

**TALKING  
TRUTH  
ABOUT  
JEWISH  
FEDERATIONS**

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## INTRODUCTION

It is time for local Jewish federations and the United Jewish Communities to sponsor open and frank discussions about the state of the federation system. The next annual General Assembly, the gathering organized by and for federations. It should be a forum for creative discussions about how to improve the system—strengthening its best features and dealing honestly with what needs fixing.

Federations need to decide what they want to be next. Are they fundraising organizations? Planning agencies? The Jewish public forum? What is their real purpose and mission? Can they do all of these well? What is their value-added? And most of all, how do we measure their success?

The dollars raised in the annual campaign only touches on one of their activities—as does money managed by endowments. Many engage in strategic planning, have grand mission statements that they painstakingly write and rewrite, and have board retreats to plan the future. But these processes rarely ask how

to measure the success of the organization in the context of what should be its core business.

Federations could and should be doing much better than they are. They have been the hub of a “system” that involves community centers, family services, bureaus of Jewish education and so many organizations. But this system is becoming unglued.

The next General Assembly, and conferences to come for the next few years should focus on the nuts and bolts, structure, and mechanics of the federation itself. And I don’t mean topics such as “How to Market Your Campaign.” Sessions like that are just not going to do it. We need to go below the surface, deep into the guts and soul of the federation.

Federations must get their house in order. Most sessions should be devoted to the things everyone knows they really should be talking about, but are reticent to discuss out in the open. Many fear airing dirty laundry. It is time to air.

The General Assembly attracts both professionals and donors in large numbers. Let's give them something real to talk about—the opportunity to redesign a vital philanthropic institution in Jewish life. Ideas must be introduced and offered to mull over at meals and in the corridors, where most real conversations take place anyway.

Federations matter. They are important. They embody the ideas of community, common cause, and the ability to respond to collective concerns. They are vital institutions. We want them to succeed.

This call for action comes from someone who has worked for three decades with federations in New York, Los Angeles, Cleveland, Baltimore, and 70 others. I have worked as a consultant with the Council of Jewish Federations, the United Jewish Appeal, and scores of constituent and beneficiary agencies. I believe that federations are essential. I care deeply about their philanthropic role and community planning potential.

My purpose is to ask difficult questions, not to provide a “how to manual.” Not all issues outlined in this essay apply to every federation. But every federation struggles with some of the questions—most struggle with many.

Some of the questions I raise have obvious answers. Federations must invest more in developing their donor bases and quit allocating funds in the same proportions to the same agencies year after year. Other questions do not have such straightforward answers. It is not clear, to me anyway, if endowments belong inside the federation or as separate entities. A good case can be made for either structure. Similarly, I do not know if the annual campaign should be split up between local services, Israel needs, and JDC. I don't have all the right answers. But I think I have some of the right questions.

So here goes: the titles and descriptions of what the General Assembly agenda, organized into four themes, should really be about, this year or any year.

## TELLING THE TRUTH ABOUT ENDOWMENTS

Endowments are a big federation success story. But trouble is bubbling on the surface and below the surface. Many federations proudly promote and advertise the size of their endowments, and how much money is under federation management. Is it real? The amazing growth of funds under the federation roof paints a not quite honest picture.

### **ENDOWMENT FUNDS WANT SEPARATION AND DIVORCE FROM THE FEDERATION: SHOULD THEY?**

More and more federations are losing control of their endowment funds as they evolve into completely separate entities or quasi-independent organizations with distinct boards, by-laws and functions. What can be done to keep endowments as part of the federation? Or should they be? Separation may not be good for federations. Is it good for Jewish philanthropy and the community? Can they serve the community just as well on their own, or even better? Where separation has occurred, how can a Jewish Community Foundation, or Fund, as they might be called, function and work with the federation?

Once a separate community fund has been created, it is nearly impossible to bring it back inside the federation. What are the implications for the federation system as this bifurcation process continues? What is the role of the federation in alignment with a Jewish Community Foundation?

