

Allocating Shrinking Resources: The Ethical Dilemma*

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The questions we will have to answer are, "What is Jewish about Jewish Service?"; in a time of scarce resources, what is the obligation of the community to identify those services which require community funding . . .

ALLOCATING shrinking resources presents complex issues that must be examined in a variety of contexts. It is simple to approach the problem from a purely mechanistic standpoint, dealing with the current processes being applied by many Federations in the area of modified budgeting, priority setting, and ranking of local needs. But the community practitioner today must also be aware of the historical, economic, and demographic factors which impact on the planning decisions in allocation of fiscal resources. However, space does not permit dealing with these issues. The literature is replete with excellent material, and the thoughtful professional should research the needed information and data as they relate to the community being served.

This topic compels thoughtfulness about one's role and responsibility as a professional. During Shavuot, just before the Torah service, there is a meditation in the *Machzor* (prayer book) which is recited in Conservative liturgy. At the risk of irreverence I quote it because with minor substitutions it would make an appropriate meditation for agency or Federation personnel about to deal with the planning, budgeting and allocation process:

Lord of the universe, fulfill the wishes of my heart for good. Grant my request and my petition; make me worthy to do Thy will with a

perfect heart; and keep me strong to resist temptation. Grant our portion in Thy Torah. Make us worthy of Thy divine presence. Bestow upon us the spirit of wisdom and understanding, the spirit of counsel, and might, the spirit of knowledge, and the fear of the Lord. May it be Thy will, oh Lord of our God and God of our fathers (and mothers) that I may be worthy to perform good deeds in Thy sight and to walk before Thee in the way of the upright.

Sanctify us by Thy commandments, that we may merit on earth a life of goodness and health and be worthy of life eternal. Guard us from evil deeds and evil times that may threaten the world. May loving kindness surround him who trusts in the Lord. Amen.¹

Certainly these are times when our petitions are challenged. These are times when our petitions should be prepared with a perfect heart, they should be prepared to resist temptation, should be enlightened by a spirit of wisdom and understanding, and prepared with good counsel and knowledge.

Demographics and Economics

The character and form of the population and the economic circumstances under which the population must live apply pressure and demands on service delivery mechanisms. Communal services therefore result from an interplay of the forces brought about by demographics, economics and societal pressure.

¹ Rabbi Morris Silverman, Editor, *Sabbath and Festival Prayer Book*, Rabbinical Assembly of America and the United Synagogues of America, 1982, p. 118.

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The 1983 American Jewish Yearbook provides population projections to the year 2000. In the variety of assumptions made is that on the low end of its projections there could be a decrease of 11 percent in the U.S. Jewish population between 1975 and the year 2000. We are a graying population. The U.S. Census Bureau projects that by the year 1995 the population over 65 will be 13.1%. The Jewish population of this country has already reached or surpassed that statistic in most communities in the country. In my own community, our recent demographic projections indicate that we will have close to 20 percent in this age cohort by that time. That statistic alone has important implications for the delivery of services and the setting of priorities. A reduction in the number of school age youth (by 1985, 25 percent fewer) will have important implications for the quality, form and intensity of Jewish education required by the community.

The current economy will also have impact. We currently have an unemployment rate that ranges between 7.5 and 10 percent plus. Economists used to say that *normal* unemployment was three to five percent and now economists say that in the future *normal* unemployment will be five to seven percent. These are the simplest economic indicators. Other aspects worthy of examination are: growth or lack of growth in the GNP, changes in industrial production and the nature of the industrial profile of the country, aspects of limited productivity, continued inflation and high energy costs.

Along with these key issues there are the factors of high mobility, changes in the economic and business profile of the Jewish community, the movement away from individual entrepreneurially operated businesses to corporate positions and continued suburbanization. All of these factors will affect the profile

of service delivery and the setting of priorities to meet changing needs.

Planning Issues

We need not detail the very significant changes which took place in the American Jewish community following the end of World War II. Up until that time a major percentage of American Jews were concentrated in metropolitan communities and within these communities lived in relatively compact pockets. This concentration provided the nucleus around which the community infrastructure could develop. That concentration provided the human and financial resources which supported, enhanced, and reinforced the family through a system of institutions readily accessible to a major portion of the Jewish community.

The vast demographic changes which have taken place in the 60's and 70's and continuing on into the 80's has tended to reduce this concentration of population. As a result, the resources available for institutional support have diminished as the population has dispersed. In many communities the resources needed to re-establish these institutions are less readily available and the cost of delivery of services and the ability to reach out to the community has become more challenging. As the population concentration diminishes, planning and budgeting responsibilities will increase. The Federations and their agencies will have increasingly more complicated problems facing them. The task of establishing priorities for service delivery and the development of a community system which will effectively make use of the financial resources of the community will become more difficult. This set of circumstances will require careful assessment of community programs, social welfare services, and educational programs, so that the com-

munity can more effectively coordinate services, increase efficiency, and reduce gaps to effectively meet the needs of the community with the resources available.

