



Fall 2020 Ontario Pre-Budget Submission

Prepared for the Minister of Finance

October 16, 2020

"When we look back on this time, let's be able to say proudly as Canadians, as people of this great province, we did everything we could to protect those we care about most."

-Premier Doug Ford¹

About ONN

The Ontario Nonprofit Network (ONN) is the independent nonprofit network for the 58,000 nonprofits and charities in Ontario, focused on policy, advocacy, and services to strengthen Ontario's nonprofit sector as a key pillar of our society and economy. ONN works to create a public policy environment that allows nonprofits and charities to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector, and channel the voices of our network to government, funders, and other stakeholders. Our work is guided by the vision that a strong nonprofit sector leads to thriving communities, and in turn, a dynamic province.

¹ Premier Doug Ford via Twitter. October 3, 2020
<https://twitter.com/fordnation/status/1312552988884566023?s=20>

Executive Summary

In the last few months, we have seen nonprofits and charities work together to support communities across this province in what continues to be a difficult period for everyone. The pandemic has shown us how governments can move quickly and respond to support communities. It has underscored how nonprofits and the Government of Ontario must work together. What is most important in the coming months is to build on the successful economic and social responses we have seen to date to ensure that we do not return to a pre-COVID world, where too many were being left behind and trust in one another had eroded.²

The nonprofit and charitable sector contributes \$50 billion to Ontario's GDP, employing over one million workers -- of whom 80 per cent are women. Five million people collectively donate 820 million hours of labour to Ontario communities, the equivalent of 400,000 full-time jobs. As a sector, Ontario nonprofits receive less than half of their revenues from governments. The sector generates considerable economic impact above and beyond the extensive social value it provides to Ontarians.

Since the March 13 shutdown, ONN has been advocating and engaging with the Government of Ontario to ensure that crucial supports and financial investments are made to support nonprofits across the province during the pandemic. Every day, we hear about staff layoffs, financial losses, closures, and insurance issues from across the sector. It is time for the Ontario government to respond to the crisis in the sector -- or risk nonprofits not being there for people when they need them.

ONN's four recommendations:

1. Provide a stabilization fund for Ontario's nonprofit and charitable sector
2. Protect Ontario's nonprofit sector from liability
3. Develop a made-in-Ontario social enterprise strategy as a tool for recovery
4. Establish a nonprofit advisory table to inform the Ontario Jobs and Recovery Committee

² Edelman Trust Barometer 2020. Trust in Canada
<https://www.edelman.ca/sites/g/files/aatuss376/files/2020-02/2020%20Edelman%20Trust%20Barometer%20Canada%20-%20FINAL.pdf>

1. Provide a stabilization fund for Ontario's nonprofits

"COVID-19 is not the great leveller. It's the great revealer."

*-Miles Corak, Full Professor, Faculty of Social Science,
University of Ottawa³*

ONN welcomes the recent Standing Committee on Finance and Economic Affairs recommendation that the government "explore establishing a stabilization fund for Ontario's non-profit sector". However, we are beyond a point of exploration.⁴ We are at a precipice, where financial support for the nonprofit sector is needed today. COVID-19 has revealed the critical importance of nonprofits in communities, from providing jobs and decent work, ensuring that mental health services are available in times of crisis, creating opportunities for children to participate in camps and sports, and enabling affordable services for parents, such as childcare.

In May, ONN proposed a \$680 million stabilization fund for nonprofits based on our analysis of the economic impact of the crisis on Ontario nonprofits and the gap left from relief provided to date by the federal and Ontario governments.⁵ In the findings from our second COVID-19 survey of 1,100 nonprofits done in collaboration with the Assemblée de la Francophonie de l'Ontario (AFO), one in five nonprofits is expected to close by the end of the year.⁶ For the 1,131 nonprofits surveyed, the estimated loss was a total of \$90 million from March to late June, which would be approximately \$121, 299 per nonprofit.

