

## THE ROLE AND RESPONSIBILITIES OF THE CENTRAL ORGANIZATION FOR CAPITAL PLANNING \*

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### Post-War Central Agency, Capital Fund Drives

BY the end of World War II, Jewish communities throughout America had built up a tremendous backlog of urgent communal capital needs. Plans to build hospitals, homes for the aged, Jewish schools, and community centers had had to be postponed during the depression years of the thirties. Federations were hard put to meet the operating deficits of their beneficiary agencies during this period. A number of central agencies, among them the Jewish Federation of Cleveland, depleted their capital reserve funds to keep agency programs going. There were not enough dollars available for the brick and mortar needs of agencies.

Then came World War II, and the wartime restrictions on building materials and construction. Communal agencies again had to put off their building plans. The problem became even more acute, as major population changes were taking place in our communities. The move to the suburbs had begun to pick up momentum and there was a need for facilities in the new areas of residence, which were some distance from the older centers of Jewish population.

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Many of our health, social welfare, and education agencies found themselves with obsolete buildings, often unsuitable for their changed functions, and below the standards of adequacy, in the light of the new economic and social standards of the Jewish community.

The larger Jewish federations, strengthening their social planning activities, immediately after the end of the war began to plan for new buildings.<sup>1</sup> As soon as there was hope for lifting wartime restrictions, plans for new construction were unveiled. The most dramatic step was taken by the New York federation, which recognized the desirability of careful study for the planning necessary to avoid sporadic and piece-meal efforts by individual agencies. At the end of 1945, the New York federation launched a campaign for \$21,000,000 to expand and modernize its hospitals, neighborhood centers, and other agencies. Running capital fund campaigns concurrently with campaigns for operating purposes, New York raised \$14,264,000 in 1945; it raised another \$11,000,000 for capital purposes in 1949.

Similarly, other communities began at that time to determine what changes

<sup>1</sup> H. L. Lurie, "Some Aspects of Federation History," *Jewish Communal Organization*, Council of Jewish Federations and Welfare Funds, New York, 1954, pp. 141-146.

were needed in their health and welfare program, and what institutional buildings these changes required. In 1945, twenty-seven cities reported to the Council of Jewish Federations and Welfare Funds that capital fund campaigns were being conducted in their communities. Detroit, for example, was beginning to conduct a campaign to secure funds for building the first Jewish hospital in that city. Cincinnati, Kansas City, and Pittsburgh were raising funds for hospitals or facilities for the chronically ill. Other communities reported on plans for new centers, homes for the aged, and Talmud Torah buildings. The push was on, and in subsequent years, practically every community was to engage in a program to build new, expand, or rehabilitate communal buildings.

It might be of interest to turn for a moment to the experience of community chests and united funds in the area of capital needs.<sup>2</sup> They faced the same problems that the organized Jewish communities faced after the war. A statement from a Community Chests and Councils' *Capital Fund Study* in 1946, reads as follows: "Postponed by the depression, delayed by the war, the problem of raising funds to meet urgent capital requirements of Chest agencies now pleads for action. In many communities where capital expenditures have been held to a minimum during the past decade, building and equipment needs now must be met if current programs are to be maintained at an efficient operating level."

Ten years later, the United Community Funds and Councils of America reported that many cities had not been able to catch up with the accumulated capital needs of agencies. The traditional Chest policy was not to include

<sup>2</sup> United Community Funds and Councils of America, Inc., Bulletin No. 189, *Financing Capital Needs*, New York, 1956.

funds for capital purposes in the annual campaign. The UCFC noted, however, the growing feeling of community leaders that the united fund method of joint action in financing operating programs are applicable to the capital fund situation.

### The Cleveland Experience and Planning Structure

The Jewish Community Federation of Cleveland experienced the same pressures as other communities in the years following the war. From 1945 through 1960, \$15,717,700 was raised to meet the capital needs of its hospital, two homes for the aged, Bureau of Jewish Education, Convalescent Hospital, community center and other beneficiaries. In addition, national and overseas beneficiaries raised over \$600,000 in authorized campaigns for capital purposes in Cleveland during this period.

