

Municipal funding

FOR
THE

NON-PROFIT SECTOR

By Dominique Clément



SUMMARY

Municipalities in Canada provide more funding for the non-profit sector than the federal government. Yet, research on municipal funding practices, including data on grants, is lacking. In practice, municipal staff often manage granting programs in isolation and have little information on other cities' funding practices, even within the same province. There is a surprising lack of transparency for policies that involve the distribution of millions of dollars to non-governmental organizations. This article analyses the grant funding practices of 21 municipal governments in British Columbia. It demonstrates the essential role of municipalities in the public funding ecosystem for non-profits while also revealing that there are significant disparities among non-profit sectors as well as among cities. The study also discusses how funding practices limit the overall impact that municipal grants can have for the non-profit sector.

SOMMAIRE

Au Canada, les municipalités financent davantage le secteur sans but lucratif que le gouvernement fédéral. Pourtant, les recherches sur les pratiques de financement des municipalités, y compris les données sur les subventions, font défaut. En pratique, le personnel municipal gère souvent les programmes de subventions de manière isolée et dispose de peu d'informations sur les pratiques de financement des autres villes, même au sein d'une même province. On constate un manque de transparence étonnant pour des politiques qui impliquent la distribution de millions de dollars à des organisations non gouvernementales. Cet article analyse les pratiques de financement des subventions de 21 gouvernements municipaux de la Colombie-Britannique. Il démontre le rôle essentiel des municipalités dans l'écosystème du financement public des organismes sans but lucratif tout en révélant qu'il existe des disparités importantes entre les secteurs sans but lucratif ainsi qu'entre les villes. L'étude traite également de la façon dont les pratiques de financement limitent l'impact global que les subventions municipales peuvent avoir pour le secteur sans but lucratif.

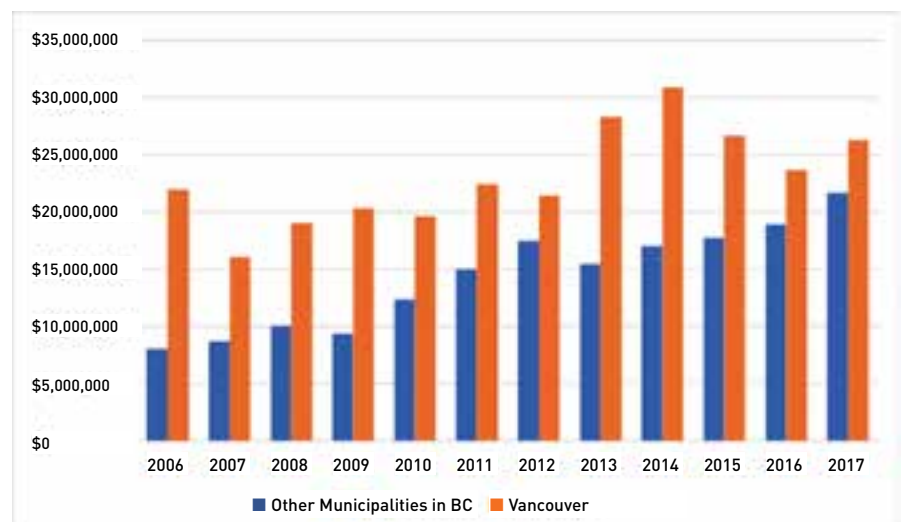
Non-profit organizations are an essential feature of city life. Libraries, churches, hospitals, museums, arts and cultural centres, advocacy organizations, or sport and recreation groups are an indelible component of urban communities. Many of these organizations rely on government funding. Unfortunately, most studies focus on matters at the national or provincial government levels, but, in Canada, municipal governments provide more funding for the non-profit sector than does the federal government. Although often overlooked, it is important to analyze the funding practices at the municipal government level.

Municipalities are indispensable to the public funding ecosystem for the non-profit sector. In fact, amidst the unpredictability of provincial and federal funding in recent years, municipal funding has continued to increase over time. Grants data from 21 municipalities¹ in British Columbia shows

how the overall amount of municipal funding increased most years between 2006 and 2017. Funding in Squamish, for example, increased 282% while funding in Port Moody skyrocketed by 620%. In Powell River, grant funding was \$75,071 in 2006 and more than \$1 million in 2017, a thirteenfold increase. In most municipalities, grant funding was at least 50% higher over the most recent decade analyzed. The City of Vancouver distributed \$26.3 million in grants in 2017 alone.

