

# 2024 Ontario Pre-Budget Submission

Invest now to unleash the sector's full potential to serve Ontarians

## Introduction

Ontario's nonprofit sector is at a tipping point, and the time has come to heed the sector's budget recommendations. It is not the time to put money aside for a rainy day. Our ability and capacity to serve communities is tied to our resources (both finances and people). If one or both are not healthy, we cannot support communities. If policymakers continue to ignore the warning signs, the critical work of nonprofits will continue to disappear, affecting the economy, and the health and wellness of all Ontarians. Nonprofits are putting patches on enormous systemic problems, and it is not realistic to think the sector can continue working in this manner. While we are known to be resilient and practical, we cannot keep running on fumes into an uncertain future.

Demand for community services is rapidly increasing as unaffordability, Artificial Intelligence (AI), climate change, and the politics of division all take their toll on communities. Demand coupled with costs are outpacing revenues, and the sector is losing employees to higher paying industries. Nonprofits are the critical frontline of community support, and communities need more support than ever. Every nonprofit closure leaves a tear in our social safety net. This tear will drive up costs and demand on tertiary care institutions such as hospitals, long-term care institutions, jails, and treatment centres.

## Recommendations:

- 1. Establish a home in government to efficiently work with the over 58,000 nonprofits, charities, and grassroots groups in Ontario.**
- 2. Future-proof Ontarians' social infrastructure with investments that reflect true cost of service delivery to take the pressure off of institutional settings, like hospitals and long-term care.**
- 3. Address the nonprofit human resource crisis to ensure Ontarians have access to community support.**
- 4. Make government activities deliver twice as much for communities by implementing strategies for community benefit agreements and social procurement.**
- 5. Enable communities to develop the infrastructure they need with access to capital and lands.**

## Families are looking for neighbourhoods with nonprofits.

Nonprofits create communities people want to live in and raise their families in. We make communities vibrant with our parks, accessible and high quality recreational activities, street festivals, and safe spaces for kids before and after school. We provide essential services every Ontarian needs, including care for the old, young, sick, and frail. In addition, nonprofits are fundamental in helping Ontarians battle crises, from affordability to public health and climate emergencies. Nonprofits are getting people back to work, delivering meals on wheels, and providing gender-based violence services. As demand rises, we are also filling gaps for affordable housing, mental health and addictions programs, and settlement services. Nonprofits ensure our communities continuously remain healthy.

### **We are an economic driver.**

The [sector contributes](#) \$65 billion to our province's GDP, employing 844,000 people. As a sector, nonprofits receive less than half of their revenues from government, which we leverage with private grants and donations, the sale of goods and services, and volunteer efforts to create additional value for the communities we serve. With \$1.00 of investment, nonprofits generate up to \$2.18 in GDP impact, \$1.76 in employment income impact, and create 1.5 jobs with every million dollars in output. This magnitude is equivalent to many other industries in Ontario, such as manufacturing and automotive.

### **The nonprofit difference matters.**

The purpose, governance, and ownership structure of nonprofits - [the nonprofit difference](#) - makes the sector uniquely positioned to deliver publicly-funded services. Nonprofits are accountable to local communities, exhibit higher levels of transparency, and reinvest profits back into their missions, ensuring taxpayer money is used effectively. Now is the time to better leverage nonprofits' expertise, local infrastructure, and community-centred missions to build an Ontario that works for everyone.

### **We cannot keep doing more with less. Future forecasting reveals the collapse of the sector is looming.**

Our analysis reveals that if current trends continue and there is no adequate public policy response, through 2026 every single nonprofit in Ontario will be experiencing an increase in demand for services, and at the same time there will be significant nonprofit closures across the province. A collapse of the nonprofit sector will impact every Ontarian at a time when they most need community support.

### **2023 State of the Sector report reveals worrying trends.**

Underpinning our projections is our bilingual survey of thousands of nonprofits, charities, and community groups over the past four years to learn how they are faring in the shifting social and economic contexts. Our [latest findings](#) reveal, they are not thriving, they are barely surviving:

- Demand for services is sharply increasing and has grown 29 per cent since 2020.
- Nonprofit financial situations are on a downward spiral. Organizations cannot meet the increasing costs or the increasing service demands, and this situation is projected to worsen.
- The HR crisis continues, and is driven by a lack of sustainable funding that is impacting the retention and recruitment of staff across the sector, with two-thirds of the sector reporting staffing challenges.
- 58 per cent of respondents are "somewhat prepared" for emergencies.
- Nonprofit closure reports are increasing, with 35 per cent of organizations reporting that they know of another similar nonprofit closing.

