



Written Submission for the Pre-Budget Consultations in Advance of the
Upcoming Federal Budget

By: The Ontario Nonprofit Network (ONN)

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Recommendation 1: Engage the nonprofit sector in the design of a Home in Government. Dedicate funding for this model in Budget 2024.

Recommendation 2: Improve the Treasury Board Secretariat's Policy on transfer payments to make funding for nonprofits more equitable and effective.

Recommendation 3: Develop a federal labour and workforce strategy for the nonprofit sector.

Recommendation 4: Mandate Statistics Canada to improve the quality and accessibility of the data collected on the nonprofit sector. Allocate \$1 million in 2024-25 and \$650,000 in ongoing funding to support this work.

Recommendation 5: Establish a Community Benefits Employment Strategy to leverage public infrastructure and procurement dollars to multiply economic and social benefits in local communities.

Recommendations 6: Fully implement the recommendations from the Social Innovation and Social Finance strategy.

Recommendation 7: Prioritize expansion of nonprofit and public sector driven publicly-funded services.

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.

Ontario's nonprofit sector has never been more critical for Canadians.

Nonprofits are getting people back to work, serving on the front lines, and providing critical care services for the old, young, sick, and frail. Youth employment training services, Meals on Wheels, and gender-based violence services are all nonprofit driven. As demand rises, we are also filling gaps for affordable housing, mental health and addictions programs, and settlement services. We are first-responders to emergencies and help rebuild communities after natural disasters. Our local theatres and festivals, day camps, and places of worship bring communities to life. Nonprofits weave together infrastructure that all Canadians rely on and is necessary to unlock the full potential of our country's economy.

The sector is an economic driver and ready for government investments to strengthen communities.

From Whitehorse to Fort McMurray, Saskatoon to Ottawa, and across the Maritimes, the nonprofit sector is a significant job creator, a strong enabler of volunteer engagement, and a critical program and services delivery partner to the government.

The sector contributes \$192 billion in economic activity annually, generating 8.3 per cent of Canada's GDP and employing 2.5 million people.¹ Our workforce reflects Canada's population in its diversity - over two-thirds of the workforce consists of women, nearly a third are Indigenous and racialized, and almost half are immigrants.² We also have a vibrant volunteer community with 13 million individuals contributing close to 2 billion hours each year.

Nonprofits are economic amplifiers. In Ontario, with \$1.00 of investment, nonprofits generate up to \$2.18 in GDP impact, \$1.76 in employment income impact, and with an output of every million dollars 1.5 in job creation.³ This is quite similar in magnitude to many other industries in Ontario.

Now is the time to better leverage nonprofits' expertise, local infrastructure, and community-centred missions to build a Canada that works for everyone. Nonprofits are accountable to local communities, have higher levels of transparency, and reinvest profits back

¹ Statistics Canada. "The Daily – Non-profit institutions and volunteering: Economic contribution, first quarter 2021." 2021. <https://www150.statcan.gc.ca/n1/daily-quotidien/210628/dq210628c-eng.htm>; Statistics Canada. "The Daily – Non-Profit Organizations and Volunteering Satellite Account: Human Resources Module, 2010 to 2019." <https://www150.statcan.gc.ca/n1/daily-quotidien/210430/dq210430d-eng.htm>

² Imagine Canada. "Diversity is our Strength: Improving Working Conditions in Canadian Nonprofits." 2022. <https://www.imaginecanada.ca/sites/default/files/2022-10/diversity-is-our-strength.pdf>

³ Elizabeth Dhuey. "The Economics of the Nonprofit Sector in Ontario." 2022.

into their missions, ensuring taxpayer money is used effectively. Where Statistics Canada data can be segmented by industries that consist of both for-profits and nonprofits, the data indicates that investment in a nonprofit yields greater benefits to communities than a for-profit entity.⁴

Recommendations to continue Canada on the path to prosperity.

Nonprofits across Canada are in the midst of confronting fallout from the pandemic - unprecedented demand for services, domino effect of record breaking inflation, deepening financial precarity, and a relentless HR crisis and volunteer shortage. Without any action, the erosion of Canada's critical social infrastructure will only speed up.

Vibrant, healthy, and supported communities make good economic sense, but they are not possible without a strong and sustainable nonprofit sector. For this reason we are endorsing Imagine Canada's recommendations for the 2024 budget.