### **ARE ENDOWMENTS REALLY JEWISH PHILANTHROPIES? DO THEY HAVE TO BE?**

A close examination of federation endowment funds will show many, if not most, of the grants and dollars from donor advised funds and supporting foundations go to non-Jewish causes. Is this good, bad, or unimportant for federations? How do endowments more truthfully inform agencies and the Jewish people about the role of the federation in funding secular causes? Do these funds actually help the Jewish community? Do endowment staffs do enough to encourage donors with donor advised funds and supporting foundations to contribute to Jewish causes? How can federations work better with donors who control these funds to direct more grants to the Jewish community? What are the

mechanisms to guide donors to contribute to Jewish causes? What are the staff needs?

### **HOW SHOULD ENDOWMENTS REPORT THEIR HOLDINGS?**

Endowment funds are really a mixed bag of unrestricted and restricted funds under federation oversight. Philanthropic funds and supporting foundations are donor controlled. How can these be described more honestly and accurately, since they are not really federation endowments? How can the federation avoid raising false expectations among constituent and beneficiary agencies, as well as the Jewish public, that the federation has more money to give away than it really directs? Monies held are not the same as monies controlled. Endowment funds tend to advertise assets that they do not control, but merely manage and administer.

### **HOW DO ENDOWMENTS MEASURE SUCCESS?**

Are endowments doing well if they manage more and more money, give money to a secular causes, or give more to Jewish causes? Donor advised funds and supporting foun-

dations can grow by leaps and bounds, but they have no 5% minimum floor for giving money away. The size of endowment holdings may increase proportionally much more than the grants they give away, especially for Jewish purposes. Dollars may get parked permanently, taking out of circulation funds that could be used for needs today. How do we assess what the outcomes should be for endowments? If the measure of success is size, then endowments will be more likely to hold on to funds that they control and not encourage distribution from donor advised funds and supporting foundations. They will never touch the corpus, utilizing only the earnings, and perhaps not even that. They can help donors give money away or help them hoard their resources.

### **SHOULD ENDOWMENTS SPEND DOWN?**

Endowment advocates will tell you that the money they hold on to is for an emergency or a "rainy day"? Exactly how hard does it have to rain to loosen up dollars? The annual campaign raises money every year on the basis of unmet needs, while endowments hold back funds for the future. Does this send a mixed mes-

sage? Should endowments spend down their assets to meet current needs and have faith that they can continue to find new resources?

**ENDOWMENT DIRECTORS AND  
FEDERATION EXECUTIVES: WHO'S IN  
CHARGE?**

Any healthy business has to have a clear functioning chain of command. What happens when the head of an endowment has more perceived power and authority within the organization and in the community than the federation executive, as is the case in a number of communi-

ties? Power derives from the reality that endowment funds sometimes give away more money than is raised through the annual campaign. Moreover, endowment directors often cultivate close relationships with major donors, who may or may not make significant gifts to the annual campaign. How can federations align their professional leadership to avoid the appearance, and the reality of dysfunctional management?

## RETOOLING THE BROKEN FEDERATION-AGENCY SYSTEM

The federation/agency relationship, the core of the Jewish philanthropic system, is outmoded. It does not work anymore, especially in the context of a single umbrella campaign.

### **HOW CAN WE DO AWAY WITH ENTITLEMENTS IN THE ALLOCATION PROCESS?**

Most of the money that federations give away through the allocations process are entitlements, with the biggest allocations going to the same agencies year after year. Marginal changes are the norm, so that the actual pot of discretionary money from which to draw is extremely limited when the time comes to choose how to distribute funds. Innovative programs or organizations often get the small, left-over grants. Moreover, allocations committees consist of randomly selected volunteers who rotate often and cannot provide the kind of oversight necessary in giving away millions of dollars. Federations claim they support organizations that otherwise would not survive. Maybe some of them shouldn't if they can't independently convince donors to support them. How can federations develop new ways of allocating

funds? What are the systems that actually allow the allocations process real decision-making ability, rather than having past decisions rubber-stamped? How can endowment giving and dollars from the annual campaign be better integrated?

