

## **Building Ontario together, community by community**

### **ONN's 2020 Ontario Pre-Budget Submission**

Prepared for the Standing Committee on Finance

January 23, 2020

*Our government strongly believes that the best way to serve the people of Ontario is by leveraging all of the supports our communities have to offer.*

- The Honourable Todd Smith, Minister of Children, Community and Social Services  
at ONN's *Nonprofit Driven* conference, November 27, 2019<sup>1</sup>

### **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. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector, and channel the voices of our network to government, funders, and other stakeholders. Our work is guided by the vision that a strong nonprofit sector leads to thriving communities, and in turn, a dynamic province.

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<sup>1</sup> Minister Todd Smith via Twitter. November 27, 2019.

<https://twitter.com/ToddSmithPC/status/1199731314892660737?s=20>

## Executive Summary

In the midst of growing and complex socio-economic and environmental challenges like housing affordability, climate emergency, mental health, and the automation of jobs, Ontario's nonprofits continue to innovate, partner, and create public value. At the same time, they are a pillar of Ontario's economy, contributing \$50 billion to our province's GDP, through job creation and investments in their local economies. ONN's 2020 Pre-Budget submission is a proposal for the Ontario government to provide a supportive public policy environment for Ontario's nonprofits to maximize their social and economic contributions, while playing a bridging role to keep government connected to, and appropriately supporting, the people it serves.

Our three recommendations:

### **1. Continue to tackle red tape that has the nonprofit sector and government spending too much time on paperwork**

- a. Create a joint government-nonprofit table to consolidate Transfer Payment Agreements (TPA) and further reduce red tape.
- b. Proclaim the Ontario Not-for-Profit Corporations Act (ONCA) in 2020 to prevent its expiry at the end of this year - and make public the new data from the nonprofit registry.
- c. Create an equivalent to the Small Business Access portal for nonprofits so that they can easily access legislation, regulations, and funding opportunities that affect them.
- d. Cut red tape for volunteers who need police record checks.

### **2. Build local prosperity across Ontario through nonprofit social enterprise**

- a. Develop a made-in-Ontario social enterprise strategy with the nonprofit and co-operative sectors to drive local job creation and to support rural, remote, and urban self-reliance.
- b. Require all ministries and the broader public sector (including school boards) to list surplus lands on the Nonprofit Lands Registry as part of the updated surplus land disposal process. Thriving communities need facilities like affordable housing, child care centres, and recreation centres. To offer these services, nonprofits must be able to access land and space at reasonable prices. A strategic way to achieve this is to provide access to public property when it is no longer needed.
- c. Include a social procurement policy in regulations under the new Supply Chain Management Act, with targets for the first and second tiers of the supply chain, to ensure that the centralization of supply chains does not undermine local economies generally and nonprofit social enterprise in particular.
- d. Promote financial sustainability and a stable base for community services by enabling nonprofits that deliver services on behalf of government to retain any surpluses for program investments or capital asset purchase and maintenance.

### **3. Support the hard-working nonprofit staff who help communities thrive**

- a. Exempt community-governed nonprofits from wage restraint legislation (Bill 124) to create a level playing field for talent recruitment with corporations, and enable a sector with wages that are 29 per cent lower than the Canadian average to keep pace with inflation.

We note that 2019 was a difficult year for Ontario nonprofits which saw delays up to five months and more in TPA renewals while continuing to provide services for Ontarians, the rapid restructuring of many funding streams, the reversal of legislation that would have improved employment conditions across the province, the reduction of budgets for the Ontario Trillium Foundation and other funding streams, and the cancellation of two major social enterprise development funds. As ONN's 2019 province-wide survey of nonprofits indicated, the sector was left reeling from the breadth and pace of change, as well as from the lack of advance consultation.<sup>2</sup>

We urge the Ontario government to sit down with the nonprofit sector in advance of making substantive changes to regulatory or funding frameworks that affect communities. We have been encouraged by recent government announcements that indicate a commitment to deeper engagement with nonprofits on policy issues that affect them and their communities, such as the recent Transfer Payment Consolidation announcement.<sup>3</sup>

ONN remains committed to working with government toward our shared objective of a strong and thriving province. We look forward to bringing together nonprofits and government representatives to ensure that our two sectors develop public policy that best serves Ontario's diverse communities.

