals from “over \$500,000” to “over \$1 million.”

Rationale: This policy change will improve Program efficiency by addressing the time sensitivity of issue campaigns. Associations sometimes need to access NAR funds quickly in order to run effective campaigns, and increasing the threshold will allow the Program to be responsive to association needs. Since 2012, the Committee has awarded 20 grants of over \$500,000 and 7 grants of over \$1 million.