### **WHAT SHOULD BE DONE ABOUT ALL OF THE JEWISH ORGANIZATIONS OUTSIDE THE CONSTITUENT/BENEFICIARY AGENCY UMBRELLA?**

The last thirty years have seen an explosive growth in the number of Jewish organizations, and the expansion of others in their scope, reach and importance. Yet federation allocations continue to go primarily to a few organizations for major funding, with small token allocations to everything else. What should be the federation's relationship to these new and growing networks of Jewish organizations at the local, national, and international level? Who should be in and who should be out? Does the constituent/beneficiary agency structure make sense any more, or is a new way of thinking and relating necessary? Are some of the 'start-ups', the smaller organizations, or even systems of organizations like



synagogues doing as much, or even more of what federations are trying to accomplish than the current organizational beneficiaries?

**THE JEWISH AGENCY: SOLE BENEFICIARY, NO BENEFICIARY OR SOMETHING IN BETWEEN?**

Federations have traditionally supported the Jewish Agency as the primary beneficiary of federation dollars going to Israel. At the same time, some individual federations have set up their own Israel offices to avoid the Jewish Agency. Many donors have no idea what the

Jewish Agency is or what it does and others are openly hostile to it. What should the federation's relationship to the Jewish Agency be? Are there other organizations in Israel that should be supported as well, or even substituted? If federations believe that the Jewish Agency should continue to be the prime beneficiary of federation money going to Israel, how can donors be better informed about how their dollars are actually spent and have more of a say in the management of the Agency?

## COMING TO TERMS WITH THE ANNUAL CAMPAIGN

The annual campaign is what built the federation. It still generates hundreds of millions of dollars every year. But it is more than stagnant in real dollars—it has declined precipitously since 1967 when adjusted for inflation. The donor base is aging, especially for the largest gifts. What are the real issues facing the annual campaign?

### IS THERE AN UMBRELLA CAMPAIGN OR ISN'T THERE?

Constituent and beneficiary agencies run their own annual campaigns out of necessity, in addition to their fee for service and public sector revenue. Federations simply cannot raise enough money to meet everyone's budget, and federation support is often a small percentage of an agency's operating budget. Sometimes, agency annual campaigns are coordinated with the federation, and sometimes not. What should the federation's role be in agency campaigns? Should they provide resources to assist? What should be communicated to donors who are asked to give to a central campaign to "meet many needs" and are solicited by organizations who

are part of the umbrella campaign for those very same needs? Because federations provide such a small percentage of the annual operating budgets of so many agencies, how can the purpose and meaning of the annual campaign be revised to work with agencies as they raise money? Should federations raise and distribute money to local agencies, or simply help them raise it themselves?

### ONE ANNUAL CAMPAIGN — OR TWO?

The annual campaign wisely combined fundraising for Israel, local services, and Jewish communities around the world decades ago. In the heyday of umbrella campaigns, it was the smart way to go. Is it now? The Jewish community used to have multiple campaigns. Should federations once again consider running one campaign for local needs, and a separate one for Israel? Donors want to designate and control where their money goes more than ever. Some want to give to Israel, some don't. Some want to support the Jewish Community Center, some don't. Can federations increase the number of donors and how much they give by

once again splitting up what used to be separate causes many years ago? We want to believe that Jews should care equally about different causes, but is the combined annual campaign the best vehicle to teach donors to think about being good global Jewish citizens? For some yes, for many, no.

### **HOW ABOUT THREE CAMPAIGNS — ONE FOR JDC?**

The Joint Distribution Committee (JDC) is well respected by its donors and serves a particular role in helping poor and needy Jews around the world. Is it time for JDC to go its separate way and run its own national campaign? The logic of a single annual campaign is already defied by the great success of the Jewish National Fund, The New Israel Fund, and many others. Could the net dollars going to Jewish causes be increased by having a local services campaign, a UJA/UIA campaign for Israel, and a JDC campaign? What role should the local federation play in each of these?

