

PRIMER

TOPIC: GOVERNMENT GRANTS AND CONTRIBUTIONS

DEFINITION & SITUATION

All levels of government provide revenues to the charitable and nonprofit sector.

Grants and contributions are made to support the work of charitable and nonprofit organizations directly. Of the two types, contributions are more frequent than outright grants which tend to have fewer conditions.

Grants are transfer payments without the need for the recipient to provide a detailed account for the use of the funds. Grants are provided with an understanding of the use to which the funds will be put, with some conditions. While recipients are usually not audited, there are defined eligibility criteria and there may be reporting or disclosure requirements.

Contributions are transfer payments, either advance payments or reimbursements of eligible expenditures incurred by the recipient for an agreed purpose. Eligible expenses are defined in the contribution agreement and must be made in the pursuit of defined performance requirements. Some are repayable—more in the category of loans. There is closer supervision of contributions, with audit, evaluation and more frequent reporting requirements.

Contract Payments are made to charitable and nonprofit organizations that deliver a specific service on behalf of government (for example immigrant integration services)

Data and Trends

- It is difficult to obtain detailed and up to date information on the amounts of government revenues flowing to the charitable and nonprofit sector. The data that follow are approximations. There is little consistent data made available by sub-sector e.g. arts, education, health, environment.
- According to data from the 2003 National Survey of Nonprofit and Voluntary Organizations and from the yearly federal Satellite Account of Nonprofit Institutions (data cited below comes from these survey), governments at all levels provide approximately 50% of the income received by charitable and nonprofit organizations.
- Provincial governments provide the largest share of this income (typically from 47% to 49% of total income). The federal government provides in the range of 3% to 4% of total funding,
- According to the 2003 NSNVO, almost two-thirds of the funding coming from government was in the form of **grants and contributions** (31% of total revenues for charitable and nonprofit organizations). The remaining revenues (18% of total revenues) were received as payment for goods and services delivered by charitable and nonprofit organizations.
- According to the Satellite Account, if hospitals, universities and colleges are excluded from the data, the core nonprofit sector received 21% of its total income from government grants in 2008.
- Funding from government has variously been applied by charities and nonprofits to the delivery of specific programs, conduct of research, dissemination of information, and funding of core operations.
- Many government departments set an arbitrary amount, e.g. 15% of a total grant or contribution, to cover overhead costs.

- The last decade since the recession of 2000-2001 has seen flat or reducing trends in government grants and contributions. At federal level, more recently funds to charitable and nonprofit organizations have been frequently re-allocated within a given program, resulting in reductions in revenue to some organizations, if not most.
- From 2012 to 2015, the federal government has committed to cutting at least \$4 billion in annual operating expenses, which will certainly result in reductions of federal Gs and Cs to charities and nonprofits.
- Similar exercises are expected in various provinces, many of which are struggling with deficits (notably Ontario).

SOME KEY CHALLENGES & ISSUES

- Issues for nonprofits tend to be similar regardless of whether the income comes from federal or provincial governments
- Issues include:
 - **Complexity:** difficulty of finding out information about Gs and Cs; difficulty of obtaining timely information about how to apply; no single window or coordination of information across government departments.
 - **Timing:** long waits for approvals; long waits for payments; mismatch between charities' and nonprofits' needs and government timelines; funding is short term, rarely multi-year.
 - **Burden of Accountability:** reporting requirements can be disproportionate to the amount of dollars involved; it is costly and time-consuming to meet all reporting requirements.
 - **Lack of consistency:** different government departments apply different rules and requirements, even within their own walls.
 - **Inadequacy:** funds provided rarely cover full costs of delivering programs even though fiscal constraints are shifting the burden of delivery more to the charitable and nonprofit sector.