### **Detailed recommendations to bring the sector back from the tipping point and unleash its potential.**

#### **1. Establish a home in government for the over 58,000 nonprofits, charities, and grassroots groups in Ontario.**

- Create an Associate Minister-level appointment within the Ministry of Economic Development, Job Creation and Trade, supported by a Deputy or Assistant Deputy

Minister in an office representing nonprofits, charities, and social innovation.

**2. Future-proof Ontarians' social infrastructure with investments that reflect true cost of service delivery:**

- Transition to stable, adequate, long-term, and flexible operational funding for nonprofits that reflects the true cost of delivering services and programs, keeps pace with inflation, responds to emerging needs, is on par with the public sector delivering similar services, and reduces administrative burdens. This is particularly important for transfer payment agreements involving nonprofits serving equity-deserving groups, including Black and other racialized communities; First Nations, Inuit, Métis, and urban Indigenous communities and organizations; and persons with disabilities, women, 2SLGBTQIA+ people, youth, newcomers, and low-income individuals and households.
- Make nonprofit business models the preferred choice for delivering effective and efficient programs and services.

**3. Address the nonprofit human resource crisis:**

- Allocate funds to support the development of a sector-wide labour force strategy and workforce development plan. The strategy would include promoting careers in nonprofits and creating opportunities for workers to attain in-demand skills.
- Phase in wage parity with annual installments for similar groups of frontline workers across municipalities, hospitals, schools, and community settings to achieve equal pay for equal work in four years.
- Create a provincial volunteer recovery strategy to address the negative impacts of the pandemic on volunteerism.
- Commit to removing fees for vulnerable sector police record checks.

**4. Make government activities deliver twice as much for communities:**

- Introduce a provincial community benefits strategy by working with local community benefit networks across Hamilton, London, Niagara, Peel, and Ottawa, that embeds community benefit agreements in all major public infrastructure and housing development projects and facilitates progress in responding to the Truth and Reconciliation Commission of Canada's Call to Action #92.
- Include a social procurement policy that commits to purchasing from nonprofit social enterprises and co-operatives and applies to the entire provincial government and broader public sector, in the Ontario Public Sector Supply Chain Strategy.

**5. Enable communities to develop the infrastructure they need with access to capital and lands:**

- Create an inter-ministerial committee to eliminate barriers between government departments to streamline the support of mixed use developments that further various policy objectives (e.g., supportive housing, child care, long-term care, etc.).
- Expand and expedite nonprofit access to capital through programs such as the Infrastructure Ontario loans program or other rotating loan funds. This will facilitate the

- acquisition, preservation, or repurposing of faith buildings and other nonprofit real estate, as well as child care centres, long-term care homes, and deeply affordable housing.
- Make below-market financing available to nonprofits building community infrastructure (e.g., developments that locate child care next to housing or other complementary community services).
  - Create a cross-ministerial pooled fund to backstop loan guarantees by municipalities who know their communities' needs best for nonprofit development.
  - Make surplus lands and assets available to nonprofits and nonprofit co-operatives.
  - Support Indigenous communities and nonprofit organizations to expand their access to lands for programming, land-based learning, and ceremony.

### **Conclusion**

Our communities are under stress unlike anything we have encountered before. The COVID-19 pandemic has left big social and economic scars on the fabric of communities. The affordability crisis is affecting families at all income levels. Climate events are now regular occurrences, and local response capacity is unprepared. Artificial Intelligence is changing work and displacing workers. Conflicts around the world are creating migrations that are overwhelming our response capacity.

The nonprofit sector is a vital partner for the province during this turbulent time. It is essential and urgent that government makes the investments needed to shore up our vibrant nonprofit sector so every Ontarian can access the critical programs and services they need, now and in the future. We look forward to building Ontario's future together.

### **About ONN**

ONN is an independent nonprofit network for the 58,000 nonprofits and charities in Ontario, focused on policy, advocacy, and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations to work together on issues affecting the sector and channel the voices of our network to governments, funders, and other stakeholders.

### **For more information:**

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