

Ontario Budget 2021: ONN Pre-Budget Submission

“From health care workers . . . to minor hockey and figure skating coaches and volunteers at local Legions and charities, these are the everyday heroes that keep our communities moving and growing and full of life. They’re a driving force behind our province’s success, and they are being relied on through Ontario’s recovery.”-Attorney General Doug Downey [1]

Summary

The nonprofit sector plays an essential role in job creation, volunteer engagement, and programs and services that support the well-being of Ontarians. However, nonprofits have been hard hit by the COVID-19 crisis: struggling to maintain their operations and their ability to generate revenue for programs and services, and often being on the frontlines to support Ontarians hard hit by the pandemic’s economic and social devastation in communities. As employers, nonprofits are also grappling with the uncertainty, stress, and burnout it has caused among staff and volunteers. When we surveyed 1,100 nonprofits last June, one in five nonprofits was expected to close by the end of the year. We have already witnessed many COVID-related closures and the lack of direct support from government will mean the closure of many more in the coming months. These closures translate into lost jobs and less activity for local economies, and will leave major gaps in the programs and supports intended to help Ontarians rebound from a pandemic almost a year long already.

The Ontario government’s Small Business Support Grant is an important downpayment to provide funding to stabilize the nonprofit sector. While this will be a lifeline for nonprofits that meet the eligibility criteria, many nonprofits will not qualify.

ONN’s recommendation:

Provide stabilization funding for nonprofits to withstand the significant disruptions to their revenue and operations so they can continue to serve Ontarians and local economies in the ongoing COVID-19 crisis.

[1] Supporting Ontario’s Recovery and Municipal Elections Act, 2020. Ontario Legislative Assembly, Hansard, 42nd Parliament, 1st Session (22 Oct 2020 at 0900). https://www.ola.org/en/legislative-business/house-documents/parliament-42/session-1/2020-10-22/hansard#P197_11127



- 1. Retool the Small Business Support Grant to cover a broader range of small nonprofit employers, including:**
 - a. Extend eligibility to nonprofits and charities that were required by public health regulations to close or significantly modify services prior to the December 26 Provincewide Shutdown, if they meet the revenue-loss threshold.
 - b. Extend eligibility to those that remained open as “essential services” (approximately one-third of the sector), if they meet the revenue-loss threshold.
 - c. Increase the \$20,000 maximum grant to \$50,000 for nonprofits that suffered \$100,000 or more in revenue declines.
- 2. Introduce \$1,000 to \$10,000 micro-grants for volunteer-only nonprofits** (with no paid staff) to mitigate the impact of their reduced volunteer and fundraising capacity, and help them adapt through new processes, and technology.

Stabilization funding for nonprofits will protect jobs that would otherwise have been lost in the nonprofit sector as a result of fundraising losses, program closures, and event cancellations. It will also help nonprofits recruit and retain the volunteers who are the lifeblood of our communities.

Introduction

Ontario’s nonprofit sector continues to struggle under the weight of the COVID-19 crisis: its economic and social effects in our communities, as well as the uncertainty, stress, and burnout it has caused among nonprofit staff and volunteers. When ONN surveyed 1,100 nonprofits last June, one in five nonprofits was expected to close by the end of the year [2]. We have already witnessed many closures and the lack of direct support from government will mean the closure of many more in the coming months. Demand for community services has increased while donations to many organizations have dropped significantly. A recent survey by Imagine Canada shows that the charitable sector’s [3] revenue has declined by almost 31 per cent since the onset of the pandemic, with 69 per cent of charities reporting decreased revenues [4].

Staff and volunteers in front-line roles are becoming more difficult to recruit and retain as the risks of in-person work are still high. In nonprofit subsectors like arts, sports, and environment, a “return to normal” is still elusive as shutdowns continue and public and private funders prioritize front-line services. As economic indicators worsen again in response to the second wave and successive lockdowns, the sector’s financial precarity worsens, as community needs increase.

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

[3] Charities constitute approximately half of the nonprofit sector in Canada.

[4] Imagine Canada. “More than a third of Canadians will give less to charities this holiday season due to COVID-19: survey.” December 14, 2020. <https://imaginecanada.ca/en/holiday-giving-survey-2020>



The nonprofit and charitable sector contributes \$50 billion to Ontario's GDP [5], employing over one million workers -- of whom 80 per cent are women [6]. As a sector, Ontario nonprofits receive less than half of their revenues from governments [7]. Nonprofits reinvest all surpluses in their missions and leverage government revenues through private grants and donations, the sale of goods and services, and volunteer efforts to create additional value for the communities they serve. Through their job creation and local spending activities, nonprofits generate considerable economic impact above and beyond the extensive social, cultural, and ecological value they provide to Ontarians.