The success in raising needed funds for capital purposes in Cleveland (as in other communities) must be viewed against the history-making background of the past fifteen years. Efforts to meet the great needs of our fellow-Jews overseas exerted a far-reaching influence upon the perspectives, responsibilities, and activities of the Cleveland Federation, and federations throughout America. In the fifteen Cleveland Jewish Welfare Fund campaigns from 1946 through 1960, \$66,559,177 was raised to meet overseas, national and local needs.

How does the Cleveland Federation carry out its responsibilities in the area of capital planning? The Social Agency Committee (SAC) was established in 1943 to assist both the agencies and the Federation in their efforts to develop sound community service programs geared to changing needs. The SAC has served as a channel for cooperative community study, planning, and action. It has emerged as a force for unity, progress, and planned development. It has

conducted major studies in every field of service and has encouraged the maximum sense of responsibility on the part of the agencies for the conduct of their work.

One of the basic policy statements of the SAC is its "Statement of Procedures for New Projects, Extension of Services, and Discontinuance of Services," which spells out the relationship between Federation and its agencies. This statement defines a "new project" as "any service not currently performed by the agency, but which comes within the function of the agency and calls for a) additional personnel, b) extension of existing physical plant or facilities, or c) the development of a new physical plant and/or facilities, or d) requires funds immediately or subsequently, either operating or capital, or both, beyond the current budget, or e) can be initiated by a reassignment of current operating or capital funds, personnel or facilities."

After an agency has recognized the need to undertake a new project, and has made a preliminary estimate of its effect on the program of the agency, in terms of operating budget, capital fund requirements, facilities and personnel, it presents its preliminary plans to the SAC.

After the SAC has examined the program of an agency proposing to erect new facilities, and has determined that its needs cannot be met satisfactorily except through new or additional buildings, and before the plans of the agency have been crystallized, the proposal is referred to the SAC's Facilities Planning Committee.

This latter committee is a relatively new subcommittee of the SAC and was organized to enable the social planning committee of Federation to strengthen its technical review of building projects. Persons with knowledge and experience in the design, construction, and maintenance

of buildings serve on the committee. In 1960, for example, it reviewed two building proposals—a new branch for the Cleveland Hebrew Schools and a new Jewish Day Nursery facility. Following SAC approval of a project, the Welfare Fund Planning Committee reviews the fund-raising aspects of the project, the timing of the campaign, the assessment whether the dollars can be realized, what type of campaign is to be conducted, etc. Both the SAC and the Welfare Fund Planning Committee report to the Board of Trustees, which makes the final decision.

Efforts are now being made to strengthen further the Facilities Planning Committee. Agencies will need to bring their preliminary ideas to the SAC as soon as possible and before plans have become crystallized. In a recent project, although recommendations were made and ultimately accepted by the agency, difficulty was encountered because the technical people on the committee were in the position of criticizing plans which were rather well developed. The SAC has now stated that the Facilities Planning Committee shall act in an advisory capacity to the agency throughout the planning process. It will review the initial and preliminary sketches and all subsequent plans drawn by the architect and will also be consulted in regard to the qualifications of contractors and subcontractors to be invited to bid on a project.

Once the building program of an agency has been approved by Federation, a campaign goal set, and the timing of the campaign scheduled for the community calendar, the Cleveland Jewish Community Federation takes no direct responsibility for raising the needed capital funds. The practice in Cleveland has been for the agency to take major responsibility for this task. Federation, however, assists the agency by providing

lists of prospects, gives consultation with respect to the setting up of a campaign organization, and encourages welfare fund leadership to participate in the effort. In two recent capital funds drives, Federation staff gave professional direction to the campaigns.

#### **Central or Individual Agency Responsibility for Raising Capital Funds?**

A number of years ago, Federation set up a committee to review Federation policy with respect to the method of raising capital funds for local beneficiary agencies. The committee found different points of view within Federation as to the extent to which it should obligate itself for the capital needs of agencies. One group believed that Federation should in no way assist agencies in meeting their capital needs. It believed that any substantial effort to meet capital needs would eventually seriously impair the Federation's ability to meet operating needs. The group believed that any inroad into this policy would lead inevitably to Federation's assuming more and more obligations for the capital needs of agencies.