In 1981, the United Ways of America completed a two-year study which examined in depth many important aspects of the voluntary sector. The focus of this study was to determine what lies ahead and to provide long range planning directives for those portions of the voluntary sector that relate to United Ways. This information has relevance and pertinence to what we do in the Jewish community and the funding of the Jewish community for its social services network. This study noted the following:

In 1980, Americans—individuals and institutions—contributed an estimated \$48 billion to a wide variety of organizations for charitable purposes. The American Association of Fund Raising Council estimates that the distribution of the contributions by percentage was: 46, religion; 14, education; 13.5, hospitals; 10, social welfare; 6, humanities and the arts; 3, various civic and public organizations, and 7, a variety of other non-profit institutions.

From 1955 to 1980 total contributions to the philanthropic enterprise increased from \$6.6 billion to almost \$48 billion. The percentage of growth over those years ranged from a low of two to a high of 11.4. The various percentage changes over the years were erratic depending on the economy and other economic factors. The interesting fact, in relation to shrinking resources, is that when we compare the growth of philanthropy with the Consumer Price Index and also relate those contributions to constant dollars—in just the 1970 to 1980 period—we see that while dollar contributions increased from 20¼ billion to almost 48 billion, the actual value of those dollars, in constant 1967 dollars, was minus 2.9 percent. If

we examine philanthropy in proportion to the gross national product, from 1968 to 1980, the percentage reached a high of 2.2% in 1971 and a low of 1.7% in 1979 and rose slightly to 1.8% in 1980.² To convert these global figures into the realities of the local community, in my community we found that although we increased the allocations to local agencies in the last three years, these agencies have been “forced” to increase their own income levels through fees and a variety of fund raising techniques. Although allocated more dollars, in relationship to inflation, we have actually reduced the levels of real-dollar subsidy from Federation.

In the January, 1983 issue of *Newsweek*,³ Jane Bryant Quinn reported that with the reduction of federal funds, corporations which gave a total of \$3 billion in 1981 would have to triple their contributions to begin to replace federal funds. At the same time it is perceived that corporations would most likely give the most to traditional charities such as the Red Cross, the YMCA, Public Broadcasting, and the like. And if a company is contributing an unvarying total amount of money and increases its donations to its more traditional charities, then the struggling day-care centers serving low income working women and similar new organizations are most apt to be the ones that suffer.⁴

A recent study commissioned by the *Independent Sector* pointed out the following assessment of the impact of

² See “Some Aspects of Philanthropy in the United States—Scope and Trends”, Dec., 1981. Alexandria, Virginia: United Way of America.

³ Jant Bryant Quinn, *Newsweek*, Jan. 3, 1983, p. 61.

⁴ See “Scope and Trends. Some Aspects of Philanthropy in the United States”, December, 1981, p. 65, Lester M. Salamon with Alan J. Abramson, *The Federal Government and The Nonprofit Sector: Implications of the Reagan Budget Proposals*, The Urban Institute, May, 1981.

Reagan's budgeting on the philanthropic sector;

1. The proposed budget cuts will result in revenue loss to non-profit organizations to the tune of \$27.3 billion from 1981 to 1984. In fiscal '82 alone non-profit institutions stand to lose \$4.8 billion expressed in constant dollars. These cuts reduce below 1980 federal funding of non-profits by 12 percent in 1982, 22.7 percent in 1983, and 26.3 percent in 1984. The social welfare and education sectors will be most affected by those cutbacks. Private philanthropy will have to increase 144 percent from 1980 to 1984 to keep up with inflation and to offset the revenue loss due to the proposed budget cuts. The record shows that between 1976 and 1980, the most recent five-year period, private giving increased only by 38 percent. This means that American philanthropy will have to grow four times faster than it did in the five year period just ended.

The report goes on to note that no one knows precisely how many billions of dollars will be lost to the non-profit service sector. There is no doubt that the impact will be substantial and painful. There will be two important consequences. The first will result in fierce competition among the affected organizations for the philanthropic dollar, and second, the demand for services of those very agencies will be escalating in response to the magnitude of the stress and social and economic consequences of the budget proposal on certain segments of our population.

This is already beginning to be demonstrated, as we have seen, not only in the general, but also in the Jewish community. This is something the Jewish community has not experienced for many years. In a recent report, the Council of Jewish Federations noted that in twenty-two Federations of Cities significant in size, the following problems and programs have manifested

themselves; food pantries, increased Jewish Vocational Service caseloads resulting from unemployment, dropouts from day schools and membership programs, and demand for increased food distribution. Creation of emergency shelters, food cooperatives and job clinics, increased requests for loans and scholarships, losses in income due to arrearages in dues and tuition payments and from declining enrollment in fee-related programs will clearly affect service priority decisions.

