L'Observatoire de l'ACA
par et pour l'action communautaire autonome

Report from the Observatoire de l'ACA
November 2021

COVID-19
IMPACTS ON ACA FUNDING - PART 1

The Financial Precarity of Community Organizations Exacerbated

IN THIS REPORT:

Prior to the pandemic, members of the Autonomous Community Action (ACA) movement were already raising the alarm regarding chronic underfunding that kept them from adequately fulfilling their missions, limiting their ability to act and making it impossible for them to provide their staff with good working conditions.

Since then, the COVID-19 pandemic has resulted in numerous unexpected expenses for ACA organizations, while simultaneously affecting many of their sources of revenue. These challenges were exacerbated by financial aid measures and programs that, although intended to support community organizations, proved ineffective overall, primarily due to the complexity of working with an ever-growing number of funds that were poorly adapted to their realities and the accompanying administrative burdens (see the report *Impacts on ACA funding – Part 2*).

As such, the pandemic has only worsened the financial precarity of ACA organizations. This experience has shown that, as it allows for quick adjustments that are specific to each group's context, sufficient **core-mission funding** is the best means of ensuring the resilience of ACA organizations in times of crisis.

Using data from a survey conducted by the Institut de recherche et d'informations socioéconomiques (IRIS) in the fall of 2020, and from focus groups with community organizations in the winter of 2021, this report presents the impacts of the COVID-19 pandemic on ACA organizations funding.

NUMEROUS UNPLANNED EXPENSES

The COVID-19 crisis gave rise to numerous unplanned **expenses** for community organizations. Indeed, 88% of respondents to the IRIS survey reported additional expenses between April and June 2020.

Impact on Financial Resources during the First Lockdown (April to June 2020)

90% of community groups reported having additional expenses

80% of umbrella organizations reported having additional expenses

These unplanned **additional expenses** proved to be varied, including elements such as:

- **Expenses for salaries** due to **increased activities** (additional requests for assistance):
  - Increased hours for existing teams
  - Recruitment of additional staff
  - Raises to try and ensure retention of staff
- **Operating expenses** related to **changes in the nature of activities**:
  - Expenses related to **health risks:** purchase of protective equipment and disinfection supplies, reorganization of space and purchases related to ways of operating (e.g., vehicles for transportation)
  - Expenses related to **teleworking**: computer equipment (for teams service users), office supplies, internet access, and cloud infrastructure (e.g., secure online databases)
  - Expenses related to **new means of communication** (e.g., subscriptions to online platforms, publications in local papers, interpretation for online events, etc.)

> There were a lot of additional expenses, like Internet at home, making sure people had the supplies they needed at home, setting up our offices. People made appointments to come in, we didn't have any protective equipment, so we had to search for extra funding to be able to buy extra laptops or iPads for people that wanted to participate in our services and didn't have access to it. Mask and sanitizer and tape, you know. I forced my husband into making some plexiglass barriers for us, because they're ridiculously expensive to buy. So, just getting set up.
>
> **Group in Montérégie**

SIGNIFICANT LOSS OF REVENUE

This COVID-19 crisis was also synonymous with a **loss of revenue** for many community organizations, with both immediate impacts and the possibility of longer-term issues for many.

Loss of Revenue during the First Lockdown (April to June 2020)

69% of respondents reported losing at least one form of funding (projets, services agreements, fundraising and others), with a total average loss of **$32,799** per organization.

According to the IRIS survey data, **73%** of organizations that benefit from **fundraising revenues** indicated a loss in this area between April and June 2020, for an average amount of $23,059 per organization. Organizations that hold annual fundraisers, or that sell goods and services, lost those sources of revenue during the crisis.

For organizations that receive **project-based funding, 25%** reported a loss between April and June 2020, for an average amount of $22,339 per organization. In a majority of cases, it was impossible for them to complete their planned activities while respecting the public health measures in effect. In turn, funders demonstrated differing levels of flexibility in response to these situations. Some funding was maintained despite the lack of activities, others saw their funding delayed and had to implement temporary layoffs or compensate for those losses with other revenue sources. Not knowing how long the crisis will last also complicated how these funds were managed, with the adjusted timeframes proving insufficient in certain cases. Finally, some organizations found themselves forced to return funds that they had been unable to use as a result of the crisis.

> We have a lot of projects and there were issues when it came to reporting requirements, such as giving the number of people who received training. We had to say "Obviously we didn't hold our training sessions as usual. What do you think?" and then negotiate, "We still need to pay our workers". It was a huge amount of stress for the project coordinators. *
>
> **Group in Montréal**

STABILIZING EFFECT OF CORE-MISSION FUNDING

Responding to demands put forth by umbrella organizations from the very beginning of the crisis, the quick confirmation by various ministries that **core-mission funding** would be maintained had a major impact on the community organizations that benefit from it. For those that receive sufficient funding, it had a **stabilizing effect** during the crisis, allowing them to retain most or all of their team members as employees. As such, the crisis clearly demonstrated the important role that this type of funding plays in ensuring that community groups can maintain their activities through exceptional circumstances that put their other sources of revenue at risk and create the need for unplanned expenses.

> For us, it's clear that if it weren't for the PSOC and recurring funding for our core-mission, we would have been forced to lay people off.
> It's a social safety net.*
>
> **Group in the Laurentides**

Nonetheless, not every organization receives enough core-mission funding to make it through a crisis. In 2019-2020, core-mission funding from the Quebec government for the 4,427 community organizations that receive it, reached a median of only $110,606 per group. That is, fully half of these organizations received less than this amount in core-mission funding. For many, this is insufficient to maintain a full team and cover their regular operating expenses. Many other organizations receive no core-mission funding at all.