Public funding for non-profit organizations serves a mutually beneficial function. They provide critical public services, advocate for social change, and offer community input for public policy. Governments, in turn, use non-profits as a low-cost alternative to provide public services and to advance state policy. The relationship between the non-profit sector and municipalities is especially vital in British Columbia.

The province provides extensive services



Municipal Grant Funding for Non-profit Organizations by Sector, 2006 to 2017.



through local governments, which is one reason why British Columbia has among the largest number of local governments in the country and they also have a high degree of autonomy. The province's municipalities are responsible for emergency planning, parks and recreation, air quality, fire protection and policing, economic development, business licensing, building regulation, social planning, and much more.

One of the reasons for the lack of studies regarding municipal funding for the non-profit sector is the immense challenge of collecting data. Federal and provincial information on transfer payments to non-governmental organizations is available through an annual publication titled *Public Accounts*. More recent data is also available through centralized online portals such as Open Canada or DataBC. However, no common practice exists among municipalities for the reporting of grants. Some have been releasing information in their annual reports since the 1960s, while others have only shared this information in recent years. Others might publish lists of recipients but not the amount of funding. Some municipalities only release information above a threshold amount set at \$5,000 or \$25,000. While municipalities are required under provincial law to submit annual Statements of Financial Information, they sometimes fail to submit or they produce a document without data on grants. These financial reports can also be misleading. Nanaimo, for instance, lists \$1,958,877 in grants in its statement for 2016 even though, according to internal documents, the total that year was \$3,853,529. This is a remarkable lack of transparency given that millions of dollars in public funds are distributed to non-governmental organizations every year.

To study municipal funding practices in the non-profit sector, several years' worth of data from annual reports, Statements of Financial Information, and information gathered from municipal staff (often through requests submitted under the *Freedom of Information and Protection of Privacy Act*) were collected. The final dataset included 14,902 grants totalling over \$448 million for the years 2006 to 2017. Because our focus was on community service organizations, the data was coded to exclude grants to government agencies, individuals, for-profit corporations, hospitals, schools, libraries, and economic development corporations. The 21 municipalities in this study represented every region of the province including the Lower Mainland, the Okanagan, the North and Central regions, and Vancouver Island. The municipalities analyzed also represent a variety of population sizes, ranging from 4,986 people in Duncan to 631,486 in Vancouver.

INSIGHTS FROM THE STUDY

The data reveals how these British Columbian municipalities have had a profound impact on the non-profit sector. At least 3,337 organizations have received funding through a grant during the study period. In a province where, according to Statistics Canada, there were 20,270 non-profit organizations as of 2003, it is likely that a significant number of them have at least once benefitted from municipal funding. Symphonies, museums, art galleries, transition homes, Indigenous friendship centres, theatres, heritage foundations, and business improvement organizations have regularly received, and have perhaps relied upon, municipal grants.

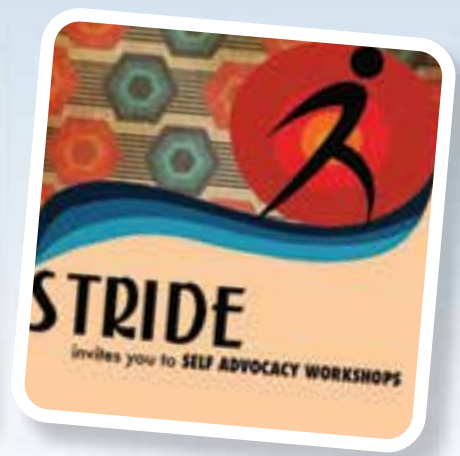
POTENTIAL IMPACT IS CONSTRAINED

This research suggests that the impact that municipalities can have on the non-profit sector is limited by four common funding practices.

1. Rather than supporting a diversity of non-profit organizations, more than half of municipal funding was for arts, culture, heritage, economic development, and recreation. Every municipality prioritized these five sectors. Other sectors, such as health, environment, housing, advocacy, or religion received far less grant funding.
2. Funding is concentrated among a small number of organizations. Fifty per cent of all funding in each municipality (except Vancouver) went to 10 or fewer organizations. In some municipalities, the number of recipients even declined, while the amount of funding increased over time. Vancouver's experience was the most extreme among municipalities with fewer than 5% of recipients receiving more than 50% of all funding.
3. Municipalities rarely provide sustainable funding for non-profit organizations. The median grant in Vancouver in 2017 was only \$17,304 and that was, by far, the highest among the municipalities studied. In 17 municipalities, the median grant was less than \$7,000 (some as low as \$1,500). The median varied considerably in the other four municipalities, from \$9,850 in Campbell River and \$10,000 in Prince Rupert to \$31,500 in Chilliwack. In six municipalities, the median declined or remained the same over the 12-year period. Although there was an overall increase in the median grant when considering all municipalities, it appears that the amounts were insufficient to provide sustainable funding, especially for organizations operating in cities with high operating costs such as Kamloops, Kelowna, Vancouver, or Victoria. Moreover, few organizations received grants every year. These factors would have made it difficult for most community service organizations to thrive unless they could secure alternative sources of funding.
4. The dataset suggests that municipalities rarely support organizations committed to social change. To be sure, advocacy

