

Brief to the House of Commons Standing Committee on Finance on the Government's Response to the COVID-19 Pandemic

May 12, 2020

The Evangelical Fellowship of Canada (EFC) appreciates the opportunity to participate in the Finance Committee's study of the government's response to the COVID-19 pandemic. The EFC is the national association of evangelical Christians in Canada. Our affiliates include 44 denominations, more than 100 ministry organizations and post-secondary institutions. Local congregations belonging to our affiliated denominations number over 7000. Established in 1964, the EFC provides a national forum for Canada's four million Evangelicals and a constructive voice for biblical principles in life and society.

The role of religious charities

The charitable sector plays a crucial role across Canada. Religious charities foster vibrant social networks, spark local volunteerism and contribute to community resiliency. Among our affiliates, for example, many churches and organizations are using technology and creativity to offer pastoral care, social support and the relational connections that are so important to mental health and spiritual resiliency in these anxious times, as well as tangible physical assistance in their local communities such as staffing food banks and other acts of service.

Statistics Canada data that reports on the contribution of weekly religious service attenders indicates that they are among the most likely to volunteer¹ and to donate to charities and nonprofits,² including non-religious charities. For our affiliates, volunteering and donating flow out of our scriptures' teaching to love our neighbour, to care for those who are vulnerable and to seek the well-being of the place where we live. This is what motivates us to engage our local communities in serving in food banks, volunteering in homeless shelters and countless other activities.

As Martin Turcotte, senior analyst, social and aboriginal statistics division, Statistics Canada, told the Special Senate Committee on the Charitable Sector on May 28, 2018:

¹ <https://www150.statcan.gc.ca/n1/pub/89-652-x/89-652-x2015003-eng.htm#a11>

² <https://www150.statcan.gc.ca/n1/pub/71-542-x/2009001/chap/ch1-eng.htm#a5>

Only a sliver of the 24 million people who make charitable donations play a vital role for the sector. In our lingo, we call them “primary donors.” They are defined as the 10 per cent of donors who give the most money during the year. In 2013, that meant individuals who gave \$1,150 or more to charitable organizations. This group is important because it accounts for such a large share of the total amount donated. Even though these people represent just 10 per cent of all donors, their contributions make up 66 per cent, or two-thirds, of the total amount of donations made during the year.

...Demographically speaking, what distinguishes primary donors is that they are older and, as I said earlier, they tend to be religiously active. Here are some numbers. In 2013, the proportion of primary donors who were religiously active on a weekly basis was 54 per cent, versus just 14 per cent for the rest of donors.

Of the more than 86,000 registered charities in Canada in March 2017, approximately 33,000 were religious charities, or roughly 38% of the charitable sector. It is estimated there are 24,000 Christian congregations in Canada.³

The thousands of churches and faith-based organizations across Canada that are religious charities benefit their participants, their communities and Canadian society as a whole. Research indicates religious charities benefit their communities, both among the religious and non-religious.

A study of 46 Ontario churches concluded that non-members were four times more likely to use church community programs than members.⁴ Studies of places of worship in rural, small town and large urban centres in Ontario, British Columbia and Quebec found that places of worship have a benefit for their communities that is three to five times their annual budget.⁵ There is a substantial return on investment for government support: for every tax dollar foregone for a place of worship, the community benefits by up to \$12.⁶

The charitable sector plays a valuable role in supporting Canadians, particularly vulnerable Canadians. That support can help strengthen communities and meet needs both during the pandemic and in the rebuilding phase to come.

³ <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities-media-kit/charities-program-facts-figures.html>

⁴ Femida Handy and Ram A. Cnaan, “Religious Non-profits: Social Service Provision by Congregations in Ontario,” in K. G. Banting, ed, *The Non-Profit Sector in Canada: Roles and Relationships* (Montreal: McGill-Queen’s University Press, 2000).

⁵ Michael Wood Daly, *The Halo Project Phase 1: Valuing Toronto’s Faith Congregations* (Toronto: Cardus, 2016); Michael Wood Daly, “Dollars and \$ense: Uncovering the Socio-Economic Benefit of Religious Congregations in Canadian Society,” (Toronto, ON: Sphaera Research, 2017).

⁶ Michael Wood Daly, *Taxing Faith: Halo Impact and the Consequences of Taxing Places of Worship* (2019), [manuscript submitted for publication].

As you know, the charitable sector has been substantially affected by the economic impact of the pandemic. It is a time of increased urgent needs, yet there are decreased donations and revenue to meet those needs.

There is a developing crisis in the charitable sector. Imagine Canada projects that three months of social distancing and the economic downturn will cause charities to lose \$9.5 billion and lay off more than 117,000 employees.⁷ We know there are layoffs and pay cuts among our affiliates, and that the risk of permanent closures is looming.