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<sup>2</sup> Ontario Nonprofit Network. "Sector 360° Survey 2019: Taking the pulse of Ontario's nonprofit sector." November 2019. <https://theonncanada.ca/our-work/sector-360-survey-2019/>

<sup>3</sup> Ontario Treasury Board Secretariat. "News release: Ontario Building Smarter Government Through Transfer Payment Consolidation." November 21, 2019. <https://news.ontario.ca/tbs/en/2019/11/ontario-building-smarter-government-through-transfer-payment-consolidation.html>

## Introduction

At the turn of the decade, the scale of our social, economic, and environmental challenges feels almost insurmountable. Complex challenges like housing affordability, inequality, climate emergency, mental health, and the automation of jobs, along with declining faith in public institutions, threaten our ability to work together for positive change. And yet all around we see examples of Ontario nonprofits rising to the challenge<sup>4</sup> - innovating, partnering, using limited resources in creative ways, and mobilizing local people for a fairer society where all can thrive. Whether their mission involves a community orchestra, a women's shelter, a conservation area, a minor hockey league, or a rural health initiative, these organizations have in common a commitment to working for the public benefit. The impacts of their work are felt across Ontario and are becoming better known thanks to improved data and evaluation approaches. We know that community services like child care, nonprofit housing, and youth drop-in programs pay for themselves in costs averted down the road; for example, the costs of unemployment, violence, poor health, incarceration, seniors' isolation, and the failure to adequately integrate newcomers. An enabling public policy environment for nonprofits generates ongoing benefits for communities and governments.

What is less well known is that Ontario's nonprofit sector also plays a vital role as an economic driver, contributing \$50 billion to our province's GDP.<sup>5</sup> As a sector, Ontario nonprofits receive less than half of their revenues from governments, which means they can leverage public investments - via business activities, donations, and the contributions of volunteers - into significantly higher value in the services they deliver, all while creating jobs locally. Nonprofits employ almost a million people in Ontario and provide meaningful volunteer opportunities to another five million. Nonprofit social enterprises provide avenues for entrepreneurs to innovate, while creating jobs for people facing barriers, and adding value to local economies by reinvesting any surplus revenues back into enterprise development and mission-oriented work. Nonprofits are "anchor institutions", firmly committed to their communities, keeping jobs and purchasing local where possible. Nonprofits are an essential part of a strong economy for the future.

Aside from the public value they generate and their contribution to Ontario's economy, nonprofits play a third critical role: as a democratic bridge between governments and communities, a function that is becoming increasingly important as the general public's faith in public institutions declines.<sup>6</sup> Convening nonprofit leaders, members, and residents in advance of major policy changes ensures that community voices are heard, and that programs and policies meet the expectations of Ontarians, while avoiding unintended consequences. ONN is proud to continue to play a convening role for the sector and for the Ontario government.

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<sup>4</sup> Pillar Nonprofit Network. "Pillar Community Innovation Awards 2019, PCIA19 Finalists."

<https://pillarnonprofit.ca/pcia19-finalists>

<sup>5</sup> 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>

<sup>6</sup> See for example Edelman. "2019 Edelman Trust Barometer: Canada."

[https://www.edelman.ca/sites/g/files/aatuss376/files/2019-10/2019%20Edelman%20Trust%20Barometer\\_ENG.pdf](https://www.edelman.ca/sites/g/files/aatuss376/files/2019-10/2019%20Edelman%20Trust%20Barometer_ENG.pdf) p. 7.