organizations such as the Vancouver Area Human Rights Coalition, Together Against Poverty (Victoria), and Community Partners Addressing Homelessness (Prince George) have received municipal grants. Still, this was uncommon. When these types of organizations have secured funding, it was most often small grants between \$5,000 and \$20,000.

Our research also revealed how funding varies dramatically among municipalities. Victoria distributed \$3.7 million in grants in 2017, which was significantly higher than municipalities with larger populations such as Kamloops (\$2.9 million), Kelowna, and Nanaimo (less than \$2.5 million each). Vernon provides far less funding relative to municipalities that are much smaller in size. But Vancouver is the most indicative of the disparity among municipalities. Vancouver distributed more grant funding between 2006 and 2017 than the other 20 municipalities combined (\$276,574,783 compared to \$171,637,696). This means that the non-profit sector in British Columbia's largest city had access to nearly double the amount of funding, even though its population represents just one-quarter of the total number of people living in the 21 municipalities studied.



CONCLUSION

In sum, municipalities are integral to Canada's public funding ecosystem for the non-profit sector. Unlike federal or provincial governments which fund a more diverse array of organizations, municipalities support the arts, culture, heritage, economic development, and recreation sectors. They also concentrate funding among a limited number of organizations. While the median grant in Vancouver fluctuated between \$15,500 and \$18,000 over the 12-year study period, the Vancouver Art Gallery received almost \$27 million and the Atira Women's Resource Society over \$2 million during this period. Further, municipalities rarely provide sustainable funding, with most grants being modest in amount and few organizations receiving annual or recurring grants. It also appears that municipalities prefer to fund services rather than advocacy. While the increase in municipal funding in recent years has undoubtedly benefitted a diverse range of organizations, these practices limit the overall impact of municipal governments on the non-profit sector.

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ENDNOTE

¹ The municipalities in this study are: Burnaby, Campbell River, Chilliwack, Duncan, Esquimalt, Kamloops, Kelowna, Kitimat, Nanaimo, Penticton, Port Moody, Powell River, Quesnel, Saanich, Prince George, Prince Rupert, Squamish, Vancouver, Vernon, Victoria, and Williams Lake. The dataset for this study will be available in fall 2021 at database.statefunding.ca.

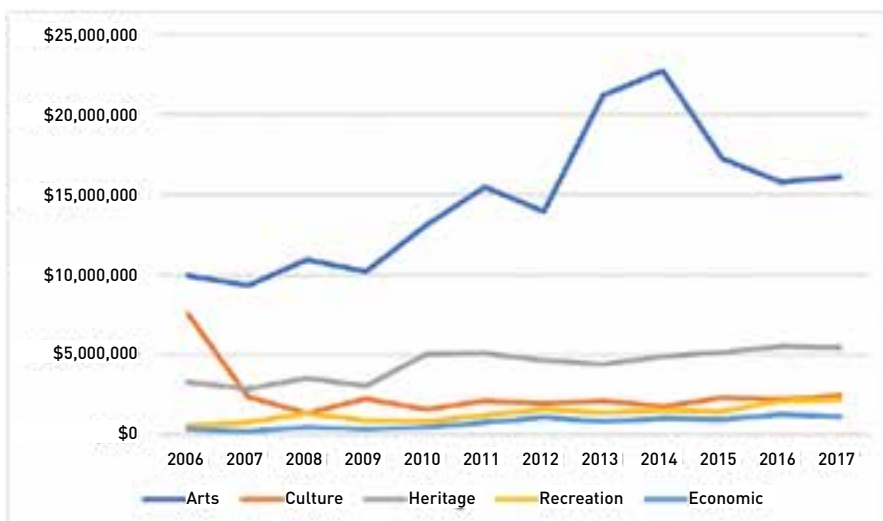
FURTHER READING

Clément, Dominique. *State Funding for Social Movements Database*. 2020. Distributed by University of Alberta Library. <http://database.statefunding.ca>.

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Municipal Grant Funding for Non-profit Organizations, 2006 to 2017 (Nominal Value).