### **HOW CAN FEDERATIONS TURN AROUND THEIR SHRINKING DONOR BASE?**

The number of donors to the annual campaign is down over the last

twenty years. While individual federations may see small blips upward from time to time, especially after an overseas crisis or emergency in Israel, the trend is toward fewer and fewer donors. Yet federations spend very little in developing, acquiring, and managing donor lists. They invest practically nothing (in the name of cost cutting) in building the donor base. Federations have never been very good at tracking new families, or households as they move from city to city. How can local federations and the United Jewish Communities invest in a national database system? The problem has become acute because so many people move so often. Local federations do not help each other near enough in sharing lists. They are sometimes more concerned about which federation a donor gives to rather than if the donor gives at all. How can local federations invest wisely in donor list development, and work more collaboratively in sharing lists they do have?

### **MORE THAN JEWS CARE ABOUT ISRAEL AND JEWISH ORGANIZATIONS — WHY NOT ASK OTHER AMERICANS FOR HELP?**

Federations keep asking Jews for support, who comprise only 2% of

the population. Yet the vast majority of Americans are supportive of Israel, and many use Jewish Community Centers, Jewish Vocational Services and other Jewish organizations. How can federations expand their donor base and annual campaign by reaching out to the general American society? What are the best programs and causes to involve potentially tens of millions of Americans, especially those who support Israel? How can federations involve gentiles, not only as donors, but also as volunteers working on behalf of Israel?

### **HOW CAN THE NATIONAL CAMPAIGN BE REVITALIZED?**

United Jewish Appeal—UJA, was the most recognized name or letter set in Jewish life— only ADL has anywhere near the same public awareness. How can the federation system reclaim the UJA name as part of a national campaign? Or use another like United Israel Appeal? Some names have high recognition at the local level, such as Combined Jewish Philanthropies in Boston, and The Associated in Baltimore. They should continue to use those names for local purposes. On the other hand, national campaigns need national name recognition.

### **HOW CAN THE FEDERATION SYSTEM CREATE SUCCESSFUL PEER GROUPS FOR ITS LARGEST DONORS?**

The annual campaign is built on a pyramid — with the largest gifts setting the scale for all gifts at every other level. Major gifts have been stagnant at the top, and the pyramid is not high enough anymore. Donors capable of giving \$5 million or \$10 million to the annual campaign do not do so. The International Leadership Reunion (ILR) and other “top” peer groups are tired, and the bar for participation is set too low. How can UJC create national and international peer groups of the wealthiest donors to radically change the standards of giving? UJC’s new Center for Jewish Philanthropy is a good idea. Local peer groups suppress major gifts also, with the biggest donors going unchallenged to give more. Of course, major donors will have advice, guidance and demands, so convening them will require actually listening to them. Moreover, local federations cannot act as if major donors “belong” to them. They do not belong to anyone. Bringing together groups of major donors used to be UJA/ Federation’s greatest success. How can these efforts be revitalized?

## ADMINISTRATION AND FUNCTION

Federations are shooting themselves in the foot on some basic administrative issues that seriously harm their image. Some internal housekeeping measures will help them to better relate to donors, other Jewish organizations, and the Jewish public in a more healthy way.

### HOW SHOULD FEDERATIONS BETTER CALCULATE OVERHEAD?

Federations perform many services, including community relations, Jewish education and others as programs within the federation. Oftentimes, these are viewed as part of administrative overhead, and make the bottom-line fundraising costs look much higher than they really are. How can federations structure themselves so that programs and services are delivered by separate agencies or sub-agencies, including JCRCs, to help differentiate between costs in delivering services versus costs to raise money for delivering services? And in full disclosure, what are the real overhead costs for the entire system, including UJC and the Jewish Agency? More transparency will help the system.

How can the federation develop better accounting systems for what it does, both to shed costs that are programmatic, and owning real overhead through all levels of the system?