**ONN makes three recommendations to the Ontario government for Budget 2020 to support the development of a more enabling policy environment for nonprofits to carry out their essential work.**

## **1. Continue to tackle red tape that has the nonprofit sector (and government) spending too much time on paperwork<sup>7</sup>**

*We are simplifying transfer payments so that our service partners can spend less time on paperwork, and more time making a real difference in the lives of the people they serve.*

- The Honourable Peter Bethlenfalvy,  
President of the Ontario Treasury Board<sup>8</sup>

ONN is pleased to see action by the Ontario government on our 2019 pre-Budget recommendation to tackle red tape in Transfer Payment Agreements (TPAs), through which nonprofits deliver services on behalf of government. In fall 2019, we met with representatives of the President of the Treasury Board and the Associate Minister of Small Business and Red Tape Reduction to discuss our proposals further. ONN was proud to be part of Minister Bethlenfalvy's subsequent announcement<sup>9</sup> of a Transfer Payment Consolidation initiative. This was welcome news for the sector, especially the reference to consolidating multi-ministry agreements<sup>10</sup> – an important change for organizations that receive funding from more than one program stream.

Here are four recommendations to build on this promising announcement:

### **a. Create a joint government-nonprofit table on Transfer Payment Agreement (TPA) Consolidation and Red Tape Reduction**

The roll-out of a Transfer Payment Accountability Directive<sup>11</sup> in 2017 and a Transfer Payment Operational Policy<sup>12</sup> in 2018 were promising milestones in reducing the administrative burden that TPAs impose on nonprofits that deliver services on behalf of government. However, too much of

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<sup>7</sup> For further background, please see ONN's Budget 2020 Primer: Red Tape Reduction for the Nonprofit Sector. January 2020.

<https://theonnc.ca/wp-content/uploads/2020/01/ONN-briefing-note-Red-tape-reduction-Jan-2020.pdf>

<sup>8</sup> Minister Peter Bethlenfalvy. "Remarks: Transfer Payment Consolidation." Press Conference. Ontario International Trade Centre. November 21, 2019.

<sup>9</sup> Ontario Treasury Board Secretariat. "News Release: Ontario Building Smarter Government Through Transfer Payment Consolidation." November 21, 2019.

<https://news.ontario.ca/tbs/en/2019/11/ontario-building-smarter-government-through-transfer-payment-consolidation.html>

<sup>10</sup> Ontario Treasury Board Secretariat. "Backgrounder: Smart Initiatives." October 23, 2019.

<https://news.ontario.ca/tbs/en/2019/10/smart-initiatives.html>

<sup>11</sup> Ontario Treasury Board Secretariat. "Transfer Payment Accountability Directive." March 30, 2017. Updated July 19, 2019. <https://www.ontario.ca/page/transfer-payment-accountability-directive>

<sup>12</sup> Ontario Treasury Board Secretariat. "Transfer Payment Operational Policy." April 3, 2018. Updated August 23, 2019. <https://www.ontario.ca/page/transfer-payment-operational-policy>

the implementation of these policies remains decentralized and ad hoc on the part of ministries and funding programs. Nonprofit still face a vast and complex array of accountability requirements that are more focused on compliance than on achieving agreed-upon outcomes.

Given the complexity of a change management initiative across government, ONN recommends the creation of a joint multi-ministry and nonprofit table to oversee the process of consolidating and modernizing TPAs. To ensure success, the table must include senior representation from the Treasury Board Secretariat and from the most significant funders of the nonprofit sector. ONN would be pleased to co-convene this table.

**b. Proclaim an effective date for the Ontario Not-for-Profit Corporations Act (ONCA) in 2020 to prevent its expiry at the end of this year, and make public the new data from the nonprofit registry**

The Ontario Not-for-Profit Corporations Act, 2010<sup>13</sup> (ONCA) is corporate legislation that is critical to the modern operation of tens of thousands of nonprofits in Ontario. By the end of 2020, ONCA must be given a formal proclamation date or risk being automatically repealed.

Much work went into ensuring that ONCA reflects the needs and expectations of the sector. It is unacceptable that the Ontario government has not yet given it a proclamation date. This unprecedented delay has caused a great deal of confusion, uncertainty, and red tape for Ontario nonprofits.

