JEWISH FOUNDATIONS

An Introduction

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The evolution of much of Jewish philanthropy from a communal base to an entrepreneurial market-driven base is one of the important subtexts of late twentieth-century Jewish America. This article explores the growth of Jewish foundations, their impact on communal structures, various models of foundation partnership and collaboration, and some projections for future development.

FRAMEWORK

In the 1830s Alexis de Tocqueville described one of the unique attributes of American life: voluntarism. Whether because of a mistrust of government or an emergence of a richer civic society, Americans strongly identified with the creation of voluntary associations aimed at improving the quality of life while fulfilling various affinity needs of the population. By the late nineteenth century this emerged into a serious third sector: a nongovernmental, not-for-profit sector whose existence was to improve the common good.

As the twentieth-century tax structure developed, this sector grew exponentially in recognition of its unique societal role. In an oversimplified way, following from the philosophy observed by de Toqueville, the U.S. government was prepared to forego its tax collections on capital gains, bequests, and other tax events, permitting individuals to set aside funds for the public good. These funds would remain exempt from taxes, and only 5 percent needed to be used toward the foundation's purpose each year. This provided enormous tax incentives to individuals who wished to engage in activities for the public good, using funds that would otherwise have gone to the public purse.

At about the same time, led by such industrialists as Andrew Carnegie, John D. Rockefeller, and Henry Ford, charitable foundations (many of which were to exist in perpetuity) to enhance the public good in the name of and as part of the legacy of entrepreneurs also became a component of the American scene. Philanthropy became serious business, and even with increased regulations brought about by the 1969 Tax Reform Act, it sustained enormous growth. By the end of the twentieth century more than 80,000 grant makers, of which 60,000 were in the form of foundations, made over 500,000 grants annually, with assets in excess of a quarter of a trillion dollars (U.S. Census Bureau, 2004/2005). It is estimated that 10,000 of these are Jewish family foundations, an overrepresentation by more than eight times of the Jewish proportion in the population (Greenberg, 2003/04).

Because there are serious definitional problems in creating a taxonomy for Jewish foundations, there is a paucity of reliable data as to numbers, dollar values, and impact of these foundations. Among these issues are those having to do with the definition of a Jewish foundation. Is it a foundation whose principal is/was Jewish? Whose board is primarily Jewish? Whose historic giving patterns were primarily to the Jewish community? Exclusively? Somewhat? Must its charter specify a Jewish purpose? Is a foundation Jewish if founded by a Jewish principal whose distributions throughout the first generation were for the benefit of Jewish causes but today is governed by the heirs who are no longer Jewish and who no longer support Jewish causes? What if that foundation gives exclusively to Israel causes? What if those Israel causes support the 18 percent of the Israeli population who are Arab?

Organizational definition problems also

create a barrier to full understanding. Should we consider as Jewish foundations those donor-advised funds that sit either at federations, federation-supported community foundations, or general community foundations? These donor-advised funds are no longer the assets of an entity controlled by the donor, but rather are the assets of the community foundation. However, the foundation has indicated that it would generally follow the advisory role given to the donor or his or her designees. With federation-related foundation assets exceeding $4 billion, the relevance of these questions becomes clear.

During the first two-thirds of the twentieth century, the North American federation system developed as the New World's replication of the European *kehilla.* Although vastly different from the European model—it adapted the American precedent of separating synagogue and state and was far more voluntarily driven—the federation became the community's address for implementing the collective responsibility of Jews one to another. Its fundraising prowess grew dramatically through the first half of the century and culminated in unprecedented support of the United Jewish Appeal, the central overseas arm of this movement, in 1948. On an inflation-adjusted basis, 1948 was the most powerful fundraising year in mature communities either before or since, for the birth of the State of Israel was the ultimate Jewish act of collective responsibility and even those who did not participate physically were prepared to contribute financially. The UJA/federation campaigns were especially successful at the most critical moments of Israel's life: 1956, 1967, 1973, 1982, and 1990 were significant blips on a long-term donation curve showing the powerful relationship between *amcha* (the Jewish people) and an Israel in trouble (or in the case of 1990 with the Soviet *aliyah* of one million people in a moment of extraordinary opportunity). Non-donors became donors; lapsed donors gave again.

