



August 8, 2016

The Honourable Eleanor McMahon, MPP  
Minister of Tourism, Culture & Sport  
Hearst Block, 9th Floor  
900 Bay Street  
Toronto, ON M7A 2E1  
By email: [Eleanor.McMahon@ontario.ca](mailto:Eleanor.McMahon@ontario.ca)

Dear Minister McMahon,

Congratulations on your recent appointment as Minister of Tourism, Culture & Sport. We look forward to working with you on matters related to your appointment as Minister responsible for the Ontario Trillium Foundation (OTF), the cultural and sports sectors, and the Ontario150 program in particular.

We are writing today to raise concerns about the funding framework recently announced by OTF for Ontario150 funding. In particular, we are concerned that \$25 million in OTF funding previously dedicated to the community-based nonprofit sector has been offered this year to other sectors, including large municipalities and the private sector. Furthermore, we are gravely concerned that this one-time fund that will likely not be renewed—resulting in a permanent \$25 million funding cut to the nonprofit sector. We are also concerned that new matching requirements for capital funding and the practice of “budget testing” will create new barriers for community-based nonprofits.

The Ontario Nonprofit Network (ONN) is the convening network for the approximately 55,000 nonprofit and charitable organizations across Ontario. As a 7,000-strong provincial network, with a volunteer base of 300 sector leaders, ONN brings the diverse voices of the sector to government, funders and the business sector to create and influence systemic change. ONN activates its volunteer base and the network to develop and analyze policy, and work on strategic issues through its working groups, engagement of nonprofits and charities and government.

Since 2012, ONN has been pleased to work with the Ontario Government on modernizing the investment relationship between government and the nonprofit sector via the Joint Funding Reform Forum (JFRF). Together, we have developed a vision statement that is intended to guide our joint work on building relationships of trust and reducing the administrative burden associated with provincial funding for nonprofits. As a key funder of Ontario nonprofits, the Ontario Trillium Foundation has been an integral part of this process. In our view, the changes reflected in OTF’s approach to the Ontario150 program do not reflect the direction of our joint work on funding reform.

### **1. Nonprofit funding reduced and diverted to municipal and private sectors**

On April 8, 2016, we wrote to your predecessor, Minister Coteau, to express our concern about a reduction of \$25 million to OTF’s core budget for 2016-2017. We were informed that the

\$25 million had been reallocated to infrastructure/capital projects to support Canada's 150th anniversary in 2017. Knowing that the nonprofit sector had expressed a need for greater capital investment, particularly for deferred maintenance and retrofitting, we were supportive of this move but concerned about the way funding would flow. We sought reassurance that funding would continue to be directed to community-based nonprofits and that matching funding would not be required, but we were told that decisions had not yet been made.

The details released recently as part of the Ontario150 program indicate that our concerns were well-founded. Until now, the funds provided through OTF were distributed in their entirety to nonprofits and charities as well as small municipalities. Under the new Ontario150 program, by contrast, all three funding streams are open to municipalities of any size, Indigenous communities, and nonprofits. In addition, for-profit corporations may apply directly for the Partnership Program stream and may partner with a nonprofit or municipality to receive funding from the Community Celebration stream.

The Ontario150 program funds are being diverted from OTF program streams that were dedicated to the nonprofit sector and (since 2003) small municipalities where few nonprofits were located. As we noted above, this will likely represent a \$25 million cut once this one-time funding has been spent in 2016-17. Given the great unmet needs in our communities, the distinct role played by the nonprofit sector, the other funding streams available to larger municipalities, and OTF's core business of funding "community-based initiatives," the ONN is deeply disappointed that the funding streams under Ontario150 do not give priority to the nonprofit sector. We urge you to reconsider this diversion of OTF funding from community-based nonprofits to the private, for-profit sector and the municipal sector. We will conduct an analysis of funding allocations once grants have been awarded to see the extent to which OTF funds have been diverted from the community nonprofit sector compared to previous years' allocations. **Most importantly, we ask that Ontario Budget 2017 reinstate OTF's core budget to \$115 million as an ongoing allocation.**

## **2. Matching funding requirement**

Our second major concern is the requirement for matching funding—a requirement that was not attached to OTF funding for capital projects in the past. All Ontario150 program streams have this new requirement. For most streams, contributions are capped at 75 percent of a project budget, and for larger (\$251,000 to \$500,000) capital grants, the stream will cover only 50 percent of costs. Furthermore, program guidelines stipulate that no more than 90 percent of total project costs can be funded by *any level of government*—and yet municipalities and Indigenous communities are exempt from this cap.

Requiring matching funding can create barriers for community-based nonprofits, particularly in securing capital grants on short timelines. The tight timeline and unprecedented matching requirement in the Ontario150 program will constitute an enormous barrier for the nonprofit sector—even for organizations with "shovel-ready" projects. **We urge you to reconsider this matching funding requirement and we ask that OTF drop this unfair barrier for community-based nonprofits in future calls for funding applications.**

### 3. Budget testing

Our last major concern has to do with the practice of “budget testing,” by which funders limit the amount of funding they are willing to grant an organization based on organizational size. Two of the three Ontario150 streams (Community Celebration, capital grants) use budget testing. As Vu Le, a leader in nonprofit sector inclusivity, has argued,

*Because of Budget Testing and other factors, organizations that are led by communities of color, women, people with disabilities, rural communities, LGBTQ communities, are stuck in a downward spiral, a Catch-22, the Capacity Paradox, where they are too small to get significant funding, so they remain small and can't get significant funding. This runs counter to one of the very basic tenets of Equity, which our sector has been touting, which is that communities that need the most resources get the most resources. (See Vu Le's column, "[Why Budget Testing is a terrible way to determine funding allocation](#)," February 2016).*

While budget testing may appear to be a way for funders to manage risk, there are better ways to do so without exacerbating existing inequities. **We urge you to reconsider the policy of “budget testing” for your funding streams in future.**

These three major elements of the Ontario150 program will have a negative impact on Ontario's nonprofit and charitable sector: a diversion of funding from the sector this year and the potential ongoing budget cut to OTF; a requirement for matching funding which creates barriers for nonprofits; and a budget testing practice which exacerbates existing inequality for marginalized communities. We ask that you work directly with OTF to mitigate these concerns in the current call for proposals and ensure that its future calls for funding applications address these issues.

In closing, we would like to emphasize the critical role the Ontario Trillium Foundation plays in building a healthy, vibrant nonprofit sector in Ontario. Strengthening the OTF's role as a community builder, rather than simply as a funding administrator, is essential to our mutual success.

We very much look forward to discussing these issues with you at your convenience.

Sincerely,



Marg Stanowski  
Chair



Cathy Taylor  
Executive Director

c.c. Andrea Cohen Barrack, CEO  
Ontario Trillium Foundation