That is some of the bad news. Is there any good news? Possibly from a fundraising point-of-view there is some indication that society in general tends to be capable of response to needs apart from the tax consequences of contributions. There are a variety of econometric analyses which generally indicate that a favorable tax circumstance does tend to encourage contributions from individual sectors of the society and therefore sweeten the pot of funds available for distribution for philanthropy.

The United Way National Environmental Scan Report dealt with four broad areas of our American community and developed major planning assumptions in the areas of social, economic, political and technical areas. From this report the key implications indicated for United Ways will also have similar implications for the Jewish community.

Social

- An aging population might call for a shift in services from youth to elderly.
- A better educated populace could be increasingly more vocal and critical.
- Migration patterns could shift "needy" between urban centers and from urban to rural areas.
- Minorities will continue to press for

their share in decision-making and allocations.

- Emerging changes in values could move donors to “challenge” traditional charities and to increase their desire to direct donations themselves.
- “New needy” will call for a shift in funded services to focus on survival and basic-needs services.

Economics

- Some gain may occur in discretionary dollars as inflation abates and per capita income improves.
- Problems in productivity will continue to cause sector unemployment and subsequent shrinkage of donor base.
- New worker growth coupled with new values will challenge hierarchical campaign.
- Smaller pool of non-employed female volunteers.
- United Way operating costs will rise.
- Growth of small business market will present opportunities for campaign but it will be costlier to reach.
- Competition among charities and between charities and for-profit organizations will increase.

Political

- Shifting regional influences and emergence of new power base could limit governmental support for social services.
- Special-interest groups could cause increased pressure on United Way to be more inclusive and responsive to “nontraditional” causes.
- Constraints on government spending will increase need for voluntary support of many existing services.

Technological

- Depersonalization as a result of rapid growth of information/computer systems will heighten need for United Way interpersonal relationship development.
- The changing work environment could produce more free time for volunteer activities by professionals and managers as well as calling for new techniques in campaign solicitation.
- Agency delivery systems can be affected by both technological advances and changed work environment.
- Technological unemployment could cause new service demands by “new needy”.
- Information/computer system improvements will increase opportunities for participation as well as aid in collection and analysis of data.⁵

Similar environmental reports, long range or strategic planning reports, are beginning to emerge from Jewish communities across the U.S. and Canada. Such material is already or will be available and should be sought for professional review.

Options for Planning and Budgeting

Historically, Federations funded their agencies on an incremental allocation basis, or on a historical “division” of the dollars available. Between 1950 and 1980 we were essentially dealing with a status quo in the planning and budgeting process. During this period incremental budgeting was the most convenient, the least adversarial for Federation and most comfortable for the agencies.

⁵ “What Lies Ahead—a New Look”, An Environment Scan Report, Washington, D.C.: United Way of America, Jan., 1983.

Although an individual agency may not have been happy with its "share of the pie" the money was allocated without a high level of accountability.

Although this type of budgeting was comfortable, it potentially had the greatest amount of trauma built in for the agencies. If serious community or fiscal problems developed, the political process would come into play and the decisions on the utilization of funds tended to be more political than thoughtful and planful. There was resistance to meeting new needs until those needs reached a critical level. When the facts were reviewed and emergent decisions made, they sometimes had traumatic results for the agencies.

The Modified Budgeting Process

In recent years many Federations began to experiment with a modified budgeting process. This has emerged as an effort to develop an orderly process to establish community priorities in relationship to emerging needs.

In the modified budgeting process, agencies are required to submit two budget requests; a base budget, which reflects the Federation's projected allocation at a given percentage of what was provided in the previous year's allocation, and a second budget covering new services or programs. Each agency is required to provide an additional list divided into two parts; one indicating program reductions if additional funds are not provided, that is, services to be eliminated because of lack of funds. The second would contain new services to be added if funds were available. The services listed would be presented in "modular" or "program packages" which include information covering service data, expense and income detail, and the subsidy requested.

It should be noted that in creating the

modules, guidelines are provided to the agencies so that they understand that there are community value judgments made in this process. This is the condition under which funds are allocated and new priorities established for the community. These items may include:

I. Importance and Value to the Jewish Community

- Increases knowledge of Judaism.
- Strengthens Jewish identification.
- Provides for lay participation in Jewish affairs.
- Increases understanding by Jews and non-Jews of Jewish concerns, including strengthening of Israel.
- Improves status of Jewish community within the general community.
- Reduces discrimination; promotes human relations; promotes general community welfare.
- Assists Jewish emigration and resettlement.

