

Understanding the Drummond Report: Potential Implications for the Nonprofit Sector

The Report of the Commission on the Reform of Ontario's Public Services ("The Drummond Report") was released on February 16, 2012. This document sets the stage for a focused debate within the province on the future of public services. The provincial government's response to the report, as demonstrated by the recommendations it implements and those timelines for implementation, will have huge implications for Ontarians, communities and the nonprofit sector.

At its core, the Commission is recommending massive changes to the provincial government's fiscal spending habits over the next several years, in order to balance the provincial budget and eliminate the deficit. The initial implementation, and impact of those recommendations on communities and citizens – especially the most vulnerable – will provide a sense of the government's guiding principles and strategies for future reform.

Our Purpose

This document is intended to provide a high level analysis on how relevant recommendations in the report may impact the broader nonprofit sector. It is drawn from conversations and input from across the sector. It is our hope that this analysis assists sector colleagues and others with their own internal analyses and potential responses to the report's conclusions, as well as the government's plans for implementation.

A Background: The Big Picture

The Commission's mandate was to provide a road map on how the province could put its fiscal house in order without recommending tax increases.

Different Fiscal Projections

The Commission recommends deep and sustained spending cuts over the next six fiscal years starting with the 2012-13 provincial budget. These reductions in provincial government spending, as stated in the report, are almost certainly unprecedented by any Canadian jurisdiction in post war history. The Drummond Commission's economic and fiscal analysis is pessimistic when compared to other experts in this area. There is considerable debate on whether the spending cuts being proposed to the Government should be as fast or as deep.

If the proposed cuts outlined by the Commission are implemented, many predict they will actually worsen Ontario's fiscal and economic well-being by further shrinking the provincial GDP. Others are advocating for fair and equitable tax increases to offset the proposed expenditure reductions to achieve fiscal balance by 2017-18.

Regardless of whether the Drummond Commission is correct in its analysis or that others involved in this debate are right in their projections for Ontario's fiscal future, there appears to

be general agreement that the provincial government needs to significantly improve its efficiency and effectiveness, as well as its collaboration with its community partners. This is where the nonprofit sector comes in.

Public Benefit Organizations Key to Transformation of Public Services

Public benefit organizations are key to transforming how public services are delivered, and how communities are supported in Ontario. These organizations create and generate citizen-based solutions to improve the social and economic well being for those who live here. For this fundamental reason, the Drummond report – and how the government chooses to respond to it – will deeply affect our sector’s ability to strengthen civil society and steward the common resources that benefit us today and for the future.

While the report outlines many potential challenges for the work of the sector, it also provides some excellent opportunities to meaningfully partner with the provincial government on reforming public benefit services. We are pleased to see many of ONN’s key priorities – submitted to the Commission in November 2011 – reflected in the report.

The following key priorities are among those presented by ONN to the Commission:

- strong recognition of the nonprofit sector’s social and economic value to the province;
- need for investment and administrative reforms to strengthen the sector’s work; and
- imperative that any transformation of public services must involve innovative, community-based partnerships.

Reform must be based on Four Key Principles

The following high-level analysis of the report is rooted in four key principles that are fundamental to the future reform of Ontario’s public services agenda:

- Meaningful partnerships between the third sector and the provincial government;
- No privatization of either public benefit programs or publically held assets;
- Modernization of the government/sector investment relationship; and
- “Do No Harm” to the most vulnerable citizens and/or communities through a balanced fiscal strategy.

Principle: Meaningful Partnerships

Analysis

The report repeatedly emphasizes the need for meaningful partnerships between sectors proclaiming, “Bold policy prescriptions, new partnerships and a continuing commitment to transformation will be needed” (37). Partnerships with the private sector are most often

highlighted in the report, but there is also a clear recognition of partnerships with the nonprofit sector, as well as its value and role in public benefit work.

The report outlines important opportunities for joint work across government and the nonprofit sector, both for broad systemic and specific program changes. The Commission highlights collaborations with the sector currently underway, recommending that the provincial government accelerate this work.

Sector Positioning: Meaningful Partnerships

As the government considers the Commission's recommendations, its approach to partnership will be critical to making significant progress on the public service reform agenda. The nonprofit sector's experience is essential for identifying and implementing successful reforms, given its role as a generator of citizen-based solutions and a steward of community well-being.

Stronger partnerships between the Ontario government and the sector will generate innovation, create reform-oriented efficiencies and produce better outcomes for citizens. It will also ensure that reforms are rooted in local realities and benefit a broad variety of communities, particularly those who are most vulnerable.

Principle: Modernization of the Government/Sector Investment Relationship

Analysis

Over the past number of years, the sector has been consistently voicing concerns about its investment relationship with the Government of Ontario. Government investment in services and supports for communities has been a rule bound, risk averse and output-focused environment that has been costly to both the government and sector, without necessarily strengthening accountability and results for citizens and communities. In this context, last November, ONN provided the Commission with a list of recommendations on modernizing the investment relationship that were informed by the real life experiences of many sector organizations.

We are pleased that the Commission recommends systemic change in the government's investment relationship with the nonprofit sector. The report gives unequivocal support for investment reforms, including a reduced administrative burden and multi-year agreements for the sector. Specifically, it recommends the following:

- The government "should shift to measuring outcomes rather than inputs and process, and should take a risk-based approach to accountability"; and
- Administrative practices should be streamlined within government.