Our initial proposal of \$680 million (not including inflation) was based on an estimated loss of \$1.8 billion over three months, along with consideration of support invested by the province and federal governments at that time.⁷ Our COVID-19 second survey report noted that the 1,131 nonprofits surveyed had lost a total of \$90 million from March to late June, which would be approximately \$121, 299 per nonprofit.⁸ Now that six months have passed, the amount the

³ Miles Corak, COVID-19 is not the great leveller. It's the great revealer, Toronto Star, April 15, 2020 <https://www.thestar.com/opinion/contributors/2020/04/15/covid-19-is-not-the-great-leveller-its-the-great-revealer.html>

⁴ Standing Committee on Finance and Economic Affairs. Sixth Interim Report: Economic Impact of COVID-19 on Small and Medium Enterprises. https://www.ola.org/sites/default/files/node-files/committee/report/pdf/2020/2020-10/42_1_FE_SixthInterim_10082020_en.pdf

⁵ Ontario Nonprofit Network. Stabilizing Ontario's nonprofit sector to rebuild the economy and communities post COVID-19 <https://theonncan.ca/wp-content/uploads/2020/05/ONN-Stabilization-Fund-April-30-2020.pdf>

⁶ Ontario Nonprofit Network. Risk, resilience and rebuilding communities: The state of Ontario nonprofits three months into the pandemic https://theonncan.ca/wp-content/uploads/2020/08/Final_-English_-Three-months-into-COVID-1.pdf

⁷ Appendix 1, Ontario Nonprofit Network. Stabilizing Ontario's nonprofit sector to rebuild the economy and communities post COVID-19 <https://theonncan.ca/wp-content/uploads/2020/05/ONN-Stabilization-Fund-April-30-2020.pdf>

⁸ This estimate is based on the 1,131 nonprofits that responded to the survey.

sector would need to sustain employment and maintain services has essentially doubled. Pressures have only been compounded by the onset of the second wave.

The Financial Accountability Office of Ontario's summer expenditure review reported that, at the end of June, the Province had spent only half of its contingency fund for the COVID-19 crisis, leaving \$5.1 billion of contingency funds to allocate.⁹ Prior to the COVID-19 pandemic, the provincial government was in a relatively good fiscal position, given that it was spending \$2,000 less per person per year, compared to the average of other provinces across the country.¹⁰

We recognize that the province has provided targeted funding to parts of the nonprofit sector, such as pandemic pay for frontline workers, the Social Service Relief Fund and \$1 million from the Ministry of Francophone Affairs to francophone organizations. This funding has had some impact on parts of the nonprofit sector. The Ontario Trillium Foundation (OTF) is also redirecting \$83 million from its Capital and Grow granting streams to support Ontario nonprofits through the Resilient Communities Fund. While ONN is pleased to see this funding released, it is important to note that this is not new money, but a one-time redirection of current funding, as part of OTF's \$103.5 million funding for 2020- 2021. While financial support like the OTF Resilient Communities Fund is welcome, we also note that it was massively oversubscribed: over 1,600 nonprofit organizations applied for funds totalling \$150 million -- and that was for a grant stream that did not cover ongoing operating costs.¹¹

Financial investments directed to the nonprofit sector at a scale that reflect the crisis would have substantial impact, such as preserving jobs and protecting essential community programs and services that Ontarians count on, especially in a pandemic. Moreover, a stabilization fund could mitigate organizational risks associated with the crisis, such as over-use of credit.¹² While the province has provided tax relief measures, our survey indicated that two-thirds of nonprofits across the province have not benefited from these measures. Fundamentally, tax relief and small injections of project funds (tied to deliverables) will not be enough to sustain organizations in the long-term.¹³ A nonprofit sector fund would signal the province's interest in mitigating any further risks, such as closures, loss of staff, and reduction of services, programs or activities that nonprofits provide for communities.

⁹ Financial Accountability Office of Ontario, Expenditure Monitor 2019-20:Q4 <https://www.fao-on.org/en/Blog/Publications/2019-20-expenditure-monitor-q4>

¹⁰ Financial Accountability Office of Ontario, Comparing Ontario's Fiscal Position with Other Provinces February 14, 2020 <https://www.fao-on.org/en/Blog/Publications/inter-prov-comparisons-feb-2019>

¹¹ Email correspondence from a senior official at the Ontario Trillium Foundation. September 10, 2020.

¹² In our second survey, 35 per cent of nonprofits indicated they had had to access their reserves, while just under a quarter of respondents had resorted to pay cuts, and 10 per cent of respondents had used personal funds to meet the financial need of their organizations.

¹³ In our survey, 12 per cent of nonprofits indicated they benefited from the EHT reduction, 8 per cent benefited from the WSIB premium deferral, 3 per cent benefited from the property tax deferral, and 13 per cent were not sure. Two thirds indicated that they did not benefit from any of these tax measures.

