

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

Vancouver Foundation

Recommendations

Recommendation 1: That the government provide a targeted stabilization fund specifically to support the charitable sector that includes both wage subsidies and a grant program for promoting sector resilience

Recommendation 2: That the government modernize the legislative framework for supporting the sector and relax restrictions for granting to non-qualified donees.

Recommendation 3: That a dedicated structure be established to coordinate and enhance the relationship between the charitable sector and the federal government.

Context

Vancouver Foundation Supports Communities Throughout British Columbia

Vancouver Foundation was established in 1943 and has a mandate to build stronger communities in every region of British Columbia. We steward philanthropic funds from individuals, corporate donors, and governments — as well as endowments from charitable agencies themselves — through a permanent investment fund currently valued over \$1-billion. The grants we make from the income of this permanent endowment position Vancouver Foundation as the largest non-government funder of charities in BC. In 2019 our charitable activities and programming totaled \$68.4-million dollars. This investment supported everything from grassroots, neighborhood small grants to sophisticated research to address the opioid crisis. We funded over 1,100 charities across our province, addressing the pressing social, cultural, environmental and economic concerns of our communities — both meeting urgent needs and taking action on the root causes of systemic challenges.

COVID-19 Has Put Charities at Serious Risk

Our sector is experiencing rising demand while at the same time all sources of revenue are declining or uncertain. The 170,000 charities and nonprofits in Canada receive three main types of income — all of which are suffering as a result of the pandemic:

- Individual and corporate donations are falling as people tighten their belts and businesses pause philanthropic giving during their own period of uncertainty.
- Earned revenue is drying up as events and fundraisers are cancelled, sales of products and services stop, and performances — especially in the arts and culture sector — are called off.
- Government contributions, while stable for the time being, are at risk in the near future as governments consider their own revenue forecasts and experience pressure from some for a return to austerity spending.

Research conducted by Vancouver Foundation, Vantage Point, and Victoria Foundation in May 2020 found that almost 25% of nonprofits in BC predict they may be forced to close their doors before the end of this year. That's just the result of the immediate weakness caused by the onset of COVID-19. A next wave will soon hit with charities facing insolvency as reserves are depleted and any emergency grants they received are exhausted. This sector employs 2.4-million Canadians, including 86,000 people in British Columbia alone. We account for 8.5% of Canada's GDP, and contribute \$6.4-billion to the GDP of British Columbia each year. If agencies go under to the extent we anticipate, the impact on individuals and the economy will be widespread and severe.

If Charities Fail, Individuals and Communities Will Suffer

It's important to be clear that the danger facing our province is less about any individual organizations

that may fail — and more about the people and communities that rely on the services those agencies provide. We have an ecosystem of specialized charities in Canada that support communities in ways government and the private sector do not and cannot. As a broad-based funder, Vancouver Foundation sees this system in action every day. Many organizations deliver unique services that people need in order to live, work, and participate in their communities. If one part of the system fails, the set of comprehensive services an individual, family and community receives starts to experience gaps, and the challenges individuals and families are trying to overcome are amplified. What we have also learned is that the pandemic is affecting Black, Indigenous and communities of colour in a disproportionate manner, thus making it even more important that the organizations and services they depend on continue to exist. If the organizations they depend on disappear, our friends and neighbours who need this support will suffer greatly.

People Who Fall Through the Cracks Will Wind Up in Dire Circumstances

As people who rely on these services fall through the cracks, they will end up somewhere. Most of those destinations aren't designed or resourced to address the myriad of social and community services now provided by charities and nonprofits. As a result, governments at all levels would need to quickly develop and deploy new supports to replace what was lost, or their communities will suffer. People will become further isolated. Some will enter the social assistance system. Some will fall into the criminal justice system. Others will be in more tragic situations. The recent spike in opioid overdose deaths correlates tragically to the reduced access and services that many people have experienced since the start of the pandemic. We simply can't afford to let our social safety net fray any further.

Our Economy Will Not Recover Without Charities Doing Their Part

It is natural and appropriate that we focus the next budget on economic recovery. But our economy will not recover if the charitable sector falters. The mandate of the sector is to 'leave no-one behind' and the pandemic has exposed that when people are left behind, we all suffer the consequences. We cannot afford — from a financial, moral and rights perspective — to see 25% of charities and nonprofits disappear.

We Need Three Main Supports to Stabilize and Strengthen the Sector

Against this backdrop, Vancouver Foundation is proposing the Standing Committee on Finance (FINA) consider three key recommendations in the 2021 budget and beyond:

- 1. Provide a targeted stabilization fund specifically to support the charitable sector that includes both wage subsidies and a grant program for promoting sector resilience.**

Imagine Canada, the national organization that advances the work of charities and nonprofits across our country, notes that federal support for helping our sector weather the pandemic currently amounts to \$2.8-billion. This is a significant and meaningful investment — but more is

needed to ensure the services and supports provided by charities and nonprofits will be there when Canadians need them most. We echo Imagine Canada's call for an additional \$7.2-billion. This fund should be developed and deployed in full partnership with people and organizations from the sector, in particular organizations led by people from Black, Indigenous and communities of colour. We know our sector well and can be counted on to deliver clear and unbiased recommendations that serve the public interest. The fund should deliver financial support that positions charities and nonprofit to maintain services and operations — both during this current phase of crisis and uncertainty, and throughout the long period of recovery and vulnerability that lies ahead.

2. Modernize the legislative framework for supporting the sector and relax restrictions for granting to non-qualified donees.

One of the recommendations of the Special Senate Committee on the Charitable Sector proposes that *“the Government of Canada, through the Advisory Committee on the Charitable Sector, review the policy considerations relating to qualified donee and tax preferred status. This review should be conducted with a view to establishing a principle-based framework for new categories of qualified donee and other tax preferred entities”*. We strongly agree. The pandemic has shone a light on the need for the federal government to lift restrictions that prohibit funders like Vancouver Foundation from granting to non-qualified donees. Many organizations that are not qualified donees are doing vital work to support communities — both before and throughout the pandemic. They are commonly small, grassroots organizations with deep knowledge of, and connections to, the local communities they serve. These groups often work with the most underserved populations in Canada, including Black, Indigenous, and other communities of colour. It has long been an unnecessary barrier that non-qualified donees have been restricted from mainstream sources of funding. Now, in the context of COVID-19, we have an opportunity to reconsider funding criteria and expand the impact of philanthropic dollars. The federal government should move quickly to enable funding for any potential partners that are doing meaningful work in local communities.

3. Establish a a dedicated structure to coordinate and enhance the relationship between the charitable sector and the federal government.

A recent article in The Philanthropist magazine summed up the current status of our relationship this way: *“most provincial and federal government departments now perceive the sector's primary role as a service provider and source of data/evidence about community needs rather than a core participant in civic discourse. Social sector organizations largely operate at the level of policy*

implementation rather than policy design." We want our governments to embrace us as more than contractors or do-gooders. The nonprofit sector is sophisticated, fluent in collaboration, and doing innovative work in every community across our country. We are the balancing middle ground between the public sector and private sector. Canadians need charities and nonprofits to be involved in policy design if we are to actually "build-back-better" – and yet there is no dedicated federal body with central responsibility for collaboration between government and the sector. We note the example of the Charities Commission in the United Kingdom as a promising model that could be replicated in Canada to improve efficiency and coordination.

This pandemic has reminded us that we are indeed all in this together. As we consider our priorities for the 2021 Budget, we have an historic opportunity to bring fresh, new approaches to building the prosperity and wellbeing of our province. With your support, charities and nonprofits are ready to do our part.

Best regards,



Kevin McCort
President & CEO