On a related point, ONN met with individual MPPs during the 2019 legislative recess. The most common question MPPs asked was how to obtain a list of nonprofits in their constituency. We explained there is no complete list available, and the only way to create one is through an open-access directory under the forthcoming ONCA. This directory will help to fill knowledge gaps of the Ontario nonprofit sector. MPPs, along with all others who need to know the size, scope, and make-up of the nonprofit sector, will be pleased to see this done. We urge the Ontario government to ensure that the database of nonprofits will be available in an open format at no charge to users, in keeping with the Ontario Open Data Directive.<sup>14</sup>

**c. Create an equivalent to the Small Business Access portal for nonprofits so that they can easily access legislation, regulations, and funding opportunities that affect them**

Half the organizations in the nonprofit sector have no paid staff and another quarter have ten or fewer employees. As a rule, these organizations do not have dedicated directors of finance or human resources, but they are still expected to comply with many laws and regulations, such as health and safety, accessibility, employment standards, corporate governance, and more.

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<sup>13</sup> Government of Ontario. "Not-for-Profit Corporations Act, 2010."  
<https://www.ontario.ca/laws/statute/10n15>

<sup>14</sup> Ontario Treasury Board Secretariat. "Section 3: Principles." *Ontario's Open Data Directive*. Updated March 28, 2019. <https://www.ontario.ca/page/ontarios-open-data-directive#section-3>

There is currently no “one-stop shop” online where nonprofit leaders and employers can understand their legal and regulatory obligations. The Ontario government has established a helpful model with its Small Business Access portal that provides everything from information about investment channels, to training support to legal guidance.<sup>15</sup> A significant feature of this site explains all the legal and regulatory requirements that apply to small businesses. We encourage the government to replicate this success with a comparable site for nonprofits.

Such a portal could be built upon the existing “Rules for Not-for-Profit and Charitable Corporations” site<sup>16</sup> and the Transfer Payment Ontario portal. A single site with plain-language legal information, along with funding opportunities, would be easy to implement, and would ensure nonprofits can spend less time on red tape and more time on their missions. ONN would be pleased to convene the sector to ensure the site design is appropriate and efficient.

#### **d. Cut red tape for volunteers who need police record checks.**

Nonprofits often use police record checks (PRCs) in the screening process for employees and volunteers, especially for those who will be working with vulnerable populations, such as children and seniors. ONN was pleased to see the Police Record Checks Reform Act come into effect a year ago, standardizing both the process and content of PRCs. While this legal framework is a positive step, there remain outstanding concerns: processing fees and timelines.

In some Ontario jurisdictions, volunteers pay too much and wait too long for their clearance. Nonprofits report that some police services conduct the process in days, while others take ten weeks or more. There is also significant variability in terms of the fees charged to volunteers; half the police services in Ontario still charge volunteers, which can cost up to \$71.

As a red tape reduction measure for volunteers and nonprofits, we ask that the Ontario government modernize the PRC system across Ontario. We recommend Ontario-wide regulations to make PRCs more affordable and to ensure they are processed in a timely manner by police services. In particular, we encourage the Ontario government to take measures to eliminate the red tape on volunteering by ensuring free and timely police record checks for Ontario’s volunteers.

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<sup>15</sup> Ontario Ministry of Economic Development, Job Creation and Trade. Small Business Access web portal. Updated: December 10, 2018. Published: October 16, 2017.

<https://www.ontario.ca/page/small-business-access>

<sup>16</sup> Ontario Ministry of Government and Community Services. *Rules for not-for-profit and charitable corporations*. Updated: June 27, 2018. Published: November 10, 2016.

