IMAGINE CANADA

Strong Charities. Strong Communities.

Pre-budget Submission

to the

House of Commons Standing Committee on Finance

August 2019

Recommendations

1. **That any federal government initiatives to assist organizations in reducing their carbon footprint are fully available to registered charities and not-for-profit corporations.**

2. **That the availability of any such federal government initiatives to registered charities and not-for-profit corporations be properly communicated publicly, as well as to federal officials charged with administering those initiatives.**

3. **That cost-sharing arrangements required by any new federal government initiatives recognize the fiscal challenges that charities and nonprofits face and do not *de facto* exclude participation by registered charities and not-for-profit corporations.**

Context

As a registered charity, Imagine Canada is prohibited by law from speaking to public policy issues that are not in furtherance of our charitable purposes.

Our charitable purpose is not related to environmental policies or initiatives. However, our purpose does include advocating for policies that result in an improved operating environment for charities and public-benefit nonprofits. We ask Committee members to keep this in mind when considering our recommendations.

There are approximately 86,000 registered charities across Canada, and a similar number of not-for-profit corporations that do not have charitable status. According to data recently published by Statistics Canada, charities and nonprofits account for 8.5% of GDP and employ some 2.4 million Canadians.

Charities and nonprofits work closely with governments at all levels to deliver vital services that provide assistance to individuals and communities, greatly enhancing the quality of life for all Canadians. But they face ongoing financial sustainability challenges that limit their ability to invest in new technologies or to adapt their facilities in order to reduce their carbon footprints.

Imagine Canada's Chief Economist has projected a "social deficit" of some $25 billion within a decade. This represents the gap between charities' and nonprofits' resources and their ability to meet service demands, should current trend related to funding and service demand continue.

The social deficit means that organizations will have limited ability to invest in measures to reduce their carbon footprint – even where a short-term investment would result in long-term savings to them. They are also limited by a number of specific factors:

- government grant and contribution programs largely deem ineligible any costs related to infrastructure when organizations are delivering services on behalf of government;
- donors, foundations, and corporate partners are loath to provide funding that is not directly related to a particular service, also limiting the resources available for infrastructure improvement; and,
- sources of capital that are often available to private enterprises (bank financing, venture funds, equity stakes) are not available to charities and nonprofits given their different legal status.

The recommendations we make would ensure that, should the federal government embark on new initiatives to help organizations adapt to climate change and reduce their carbon footprints, charities and nonprofits would be able to fully participate. This would improve their own operating environment, and given the number of organizations and facilities that exist across Canada, would contribute significantly to the likely success of those federal government initiatives.

Access to initiatives

For whatever reason, when federal governments have in the past developed and implemented new initiatives aimed at catalyzing business development, technology adoption, or infrastructure renewal, charities and nonprofits have often not been able to participate. At times these initiatives specifically exclude any entity that is not for-profit. At other times, administrative decisions are taken to limit eligibility, program officers do not themselves realize that charities and nonprofits may be eligible, or cost-sharing requirements effectively exclude charities and nonprofits even where they may otherwise be eligible.

There has been increasing recognition that excluding charities and nonprofits limits the effectiveness of federal initiatives and results in lost opportunities. For example, the Mitacs program – which links university-based researchers with organizations that can benefit from their research – originally was only available to for-profit entities. That restriction was dropped in Budget 2014.

The Senate Special Committee on the Charitable Sector recently issued its report *Catalyst for Change: A Roadmap to a Stronger Charitable Sector*. The Special Committee recognized the problem of charities and nonprofits being overlooked or excluded during program design. Among the Special Committee's recommendations is "that all federally funded initiatives with respect to innovation that are available to for-profit organizations be available to and promoted among charitable and non-profit organizations."

While we do not want to pre-judge any specific recommendations that the Finance Committee might make, or new actions or initiatives that the federal government might undertake, we cannot exclude the possibility of new programs or funding initiatives. To that end, we recommend:

> **That any federal government initiatives to assist organizations in reducing their carbon footprint are fully available to registered charities and public-benefit not-for-profit corporations.**

Communications and awareness

Designing programs and initiatives so that they include charities and nonprofits is important. Equally important, though, is ensuring that charities and nonprofits are aware that they are eligible for those programs. This does not only mean pro-active communications, but also ensuring that the naming and description of federal initiatives is not exclusionary.

For example, Budget 2011 introduced the Hiring Credit for Small Business – an initiative that allowed small employers to expand their workforces without bearing the full cost of EI premiums. This program was extended in subsequent budgets and replaced by the Small Business Job Credit in 2014.

The federal government's public-facing communications emphasized small business, and did not mention the potential benefit for charities and nonprofits. Indeed, when Imagine Canada sought clarification from the Department of Finance as to whether charities and nonprofits were eligible, we had difficulty obtaining a clear answer. As it turned out, smaller charities and nonprofits were indeed eligible. But the time it took to determine this, and the continuing emphasis on private employers in the government's communications efforts, meant that charities and nonprofits were not fully able to take the initiative into account in their HR and hiring plans. Had they been able to do so, more job opportunities might have been created.

Should this Committee recommend new initiatives, or should the federal government undertake new initiatives to address climate change, effective communications will be key to ensuring the success of those initiatives. We believe that lessons can be learned from the past, and to that end, we recommend:

> **That the availability of any such federal government initiatives to registered charities and not-for-profit corporations be properly communicated publicly, as well as to federal officials charged with administering those initiatives.**

Cost-sharing

Many federal government initiatives incorporate cost-sharing provisions. To the extent that makes federal investment able to support a greater number of projects and ensures that all stakeholders are committed to successful outcomes, this can be a very effective approach.

Should new federal initiatives aimed at addressing climate change be adopted, we anticipate that cost-sharing would be a feature. As discussed above, though, while charities and public-benefit nonprofits may be willing and eager to invest in things like (and we speculate here) energy-efficient retrofitting of facilities or the adoption of new and clean technologies, they face challenges in securing capital to do so. Among these challenges:

- existing funding arrangements with governments often exclude any component related to infrastructure maintenance or renewal;
- government funding programs may exclude organizations from using other government funds as part of their own contribution;
- donors, corporate partners, and foundations are often unwilling to fund infrastructure and organizational needs as opposed to direct programming; and,
- sources of capital available to private entities, such as loans and equity investments, are not readily available to charities and nonprofits.

These factors would limit the ability of charities and nonprofits to participate in federal initiatives that incorporate a cost-sharing element. We do not see this challenge as insurmountable, but it is something that would need to be taken into account during the program design phase. To that end, we recommend:

> **That cost-sharing arrangements required by any new federal government initiatives recognize the fiscal challenges that charities and public-benefit nonprofits face and do not *de facto* exclude their participation.**