Facing losses in their other sources of revenue, these organizations had to tap into their financial reserves and take advantage of other exceptional measures implemented in response to the crisis.

> In education, it's impossible to stay open with only core-mission funding.
> It was really the wage subsidies that saved us. *
>
> **Group in the Laurentides**

For a detailed analysis of the **financial support and emergency funds** put in place during the crisis, see the report on Impacts on ACA funding – Part 2, entitled Financial Support for Community Organizations in Times of Crisis: An Inadequate Response.

NEW FUNDING OPPORTUNITIES DURING THE CRISIS

To help them weather the crisis, ACA organizations were able to access emergency financial support from a variety of sources. In fact, ACA groups were eligible for a variety of **one-time public financial support programs**, as well as **financial support and emergency funds targeted to them specifically**. In addition to federal and provincial funds, several **regional county municipalities** (MRC), **cities and boroughs** also created local emergency funds.

Certain **philanthropic foundations** also created their own emergency funds in response to the COVID-19 pandemic and contributed to the emergency funds of various United Ways and community foundations. Finally, **private donors** also supported the work of community groups during the crisis.

In the end, different organizations had a wide range of experiences interacting with these different funding opportunities that, overall, proved to be **ill adapted** to their situations. Additionally, these funds were **non-recurring** and therefore had no impact on addressing the chronic underfunding of community organizations.

ISSUES WITH TEMPORARY SURPLUSES

One unexpected consequence of the numerous one-time financing options made available during the crisis and reduction in costs for certain activities, was the creation of **temporary artificial surpluses** for some community organizations.

Many funders have strict regulations regarding the existence of surpluses. For example, the *Ministère de la Santé et des Services sociaux* (MSSS) prohibits any unallocated accumulated surpluses exceeding 25% of annual expenses. Many other ministries prohibit this kind of surpluses to exceed 50%.

Organizations are therefore forced to spend these temporary surpluses to meet the requirements of funders, rather than maintaining them to face future difficulties. Indeed, this situation demonstrates a clear paradox, as organizations are being forced to liquidate surpluses created by a crisis that itself demonstrated just how important it is to have funds kept aside to handle unexpected circumstances.

Certain ministries that provide core-mission funding have announced a certain level of flexibility when it comes to surpluses. However, these remain case-by-case solutions that depend on the discretion of individual public servants. This situation has left many organizations with the **additional stress** of managing a temporary surplus. What's more, the criteria for allocating surpluses provided by the ministries themselves block organizations from using these funds to support their mission, such as through new hires or by improving working conditions, which often represent their most pressing needs.

At the end of March 2021, following a series of advocacy efforts led by umbrella organizations and their members, the MSSS became the only ministry to officially lift the regulations regarding surpluses on a temporary basis, stating: "*In the context of COVID-19, the 25% rule for unallocated accumulated surpluses (UAS) will not be applied when analyzing reporting documents for the 2020-2021 and 2021-2022 financial years, that is, for two years, if those surpluses are the result of the pandemic*"*.

CORE-MISSION FUNDING: INCREASING RESILIENCE DURING CRISES

For many ACA organizations, the COVID-19 crisis has been synonymous with a lack of funding related to increased expenses, accompanied by the stagnation or reduction of their already-insufficient revenue. What's more, many groups are now concerned about long-term effects on their funding, anticipating the impacts of the economic crisis on donations and a possible return to austerity budgets.

Despite experiencing financial losses (among 69% of organizations) and increased expenses (among 88% of organizations), **only half of the community organizations were able to access the different public funding opportunities related to the crisis**, whether in the form of grants or emergency funds (see the report *Impacts on ACA funding – Part 2*).

Throughout the crisis, **umbrella organizations have focused on the importance of increasing core-mission funding**, which would allow community groups that are adequately funded to weather these types of crises. Many had hoped that the recognition so often expressed by elected officials over the past year would translate into significant funding increases for ACA organizations. Sadly, the government's budget announcement in March 2021 and its decision to push back the release of its new governmental action plan on community action (PAGAC) were met with "*a mix of disappointment, anger and indignation*"* by the *Réseau québécois de l'action communautaire autonome* (RQ-ACA) and its members in a press release published on March 31, 2021 (in French).

The crisis is far from over and these needs will not simply disappear. Community organizations have expressed their fears related to a stagnation in core-mission funding over the coming years and their apprehensions regarding the application of new austerity measures among social programs and public services.

> My fear isn't for the present moment, it's for what comes after, when we get out of this crisis and they say, «Okay, we're good, take care of yourselves now." We're going to end back where we were before, except for increases to the PSOC, but even that wasn't $200,000 per financial year. I'm worried, right when we get out of this crisis, is that when they're going to take an axe to our funding while all of the same needs are still there? That's what I've been worried about from the very start.*
>
> **Group from the Capitale-Nationale region**

DATA SOURCES

The Observatoire de l'ACA is a large-scale **action research project** that seeks to document the impacts of the COVID-19 crisis on Quebec's autonomous community action (ACA) organizations.

The data used in this report are drawn from **analyses** conducted in summer 2021 from:

Qualitative component

15 focus groups conducted from November 3, 2020 to February 24, 2021 (97 participants)

Quantitative component

Online survey carried out by IRIS from October 23 to December 14, 2020 (740 organizational respondents)

Documentary component

Consultation of reports and analyses produced by governmental sources, the ACA movement and the research community during the COVID-19 pandemic, up until July 2021

Translator's note: Citations that are followed by an asterisk were translated into English from French. The original citations can be found in the French version of this report.

To learn more: observatoireaca.org observatoire@rq-aca.org

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