### HOW CAN FEDERATIONS DEVELOP NEW MODELS OF DECISION MAKING?

Federations rely on a consensus model to get things done, trying to get the most people representing the most points of view to reach some common ground. This system evolved to keep the maximum number of donors happy and to prevent them from walking away from the conversation and taking their gifts with them. The consensus model also originates in trying to keep so many constituent agency representatives and their competing needs around the table. The result is often the least common denominator, with the fewest people terribly unhappy, but nobody really happy either. Is this still a good model? Is it efficient? Does it produce good choices for the community or does it ensure stasis, and ultimately decline? Federations may argue that having everyone's

“buy-in” brings community harmony, when what they are buying is paralysis. What are the best methods to make community-wide decisions that are actually good for the community?

**MAKING UP YOUR MIND: DO YOU WANT AN EXECUTIVE WITH FEDERATION EXPERIENCE OR SOMEONE FROM “OUTSIDE” THE SYSTEM?**

Every year some federation begins the agonizing search for a new executive, and begins lamenting the lack of possible candidates. They often seek the impossible—someone who knows the federation business as an insider, and someone with fresh new perspectives—an attorney, businesswoman, or rabbi unsaddled by the “old way of doing business”—an outsider. What is the mix of skills and experience necessary to run a federation? Many federations have excellent executives, including New York, Miami, Chicago, and many others. UJC has a top-notch pro in Howard Rieger. How can we get more “best and brightest” into the field? What are the trade-offs for hiring someone who can hit the ground running because they know the organization versus someone who must learn on the job, but may bring in fresh

ideas? What do federations really want in their executives, besides miracle workers who will solve every issue discussed in this article?

**WHAT ARE THE REAL ISSUES IN FINDING MORE EXCELLENT CANDIDATES SEEKING EXECUTIVE POSITIONS?**

Do potential executives really think the salary is too low? What could possibly keep people away from what are highly paid non-profit positions? Work hours? Organizational culture? Geography? Life style? All of these need to be explored openly and honestly, including what the position of the executive should be vis-à-vis volunteer leadership. What are the evolving roles and who should be doing what? Too much conflict exists about who is in charge and who works for whom. Is it part of a general dysfunction that exists in the lay-professional relationship? Lay leaders demand strong executive leadership and sometimes resent it. They want volunteer professional involvement, but do not want them to micro-manage. How can federations address the power struggle that emerges between the best executives and the lay leaders who want to be in charge? A number of foundations and philanthropies have

invested in professional development programs. Are they working, and if not, why not?

### **HOW CAN FEDERATIONS ESTABLISH BETTER RELATIONSHIPS WITH PRIVATE FOUNDATIONS**

In a number of communities, private Jewish foundations give away more money than the federation, and in a growing number of places, a single Jewish foundation does so. How can federations work more closely and effectively with private foundations? Many foundations often complain that federations are too slow to respond to changing needs and are too bureaucratic. Federations complain that foundations start projects that they do not finish, and leave the mess for federations to clean up.

What are the planning and organizational roles for federations as partners among equals? Which is more important, having federations collect and distribute the money, or working to leverage money to Jewish causes, whether it flows from foundations first to the federation or not? Playing the role of big brother under the rubric of "Central Address" will no longer work. How do federations abandon the "collect and control" mentality? How do federations become switching stations for Jewish philanthropy, redefining their centrality through usefulness, rather than control? Federations need to broker, persuade, bargain and convene, not boss. No one likes the tax collector.

## CONCLUSION

Federations need to change. We will make a better system by tackling the real issues, not hiding from them. If not, federations will remain part of the Jewish philanthropic landscape, but nowhere near as important as they ought to be. They need to engage current donors and find ways to involve younger Jews as well. They have been great institutions, and the community needs them to be more than they have become.

Many federations are addressing some of the issues discussed in this essay. But many federations ignore most of them. It would be unfair to

say that federations are more resistant to change than most other non-profit organizations. They have evolved significantly over time and attempt innovative approaches. While federations are changing, it is just not comprehensively or fast enough for them to be the powerhouses in Jewish philanthropy they would like to be or have been in the past.