Detailed recommendations:

1. Establish a Home in Government for the nonprofit sector

While our sector has several touchpoints with the federal government, no ministry or department is responsible for improving the nonprofit sector's policy environment or economic landscape. A home in government for the sector would:

- Coordinate and enable public policy across relevant departments and support innovation and collaboration across sectors.
- Innovate and collaborate with the nonprofit sector to implement novel solutions to complex, pressing social and environmental issues.
- Reduce red tape to create a more effective and supportive public policy environment for the sector.

Recommendation

- Establish and adequately resource an entity to act as a Home in Government for the nonprofit sector in Budget 2024.

2. Build a more effective and equitable funding environment

The federal government relies on nonprofits to deliver on many priorities. However, issues with the administration of federal funding through the Treasury Board Secretariat (TBS) has created [inefficiencies and inequities](#) that could jeopardize the government's ability to meet its objectives, including resilience and preparedness for future crisis. In 2021, the [federal government](#) indicated its support for policies that compensate full administrative costs associated with delivering services funded by transfers to non-profit organizations.⁵ While the Treasury Board has taken

⁴ Elizabeth Dhuey. "The Economics of the Nonprofit Sector in Ontario." 2022.

⁵ Recommendation 10. The Senate Special Committee on the Charitable Sector (2019). Catalyst for Change: A Roadmap to a Stronger Charitable Sector. https://senCanada.ca/content/sen/committee/421/CSSB/reports/CSSB_GovResponse_Charitable_e.pdf

several steps to address issues raised in these reports, it is clear from speaking to nonprofits in the sector who receive federal funding that many problems still persist.⁶

Recommendations

- Amend the Treasury Board Secretariat's [Directive on Transfer Payments](#) to account for our sector's unique operating and financial models and societal role by creating specific funding provisions that:
 - Embrace risk and assess risk more equitably
 - Mandate that all project-based funding allow a minimum of 30%⁷ of funding to be used for associated core operating and overhead costs
 - Reduce the administrative burden associated with applications, reporting, and audits.
 - Allow for greater flexibility to move funds between cost categories
 - Reduce funding renewal gaps by increasing multi-year funding availability
 - Ensure policy compliance within government departments
- Apply an equity approach to the provision of funding that:
 - Develops equity and accessibility guidelines for federal funding
 - Distributes funding equitably to address current and historical inequities
 - Provides dedicated capacity-building funding for equity-seeking communities

3. Support the nonprofit labour force and enable digital innovation

ONN's 2022 sector survey showed a significant jump in demand for nonprofit services compared to previous years, yet 86 per cent organizations had longer waitlists and/or discontinued/scaled back programs or services. High levels of stress and burnout on the job, stagnant pay, skills mismatch, and limited pathways into the sector have resulted in significant recruitment and retention challenges. The resulting labourforce and volunteer shortage was significantly delaying service delivery, impacting the quality of programs, and even stifling innovation. This is not unique to Ontario and a reality for nonprofits coast to coast to coast.

Like many sectors, nonprofits are undergoing rapid disruption due to digital technologies. Access to funding and program supports like the CDAP, the [Community Services Recovery Fund](#) (with its streams that support investment in staffing and technology) and the [Skills for Success Program](#) would help many organizations address workforce challenges and adopt digital technologies allowing them to better weather crises or economic hardship.⁸

⁶ Learn more about stakeholders' perspectives in [Core Funding Impact Stories: 8 nonprofits and charities across the country explain what a lack of core funding means for their communities, workers and long-term viability.](#)

⁷ Learn more about the research on administrative costs: [The Nonprofit Starvation Cycle: Does Overhead Spending Really Impact Program Outcomes?](#) By Hala Altamimi and Qiaozhen Liu; [Pay-What-It-Takes Philanthropy](#) by Jeri Eckhart-Queenan, Michael Etzel, & Sridhar Prasad; and [Nonprofit Overhead Costs: Breaking the Vicious Cycle of Misleading Reporting, Unrealistic Expectations, and Pressure to Conform](#) by William Bedsworth, Ann Goggins Gregory & Don Howard.

⁸ Ontario Chamber of Commerce. 2022. <https://occ.ca/wp-content/uploads/Broken-Links-Driving-Technology-Adoption-within-Ontarios-Small-Businesses.pdf>

Recommendations:

- Develop a labour force strategy grounded in equity that addresses retention, skills development, compensation, training, leadership development and succession planning.
- Implement Caring for Carers, a two-year \$100 million dollar suite of evidence-based mental health supports for front-line community service workers.
- Expand Canada Digital Adoption Program's eligibility to nonprofits and charities.
- Build the resilience of the nonprofit sector by establishing another cycle of the Community Services Recovery Fund.
- Allocate an additional \$298M to the Skills for Success Program over the next three years to provide Canadians with the opportunity to improve foundational and transferable skills needed to enter the workforce.