There was another group which believed that the Federation should assume a major and possibly an exclusive responsibility for the capital needs of agencies. This group maintained that a capital development program is the obligation of the entire community and not of a special interest group. It believed that the community would have a more orderly development of its capital structure and a more efficient operation if the community as a whole, rather than the individual agency, is a dominant factor in meeting these needs.

Some persons stated that capital needs should be met both by the agencies and the Federation. They believed that the special interest group not only has an obligation, but also a desire to partici-

pate in a major way in the capital development programs of their agencies, that this participation could not easily be replaced by the interest of the general community, and that the operating and capital needs of the agencies are so large, that unless special groups are tapped, the needs will not be met. This group maintained that the Federation would be a more beneficial influence on the development of agency capital programs if it participated financially.

The committee at that time reviewed the practices and policies of the other large communities. There was no definite pattern. Practices varied from city to city. Study at that time revealed that Detroit, Philadelphia, Pittsburgh, Los Angeles, St. Louis and San Francisco included a capital item in the annual welfare fund campaign. A number of agencies in these communities did receive permission to conduct separate campaigns for capital needs. Some federations, Baltimore's and Chicago's among them, conducted separate campaigns outside of the welfare fund for agencies' capital needs. In other communities each agency took responsibility for raising its own capital funds after securing federation approval.

In the course of the committee's deliberations, six alternative positions with respect to a capital fund policy were identified. Crystallized, these were: 1) The Federation should take responsibility for meeting all the capital needs of local agencies. 2) The responsibility for meeting capital needs should be shared by the agency and the Federation. It was suggested that Federation should develop a grant-in-aid program to assist the agencies. 3) Federation should differentiate between large and small agencies. It should assume no responsibility for meeting the capital needs of large agencies because its basic job of meeting the operating deficits of agencies would be impaired. Federation

might assist some of the smaller agencies in meeting their modest capital needs. 4) Although Federation itself should not raise capital funds for agencies, it should assist the agencies in every possible way to raise their own funds. 5) While it should continue without a firm policy, Federation, in an emergency, should be flexible and try to assist agencies if they have done everything possible to meet their own capital needs. 6) Federation should take no responsibility whatsoever for meeting any capital needs.

The committee finally agreed that the inclusion of a capital item in the annual Welfare Fund appeal would not help raise additional funds. Other communities polled by the committee agreed with this point of view. The committee was fearful that if Federation tried to raise capital funds in this manner, its ability to raise maximum funds for overseas and domestic beneficiaries would be impaired.

The policy finally recommended and approved is as follows: "The raising of any necessary capital funds is the responsibility of each respective agency. Deciding the validity, priority, extent and timeliness of a capital fund drive is the responsibility of the Federation. Once these matters have been approved, the actual conduct of the campaign shall be the responsibility of the agency, but the staff and facilities of the Federation shall be made available to such extent as may be consistent with the proper conduct of the regular business of the Federation without the employment of additional staff."

#### **Experience with Individual Agency Responsibility for Capital Fund Drives**

The Jewish Community Federation of Cleveland is recognized as a well-developed, comprehensive and strong federation. Federation has not grown

strong at the expense of its local beneficiary agencies. I believe that the responsibility for raising their own funds for approved capital purposes has helped to strengthen Cleveland's local agencies. I should like to cite one example. The social planning committee of Federation conducted a group work study which recommended an expansion of group work facilities. There was considerable delay over a period of years before a building program got under way. The frustrations of the agency were projected onto the Federation. Why didn't Federation help them raise the needed capital funds to implement plans which Federation had approved in the first instance?

Leaders of the center were among those who asked for the restudy of the Federation policy on capital fund-raising, already referred to. When the decision was made to keep the primary responsibility for capital fund-raising within the agency, various steps were taken by the center, with the help of the Federation, to strengthen the agency. Suggestions were made to the center's nominating committee and new persons, active in the Welfare Fund, were encouraged to become active in the agency. These young, vigorous persons rose to leadership positions, worked with the old leadership in the agency, and helped to shape the plans for the expanded program in a new facility.

