

*Written Submission for the Pre-Budget Consultations in Advance of the
Upcoming Federal Budget by the **Matthew House Ottawa***

Recommendations

Recommendation 1: That the government establish 1:1 matching fund for charitable institutions, up to \$1.5 billion.

Body of Submission

Introduction

Matthew House Ottawa appreciates the opportunity to participate in the Standing Committee on Finance's pre-budget consultation process in advance of the 2021 federal budget.

Matthew House Ottawa is a member of the Canada Cares Coalition. The Canada Cares Coalition is composed of members from across the Canadian charitable sector across the country, including Habitat for Humanity, Matthew House, Food for the Hungry Canada, Kind Canada Généreux, The Cardus Institute, and Thrive for Good, among others.

Our members provide charitable services in a range of key areas of focus, including establishing affordable housing, providing support to refugees, and ending hunger, poverty and malnutrition, among others. We are proud to represent a wide variety of charitable causes to help Canadians and global citizens in need. The recommendation we set forth will help to ensure that our members and other organizations in the charitable sector can continue to provide support to Canadians by leverage private donations and federal funding.

Our Recommendation

The Canada Cares Coalition is asking the federal government to establish a 1:1 matching fund for Canada's charitable sector, where the federal government commits to match private donations on a 1:1 basis, up to \$1.5 billion. This matching fund would provide much-needed support to Canada's charitable sector, which has been significantly impacted by the COVID-19 pandemic. Beyond providing essential social services to populations in need, the charitable sector also plays an important role in Canada's economy by creating jobs and volunteer opportunities for thousands. Charities and non-profits contribute more than \$150 billion to the national economy, or

about 8% of Canada's GDP.¹ Like many other sectors, we require government support to weather the storm of the pandemic and position us for long-term recovery.

Charities' revenues have declined an average of 30.6% since the onset of the pandemic, with 69% of charities reporting decreased revenues.² Declines in donations are extremely widespread, with almost 3 out of 4 charities are reporting declines in donations.³ As a result, 40% of charities have seen a decline of organizational capacity, suggesting that these declines may be structural and long-term if assistance is not provided.⁴ Imagine Canada estimates that the overall decline in revenue for the charitable sector will be between \$9-15 billion. Charities are facing job losses of over 100,000 workers and the decline of as many opportunities for volunteers because of program shutdowns.⁵ Of note, close to 80% of the charitable sector's labour force is women.⁶

Programs that serve Canada's most vulnerable are already beginning to shut down because of donation declines. Organizations like La Maison des Collines, a palliative care home for residents of the Gatineau Hills in Wakefield, Quebec, are quickly running out of cash reserves, and are beginning to pare down programs. La Maison des Collines had to shut down 33% of its beds due to lack of funds, leaving palliative care patients without access to care.⁷ Coalition members like Matthew House, and Micah House, which serve refugee families, are experiencing similar challenges meeting program needs, and are particularly concerned about their ability to provide full services in the future.

A Targeted, Effective, Shared Support Response: The Matching Initiative

¹ <https://policyoptions.irpp.org/magazines/september-2019/giving-the-charitable-sector-the-tools-it-needs-to-thrive/#:~:text=Canada's%2017%2C000%20charities%2C%20nonprofits%20and,important%20role%20in%20Canadian%20society.&text=Charities%20and%20nonprofits%20contribute%20more,8%20percent%20of%20our%20GDP.>

² https://imaginecanada.ca/sites/default/files/COVID-19%20Sector%20Monitor%20Report%20ENGLISH_0.pdf

³ *ibid*

⁴ *ibid*.

⁵ <https://www.cbc.ca/news/politics/pandemic-covid-coronavirus-charities-1.5548590>

⁶ <https://theonncanada.ca/wp-content/uploads/2019/03/DWW-Findings-and-Solutions-Summary-2019-ONLINE-JAN-2019.pdf>

⁷ <https://nationalpost.com/news/politics/john-ivison-bye-bye-y-vital-non-profit-social-programs-are-collapsing-awaiting-ottawas-help>

To provide much-needed support to Canada's charitable sector and to ensure that our members and other organizations can continue to provide our programs and services, the Canada Cares Coalition is proposing a 1:1 matching fund up to \$1.5 billion that would operate accordingly:

- The federal government contributes one dollar for each dollar given by donors, and for which charities can show receipts.
- Contributions capped based on charity's revenue in previous year.
- Charities submit receipts on monthly, bi-monthly basis.
- Government may also consider .5:1 grant for organizations that are able to grow their revenue over past years. Studies show that sheer existence of matching donation leads to behavioural change from donors, and that increases in matching fund (i.e. 2:1 or 4:1) do not gain marginally more revenue.
- Contributions are time limited, and can be either be based on fiscal year, or an alternative time period set by government linked to crisis spending.