Yet, on an inflation-adjusted basis, the decline in the UJA/federation annual campaign revenues is clear and evident, with both a real dollar decline of almost one-third every decade and a market share decline of an equally significant proportion. Outside of times of crisis, federations engaged in serious planning processes aimed at determining how best to serve the need of Jews locally and around the world as community-driven, consensus-sensitive organizations. The processes required to govern called for serious and extensive involvement. Immediate and rapid decisions could not be made. Rarely could an individual feel like he or she as an individual was determining the course of the future.

In many ways this corporate culture was antithetical to that of successful entrepreneurs who built their businesses by making decisions and unilaterally determining the future. Although the major Jewish philanthropists continued to financially support the UJA/federation movement as well as many of the other Jewish organizational entities that emerged in North American life, many decided that they wanted more personal hands-on involvement in their philanthropy in their efforts to shape the Jewish world. At the same time their legal and tax advisors were encouraging them to set aside funds to meet their philanthropic obligations so as to take advantage of generous American (and less so, Canadian) tax policies in which they could forgo substantial taxes and only be required to annually spend 5 percent of the funds set aside in these tax-exempt private foundations. By the 1990s, many of these foundations (Abraham, Bronfman, Crown, Goldman, Haas, Marcus, Schusterman, Spielberg, Steinhardt, Weinberg, Wexner) became household names in the organized Jewish world. They were the supporters of many initiatives of Jewish life.

An interesting dynamic began to occur at this time. The first was a planned initiative designed to have many of these "mega" philanthropists in the Jewish community get to know one another. After the very successful launch of Operation Exodus, the campaign to support the *aliyah* of Soviet Jews to Israel

accompanying the opening of the Soviet Union, at which $54 million was raised at a breakfast from just a few major donors, the then-CEO of United Jewish Appeal recognized that these generous individuals did not know one another. He organized a study group of major foundation principals from North America and elsewhere, which came together twice a year to study issues of contemporary Jewish life. Much of the time of this group was devoted to its various members getting to know one another and learning about each other's interests. Not surprisingly, a number of initiatives emerged in which members of the group partnered to change Jewish life. First among these was the rescue and resuscitation of Hillel, the American Jewish entity responsible for Jewish life on university and college campuses. Other initiatives that emerged came from the energy and vision of the various group members. The Partnership for Excellence in Jewish Education (PEJE) developed as a partnership of several philanthropists (and one federation) initiated by a half-dozen study group members. Within a year after two of its members launched *birthright israel,* eight group members became founders with initial donations of $5 million each, which was unprecedented in the scope of non-capital project-related startups. This effort attracted as partners both the government of Israel and the communities of the world through the federations, Keren Hayesod, and the Jewish Agency for Israel, resulting in its first six years in more than 88,000 young adults from thirty-six countries having their first living and learning experience in Israel.

This emerging trend did not come without concerns about the growing prevalence of entrepreneurial unilateral decision making. Would federations be expected to pick up the pieces after foundations became fatigued while funding a program (even if worthwhile) for several years? Have we created new ethical dilemmas, replacing a more democratic, open federation model with an autocratic, closed one? In smaller communities what role would emerge from local foundations whose assets and annual revenues greatly exceeded that of the community's structures?

Although there was a century's worth of experience in the general world of foundations, the world of Jewish foundations tends to be significantly younger, especially for those with assets in excess of $100 million. Further, the general infrastructure of Jewish family foundations is still underdeveloped. The Jewish Funders Network, founded in 1991, is a membership organization designed to respond to the needs of individual Jewish funders and foundations. Its annual meeting covers subjects ranging from a fifth-generation Rockefeller's guidance on philanthropy to the Israeli-Palestinian situation, with major speakers in a variety of areas. Among the 300 participants at the annual meeting are donors who give as little as $25,000 a year and those who are responsible for distributing as much as $50 million a year. In recent years federation endowment funds and affiliated foundations have participated in Jewish Funders Network meetings, and there has been serious engagement on the many ethical and planning issues regarding the relationship between the independent funders and their communal organizational brethren. As the Jewish Funders Network becomes a more sophisticated setting, it is developing affinity groups in such areas as Jewish education and the needy in Israel.