Given that Ontario’s nonprofits represent a third of Canada’s nonprofit sector, contributions to meet the needs of Ontario nonprofits and their communities from both levels of government would be helpful following the creation of a provincial nonprofit sector stabilization fund. The federal 75 per cent wage subsidy was an enormous help to eligible organizations: 35 per cent of nonprofits reported being able to access it, and it will continue to help at the new 65 per cent replacement rate. However, there are significant gaps in support from both levels of government, as well as barriers to accessing supports that were intended to be made available to our sector.¹⁴ The commercial rent relief and business loan programs fell far short of their goals, both for small business and nonprofit relief: only 18 percent of nonprofits benefited from the business loans and 4 per cent benefited from rent relief.¹⁵

Our original stabilization fund proposal recommended that Ontario Trillium Foundation (OTF) be the mechanism to deliver funding. We note that the Ontario government has many transfer payment agreement programs at its disposal in addition to the OTF grant streams. It will be critical that any funding mechanism allows for operating expenses to be eligible, as well as create access for grassroots organizations through shared platform models.¹⁶ Moreover, the funding mechanism needs to address the varied needs in different regions and prioritize expedient funding to regions that have been hardest hit and where the loss of nonprofits and charitable organizations presents a very real risk to long term recovery post COVID-19.

Our initial ask of a \$680 stabilization fund was to cover the first three months of the crisis; therefore a contribution in this range from the provincial government is warranted to meet demand at an appropriate scale. We recommend the government create the stabilization fund and make a first installment of at least a quarter of the fund available to nonprofits and charities in this fall’s budget. This would be a signal of good faith to ensure that Ontario’s nonprofit and charitable sector, especially the parts of the sector hardest hit, can continue to serve Ontarians and remain an economic engine of the province in the immediate term.

¹⁴ Ontario Nonprofit Network. Risk, resilience and rebuilding communities: The state of Ontario nonprofits three months into the pandemic, p. 14-15

https://theonnc.ca/wp-content/uploads/2020/08/Final_-English_-Three-months-into-COVID-1.pdf

¹⁵ Ontario Nonprofit Network. Risk, resilience and rebuilding communities: The state of Ontario nonprofits three months into the pandemic, p. 16-17

https://theonnc.ca/wp-content/uploads/2020/08/Final_-English_-Three-months-into-COVID-1.pdf

¹⁶ For more information on shared platforms, please see ONN, “What is a shared platform?” and “The case for support,” both available at <https://theonnc.ca/our-work/our-regulatory-environment/shared-platforms/>

2. Protect Ontario's nonprofit sector from liability

"...the liability insurance issue is the sleeper issue no one is talking about and will have the biggest impact on economic recovery in the sector."

- Ontario Society of Professional Engineers¹⁷

As COVID-19 cases continue to rise in Ontario, insurance remains a significant issue across sectors. Nonprofits, like small and medium enterprises (SMEs) in the private sector, are struggling to re-open because of insurance costs, COVID-related exclusions and excessive burden of liability.

We are requesting the Ontario government provide "Good Samaritan" liability protection to nonprofits that have acted in good faith as they reopen and follow public health guidelines.¹⁸

To be clear, we are not looking for protection from litigation if nonprofits have been negligent.

The Ontario government has provided "Good Samaritan" relief to nonprofits operating in good faith before. For example, the Donation of Food Act ensured that those who donate food to food banks and other nonprofits were not held liable for damages related to the consumption of that food, and changes to the Health Protection and Promotion Act after SARS offered "Good Samaritan" protection to health professionals. In other jurisdictions such as British Columbia, a ministerial order¹⁹ was issued this summer to protect amateur sport organizations, often run by volunteers, from COVID-19 liability.²⁰

In the absence of any action on insurance to support Ontario's nonprofits and charities, it leaves nonprofits at risk and is a major setback for their ability to support their communities during and beyond the pandemic. It would be prudent for the government to ensure "Good Samaritan" liability protection for Ontario's nonprofits that work across various subsectors, such as sports and recreation, arts and culture, and social services.²¹

¹⁷ Standing Committee on Finance and Economic Affairs. Fourth Interim Report: Economic Impact of COVID-19 on Municipalities, Constructions and Building.
https://www.ola.org/sites/default/files/node-files/committee/report/pdf/2020/2020-09/42_1_FE_FourthInterim_09162020_en%20REVISED.pdf

¹⁸ Ontario Nonprofit Network. Ontario nonprofits access to insurance coverage for COVID related issues
<https://theonncan.ca/wp-content/uploads/2020/07/ONN-COVID-Insurance-letter-to-Attorney-General-June-17-2020.pdf>