When the agency received permission to embark on its initial campaign, the new leadership, already dedicated to the center, was prepared to assume responsibility both for giving themselves and for working in the campaign. When the professional fund-raiser who was employed became ill and could not continue, Federation's campaign director stepped in and brought the campaign to a successful conclusion.

In the second campaign conducted by the center, professional direction was

provided by two of the younger men on Federation staff. The Federation public relations director also carried responsibility for the public relations and publicity activities in connection with the drive. In addition to the center lay leaders, additional workers were coopted from the trade and professional divisions of the Welfare Fund. Many of these persons had become interested in the group work agency as the result of this experience. Although Federation was involved in this campaign to a greater extent than in any previous capital fund drive, the responsibility for the effort remained the agency's.

The Cleveland Jewish community faced a scheduling problem in the mid-1950's when five agencies were projecting building programs. In each instance, the social planning committee of Federation studied the proposals in detail and made recommendations to the Board of Trustees in regard to the validity of the need, the proposed capital costs, the estimates for increased operating costs, and so on.

In tackling the scheduling problem, the executive committee of The Jewish Community Federation kept the following points in mind: a) the campaigns should not harm the annual Jewish Welfare Fund campaign, nor the general community's United Appeal; b) the campaigns should be spaced so as not to harm each other; c) the scheduling should be done over a period of years so that the community would not be harassed by frequent large scale solicitation.

The Federation executive committee at that time considered again the possibility of a joint campaign on behalf of the capital needs of all of these agencies. Although many communities had carried on successful joint campaigns on behalf of several agencies, the Cleveland Federation decided that a major joint campaign would have a serious effect

on the Welfare Fund and that the least damage to the annual campaign could be had from separate capital fund drives scheduled over a number of years. Agencies were permitted to campaign only during June and July, and November and December. Mount Sinai Hospital, the Jewish Community Center and the Jewish Convalescent Hospital were given permission to run supplementary campaigns when their initial efforts fell short. Subsequently all of the campaigns were successful.

Another committee on capital fund campaigns has been active during this past year. This committee noted a trend since 1956, the setting up of five-year payment plans for capital funds. To the contributor this is in effect five annual contributions. The Welfare Fund leadership was fearful that the cumulative effect of these five-year payment programs might hurt the annual Welfare Fund campaign, especially in an "off-economic" year. However, in this recession year of 1961, the Jewish Welfare Fund appeal, just completed, raised the largest amount of money in the 57-year history of the Federation.

Although the committee on capital fund campaigns is still at work, one of its recommendations has already been accepted by the Board of Trustees of the Federation. The Board has decided that there should be no capital fund campaigns by beneficiary agencies during 1961 and 1962, with the exception of two small campaigns already authorized. This regulation was adopted by the board so that the contributors can pay up their pledges to the previous capital fund drives and to give the community a little "breather" for a two-year period. Before the board actually adopted this policy, it was carefully considered by the leadership of the local agencies participating in the deliberations within the Social Agency Committee.

The policies and practices pertaining to capital fund drives have developed differently in each community. Detroit, for example, has developed a powerful and high status Committee on Capital Needs which is regarded as a fourth budget and planning division of the Detroit Federation. It reviews the capital requests of all beneficiaries and in turn makes its recommendations to the executive committee and the board of the Federation. This committee has encouraged the agencies to develop long-range capital programs. Detroit reports that this committee works very closely with the education and the health and welfare divisions, referring planning questions to them for recommendation. Detroit states, "partly because of history, and partly because of accident, our Committee on Capital Needs has the greatest prestige among any of our Federation committees. It has gotten across a sense of 'doing things.' At the same time, there has been a marked awareness of the necessity of making recommendations in accordance with a plan."

Detroit reports that it also regards the raising of capital funds as primarily the responsibility of the agency board and its friends. The capital needs committee, however, shares this responsibility in some measure, so that there is a joint process. The Detroit statement of Federation policy on capital facilities reads in part as follows "The financing of capital facilities is a cooperative responsibility of the individual agencies and the central community resources, Federation and the United Jewish Charities. As in the case of operating costs, the funds of Federation are to be used for deficit financing of capital developments. Federation is to supplement funds available from other sources, if necessary, in order to complete an approved capital program. The extent of Federation financing for approved

construction programs included in the master plan will be the difference between the total cost and the amount available from agency resources."