<https://www.ontario.ca/page/rules-not-profit-and-charitable-corporations>

## 2. Build local prosperity across Ontario through nonprofit social enterprise<sup>17</sup>

*While the informal not-for-profit economy has kept human civilisation running since time immemorial, through care-giving and forms of non-monetary exchange, the emergence of the formal not-for-profit [NFP] economy is now fully under way. To fund the work they do, NFP institutions are increasingly generating their own income, as opposed to the traditional non-profit approach of depending on grants and philanthropy.*

- Economists Donnie Maclurcan and Jennifer Hinton<sup>18</sup>

One of the most important trends for the future of the nonprofit sector - and the future of work more generally - is the consistent growth of social enterprise, even during recessions.<sup>19</sup> While Canada's economy overall has seen ups and downs over the past decade, the economic output of the nonprofit sector has seen a steady rise.<sup>20</sup> We should pay attention to the role of nonprofits as economic actors: employing local people (who often face employment barriers), reinvesting surplus revenues in job-creating activities, generating public value, and making life more affordable for residents.

The development of the nonprofit and co-operative sectors of a local economy makes life more affordable because nonprofit services remove the cost of profit from big-ticket household expenses such as housing, child care, and elder care. For the foreseeable future, care-work and other nonprofit jobs are also less vulnerable to automation than other sectors such as manufacturing.<sup>21</sup> A local economy that is rich in nonprofits and co-operatives can grow an inclusive job market, meet more of its needs locally and affordably, and contribute to communities' self-reliance, even in the face of automation and technological disruption.

These recommendations are about nonprofits' role in their local economies:

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<sup>17</sup> For further background, please see ONN's Budget 2020 Primer: Building Local Prosperity through Nonprofit Social Enterprise. January 2020.

<https://theonnc.ca/wp-content/uploads/2020/01/ONN-briefing-note-Nonprofit-social-enterprise-Jan-2020.pdf>

<sup>18</sup> Donnie Maclurcan and Jennifer Hinton. "Not-for-profit business ethos motivates sustainable behaviour." The Guardian. October 1, 2014.

<https://www.theguardian.com/sustainable-business/2014/oct/01/for-profit-capitalism-selfish-unsustainable-behaviour-inequality>

<sup>19</sup> Carlo Borzaga, Gianluca Salvatori and Riccardo Bodini. "Social and Solidarity Economy and the Future of Work. International Labour Organization. July 2017. p.15.

[https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---coop/documents/publication/wcms\\_573160.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/publication/wcms_573160.pdf)

<sup>20</sup> Statistics Canada. "Chart 1: Real and nominal non-profit gross domestic product (GDP), by subsector, 2007 to 2017." *Non-profit institutions and volunteering: Economic contribution, 2007 to 2017*. March 2019.

<https://www150.statcan.gc.ca/n1/daily-quotidien/190305/cg-a001-eng.htm>

<sup>21</sup> Elizabeth Weingarten. "The last human job." New America. July 27, 2017.

<https://www.newamerica.org/weekly/edition-172/last-human-job/>



**a. Develop a made-in-Ontario social enterprise strategy with the nonprofit and co-operative sectors to drive local job creation and to support rural, remote, and urban self-reliance**

Nonprofits find themselves increasingly turning to enterprise activities in the wake of declining government funding and donations relative to GDP.<sup>22</sup> In this context, it should be a priority for the Ontario government to foster procurement from nonprofit social enterprises, to ramp up business development supports for nonprofits, and to encourage the availability of new forms of loan financing for nonprofit social enterprises to scale and replicate.

Given the importance of business development for the nonprofit sector, we are disappointed that the barriers to developing these enterprises in Ontario have actually increased in the wake of the provincial government's April 2019 decision to end the Five-Year Social Enterprise Strategy. The strategy, including investment readiness funding and a provincial commitment to procuring goods and services from nonprofit social enterprises, arguably could have supported some nonprofits last year during the period of funding uncertainty in Ontario for many provincially funded organizations.

We recommend the Ontario government re-commit to supporting nonprofit social enterprise development across Ontario. We propose the development of a made-in-Ontario social enterprise strategy. ONN would be pleased to convene nonprofits, co-operatives, and government representatives to ensure that a new strategy would achieve the goals of attracting investment, developing local jobs, and sustaining local economies and community self-reliance in Ontario.