¹⁹ Government of British Columbia. Ministerial Order No. 183/2020 Emergency Program Act.
[https://www.bclaws.ca/civix/document/id/mo/mo/m0183_2020/search/CIVIX_DOCUMENT_ROOT_STEM:\(sports\)%20AND%20CIVIX_DOCUMENT_ANCESTORS:1115649140?1#hit1](https://www.bclaws.ca/civix/document/id/mo/mo/m0183_2020/search/CIVIX_DOCUMENT_ROOT_STEM:(sports)%20AND%20CIVIX_DOCUMENT_ANCESTORS:1115649140?1#hit1)

²⁰ Government of British Columbia. Province takes action to support the return to sport
<https://news.gov.bc.ca/releases/2020TAC0026-001038>;

²¹ Standing Committee on Finance and Economic Affairs. Fifth Interim Report: Economic Impact of COVID-19 on Infrastructure
https://www.ola.org/sites/default/files/node-files/committee/report/pdf/2020/2020-09/42_1_F~3.PDF

3. Develop a made-in-Ontario nonprofit social enterprise strategy as a tool of recovery

"By making it easier for people and businesses to interact with government, we are delivering on our commitment of building simpler, faster, better services in Ontario, and ultimately, building a government that is working for you."

*-Peter Bethlenfalvy
President of the Treasury Board²²*

COVID-19 has generated a lot of upheaval; however, it presents an opportunity for the provincial government to develop a social enterprise strategy and to leverage its purchasing power to support nonprofit social enterprises through social procurement.

In our January 2020 pre-budget submission, ONN recommended the development of an Ontario strategy to support nonprofit social enterprises.²³ Nonprofit social enterprises are businesses operated to create social, environmental, or cultural value. Nonprofit social enterprises provide avenues for entrepreneurs to innovate, while creating jobs for people facing barriers, and adding value to local economies by reinvesting any surplus revenues back into enterprise development and mission-oriented work. They are community governed, transparent, and focused on creating community value. Nonprofit social enterprises are examples of how market-based solutions can (and should) be guided by community values.²⁴

Research has shown that nonprofit social enterprise models are better adapted to challenging market conditions, and more resilient in times of economic downturn.²⁵ But this pandemic has created unprecedented challenges and nonprofit social enterprises have suffered dramatically during the pandemic, with organizations such as Goodwill, Habitat ReStores, and many courier and catering enterprises forced to shut down.

As a tool of recovery, investment in a nonprofit social enterprise strategy could be an avenue for employment expansion and generate support for regional and/or local economic development. Organizations like the Rural Ontario Institute have found that social enterprises play a significant

²² Government of Ontario. Making Ontario Better for People and Smarter for Business, October 6, 2020 <https://news.ontario.ca/en/release/58692/making-ontario-better-for-people-and-smarter-for-business>

²³ Ontario Nonprofit Network. Pre-Budget Submission - January 2020 <https://theonncan.ca/wp-content/uploads/2020/01/ONN-2020-pre-Budget-submission-Jan-23-2020.pdf>

²⁴ Social Enterprise Council of Canada. "The Six Pillars." <https://secouncil.ca/index.php/the-six-pillars/>

²⁵ Carlo Borzaga, Gianluca Salvatori and Riccardo Bodini. Social and Solidarity Economy and the Future of Work, International Labour Organization, July 2017, p15 https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/publication/wcms_573160.pdf

role in addressing challenges such as isolation and “brain drain” in rural Ontario.²⁶ **A new social enterprise strategy would be a way to boost forward-looking employment that can not only increase labour market prospects, but also sustain the growth of provincial economic activity.**

It is critical that nonprofit social enterprises are supported with investment and market opportunities comparable to the private sector to enable them to participate fully and seize opportunities supporting those they serve in their communities. In the short term that would mean access to funds similar to the recently announced \$300 million²⁷ for small business operational support and the \$60 million²⁸ for personal protective equipment.

Another major catalyst for the nonprofit sector would come from the government shifting a portion of its existing contract-based spending to procure from nonprofits, through social procurement measures in regulations under the new Supply Chain Management Act. This would help ensure that the planned centralization of the supply chain encourages diversification and value for the government, growth of small businesses and local economies and, especially, nonprofit social enterprises that create good jobs for people struggling in the labour market.