4. Enhance the quality and accessibility of nonprofit data

The nonprofit sector does not have crucial data needed to design policies, plan interventions, anticipate changes and forecast the needs of the nonprofit sector. When information about the sector is available, it is often outdated or presented in an inaccessible or difficult-to-use format. To advance the nonprofit sector's data collection priorities, representatives of 40+ nonprofit organizations and institutions have formed the [Federal Nonprofit Data Coalition](#). We echo their four recommendations for the 2024 federal budget.

5. Leverage existing resources, including public infrastructure and procurement dollars, to multiply economic and social benefits in local communities

Community benefit agreements (CBAs) are unquestionably the next frontier in public-private partnerships. When strategically embedded in all public infrastructure and housing programs, CBAs create targeted employment, training, and apprenticeship opportunities, new procurement pathways for local small businesses and suppliers, and improved neighbourhood amenities. The Gordie Howe International Bridge community benefit plan in Windsor has helped assign 300+ pre-apprentices to the project. The Toronto Eglinton Crosstown LRT's community benefit program has resulted in the hiring of skilled newcomers and \$8 million in local business spending. Supporting nonprofit social enterprises and co-operatives can ensure the government achieves their goals of efficient and strategic supply chains, enabling people with barriers to participate in the economy, and stimulating money locally.

Recommendations:

- Develop a comprehensive Community Benefits Employment Strategy for infrastructure and clean energy initiatives.
- Establish a Capacity Building Fund - totalling 0.1 per cent of the annual infrastructure budget - to build and sustain community organizations who play an important role in the successful implementation of community benefit agreements.

- Launch a National Acquisition Fund to provide capital contributions to help nonprofits and co-ops purchase existing, occupied, purpose-built rental buildings to facilitate the preservation of existing affordable rental housing and enable the community housing sector to leverage the valuable assets acquired to expand affordable housing opportunities.
- Broaden the Business Development Bank and Community Futures advisory services, lending, and investments to include non-profit social enterprises.

6. Fully implement the recommendations from the Social Innovation and Social Finance strategy

While the official launch of the Social Finance Fund was welcomed news, nonprofit and co-operative associations/intermediaries (linking organizations) still need to be supported to enable small community nonprofits to take advantage of larger-scale investment streams.

Recommendations:

- Renew and expand the Investment Readiness Program (IRP) to serve as a permanent, whole-of-government Social Innovation Ecosystem Program.
- Expand the Social Finance Fund (SFF) to include a Black-led and Black-serving fund manager. (Conditionally repayable capital allocation of \$70M over 10 years, at an estimated net cost of \$14M over the same period).
- Draw on the Social Innovation Advisory Council to provide advice on how federal programs and policies can best support SI/SF ecosystems as well as oversee the co-creation process for subsequent actions to implement the strategy.

7. Prioritize expansion of nonprofit and public sector driven publicly-funded services.

When it comes to delivering publicly-funded services, especially in times of crisis, the nonprofit difference means reinvesting revenue in services that will result in safer, more reliable services, tapping into knowledge, trust and relationships to engage those who are the hardest to reach, and meeting public needs regardless of profit/subsidy/or asset acquisition. The dangers of failing to use a nonprofit business model in publicly-funded service delivery include:

- Individuals with the most complex needs will not be served as these are the most expensive, and therefore least profitable to serve.
- Quality of service will be compromised in service of the bottom line. B.C.'s Office of the Seniors Advocate found that while receiving on average the same funding from government, nonprofit operators spend \$10,000 or 24 per cent more per year on care for each resident compared to for profit providers. Money that goes towards more staff, equipment, and necessities for patients.
- Assets acquired by for profits with significant public investment will be sold off. Recently, for profit nursing homes faced with the cost of mandatory upgrades to their building and equipment have instead chosen to sell to developers.

- Costs are higher over time. Provincial and federal auditors general, and researchers have found that the public pays more for infrastructure when it's through the for profit sector.

Recommendation:

- Ensure federal transfers to provinces/territories for publicly-funded care programs (e.g., long-term care) are limited to nonprofit and/or public delivery or critical safeguards to protect publicly-funded services are built in.