**b. Require all ministries and the broader public sector to list surplus lands on the Nonprofit Lands Registry as part of the updated surplus land disposal process**

It benefits all of us when Ontario communities are well-served by facilities like affordable housing, theatres, child care centres, seniors' drop-ins, and recreation centres. To achieve this goal, nonprofits must be able to access land and space at reasonable prices. A strategic way to do this is to ensure that public property finds its way into community hands when it is no longer needed.

There is currently an opportunity to formalize the requirement for the broader public sector (BPS) to offer to sell surplus land to nonprofits on a first-refusal basis. The recently-passed Supply Chain Management Act created a legal framework for the disposal of surplus assets.<sup>23</sup>

ONN recommends that the Ontario government pass regulations under the Supply Chain Management Act to require the public service and BPS to list surplus properties on the existing

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<sup>22</sup> Imagine Canada and Rideau Hall Foundation. "Thirty Years of Giving in Canada." 2018. <https://www.imaginecanada.ca/en/research/30-years-of-giving>

<sup>23</sup> Government of Ontario. Supply Chain Management Act (Government, Broader Public Sector and Health Sector Entities), 2019. <https://www.ontario.ca/laws/statute/19s15b>

Realty Disposal Publication Website, managed by Infrastructure Ontario. The listings would also be included in the Nonprofit Lands Registry, which ONN maintains for eligible nonprofits to access properties listed on the Realty Website before being listed for public sale. If it is not feasible for the public land to be sold to a nonprofit, the regulation should mandate the consideration of 99-year leases to ensure the future increase in land value remains an asset held by the public.

**c. Include a social procurement policy in regulations under the new Supply Chain Management Act, with targets the first and second tiers of the supply chain, to ensure that the centralization of supply chains does not undermine local economies generally and nonprofit social enterprise in particular**

When it comes to procurement decisions, “value for money” goes beyond getting a good deal; it includes giving business to enterprises that create good jobs and keep wealth in Ontario communities. Buying local food, for example, has now become mainstream for Ontarians, who want to support local farmers.<sup>24</sup> Beyond individual households, governments hold billions of dollars of purchasing power and the impact of where they spend is that much greater. The Ontario government spends approximately 20 per cent of its annual budget on procured goods and services. With an overall budget of almost \$140 billion, that translates into purchasing power of approximately \$28 billion annually.

The new Supply Chain Management Act modernizes purchasing across the public sector and BPS. The Act leverages “our collective public sector buying power to deliver projected savings of \$1 billion annually, while also adopting leading supply chain processes and practices.”<sup>25</sup>

ONN recommends the Ontario government consider how the consolidation of purchasing arrangements could affect the ability of government to commit a portion of its purchasing power to procurement from nonprofit and co-operative enterprises, as well as other small businesses, to leverage spending and create jobs in Ontario communities. If all goods and services are procured through a central body, it may save money in the short term, but the size of the contracts may reduce the likelihood of procuring from locally-owned, co-operative, and nonprofit enterprises that create jobs in Ontario communities. Consolidation may happen, but any unintended consequences for nonprofits, co-operatives, and other local businesses should be considered to avoid missing critical opportunities.<sup>26</sup>

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<sup>24</sup> By 2016-17, half of Ontario’s households had incorporated locally-grown food into at least one meal per day. Ontario Ministry of Agriculture, Farming, and Rural Affairs. “Ontario’s Local Food Report, 2016/2017 Edition: Tastes of Home.” 2017. [http://www.omafra.gov.on.ca/english/about/local\\_food\\_rpt17.htm](http://www.omafra.gov.on.ca/english/about/local_food_rpt17.htm)

<sup>25</sup> Ontario Treasury Board Secretariat. “Backgrounder: Smart Initiatives.” October 23, 2019. <https://news.ontario.ca/tbs/en/2019/10/smart-initiatives.html>