The impact on the charitable and non-profit sector is not just about the number of jobs at risk – the sector is estimated to employ 12.8% of working Canadians – because it also has a ripple effect on the communities they serve.

We ask that you give serious consideration to the following proposals.

1. Additional flexibility in the Canada Emergency Wage Subsidy

We are very thankful for the support extended to charitable organizations in the new Canada Emergency Wage Subsidy. We commend the government for the decision to include charities in this program. This subsidy will provide significant support to many as they work for the benefit of Canadians during these challenging times.

Some charitable organizations are unable to demonstrate a 30% shortfall based on a monthly reference period. The government has added some flexibility into the calculation of revenue loss, so that the average revenue from January and February 2020 could be the comparison of revenue in March, April and May. However, there are many groups whose revenue loss due to the pandemic is still not accurately assessed, even with this added flexibility. Many charities receive a significant portion of donations at the end of the calendar year. Others receive revenue more seasonally, such as summer camps, or have major fundraising events that may take place in various months throughout the year.

It would provide a more accurate picture of the pandemic's impact and allow urgently needed support to be provided if the government were to build in additional flexibility by allowing groups to use a six- or twelve-month period to calculate the decrease in their revenue. Such groups could begin to receive the subsidy now, based on a calculation of their revenue for a six- or twelve-month period that begins March 15, 2020 and compared to the same period in the previous year, with the understanding that:

- if they fail to meet the 30% shortfall threshold, they will pay back a pro-rata amount based on the differential between their actual shortfall and 30%, and
- that this repayment will be made over an agreed-upon time period.

⁷ Imagine Canada *News Release*, March 26, 2020, <https://www.imaginecanada.ca/en/360/covid-19-threatens-devastate-canadas-charities>

The government has indicated it is considering ways to help businesses with fixed costs. The charitable sector also urgently requires support for operations and programs beyond staffing in order to continue to offer meaningful help to Canadians.

2. Matching funds for charitable donations

We ask the government to explore matching donations to charities. The government has experience in providing matching funds for charitable donations in cases of emergencies or humanitarian crises, often during a certain period of time or capped at a specific amount.

The Canada Emergency Wage Subsidy is appreciated and vital in helping many charities retain employees. However, wages are only one part of an organization's operating expenses. Charities are still facing a shortfall in funding regular operations and programs, expenses that are in addition to staffing costs, such as fixed costs like rent. Even organizations that operate primarily with volunteer labour have ongoing expenses. And during the current restrictions, volunteer engagement is significantly decreased.

Matching funds are a way for the government to supplement the donations made by Canadians in support of charities. It is a way to increase support for those who are going through difficult times without replacing donors as the charities' primary source of funds. These grants encourage charities to reach out to Canadians who have the means to give and they encourage donors to contribute, knowing their contribution will have an increased impact. Matching grants have been shown to have the effect of increasing donations from supporters.

A grant could match revenue donated for the regular operations of a charity and could be capped, for example, at the amount of donations received by the charity in the same month of the previous year. It could exclude funds raised for special projects like capital campaigns. The purpose would be to assist the charity in maintaining its regular operations and programs.

Also, as the amount received by a charity in a matching program would be included in their revenue calculations for the wage subsidy program, some charities that would otherwise qualify for the wage subsidy without the matching grant would no longer receive the wage subsidy.

There are Canadians who are able to help more in these challenging times, and matching funds would both encourage donations and make those donations go further. This kind of grant would help maintain the charitable sector so that it is in place to support recovery and engage in its important roles as the pandemic restrictions lift.

3. Increased tax incentives

An increase in the charitable tax credit may also encourage Canadians who are able, to donate and possibly to give more. An additional option would be to remove the capital gains tax on donations of real estate or private company shares to charities.

One of the benefits of a matching grant, or an increase in the charitable tax credit, is that these initiatives amplify the support and priorities of Canadians in their donations.

Conclusion

Charitable organizations that endure through the pandemic will be available to help rebuild communities and to continue to seek the well-being of the country. However, many charitable organizations are reeling under the economic situation resulting from the pandemic restrictions and may permanently close their doors without additional support.

We ask for your thoughtful consideration of these measures to support the urgent needs of the charitable sector.

Summary of recommendations

We ask the committee to consider the following supports for the charitable sector:

- Introduce additional flexibility to the Canada Emergency Wage Subsidy by allowing groups to calculate their decrease in revenue over a six- or twelve-month period.
- Explore matching funds for charitable donations to a particular amount or for a certain period of time, excluding donations for capital projects.
- Increased tax incentives for charitable giving, such as an increase in the charitable tax credit or removing the capital gains tax on donations of real estate or private company shares.