II. Importance and Value to Individuals and Families

- Provides tangible services and meets basic needs.
- Meets physical, social and developmental needs.
- Provides educational and/or vocational skills.
- Provides cultural enrichment.
- Contributes to solving personal or family problems, and/or helps persons become better adjusted and more self-sufficient.
- Need for service and likely use are clearly demonstrated.
- Consequences of not offering the service would be serious.

III. Income Costs and Community Subsidy Relative to Benefits

- Costs and subsidies relative to the numbers to be served, or to the solution of intensive problems for a more limited number, appear to be reasonable.
- Program has potential of becoming increasingly self-sufficient, or for a small community expenditure, may result in leverage for outside funding.
- Program is not likely to result in unreasonable added costs, once implemented.
- Program could result in other program/agency savings.

IV. Appropriateness, Non-Duplication and Coordination

- It is appropriate for this agency to provide the program.
- Program is not available elsewhere.

- Program fits into the community's network of services.
- Program can or may be coordinated with services of other agencies.
- Funding appears to be a Federation responsibility.

V. *Likely Achievement*

- Program is well conceived.
- The agency or other providers have had successful experiences with similar programs.
- Qualified personnel and adequate facilities and equipment are available.
- Service standards to guide the agency, and against which to review the program, are available.
- Results can be evaluated; the agency has a reasonable evaluation plan.⁶

In our community all requests are reviewed within the planning and budgeting process. We have a number of budget panels dealing with various areas of functional services. The panels review and validate all the requests. They also have the authority, if needed, to review the base budget of an agency. Agencies are expected to prioritize the programs in each of its module lists, and while the planning and budgeting panel may review the base budget, the panels focus primarily on the modules. The proposed reductions, additions, and the agencies' reasons for selecting the programs and priorities are reviewed. We (the Federation) perceive that the advantage of this approach is that each agency is usually assured of an allocation somewhat similar to that of the previous year. The agency also has the opportunity to secure new dollars on the basis of modules submitted and their ability to convince the panels (the community) of the validity and priority of the requests.

The process encourages agencies to:

1. Become more self critical of their own operations;

2. Further increase self-income and seek more efficient ways of operation;
3. Under modified budgeting the agency is given the major responsibility for defining its basic services. It also identifies those services that are marginal. The final responsibility for deciding on "community" priorities rests on the Federation's planning and budgeting process.

The agency is expected to observe Federation's decision with respect to program modules funded and not funded. Once an agency is informed of its allocation, it is expected to provide the Federation with a reviewed balanced and working budget, including approved modules.

Conclusion

Having opened with a meditation about the wishes and aspirations that we have for health, wisdom, and support, this essay will close with an anecdote about the great Bal Shem Tov. Typically, when he met with his followers, he would ask them to give him a *kvittel* (question) which he would then answer. He asked, "Do you know what your needs are?" The following day one of his followers returned with answers which indeed impressed the Bal Shem. He said, "you certainly know what your needs are. Very good. But now I would like to ask you one additional question. Have you ever contemplated why you are needed?"

That is the question that each of our agencies has to answer. The ability to deal with shrinking resources will relate to our capacity to transmit and demonstrate the value and the importance of our agencies' services to the community. The questions we will have to answer are, "what is Jewish about Jewish ser-

⁶ Excerpts from memoranda, Planning and Budgeting Department, Minneapolis Federation for Jewish Service.

vice?"; in a time of scarce resources, what is the obligation of the community to identify those services which require community funding; and for which services can we expect the members of the community to assume greater personal responsibility?

In the final analysis, the ethical dilemma related to the setting of priorities for shrinking resources does not relate only to the planning process. A critical issue will be the dilemma faced by the agency whose ongoing service may no longer be relevant or no longer has a high priority of need. When there are limited resources or shrinking resources, the agencies and their professional and lay leadership have the responsibility to examine whether or not their traditional services are needed,

and, if necessary, they must be prepared to alter or change their service delivery profiles so that the resources of the community may be used best in the context of total community needs and priorities.

"The role of the professional in this kind of climate calls for practitioners who have flexibility of outlook, an acceptance of changing times tempered by limitations of resources and who, above all, are possessed of a vision of the Jewish future and will work toward its realization."⁷

⁷ Ralph I. Goldman, "The Role of the Professional in Developing and Shaping Jewish Communal Policies and Strategies", International Conference of Jewish Communal Service, Jerusalem, August, 1981.

Communal service professionals from Jewish Communities around the world will gather in Jerusalem in 1985. Your participation will promote better world-wide exchange and understanding of all professional concerns . . . as well as help you improve your quality of service.