<sup>26</sup> One opportunity is to reconfirm the commitment to local food purchasing across the BPS, as documented in OMAFRA’s most recent local food report, “The Faces of Ontario Local Food: 2018-2019 Local Food Report.” [http://www.omafra.gov.on.ca/english/about/local\\_food\\_rpt18.htm#7](http://www.omafra.gov.on.ca/english/about/local_food_rpt18.htm#7) The Local Food Act, 2013, enables the Ontario government to establish goals or targets for encouraging increased use of

Even if the Ontario government committed to raising its procured spend from social enterprises by *half a percentage point* (approximately \$140 million) each year for three years, that would inject \$840 million into locally-owned organizations that support job creation and public benefit, without any increase in overall public spending. The Ontario government should also set a second-tier target, requiring (or promoting through procurement point systems) that its own suppliers - for example construction companies, food services, cleaners, and couriers - increase their own social procurement by half a percentage point each year. This would be an excellent starting point for creating the greatest public value with our public dollars.

**d. Promote financial sustainability and service continuity by enabling nonprofits that deliver services on behalf of government to retain any surpluses for program investments or for capital asset purchase and maintenance**

Unlike a company that wins a contract to perform road maintenance for a government, nonprofits have to give back any money at the end of the year that is left unspent under a TPA. As a result, nonprofits have little incentive to innovate and to invest in efficiencies because they often do not get to keep savings.

The Ontario government recently created a mechanism to end “March Madness” within the Ontario Public Service, thereby generating \$153 million in savings at the end of 2018-19.<sup>27</sup> March Madness is the name given to year-end spending in provincial ministries. This spending restraint was a way to address the perverse incentives created within government to “use it or lose it.”

Nonprofits face a similar perverse incentive because they are prohibited from managing spending as costs vary from one year to the next. Knowing that they have to return any unspent money if they generate efficiencies, nonprofits do their best to use funds well, but they would likely make better decisions if they could allocate any surpluses to a reserve fund.

We recommend nonprofits be allowed to retain surpluses they generate through TPAs in a reserve fund for program investment or capital asset purchase and maintenance.<sup>28</sup> With this change, clients are better served because organizations that deliver services on behalf of government have an incentive to streamline processes. Organizations become less precarious because they can use any surplus generated through efficiencies to better manage program cycles or to create a community-owned asset and enterprises, enabling a stable base for community services. Finally, government can be assured that organizations are no longer

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local food by the public service and BPS. <https://www.ontario.ca/laws/statute/13I07> According to the Local Food Report, tracking progress on local food use by BPS organizations is currently voluntary.

<sup>27</sup> Ontario Treasury Board Secretariat. “News Release: Ontario Government Saves Taxpayer Dollars Through Year-End Expenditure Management and Ending March Madness Spending.” August 29, 2019.

<sup>28</sup> One of the most striking findings in our survey of Ontario nonprofits in 2019 was that 50 per cent of organizations surveyed said that they did not have the bare minimum of three months’ reserve funds to weather the ups and downs of their cash-flow situations. See ONN’s “Sector 360° Survey 2019: Taking the pulse of Ontario’s nonprofit sector.” November 2019. <https://theonnc.ca/our-work/sector-360-survey-2019/>

engaging in “March Madness” year-end spending, but rather investing in what makes sense for the sustainability of services over the long haul.

### **3. Support the hard-working people who staff the nonprofits that help communities thrive<sup>29</sup>**

*The nonprofit sector is at a tipping point. Now it is more important than ever for the sector to continue to deliver innovative and timely services and programs, so we can continue to contribute to the creation of an inclusive and compassionate society. Our communities, our private sector partners and our governments count on it. But we cannot do it without a workforce that is inspired, committed, talented, and also well managed and compensated. We will not be able to compete and recruit the talent of the future if we don't get it right.*

- Cathy Taylor, ONN<sup>30</sup>

ONN is working hard to build a movement for decent work in the nonprofit sector so that organizations can recruit and retain the talent they need to achieve their missions.<sup>31</sup> In Ontario, almost half the nonprofit sector's workers are part-time and/or on short-term contracts.<sup>32</sup> Furthermore, in 2017, the salaries of workers at community-governed nonprofits in Canada were on average \$42,500, or 29 per cent lower than the average for the Canadian workforce.<sup>33</sup>

