



Amarjot Sandhu, Chair
Standing Committee on Finance and Economic Affairs
Ontario Legislative Assembly
By email to Julia Douglas, Clerk: comm-financeaffairs@ola.org

August 20, 2020

Subject: Study of the recommendations relating to the Economic and Fiscal Update Act, 2020 and the impacts of the COVID-19 crisis on small and medium enterprises

Dear Mr. Sandhu and members of the committee:

We are writing to follow up on our presentation to the committee on August 19 during which we shared insights on how the global pandemic has affected the Ontario nonprofit sector. We would like to offer recommendations on how the Ontario government can support the essential role of the nonprofit sector in Ontario's recovery from the COVID-19 crisis -- and how, in turn, nonprofits can support the Ontario government's efforts toward a recovery.

The Ontario Nonprofit Network (ONN) is the independent network for the 58,000 nonprofits in Ontario, focused on policy, advocacy and services to strengthen Ontario's nonprofit sector as a key pillar of our society and economy.

Nonprofits contribute \$50 billion to Ontario's GDP and employ one million workers. ONN recently surveyed our sector and found that almost 60 percent of organizations had experienced significant revenue losses during the state of emergency, 30 percent had laid off staff, and one-fifth of organizations were likely to close in the next six months. Three-quarters of organizations we surveyed did not benefit from any provincial COVID-19 relief funding measures and two-thirds did not benefit from any federal relief measures.

ONN and members of our network -- from community housing to arts groups, from senior's supports to soccer associations, and from health research nonprofits to child care centres -- have met with many representatives of the Ontario government since the crisis began. We have received encouraging words, but we have yet to see sufficient action. It is time for the Ontario government to respond to the crisis in the sector, or else nonprofits will not be there for people when they need them. The Ontario government must seize the opportunity today to ensure the survival and health of the nonprofit sector that virtually every Ontarian relies on in their day-to-day life.

Summary of recommendations:

1. **A stabilization fund for nonprofits:** Rapid implementation of ONN's proposal for \$680 million in new money for the nonprofit sector that saw an estimated \$1.8 billion in revenue losses in just the first three months of COVID-19.
2. **"Good Samaritan" protection from liability** for nonprofits that follow all emergency orders and public health guidelines.
3. **A nonprofit social enterprise/social procurement strategy:** A strategy to support social enterprises, including the inclusion of social procurement targets in regulations under the new Supply Chain Management Act.
4. **A nonprofit advisory table:** A dedicated nonprofit advisory table to consult with a broad range of nonprofits in developing a plan to contribute to Ontario's economic recovery and rebuilding.

Further information:

The nonprofit sector contributes \$50 billion to Ontario's GDP.¹ Nonprofits employ over one million workers -- of which 80 per cent are women.² Five million people collectively donate 820 million hours of labour to Ontario communities, the equivalent of 400,000 full-time jobs.³ As a sector, Ontario nonprofits receive less than half of their revenues from governments.⁴ The sector generates considerable economic impact above and beyond the extensive social value it provides to Ontarians.

When ONN ran a "COVID Flash Survey" of Ontario nonprofits in early April 2020, soon after the crisis and state of emergency began, organizations were already facing a triple threat: steep declines in revenues (fundraising, ticket sales, other earned income); staffing challenges related to illness, parenting duties, and lack of personal protective equipment; and operational issues related to mandatory shutdowns, physical distancing (for essential workplaces), or the overnight move to virtual work. One in three nonprofits had to lay off staff or reduce their paid hours, while one in five had closed their doors at least temporarily.⁵

¹ 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>

² 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/>

³ 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>

⁴ 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

⁵ ONN. "Ontario Nonprofits and the Impact of COVID-19: A flash survey report." April 6, 2020. https://theonnc.ca/wp-content/uploads/2020/04/ONNs-COVID-19-Flash-Survey-Report-April-6-2020-1_compressed.pdf

Now, five months after the crisis began, the sector, its workers, volunteers and the communities they serve continue to feel the impacts of the pandemic. Indeed, these effects are becoming more pronounced as the health crisis recedes (for now) and the economic crisis deepens, along with related mental health needs, increased income inequality, and the growing realization that low-income households and racialized communities have suffered disproportionate effects. Many nonprofits have stepped up to respond to these challenges -- whether community food centres, crisis counselling services, or youth training organizations -- and others have waited with doors shuttered, while gatherings like theatre performances and sport events remain difficult propositions even for nonprofits that operate on a break-even basis.

