

2022 BC Budget Consultation

Submission to the Select Standing Committee on Finance and Government Services

Vancouver Foundation

Overview

Recommendation 1:

That the government provide support for charities and non-profits struggling from the effects of COVID-19 by:

- a) Establishing a targeted \$500-million stabilization fund for the non-profit sector.
- b) Ensuring that charities are eligible for government grants, funding, and supports aimed at small and medium size employers.

Recommendation 2:

That the government mobilize more resources for community services by:

- a) Expanding BC's unclaimed property program to activate more dormant assets and increase funding for community services.
- b) Ensuring that funding for Community Gaming Grants rises in proportion to gaming revenue.
- c) Increasing the provincial portion of charitable tax credits to incentivize individual donors to be more generous in giving directly to charities.

Recommendation 3:

That the government harness the power of the non-profit sector in post-pandemic recovery and long-term community-building by:

- a) Adopting a trust-based approach to provincial funding for charities and non-profits.
- b) Reviewing the *Lobbyists Transparency Act* to ensure community voices can speak to decision makers without restrictions or barriers.
- c) Establishing a data strategy to capture the size, scope, and impact of the non-profit sector.
- d) Supporting the recommendations of the federal Advisory Committee on the Charitable Sector (ACCS).
- e) Leveraging philanthropy in service of reconciliation with Indigenous communities.

Context

Vancouver Foundation is the most significant funder of community services outside of government.

Since 1943 Vancouver Foundation has worked to build healthy, vibrant, equitable, and inclusive communities. We steward philanthropic funds from individuals, corporate donors, and governments — as well as endowments from charities themselves — through a permanent investment fund that is currently valued at \$1.4-billion. The grants we make from the income of this permanent endowment make Vancouver Foundation the largest non-government funder of charities in BC.

Last year we invested more in BC than ever before.

We are more than Vancouver's community foundation — we also invest in communities in every corner of BC. Last year, as community organizations continued to suffer from the volatility and vulnerability of the pandemic, we delivered grants and programming totaling \$114.9-million. It was the largest amount we have invested in a single year in the history of Vancouver Foundation. This historic amount supported everything from emergency core funding for charities, to grassroots grants aimed at keeping neighbours connected during isolation, to flexible funding for BIPOC (Black, Indigenous, and People of Colour) organizations working to advance justice and equity. 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. Through the generosity of our donors, the commitment of our partners, and the dedication of our staff we were able to be there at a time when so many British Columbians turned to us for support.

Many community organizations continue to suffer from the effects of the pandemic.

Charities and non-profits receive three main types of income — all of which have suffered because of the pandemic:

- Individual and corporate donations fell when people tightened their belts and businesses paused philanthropic giving during their own period of uncertainty.
- Earned revenue dried up as events and fundraisers were cancelled, sales of products and services stopped, and performances — especially in the arts and culture sector — were 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.

The volatility and uncertainty many organizations continue to experience on the income side of their operations is happening at the same time as new and rising demands for services. BC's non-profits are still struggling to recover from the pandemic. Arts and culture and sports and recreation groups are most at-risk. Small non-profits with budgets under \$1 million report significant vulnerability. And organizations that serve racialized communities and seniors are disturbingly precarious. Across the board, the majority of non-profits surveyed at the end of 2020 said demand is up, revenue is down, and it's getting harder to deliver the programs and services people rely on.

If community organizations are weak, people and families will suffer.

It is important to be clear that the current vulnerability of the non-profit 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 BC 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 non-profits. 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 relentless increase 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.

Economic recovery is impossible without charities and non-profits doing our part.

This sector employs 86,000 people in British Columbia. We contribute nearly \$7-billion to the GDP of our province each year. The government priorities and programs that will make up the 2022 BC Budget depend on a strong, stable network of charities and non-profits to build community resiliency in every corner of our province. It is natural and appropriate to center 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. The good news is that our sector is ready to contribute, fluent in collaboration, innovative in our approach — and eager to develop new partnerships that will position BC for a healthy, prosperous, and bright future.

Recommendations

Against this backdrop, Vancouver Foundation is advocating that the Select Standing Committee on Finance and Government Services propose three key recommendations be included in the 2022 provincial budget and reflected in ongoing government priorities:

Recommendation 1:

That the government provide support for charities and non-profits struggling from the effects of COVID-19 by:

a) Establishing a targeted \$500-million stabilization fund for the non-profit sector.

The Government of BC has stepped up in impressive ways to support key areas of our economy — like small businesses and the tourism sector — in a focused effort to promote recovery and long-term resilience. But when the government announced its \$1.5-billion Economic Recovery Fund, charities and non-profits were left out. Vantage Point, an organization representing more than 500 members across the non-profit sector, has called for a \$500-million fund to ensure organizations can survive, adapt to new circumstances, and position themselves to actively contribute to our recovery. This kind of targeted support is essential to ensuring community organizations can play the role we need of them to protect people's health and livelihoods today, while building the long-term wellbeing and prosperity of communities throughout the province.

b) Ensuring that charities are eligible for government grants, funding, and supports aimed at small and medium size employers.