Effort should be made to reduce inefficiencies created by overlapping jurisdictions and the different standards in various ministries that work with the sector.

Sector Positioning: Modernization of the Government/Sector Investment Relationship

The sector believes that investment reform can be acted on quickly through a joint task force comprised of leaders from across the sector, and senior government officials from various ministries. This task force should have a mandate to reform the investment relationship as highlighted in Recommendation 8-17 (page 274 of the report) within 100 days of its announcement in the next provincial budget.

In addition to identifying and implementing short-term solutions, this task force would be setting and implementing a medium and long-term reform agenda by looking at all aspects of the government investment relationship (as noted throughout the report) that can achieve the results articulated in the report. The task force can draw on years of advice previously provided to the government, along with reforms in other jurisdictions.

Principle: No Privatization of Public Benefit Services or Publicly Held Assets

Analysis

The Commission notes the economic and social contributions that the nonprofit sector makes to the wealth of the province, with a particular recognition of the value that volunteers play in this regard. Nevertheless, it does not adequately articulate the important longer-term value these public benefit services and assets have when they remain in the public domain, and in the service of public interest. Instead, the report is careful to remain neutral on the delivery options – private, public, or nonprofit enterprise – that the government may consider in future reform initiatives.

The report does, however, emphasize a focus on outcomes, which will allow the nonprofit sector to demonstrate the significant social and financial returns that the sector provides in the creation, design and delivery of citizen-based services. The report also mentions the government's need to redesign infrastructure asset management, which opens the door for a discussion of how to maximize the value of public assets by keeping them in the public domain.

Sector Positioning: No Privatization of Public Benefit Services or Publicly Held Assets

When government invests in services, they must provide maximum benefit to communities. Any surplus revenues earned by the service provider must be reinvested in communities. This means public benefit services should be delivered through nonprofit corporate structures working for community, not personal or shareholder gain. As a community-based solutions provider, the nonprofit sector does just that – reinvesting any excess revenues in services that further build community wealth and well-being.

Public assets (lands and infrastructure) must remain in the public domain for the long-term, wherever possible. These buildings and lands were purchased with tax revenues and form a significant part of the province's collective wealth. The government should facilitate and help steward community wealth by maximizing the social and economic return on its investments.

The delivery of public services and the retention of public assets are, along with strengthening the human capital investment of volunteers, key areas where the government could further

partner with the sector to ensure both efficient management of public resources, and the effective use of those resources to safeguard Ontario's prosperity for future generations.

Principle: Do No Harm to the Most Vulnerable – A Balanced Fiscal Strategy

Analysis

The Commission does not recommend making across-the-board cuts. It recognizes that in the past, such funding cuts have severely weakened the entire social support infrastructure in communities. Moreover, historic efforts to balance budgets through reductions in the level of transfers to individuals (e.g. income support programs) have created significant social and economic stress in the most vulnerable populations.

As a result, the Commission recommends strategic cuts and, finding savings through the reforms and redesign of public services in an attempt to lessen the real impact of government cuts on the most at-risk populations in Ontario.

Nevertheless, many sector leaders and organizations are deeply concerned that those most vulnerable in Ontario will be adversely affected by recommended reductions in government spending. Indeed, the Commission itself anticipates that following the recommendations would amount to a cumulative spending decline of 27% over the next several years (page 107 in the report) in most core service areas, many of which involve the nonprofit sector.

Despite possible attempts to soften the cuts, the depth and relative speed of them may make the efforts outlined by the Commission impossible to achieve without a serious look at achieving fiscal balance through increased revenues. Unfortunately the Commission's mandate did not include an examination of ways to achieve fiscal balance that included increased revenues, other than very specific and modest non-tax considerations (e.g. revenue integrity measures).

There are two other fiscal considerations that were insufficiently considered by the Commission:

- The Commission's fiscal analysis has, in general, not accounted for the return on investment that government resources can bring into communities, including volunteer hours, related economic activity, and in-kind and monetary investments;
- The Commission has not paid sufficient attention to the integrated nature of many community-based services and programs. All across the nonprofit sector, integrated services amount to a 'safety net.' Without an integrative approach to public service delivery reforms, more gaps and cracks are likely to increase pressures on government and place strain on nonprofit organizations and the communities they serve.

Sector Positioning: Do No Harm to the Most Vulnerable – A Balanced Fiscal Strategy

The severity of the proposed changes in government spending over the coming years, if implemented by the government en masse, will negatively impact the most vulnerable in our communities. To move the province towards fiscal health, and protect the increasing number of at-risk populations in Ontario, the government must balance expenditure reductions with fair and equitable revenue generating strategies.

Concerns with the province's growing inequality have been raised by many in the nonprofit sector and elsewhere in a number of pre-Commission studies. Publications in other jurisdictions have similarly highlighted the relationship between inequality and poor social and economic outcomes. As a result, care must be taken for how the provincial government implements the Commission's proposed reforms. If the most vulnerable in the province are further disadvantaged by the changes, it risks increasing costs and further destabilizing a return to fiscal health.

The opportunity to form new and meaningful partnerships with the sector while implementing key elements of the government's reform agenda will help ensure that the Do No Harm principle is respected, while also gaining badly needed efficiencies and improved results from the delivery of public benefit programs and services.