We know that a matching fund will build on the generosity that Canadians already exhibit, and will encourage Canadians to give. Research shows that donors are almost 20% more likely to give, as well as likely to give 22% more because of matching funds programs.⁸ Furthermore, research shows that donors continue to give even when the matching funds disappear. Support of this sort will ensure that charities are able to maintain capacity, and rebuild even after the program ends.⁹

Implementation and Feasibility

We know that the federal government understands the importance of supporting charitable organizations. The federal government budgeted \$3.155 billion in expenditures related to the charitable tax credit in 2020. Based on projected declines in giving for 2020, which range from 16.5-33%, the federal government is likely to save \$.521-\$1.042 billion of those budgeted expenditures, which could be put towards the matching fund initiative to ensure that those savings should serve the sector that

⁸ See Dean and List. 2007. "Does Price Matter in Charitable Giving? Evidence from a Large-Scale Natural Field Experiment." *The American Economic Review* 97(5): 1774-93. For a brief account of this evidence, see

<https://www.cdhowe.org/intelligence-memos/dijkema-speer-%E2%80%93-saving-charitable-sector-its-covid-crisis>

⁹ Karlan, Dean S. and List, John A., How Can Bill and Melinda Gates Increase Other People's Donations to Fund Public Goods? (April 2012). CEPR Discussion Paper No. DP8922. Available at SSRN:

<https://ssrn.com/abstract=2034140>

they were intended to serve.¹⁰ Reallocating this funding would not create a net new cost to the government's fiscal framework or upcoming budget, and ensure that investments earmarked for the charitable sector are effectively allocated. Furthermore, the matching fund would leverage private contributions, requiring that the federal government contribute only enough to match these donations. The matching fund initiative invites Canadians to meet the needs of the very vulnerable populations that have been hit hardest by the pandemic, including the lonely, the vulnerable, the elderly, the immunocompromised, and the homeless, amongst others.

¹⁰ "The Impact of COVID-19 on the Federal Tax Credit for Charitable Donations." Cardus. July 7, 2020 <https://www.cardus.ca/research/work-economics/reports/the-impact-of-covid-19-on-the-federal-tax-credit-for-charitable-donations/>

Impact

Canada's charitable sector provides programs and social services to some of Canada's most vulnerable communities. The impact of COVID-19 on the ability of charitable organizations to deliver services has had a disproportionate impact on vulnerable communities, including women, children, seniors, Indigenous people, refugees, Canadians living with a disability, and members of racialized communities. The matching fund initiative would ensure the continued capacity and vitality of the sector to allow us to continue to provide these essential supports to Canadians.

Furthermore, the matching fund initiative would allow our sector to continue to play our important role in Canada's economy. The long-term cost of failing to provide the charitable sector with adequate support will result in a larger economic and social cost down the road for Canadians, which can be avoided by this empowered intervention.

Lastly, the matching fund initiative would ensure the survival and long-term viability of charitable organizations that operate from coast-to-coast-to-coast and contribute greatly to the vitality of local communities.

Conclusion

Matthew House Ottawa thanks the Members of the Standing Committee on Finance for their consideration of our pre-budget submission. We would be pleased to discuss our recommendation in greater detail with Members of the Committee or participate in pre-budget consultation hearings as a witness before the committee.

We know that the recommendation we outline above will support Canada's charitable sector through the COVID-19 pandemic, allowing our members and other in the industry to provide much-needed programs and social services communities across the country and positioning the charitable sector for long-term economic recovery and success. Canada's charitable sector plays an invaluable role in the Canadian economy and in Canadian society, and we know that establishing a 1:1 matching fund will allow us to continue to play this vital role.

Coalition Members

The Canada Cares Coalition is a growing movement composed of members from across the Canadian charitable sector from coast to coast to coast. At the time of submission, members include:

- Acts for Water
- Christians Against Poverty
- Christian School Foundation
- City Gate Leadership Forum
- Communitas Supportive Care Society
- Cyrus Centre
- Edvance Christian Schools Association
- Food for the Hungry Canada
- Global Aid Network Canada
- Habitat for Humanity Canada
- Jacob's Well
- Journey Home Community
- Joy Smith Foundation
- JustWork Economic Initiative
- Kinbrace Community Society
- Kind Canada Génereux
- Korle-Bu Neuroscience Foundation
- Lighthouse Voyage
- Matthew House Ottawa
- Micah House
- Montreal Community Cares Foundation
- Opportunity International Canada
- Power to Change
- Shalem Mental Health Network
- Stronger Philanthropy
- Spartan Foundation
- The Cardus Institute
- The Wellspring Foundation for Education
- Thrive for Good

