



Consultation: Boosting charitable spending in our communities

By:

The Association of Fundraising Professionals (AFP) Canada

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About AFP

The Association of Fundraising Professionals (AFP) is an international professional association of individuals and organizations that generate philanthropic support for a wide variety of charitable institutions. Founded in 1960, AFP advances philanthropy through its 26,000 members in more than 240 chapters throughout the world. AFP has inspired global change and supported efforts that generated over \$1 trillion. AFP's individual and organizational members raise over \$115 billion annually. To learn more about AFP, go to <https://afpglobal.org/>.

AFP Canada represents over 3,000 members in 21 chapters across Canada. The organization serves as the voice of the fundraising profession in Canada and is part of the larger AFP network, the largest community of professional fundraisers in the world. To learn more about AFP Canada, go to <https://afpglobal.org/afp-canada>.

AFP's vision is to stimulate a world of generosity and positive social good through fundraising best practices. Our mission is to empower individuals and organizations to practice ethical fundraising through professional education, networking, research and advocacy.

The following consultation questions are most relevant to AFP Canada. Thank you for the opportunity to provide input on behalf of our members across the country.

QUESTION 1: Should the disbursement quota be raised to produce additional funding for charities, and to what extent?

Yes. AFP Canada recommends that the mandated disbursement quota (DQ) be raised from the current 3.5% in order to fully unlock the charitable intent upon which foundations were established. Foundation endowments have grown significantly due to historically high market returns. This growth is tax-free and has resulted in an estimated \$95 billion in foundation assets ([Blumberg](#)). Although some charities do choose to disburse above the 3.5% quota, others do not.

The charitable sector continues to be an important partner to government in meeting community needs. Fundraising professionals connect donors with causes and organizations in order to address social problems. An increase to the disbursement quota will release more funds into the philanthropic marketplace, which fundraisers will work to channel towards social good. This will provide relief for government seeking ways to address the significant needs of Canadian communities—and it will come at no cost to the government.

In our recent [pre-budget submission](#), AFP Canada advocated for an equitable recovery for the charitable sector—that is, a focus on causes and communities that have been systemically

excluded. For example, Black-led organizations in Canada receive \$0.07 for every hundred dollars granted by Canadian philanthropic organizations¹, and recent research shows that “even though Indigenous people are about 4.9% of the population, Indigenous Groups received just over one half a percent of gifted funds.... Indigenous Groups are getting about \$1 for every \$178 given to non-Indigenous groups.”²

An increase to the disbursement quota could be accompanied by a recommendation for increased disbursements to charities that have been systemically excluded. Although a change to the DQ cannot control how funds will flow, it will provide an opportunity for foundations to examine their granting priorities and consider how they can participate in an equitable recovery.

QUESTION 2: Would it be desirable to increase the disbursement quota to a level that causes foundations to gradually encroach on investment capital, and would it be sustainable in the long-term for the sector?

AFP supports an increase in the DQ rate so that more capital is released into the marketplace while also ensuring reasonable long-term capital preservation.

AFP believes that donor intent is important; our members work with donors to ensure that their philanthropic goals can be realized based on what is known at the time they make their gift arrangement. When a foundation is established, the board decides whether to provide only investment income for charitable purposes or to include a portion of capital to meet their philanthropic goals. In this time of unprecedented investment returns, increasing the disbursement quota “could potentially increase support for the charitable sector and those that rely on its services by between \$1 billion and \$2 billion annually”³ without encroaching on investment capital. Because some charitable foundations do voluntarily exceed the disbursement quota, it is difficult to project the impact of a fixed increase. However, while foundations continue to prosper, an increase to the DQ could ensure they are sharing that wealth in a manner that is proportionate to the needs of our communities, which continue to grow.

¹<https://www.forblackcommunities.org/assets/docs/Unfunded-Report.pdf>

² <https://www.canadiancharitylaw.ca/wp-content/uploads/2021/05/Canadian-charities-giving-to-Indigenous-Charities-and-Qualified-Donees-2018.pdf>

³ <https://www.budget.gc.ca/2021/pdf/budget-2021-en.pdf>, p. 208

QUESTION 3: Are there any temporary changes to the disbursement quota that should be considered in the context of the COVID-19 recovery?

Changes to the disbursement quota have been called for by sector leaders and experts in charitable policy for years (see [Blumberg](#), [Young and Hallward](#), [Bahen](#) and [Phillips](#)). Given that the last changes to the disbursement quota took place close to two decades ago, we can safely say that changes to this type of fiscal policy are slow and should not be seen as a temporary measure in response to COVID-19 recovery. The nonprofit sector needs long-term investment and stability. A permanent increase to the disbursement quota represents an opportunity for a sustained—rather than temporary—impact on the sector and on Canadian communities.

Summary

AFP Canada supports an increase to the disbursement quota as this honours the intent upon which foundations were established and will release urgently needed resources into the nonprofit sector to fulfill their missions while lessening the burden on government to tackle pressing challenges affecting the lives of all Canadians.

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