The Ontario government must play a central role in helping communities across the province with their economic recovery from the COVID-19 crisis. Further relief measures for Ontario nonprofits are urgently required to prevent closures and reductions in the programming and services that have helped people through the crisis and will continue to be needed as the recovery takes hold. Nonprofits will be needed to provide "rebound" support services, such as mental health programs, recreational programming, and day programs for seniors. As public health restrictions are relaxed later in 2021, nonprofits must be positioned to meet an even higher demand for services.

We appreciate that the Province has provided targeted COVID relief funding that has benefited a small portion of the nonprofit sector, including:

- Social Service Relief Fund - although up to 90 per cent of this fund stayed within local government budgets, according to our municipal partners;
- funding in the fall Budget for arts, culture, and sport groups;
- enhanced funding for Black youth organizations; and
- stabilization funding for Francophone organizations [8].

This funding has provided much-needed relief to specific parts of the nonprofit sector. Additionally, the \$83 million Ontario Trillium Foundation (OTF) Resilient Communities Fund was welcome news for the sector as a whole; however, this was not new money but reallocated from existing grant streams that were cancelled. In addition, the fund was massively oversubscribed, with only one in five applicants receiving funding. Between the first and second intakes, 4,229 nonprofit organizations applied for funds totalling \$375 million -- and that was for a grant stream that did not cover ongoing operating costs, which are essential to sustain program and service delivery [9].

[5] Imagine Canada and Canadian Council on Social Development. "The Nonprofit and Voluntary Sector in Canada: Regional Highlights of the National Survey of Nonprofit and Voluntary Organizations." p. vi. <https://imaginecanada.ca/sites/default/files/2019-11/Regional%20Report%20-%20Ontario.pdf>

[6] ONN. "Decent Work for Women – A literature review of women working in Ontario's nonprofit sector." 2018. <https://theonnc.ca/our-work/our-people/decent-work/literature-review/>

[7] Imagine Canada and Canadian Council on Social Development. "The Nonprofit and Voluntary Sector in Ontario: Regional Highlights of the National Survey of Nonprofit and Voluntary Organizations." 2006.

http://www.imaginecanada.ca/sites/default/files/www/en/nsnvo/d_ontario_sector_report.pdf

[8] For a complete list of measures in Ontario Budget 2020, please see our Budget analysis.

<https://theonnc.ca/our-work/our-financing/provincial-budget-2020/#targeted>

[9] Email correspondence from a senior official at the Ontario Trillium Foundation. September 10, 2020, and February 3, 2021.



The most significant provincial announcement for our sector as a whole has been the Small Business Support Grant, announced in December, which will provide relief to many nonprofits as employers if take-up is widespread. That said, eligibility for the fund is limiting. More generally, government relief measures to date have so far constituted only a downpayment on the stabilization funds required to mitigate the catastrophic cost to organizations of weathering the crisis. Early in the pandemic, ONN had estimated \$680 million was required to stabilize the nonprofit sector just for the first fiscal quarter of losses and extra costs. This will be exacerbated as economic indicators worsen again in response to the second wave and successive lockdowns.

Provide stabilization funding for nonprofits to weather the ongoing COVID-19 crisis and accelerate their recovery

1. Retool the Small Business Support Grant so more nonprofit workplaces qualify

ONN welcomed the recent recommendation from the Standing Committee on Finance and Economic Affairs that the government “explore establishing a stabilization fund for Ontario’s non-profit sector,” which was aligned with our recommendation [10]. In our June survey, we forecast that one in five nonprofits was expected to close by the end of the year [11]. The majority of nonprofits at the time had experienced increased demand, falling revenues, and yet had seen no relief from the provincial government.

ONN was pleased to learn in December that nonprofits would be eligible for the Small Business Support Grant. While the eligibility criteria are limiting (e.g., only organizations that were required to shut down on December 26, not before, may apply), this is the first source of general operating support offered by the Ontario government during the pandemic. We were also pleased to see that the application process for the Small Business Support Grant is streamlined and the turnaround time very rapid. These elements -- a low “red tape” application process, general operating costs, and quick turnaround for successful applicants -- are essential ingredients of a nimble and responsive support grant.

In order to serve more nonprofits and their communities, we recommend that the Small Business Support Grant be retooled:

- **Extend eligibility to nonprofits and charities that were required by public health regulations to close or significantly modify services prior to the December 26 Provincewide Shutdown** if they meet the existing revenue-loss threshold.