Do capital fund drives have a marked effect on the annual campaign for operating needs? The Council of Jewish Federations and Welfare Funds states that "while no clear pattern emerges, most of the communities have not experienced sharp drops as an aftermath of the capital drives. Rather, they have tended to follow the national welfare fund experience."<sup>3</sup>

The United Community Funds and Councils of America queried its members on this point and 280 cities responded.<sup>4</sup> When asked about the effect of individual agency capital campaigns on the annual chest or united fund campaign, more than half said that there had been "little or no effect," and about a third felt that there had been "some effect, but not much." Fourteen cities reported that the individual capital campaign had had a "substantial" effect; twelve cities reported the effect was harmful and two cities reported it was beneficial. Those who noted harmful effects spoke of competition for leadership and the fact that some of the capital fund gifts had affected adversely the gifts of these prospects to the annual campaign. Those who felt the effects were beneficial cited the fact that the capital campaigns had "raised the sights" as to the level of giving.

#### Pro and Con of Federated Capital Fund-Raising

It might be interesting to summarize some of the major points made by 109

<sup>3</sup> Letter from Philip Bernstein, Executive Director, Council of Jewish Federations and Welfare Funds, to Elmer Louis, Executive Director, United Jewish Welfare Fund, Rochester, New York, dated August 27, 1959.

<sup>4</sup> Bulletin No. 189, *Financing Capital Needs*, New York, N. Y., 1956, p. 4.

chest and united fund executives who offered an opinion as to the pros and cons of federated campaigning. The following disadvantages were noted: a federated appeal may not fully capitalize on the special interest of certain individuals who are particularly concerned about one agency . . . it is not desirable to eliminate completely individual agency responsibility. The necessity of raising their own capital funds "teaches them the facts of life about campaigning" . . . it is more difficult to make a strong publicity appeal in presenting the needs of several agencies . . . There may be problems of allocating funds in case of campaign shortage. . . .

Those noting the advantages of federated capital campaigns commented: savings in manpower . . . the opportunity to concentrate on joint study and planning on a community basis . . . the possibility of getting better publicity for a large-scale effort which will have a greater impact on the public . . . a big campaign makes it possible to secure better professional fund-raising staff . . . it is possible to reach the smaller givers in a city-wide federated appeal . . . it is easier to secure corporate gifts in a significant amount . . . the community, rather than an individual agency alone, is the factor in initiating action . . . avoids duplication of organization and competition for leadership and publicity . . . results in closer cooperation between the participating agencies in matters where prior to the campaign they might have been competitive. . . .

Among those executives who commented in general on the capital fund problems, opinion was divided as to the responsibility of the chest or the united fund. Many executives adhered to the traditional philosophy of the chest, taking no direct responsibility for raising capital funds for agencies beyond clearance of campaign plans and schedules

and provision of informal campaign assistance. In some cases, these executives reported a "real problem" in their communities in adequately meeting the capital fund needs, but did not feel that the answer lay in the chest's or united fund's taking more responsibility. This group frequently expressed the thought that it is healthy for agencies to have direct contact with the grim realities of campaigning through having to raise their own capital funds. As one executive put it, "the agencies should go to the public periodically for capital funds as a re-endorsement of their program in the community."

The UCFC report stated that in many communities there are factors at work which may call for some readjustments in the philosophy and procedure of handling capital funds. There appears to be a growing sentiment that a federated approach to capital fund-raising may bring the same benefits that communities have from federated campaigns for operating needs in terms of savings in costs and manpower, increased community-focused planning, and greater effectiveness in meeting the total needs.

The meeting of capital needs has always been charged with emotion, sentiment, and personal satisfaction. Although these human elements should and will remain, stronger community planning can provide directions which are best for each individual community. While we are all committed to federated financing of community agency operating needs, I have come to my own conclusion, on the basis of my experience in Cleveland, that it is sound for an agency once or twice in a generation to "recharge its batteries" by going to the community for needed capital funds. Agencies thus have the unique opportunity to reinterpret their programs to the general public in a way that it is not possible to do in a federated campaign.