²⁶ Rural Ontario Institute. Rural Business Succession: Innovation Opportunities to Revitalize Local Economies, 2017

https://www.ruralontarioinstitute.ca/uploads/userfiles/files/Rural%20Ontario%20Foresight%20Papers%202017_Rural%20Business%20Succession%20and%20Northern%20Perspective.pdf

²⁷ The Ontario Government has indicated it “will make \$300 million available to assist significantly affected businesses with fixed costs, including property taxes, hydro and natural gas bills.” From the Office of the Premier. “Ontario Implementing Additional Public Health Measures in Toronto, Ottawa and Peel Region: Government Taking Further Steps to Support Small Business in these Hotspots.” October 9, 2020.

<https://news.ontario.ca/en/release/58767/ontario-implementing-additional-public-health-measures-in-toronto-ottawa-and-peel-region>

²⁸ Ministry of Economic Development, Job Creation, and Trade. “Ontario Supports Small Main Street Businesses with \$60 Million in Funding through PPE Grant: New measures will help businesses reopen safer, rehire faster and recover from COVID-19.” October 7, 2020.

<https://news.ontario.ca/en/release/58708/ontario-supports-small-main-street-businesses-with-60-million-in-funding-through-ppe-grant>

4. Establish a nonprofit advisory table to inform the Cabinet Jobs and Recovery Committee

“The convergence of the global pandemic and accelerated movement for racial/Indigenous justice is set to reshape governments’ relationships with civil society. How public services are financed and delivered, how governments engage with communities and the nonprofit sector, and how both governments and nonprofits practice meaningful inclusion will need to be radically reformed.”

- Susan D. Phillips²⁹

Professor of the School of Public Policy and Administration, Carleton University

Ontarians have relied extensively on nonprofits for support during COVID-19 and will continue to rely on their community expertise and experience in the recovery phase that lies ahead. A dedicated nonprofit advisory table would enable the Ontario government to consult regularly and in a more engaged way with a range of nonprofits in developing a plan for further re-opening of workplaces and economic and social activity. It is imperative that nonprofits are at the decision making table to facilitate their role in the long-term economic recovery and share voices of volunteers, nonprofit workers, and their communities.

At a systems level, COVID-19 has amplified the inequities that were beneath the surface, such as income inequality, systemic racism, and weak social infrastructure.³⁰ The nonprofit sector knows what to do and is experienced in addressing these systemic issues, but cannot continue to solve these problems effectively and systematically without government as a partner in developing more responsive policy that addresses these challenges.³¹

Now more than ever, nonprofit organizations are a central part of the ecosystem that supports communities not only to survive during times of crisis, but also to thrive. The creation of a nonprofit advisory table would leverage the expertise and guidance from leaders across the sector and help to better inform the government of what is needed to support nonprofits to fulfill their missions. There is an opportunity to redefine nonprofits’ relationships with the Ontario government as we consider what recovery will look like.

As the voice of 58,000 nonprofits and charities across the province, ONN would be pleased to facilitate the process of establishing, participating in, and supporting such a table.

²⁹ Susan D. Phillips, “Government-civil society relations post-pandemic: a reinvention triptych,” in Astrid Brousselle et al. Beyond COVID-19: Five commentaries on reimagining governance for future crises and resilience <https://onlinelibrary.wiley.com/doi/10.1111/capa.12388>

³⁰ Ontario Nonprofit Network. Keeping Human Services in Community Hands https://theonncan.ca/wp-content/uploads/2020/06/Keeping-human-services-in-community-hands_-Why-nonprofits-deliver-better-June-2020.pdf?mc_cid=3272b77f3e&mc_eid=18fb9a40d2

³¹ Heather Simpson. Surviving Budget Cuts: Lessons From the Harris Years. Strategies 4 Good. <http://s4g.ca/surviving-budget-cuts-lessons-from-the-harris-years/>

Conclusion and Next Steps

Now is the time to recognize the nonprofit sector in all its scope, diversity and complexity, but also its flexibility, adaptability and resilience. Ontarians have relied extensively on nonprofits for support during COVID-19 and will continue to rely on their programs and services in the recovery phase that lies ahead. Ontarians count on us every single day. And we're counting on you to make sure we survive this pandemic intact and strong so that we can continue serving our communities

It is time for the Ontario government to do its part - treat nonprofits as the economic contributors we are and make an investment in our sector now that will pay off economically and socially for years to come.

ONN remains committed to working with the government toward ensuring that communities can thrive and prosper beyond this pandemic.

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