BC's charities and non-profits employ 86,000 people in every region of our province. As initiatives are put in place to protect and support employers in other areas of the economy, eligibility should be extended to all non-profits that meet the program criteria. For example, many charities and non-profits fit all the criteria required for the Small and Medium-Sized Business Recovery Grant program — like employing up to 149 people, having positive revenue prior to February 2020, and experiencing at least a 30% revenue loss during the pandemic — yet only for-profit operations were eligible for support. This exclusion unreasonably disadvantages hundreds of employers that play an equally vital role in economic recovery and resiliency.

Recommendation 2:

That the government mobilize more resources for community services by:

a) Expanding BC's unclaimed property program to activate more dormant assets and increase funding for community services.

BC's unclaimed property program requires many sectors of the economy to remit money that has been forgotten by individuals in the form of old accounts at credit unions, unclaimed wages at public institutions, and variety of other sources. This money rightfully belongs to the individuals, not the entities holding the unclaimed property (also known as dormant assets). Under the current program, effort is made to reunite the individuals with their forgotten funds and a portion of any money left over is transferred to Vancouver Foundation for community granting – which we pass along to community organizations at no cost to government. Since 2003 the unclaimed property program has delivered strong results, reuniting \$18.7-million with its rightful owners while providing \$54-million in vital support for community services across the province. Our preliminary assessment reveals some unclaimed property isn't being remitted as required under the current legislation. For example, we estimate an additional \$300,000 to \$1.1-million should be coming from credit unions each year. Other mandatory holders aren't submitting their unclaimed assets at all, or aren't submitting as regularly as they should. Unlocking additional unclaimed property would be a vital lifeline at this critical time. The Government of BC should maximize the impact of current legislation by doing more to encourage mandatory and voluntary holders to submit their dormant assets. And the government should go even further, to engage the public, private, and non-profit sectors in discussions about expanding the sectors of the economy that must submit money that has been forgotten by its rightful owners. Other jurisdictions are effectively expanding their programs with support and enthusiasm from both the private sector and non-profits – and using the revenue to fund major investments in community services.

b) Ensuring that funding for Community Gaming Grants rises in proportion to gaming revenue.

In 2016 BC's Auditor General conducted an audit of Community Gaming Grants and said: *"It's also time for government to re-assess whether the program design continues to make sense. Government hasn't stepped back to look at the program since 2011. There are questions that should be answered on a regular basis, such as whether \$135 million is still the right amount of funding and whether there's a better way to provide these grants to non-profits."* As

online gaming expands, and as British Columbians gradually return to in-person gaming like casinos and racetracks, revenue is projected to rise in future budgets. As revenue increases, so too should the amount dedicated to funding community services. This is a vital source of funding for municipalities, Indigenous organizations, schools, and charities across BC — and one that shouldn't be capped at its current fixed amount of \$140-million. The Government of BC should work closely with charities and other beneficiaries to determine a formula that will ensure revenue for community purposes rises in proportion to any increases to gaming revenue.

c) Increasing the provincial portion of charitable tax credits to incentivize individual donors to be more generous in giving directly to charities.

The lifeblood of most charities working in communities across BC is the generosity of individual donors. According to research from Insights West, 95% of British Columbians make donations of some kind — with average individual giving totaling \$732 annually. When individual donors give to registered charities, they receive tax credits from both the provincial and federal governments — and BC lags behind most other provinces in the country. At 5.06% on the first \$200 and 16.8% on amounts over \$200 we are in 8th place in terms of incentives for individual giving. Our closest neighbour, the Province of Alberta, has a generous tax credit program that provides a 10% credit for donations under \$200 and 21% for amounts over \$200. The Government of BC has an opportunity to match or exceed this rate as a compelling way to mobilize more private donations for BC charities at this critical time.

Recommendation 3:

That the government harness the power of the non-profit sector in post-pandemic recovery and long-term community-building by:

a) Adopting a trust-based approach to provincial funding for charities and non-profits.