[10] Standing Committee on Finance and Economic Affairs. Sixth Interim Report: Economic Impact of COVID-19 on Small and Medium Enterprises. October 2020. P. 25.

https://www.ola.org/sites/default/files/node-files/committee/report/pdf/2020/2020-10/42_1_FE_SixthInterim_10082020_en.pdf

[11] Ontario Nonprofit Network. Risk, resilience and rebuilding communities: The state of Ontario nonprofits three months into the pandemic https://theonn.ca/wp-content/uploads/2020/08/Final_-_English_-_Three-months-into-COVID-1.pdf



- **Extend eligibility to those that remained open as “essential services” during the Shutdown.** One-third of nonprofits continue to operate during shutdowns and they have generally experienced increased costs related to pandemic measures as well as increased demand for services [12].
- **Communicate publicly that nonprofits are indeed eligible** if they meet the criteria.
- **The application portal must ask for corporate form** to generate data on program reach specifically for nonprofits.
- **Increase the \$20,000 maximum grant to \$50,000** for organizations that suffered \$100,000 or more in revenue declines.

2. Introduce micro-grants for volunteer-only nonprofits to provide relief for reduced fundraising revenues and help them adapt

In a typical year, five million people collectively donate 820 million hours of labour to Ontario communities, the equivalent of 400,000 full-time jobs [13]. The work of community organizations would grind to a halt without the contributions of volunteers. In Ontario, over half of all nonprofit organizations in Ontario have no paid staff and are run entirely by the efforts of volunteers [14].

This includes many recreation and trails development groups, community arts programs, peer support networks, Legions, mutual aid networks, and service clubs that have helped to keep Ontarians healthy, safe, and connected during the crisis.

We saw many examples of new volunteers stepping up to help their communities during the initial stages of the COVID crisis. But at the same time, according to Volunteer Canada’s October survey, 41 per cent of organizations experienced a moderate or severe decrease in volunteer availability, and 23 per cent of organizations reported a high impact on their ability to deliver programs and services as a result. Organizations are concerned about volunteer and staff burnout, the disengagement of many volunteers, especially seniors, during the “pivot” to virtual volunteering, and the challenges of re-engaging volunteers after the crisis [15].

We recommend the Ontario government introduce \$1,000 to \$10,000 micro-grants for nonprofits that have no paid staff.

These organizations would not have access to the Small Business Support Grant or most other pandemic support measures introduced to date by the federal and Ontario governments.

[12] 40 per cent of organizations saw an increase in demand, while 32 per cent remained fully open during the spring shutdown. See “Risk, resilience and rebuilding communities,” p. 8

[13] Government of Ontario. “Not-for-profit sector meeting report.” Open For Business process. August 2012. <https://www.ontario.ca/page/not-profit-sector-meeting-report#section-1>

[14] Imagine Canada and Canadian Council on Social Development. “The Nonprofit and Voluntary Sector in Canada: Regional Highlights of the National Survey of Nonprofit and Voluntary Organizations.” p. vii. <https://imaginecanada.ca/sites/default/files/2019-11/Regional%20Report%20-%20Ontario.pdf>

[15] Volunteer Canada. “The volunteering lens of COVID-19.” October 2020. <https://volunteer.ca/index.php?MenuItemID=433>



Many of these organizations have experienced significant revenue declines and yet continue to provide valuable programs and services to Ontarians that have helped them through the crisis. They typically do not have an existing funding relationship with the Ontario government. Micro-grants would provide them with relief from reduced capacity through the loss of volunteers and donations – which in turn has an impact on services, operations, and community fundraising. These grants are needed to help them adapt to the changing context, reduced volunteers, and limited opportunities for fundraising. Such small investments would provide significant return.

ONN was pleased to see the recognition of volunteers in the Fall 2020 Budget, with plans for a Provincial Emergency Volunteer Unit to develop and oversee a pool of volunteers [16]. However, as much as volunteer-only groups need volunteers, they also need resources to survive the pandemic and retool for recovery. Prioritizing microgrants will be an important step in providing this much-needed support. To support the Provincial Emergency Volunteer Unit, ONN would be pleased to convene with Ontario's Volunteer Centres and other stakeholders to ensure that the planned initiative reflects the diverse needs of Ontario's communities.

Conclusion

It will take all levels of government as well as the private and nonprofit sectors working together to pull through this crisis and emerge in stronger shape.

The Ontario government can leverage the Small Business Support Grant to ensure that new investments go as far as possible in supporting an inclusive and healthy recovery, preserving nonprofit jobs, services, and supports that are urgently needed during the pandemic and as we work toward economic recovery. Thank you for the opportunity to provide recommendations for Ontario Budget 2021. ONN remains committed to working with the government toward ensuring that communities can thrive and prosper beyond this pandemic.

For more information:

Cathy Taylor, Executive Director
Tel: 416-642-5786, ext. 508
Email: cathy@theonnc.ca

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. For more information, please visit theonnc.ca.

[16] Ontario Ministry of Finance. Ontario Budget 2020. Chapter 1, Section 7. November 2020. <https://budget.ontario.ca/2020/chapter-1a.html#section-7>