As with American foundations in general, the overwhelming majority of Jewish family foundations have no staff and are managed by the principals, with assistance from families and or businesses. Nevertheless, 24 percent give away more than $250,000 a year, and increasingly, professional assistance is being sought to facilitate their management (Tobin, 1996). As with all American foundations, increasing attention is being paid to philanthropic impact, including the evaluation of programs and projects supported by these foundations and in some cases the external evaluation of the foundation's own performance. In the late 1990s a group was established in London that brought together

the larger European, Israeli, and North American foundations who operated multinationally. Its objective was to create a setting in which principals and/or chief professionals in the Jewish funding arena could engage in exchanges that better met the needs of these larger multi-national foundations.

The federation communal structure, in recognition of these trends, began a number of initiatives aimed at providing donors with collaborative models for giving, which differed from the historical annual campaign in which the distribution of all available funds was determined by a volunteer-driven planning and allocations process. Beginning in Washington and then moving on to Toronto, New York, and Los Angeles, Jewish venture philanthropy funds were established to engage younger donors in collaborative funding. Although many of these funds did not meet the technical terms of "venture philanthropy," they became important experiments in creating funding collaboratives within the federation structure yet that remained outside the formal allocations process. Similarly, several federations created Jewish women's foundations that brought together a different affinity group with some of the same attributes. It is highly likely that the next phase of Jewish philanthropic development will find various permutations of individual entrepreneurial and communal philanthropy as communities and donors learn from these experiences.

In addition to the challenge of maintaining the collective strength that so highlighted the effectiveness of Jewish philanthropy, Jewish life is being challenged to maintain the interest of its most generous donors. In a study of American gifts of more than $10 million between 1995 and 2000, Jewish donors represented 18 percent of these "mega" gifts and 23 percent of the total giving in this category while being only 2 percent of the total population. Only 6 percent of this support went to Jewish causes (Tobin, Solomon, & Karp, 2003).

In the early twenty-first century, Jewish American foundations will see the greatest transfer of wealth in history as those who earned great fortunes in the mid to late twentieth century bequeath their fortunes, thus creating a new generation of young philanthropists. This transfer occurs at the same time as there is a decentralization of Jewish philanthropy, moving away from the federation central address in favor of donor-driven programming. Simultaneously, philanthropy is becoming more hands-on, with donor involvement going beyond writing out checks. Donors are holding their own foundations and the community to higher standards of accountability. They seek not only greater involvement in decision making about how their money is used but they also want to monitor the impact and effectiveness of its use. These dynamics will continue to create conflicts between systems of collective responsibility and the emerging entrepreneurial foundation generation.

Yet, federations and foundations could work together more effectively within the constraints that they each have and for the benefit of the community. Foundations tend to be better at innovation as consensus is often the enemy of taking bold, imaginative steps. Federations have a far better track record at sustainability, providing long-term support for organizational infrastructures. In their desire to be constantly shifting their support, many foundations often walk away from even successful innovations. A number of communities, such as Philadelphia, Baltimore, and San Francisco, have engaged local foundations and funders in meaningful shared learning exercises. However, to date, neither the local nor national foundation and federation worlds have created a strategic approach to synergy.

Such an approach would seek to develop guidelines providing for greater efficiency and effectiveness in planning and allocating. Regretfully, too many federation leaders are yet of the central address mindset, seeing activities outside of that *weltanschaun* as either threatening, marginal, and/or unsustainable. Equally regrettably, too many founda-

tion leaders do not see the incredible work of the federations as the daily manifestation of Jewish values. Rather, they are seen as political, arrogant, and wasteful.

Although Jewish family foundations are early in their development, they have already radically altered the Jewish philanthropic scene. As with most successful entrepreneurial efforts, a period of reflection and consolidation is called for so that lessons learned can be integrated, infrastructures right-sized, and alliances reformulated. That period is likely to come in the next decade.

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