Community organizations have gotten us through these first four waves of the pandemic by stretching themselves to the limit. To position charities and non-profits to weather what comes next, government and other funders need to embrace practices that enable innovation and nimbleness. The Government of BC can help organizations navigate troubled waters by embracing a trust-based funding approach that includes making more funding available, providing stable multi-year core funding, and expanding support

for non-profit infrastructure. Reducing barriers in eligibility would expand the number of local, grassroots organizations that apply for funding. Scaling back reporting requirements would go a long way to enabling community organizations to focus on what matters most: providing the services and supports British Columbians rely on. In the early days of the pandemic many funders, including government, made their processes more flexible and extended funding with no strings attached. Now, as we focus our sights on economic recovery and building back better, the Government of BC should make permanent all improvements that were introduced to simplify access to funding during COVID — and explore new ways to reduce the red tape that causes unnecessary administrative burdens to recipients of provincial funding.

b) Reviewing the *Lobbyists Transparency Act* to ensure community voices can speak to decision makers without restrictions or barriers.

Non-profits and charities are created for the purpose of caring for the communities and people they serve — and are critical to the lives of British Columbians. This work has never been more important than through the pandemic, and now into the recovery period. Recent changes to the *Lobbyists Transparency Act (LTA)* came at a time when the sector was adjusting to the financial crisis triggered by revenue challenges caused by the pandemic and staff losses in many organizations. As government seeks to consult stakeholders in developing a vision for economic recovery and the province's future, organizations in this sector are choosing to opt out of all engagement processes due to the administrative burdens on their already-stretched operations. This will result in a gap in knowledge regarding community need and the innovative policy solutions that the sector is well-known for contributing. With this in mind, the Government of BC should review the LTA and its interpretations to evaluate its efficacy, identify any unintended consequences, and ultimately improve the legislation and its enforcement. The goal of the review would be to ensure the Act is maximizing transparency of lobbying activity in BC without hindering the ability of important sectors to engage with government or silencing important community voices at this critical time.

c) Establishing a data strategy to capture the size, scope, and impact of the non-profit sector.

Despite the importance of charities and non-profits to every community in this province, we lack a centralized, coordinated way to measure and monitor the size, scope, and impact of the roughly 27,000 societies operating in BC today. This lack of information

makes it challenging for government, funders, service providers, and others to capture a true picture of the sector. Collectively, we're not well-positioned to identify trends and make strategic decisions about resourcing and operations. The Government of BC should invest in a data strategy that brings together existing data sets from sources like the Canada Revenue Agency, Statistics Canada, the Community Gaming Grants Program, and other sources in a single, accessible format. This would position all of us who are invested in the success of charities and non-profits to do a better job of producing analysis and insights to advance our work through an evidence-based approach.

d) Supporting the recommendations of the federal Advisory Committee on the Charitable Sector (ACCS).

The Advisory Committee on the Charitable Sector (ACCS) is a forum that brings together representative from the federal government and the charitable sector to advance key issues and ensure legislation and regulations are properly supporting the work of Canada's 85,000 registered charities. Since January 2021 the ACCS has produced four key reports outlining recommendations that include amending the *Income Tax Act*, creating a home for the charitable sector within the federal government, leveraging charities in support of reconciliation, and modernizing the relationship between charities and the Canada Revenue Agency. The Government of BC should champion these recommendations through intergovernmental relations, so that the work of BC's charities is better supported and resourced.

e) Leveraging philanthropy in service of reconciliation with Indigenous communities.

In response to the Truth and Reconciliation Commission (TRC), a group of philanthropic organizations including Community Foundations of Canada produced a Declaration of Action as our commitment to ensuring our sector would do its part to advance reconciliation with First Nations, Inuit, and Métis peoples. Vancouver Foundation is a signatory to the Declaration. The Government of BC should build on this commitment by partnering with philanthropic organizations to leverage funding, support community research, expand access to services, and convene important conversations.

Philanthropic organizations are well-positioned to support and extend government's commitment to making real progress on the recommendations contained in the TRC's final report.

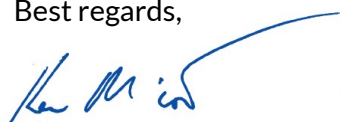
Conclusion

It's time for government — through budgets, legislation, and policy — to embrace charities and non-profits as more than service providers and do-gooders. We are the balancing middle ground between private interests and public good. And we're ready to do more than ever before to come together across sectors and develop sophisticated, innovation solutions to the challenges of today and opportunities of tomorrow.

The first year of the pandemic reminded us that we are indeed all in this together. Now, as we navigate what comes next, we are reminded of two important things. First, that many aspects of community wellbeing were already precarious before COVID — and now need our focused attention to ensure we don't go back to a normal that wasn't working in the first place. And second, that we have a historic opportunity to bring fresh, new approaches to building a better future for our province.

With your support for the measures outlined in this submission, BC's charities and non-profits are ready to do our part. Thank you for this opportunity to share Vancouver Foundation's recommendations with the Honourable members of the Select Standing Committee on Finance and Government Services. I would be pleased to provide any additional context or information you may require.

Best regards,

A handwritten signature in blue ink, appearing to read 'Kevin McCort', with a long, sweeping flourish extending to the right.

Kevin McCort
President & CEO