Nonprofits are doing their best to recruit and retain workers, but they also need an enabling policy environment to be able to attract talent. We recommend one major policy change:

#### **Exempt community-governed nonprofits from wage restraint legislation (Bill 124) to create a level playing field with for-profit corporations**

Through Bill 124, Protecting a Sustainable Public Sector for Future Generations Act,<sup>34</sup> the Ontario government recently created a mechanism to set wage controls on the broader public sector. Nonprofits that received \$1 million or more in 2018 from the Province are also affected. The for-profit sector was explicitly exempted, even though for-profits often receive money from the

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<sup>29</sup> For further background, please see ONN's Budget 2020 Primer: Supporting Decent Work in the Nonprofit Sector. January 2020.

<https://theonncan.ca/wp-content/uploads/2020/01/ONN-briefing-note-DW-in-Budget-2020-Jan-2020.pdf>

<sup>30</sup> Cathy Taylor. “The nonprofit sector as a champion for decent work.” Policy Options. March 21, 2017.

<https://policyoptions.irpp.org/magazines/march-2017/the-nonprofit-sector-as-a-champion-for-decent-work/>

<sup>31</sup> Ontario Nonprofit Network. “Decent Work.” Undated.

<https://theonncan.ca/our-work/our-people/decent-work/>

<sup>32</sup> The Mowat Centre and Ontario Nonprofit Network. “Shaping the Future: Leadership in Ontario's Nonprofit Labour Force. Final Report on Human Capital Renewal Strategy: Phase One.” September 2013.

<https://theonncan.ca/wp-content/uploads/2011/06/ONN-Mowat-Shaping-the-Future-Final-Report-October2013.pdf>

<sup>33</sup> Statistics Canada. “Non-profit institutions and volunteering: Economic contribution, 2007 to 2017.” March 5, 2019. <https://www150.statcan.gc.ca/n1/en/daily-quotidien/190305/dq190305a-eng.pdf?st=f64EzeDq>

<sup>34</sup> Government of Ontario. Protecting a Sustainable Public Sector for Future Generations Act, 2019.

<https://www.ontario.ca/laws/statute/19p12>

same programs as the nonprofit sector in areas like home care, long-term care, child care, and employment and training services.

For many nonprofits, the province is one of several revenue streams; it is not uncommon for a nonprofit to receive funding from the federal government, municipalities, foundations, donors, and/or via social enterprise activity. Bill 124 allows one funder, the provincial government, to impose arbitrary wage restrictions across a full range of organizational activities.

A one-size-fits-all wage control penalizes lower-waged workers disproportionately. In the nonprofit sector, the majority of front-line workers are women and many are racialized workers, but the management teams are less so. In this context, such an approach to wage restraint exacerbates income inequality, and has a negative impact on women's economic equality.<sup>35</sup>

ONN is deeply concerned Bill 124 places Ontario nonprofits at a disadvantage to the for-profit sector because it undermines the authority of community-led boards of directors, and detracts from efforts to improve women's economic equality. We recommend that community-governed nonprofits be exempted from the scope of Bill 124 and that, in future, the Ontario government implement any budgetary constraints for the nonprofit sector via global budgets rather than through wage controls.

## **Conclusion**

ONN remains committed to working with government toward our shared objective of a strong and thriving province, and we look forward to engaging nonprofits and government representatives in ongoing policy dialogue in the service of Ontario's diverse communities.

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<sup>35</sup> Ontario Nonprofit Network. "Decent work for women in the nonprofit sector: Literature review." 2018. [https://theonnc.ca/wp-content/uploads/2018/11/DecentWorkforWomenLiteratureReviewMarch2018\\_UpdatedNOV2018.pdf](https://theonnc.ca/wp-content/uploads/2018/11/DecentWorkforWomenLiteratureReviewMarch2018_UpdatedNOV2018.pdf)