SOME RECOMMENDATIONS

- **Accelerate the reform of the federal grants and contributions process.** In 2007 the federal government asked an independent blue ribbon panel to review the administrative processes associated with federal grants and contributions and to recommend measures to make the delivery of grant and contribution programs more efficient while ensuring greater accountability.
- The panel indicated that the federal government's administrative practices need to be more citizen-focused and emphasize respect for the recipient as partners in a shared public purpose. "A simplification of the reporting and accountability regime is critical to reflect the circumstances and capacities of recipients and the real needs of the government and Parliament."
- The federal government responded in 2008 with a three-year Action Plan to reform the administration of grants and contributions, with three core elements: Policy Reform; Departmental Action Plans; and Horizontal Enablers.
- Since 2008, all recipients of federal grants and contributions may have felt changes in the way that departments administer Gs and Cs. The commitment to policy reform led to the government-wide implementation of the 2008 Policy on Transfer Payments which was designed to ensure that "Gs and Cs were managed with integrity, transparency and accountability in a manner sensitive to risk; citizen and recipient

focused; and designed and delivered to address government priorities in achieving results for Canadians”.

- Individual federal government departments have implemented various action plans to ensure more internal clarity and consistency, better access to information, easing of application and reporting requirements and tailored risk management practices but progress across the departments is slow, inconsistent and/or not well communicated to stakeholders.
- **Advocate for more sharing of federal process reform with the provinces.** The provincial governments are major contributors of revenue particularly to hospitals, colleges and universities. Some of them have undertaken reviews of their relationships with the sector recently. The federal government’s learnings about Gs and Cs process reform could be very helpful to them.
- Ontario launched a joint government/voluntary sector Partnership Project in 2010 to examine all aspects of the relationship between the government and the sector in Ontario.
- The Project recommended that the Ontario government:
 - Establish an online portal for the sector which will act as a one-stop-shop for information on new laws, new programs, available sources of funding, consultation opportunities and sector-related resources and information.
 - Create a province-wide database to streamline applications for funding, amalgamate and disseminate information on charitable and nonprofit organizations, and better coordinate ministries and agencies
- The re-election of the Liberal government in Ontario may provide some new momentum and resources to this reform process.

SOME LEADING QUESTIONS / POINTS FOR FURTHER DISCUSSION

1. 1. What aspects of funding reform are most important to the sector and how can these priorities be communicated effectively to government?
2. How can the sector define accountability requirements for government funding in a way that best reflects the realities of the sector while meeting government objectives?
3. What can sector organizations as recipients do to promote more collaboration and consistency across government funders, e.g. more consistent application and reporting requirements; common agreement templates, etc.?
4. How can the sector promote more effective sharing of best practices in funding across federal and provincial governments?
5. How can charities and nonprofits that deliver services on behalf of government invest more effectively in their operational capacity?

SOME ADDITIONAL RESOURCES

Treasury Board of Canada, **The Government of Canada Action Plan to Reform the Administration of Grant and Contribution Programs**, June 2008, <http://www.tbs-sct.gc.ca/gcr-esc/docs/2008/ragcp-rapsc-eng.asp>

Treasury Board of Canada, **The Web of Rules 2008-09 Action Plan** (<http://www.tbs-sct.gc.ca/reports-rapports/wr-lr/sum-som-eng.asp>)

Treasury Board of Canada, **Toward Effective Government: Untangling the Web of Rules**, September 2009, (<http://www.ccaf-fcvi.com/May2010-Symposium-mai2010/documents/Report-WebRulesInitiativeEN.pdf>)

Case Study: Indian and Northern Affairs Canada, **The Pangnirtung Project: Making Connections for Youth**, http://iog.ca/sites/iog/files/news/2011/03/pangnirtung_project_making_connections_for_youth_16960.pdf

Ontario Nonprofit Network, **Modernized Funding Practices Framework**, September 2010, http://www.citizenship.gov.on.ca/images/pp/downloads/Funding_Reform.pdf

Ontario Ministry of Citizenship and Immigration, **The Partnership Project**, <http://www.citizenship.gov.on.ca/english/pp/index.shtml>