Impact of COVID-19 on nonprofits three months into the crisis: Survey findings

ONN partnered with the Assemblée de la Francophonie de l'Ontario (AFO) on a survey of over 1,100 nonprofits in late June 2020 to assess the impact of the crisis and the extent to which government relief measures were reaching the sector.⁶

The survey findings show the devastating economic impact on nonprofits:

- 40 per cent continued to experience increased demand for services.
- 59 per cent report decreased revenues (due to loss of membership/service fees, events admission, fundraising and private donations).
- 23 per cent reported increased expenditures (e.g., technology costs of going virtual, personal protective equipment, cleaning, and insurance premium increases).
- 35 per cent have had to access their reserve funds, while just under a quarter (22 per cent) of respondents have resorted to pay cuts, with 10 per cent using personal funds to meet the financial need of their organizations.
- 3 in 10 have laid off staff; more than half (52 percent) have lost volunteers.
- Among the 1,100 nonprofits surveyed, an estimated \$90 million in revenue losses were experienced;
- 1 in 5 organizations were expecting to close within six months without new support.

From our survey results, it was also clear that government supports - federal and provincial - have failed to recognize the size, scope, and economic impact of the nonprofit sector and have therefore fallen far short of what is needed to help nonprofits through the crisis and into recovery.

- Three-quarters of respondents did not benefit from any provincial funding measures.
- Two-thirds did not benefit from provincial tax relief measures such as the Employer Health Tax temporary reduction.
- Two-thirds did not benefit from any federal relief measures, though some measures were still being rolled out, including the Emergency Community Support Fund, geared toward services that target vulnerable Canadians.

⁶ ONN and l'AFO. "Risk, resilience, and rebuilding communities: The state of Ontario nonprofits three months into the pandemic." August 18, 2020. <https://theonnn.ca/our-work/covid-survey-2020/>

While federal and provincial funding programs, such as the Canada Emergency Wage Subsidy and targeted aid packages for shelters, food banks, and other social services have been helpful to some, only a minority of organizations were eligible.

Recommendations

1. **A stabilization fund for nonprofits** *to provide relief from massive revenue losses and help nonprofits re-tool for a successful economic recovery*

ONN has developed a proposal for a \$680 million stabilization fund for nonprofits based on our analysis of the economic impact of the crisis on nonprofits (\$1.8 billion in the first three months) and the gap left from relief provided to date by the federal and Ontario governments.⁷ A stabilization fund for the nonprofit sector would ensure that nonprofits and charities, especially those unable to access previous federal and/or provincial support, can continue to serve communities.

The purpose of the sector stabilization fund would be two-fold: in the short term, it would mitigate job losses, the interruption of operations, the sector's massive fundraising losses, and the loss of volunteer labour -- allowing nonprofits to respond to increased demand and redesign programs for virtual delivery and/or physical distance requirements. In the medium term, the fund would enable organizations to re-tool and respond nimbly to the unpredictable second-order impacts of the crisis as the recession continues -- and to prevent permanent closures and major job losses.

2. **"Good Samaritan" protection from liability** *for nonprofits that follow all emergency orders and public health guidelines.*

Nonprofits that survived the first phase of the pandemic are now finding themselves struggling to operate or re-open because of skyrocketing insurance costs, COVID-related exclusions, and an excessive burden of liability falling on volunteer boards of directors.

Issues our network has raised include:

- Significant cost increases (some organizations are seeing doubled costs and more)
- Pandemic-related exclusions
- Challenges recruiting and retaining volunteer boards of directors, and
- In some cases, outright denial of coverage.

This issue could affect the ability of nonprofits to deliver services. Funders have experienced challenges in flowing funding to nonprofits during the crisis -- including the federal [Emergency Community Support Fund](#) -- in cases where organizations are unable to secure insurance. Furthermore, this challenge may have ripple effects for the 14+ Ontario government ministries that provide funding through transfer payment agreements to up to 15,000 nonprofits that deliver services on behalf of the Ontario government. Even for small agreements, the Province typically requires evidence of \$2 million in liability insurance.

⁷ ONN. "Stabilizing Ontario's nonprofit sector to rebuild the economy and communities post-COVID-19." April 2020. <https://theonnc.ca/our-work/covid-19-stabilization/>

We are requesting that the Ontario government provide “Good Samaritan” liability protection to nonprofits that have acted in good faith as they reopen and follow public health guidelines. To be clear, we are not looking for protection from litigation if nonprofits have been negligent.

In terms of precedents, 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.⁸

3. A nonprofit social enterprise/social procurement strategy

In our 2020 pre-budget submission⁹, ONN recommended the development of an Ontario strategy to support nonprofit social enterprises – organizations that derive the majority of their revenues from the sale of goods and services,¹⁰ that reinvest surpluses back in the enterprise, and that often provide employment to workers with barriers to the labour market. 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. A social enterprise strategy would address the “six pillars” of an enabling social enterprise ecosystem.¹¹ A major boost for social enterprises would come from government shifting a portion of its *existing* contract-based spending to procure from nonprofits, including social procurement measures in regulations under the new Supply Chain Management Act. ONN would be pleased to work with the Ontario government to develop a strategy to support these enterprises.

4. A nonprofit advisory table to support the economic recovery

Ontarians have relied extensively on nonprofits for support during COVID-19 and will continue to do so 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 discuss their role in the long-term economic recovery and share voices of volunteers, nonprofit workers, and their communities.

The creation of a nonprofit advisory table would offer both the expertise and guidance from leaders across the sector and help to better inform government of what is needed to support nonprofits, as well generate sustainable pathways for nonprofits and government to work in partnership to support communities across Ontario.

ONN would be pleased to facilitate the process of establishing and supporting such a table.

⁸ See section 95. <https://www.ontario.ca/laws/statute/90h07#BK112>

⁹ ONN. “ONN’s 2020 Pre-Budget Submission”. January 23, 2020 <https://theonncan.ca/wp-content/uploads/2020/01/ONN-2020-pre-Budget-submission-Jan-23-2020.pdf>

¹⁰ A nonprofit or charity that receives the majority of their revenues from grants and donations may also operate a social enterprise.

¹¹ Social Enterprise Council of Canada. “The Six Pillars.” <https://secouncil.ca/index.php/the-six-pillars/>

In conclusion

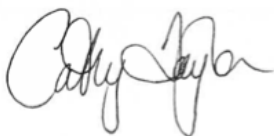
It is in times of crisis and rebuilding that the nonprofit sector is often needed the most, and the sector in turn requires the partnership of government to continue to serve communities.

Nonprofits act as a bridge between government and communities, enabling policy decisions to be better informed by what is happening on the ground across Ontario's vast and diverse landscape of urban, rural, remote and northern communities.

It is time for the Ontario government to step up and respond to the crisis in the nonprofit sector -- or else organizations will not be there for people when they need them. General tax measures for enterprises and employers will not ensure the viability of the nonprofit sector; nor will targeted measures for only certain kinds of nonprofits and charities. Whether arts and sport organizations, health and social services, environmental conservation groups, faith communities, housing providers, or research institutes, Ontario nonprofits provide a wide range of programs and services that contribute to the quality of life of every person living in Ontario. It is time for the Ontario government to recognize the scope and critical importance of the nonprofit sector, and to take steps to ensure the survival of organizations that all Ontarians rely on.

We look forward to discussing further how Ontario's nonprofit sector can be an integral partner to government in supporting Ontario's recovery.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cathy Taylor', with a stylized, cursive script.

Cathy Taylor
Executive Director
Ontario Nonprofit Network