Nonprofit Alliance OF BERMUDA

Bermuda Corporate Income Tax and Bermuda's Historic Opportunity for Social Investment

A WHITE PAPER

Nonprofit Alliance of Bermuda

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and
the Cabinet of the Government of Bermuda

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Executive Summary

Bermuda, with its noteworthy contrast between wealth and vulnerability, faces a unique and exciting opportunity as it introduces the Corporate Income Tax. Despite the social supports that exist, the trend towards greater disparities in health, education and economic opportunity continues. Historically, an underinvestment in social supports and services has left nonprofits to fill critical gaps, while they struggle with sustainability and capacity. This paper will show that Bermuda invests 50% less than the Caribbean and 76% less than the OECD in our social system. This has enabled an inequitable society where the disparity between the affluent and the underserved — or "the Two Bermudas" — persists.

The introduction of Corporate Income Tax is thus a pivotal opportunity to alter this dynamic through a deeper investment in our community. The Government of Bermuda has signalled promising commitments to using these revenues for critical uses: debt repayment, infrastructure, and services. This is needed. There is also a compelling opportunity to go even further. This report seeks to highlight the breadth and depth of Bermuda's current socio-economic challenges, explain 3 contributing factors for their persistence and propose solutions to address and reverse these trends by way of investment in Bermuda's Third Sector. It concludes with a call to action to the Tax Reform Commission and the Government of Bermuda.

Current Challenges

The paper highlights the multitude of socio-economic challenges across Bermuda, including:

- **Health and Health Care Disparities:** High rates of chronic diseases, obesity, and the world's highest per capita healthcare costs.
- **Mental Health and Substance Misuse:** Significant prevalence of mental health disorders and substance abuse, without sufficient support and treatment.
- **Employment and Economic Challenges:** Underemployment and a high cost of living that disproportionately affects lower-income residents and exacerbates disparities.
- **Educational Gaps:** Inequities in educational outcomes, contributing to a cycle of economic disadvantage for certain populations.
- **Community Safety:** High rates of domestic and community violence and abuse.
- **Gaps in Service to Vulnerable Groups:** Insufficient supports for members of the community that experience higher risk, including seniors, individuals experiencing homelessness, individuals with disabilities, and the LGBTQ+ community.
- **Environmental and Infrastructure Concerns:** Growing environmental vulnerabilities and a lack of robust data to drive informed decision-making in social services.
- **Racial Disparities:** as a result of Bermuda's long history of racial oppression and discrimination.

Contributing Factors

The paper identifies three contributing factors to the persistence of these challenges. Firstly, Bermuda invests significantly less in its social system compared to other jurisdictions, with expenditures substantially lower than both the Caribbean and OECD averages. Public social expenditure is 50% less than the Caribbean average and 75% less that the OECD average. This underinvestment has led to an increased reliance on the Third Sector, which plays a substantial role in propping up Bermuda's social safety net and supporting community wellbeing. Despite the importance of the sector, nonprofits are under-resourced and struggle with financial and capacity constraints.

Proposed Solutions

Given that a contributing factor to the persistence of problematic socio-economic and health challenges is a resource allocation issue, this presents a unique opportunity when considering potential revenue gains from a new form of taxation. This paper endorses the government's stated priorities to address the national debt, invest in infrastructure and reduce the cost of living. It also accepts the complicated balance of taxation and spending, and the need to remain competitive as a place to do business. What this paper seeks to demonstrate through facts is that the current balance is not quite right. The Corporate Income Tax is thus a unique and exciting national opportunity to establish a new balance through better support of the Third Sector.

While efficient, effective and properly resourced public social infrastructure is a primary driver of social outcomes and thus a starting point for social improvement, better nonprofit funding is also part of the solution. Therefore, this paper proposes leveraging the new Corporate Income Tax as an opportunity to bolster support for Bermuda's Third Sector through two mechanisms:

- **Qualified Refundable Tax Credits for Corporate Philanthropy:**
  Encourage sustained or increased corporate contributions to the Third Sector, enhancing the capacity of nonprofits to address community needs effectively.

- **Strategic Community Investment:**
  Contribute a portion of Corporate Income Tax revenues collected by the government to the strategic funding of the Third Sector.

Call to Action

This paper urges the Government of Bermuda and the Tax Reform Commission to capitalise on this unique opportunity to invest in Bermuda's Third Sector and therefore enable better outcomes for our country's most vulnerable. Government budget allocations and taxes are powerful tools through which we prioritise and fund what matters most to our society. This is a rare opportunity to deepen our investment in the community for the betterment of Bermuda.

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Introduction

Bermuda, with its stark contrast between wealth and vulnerability, faces a unique and exciting opportunity as it introduces the Corporate Income Tax. Despite the social supports that exist, the trend towards greater disparities in health, education and economic opportunity continues. Historically, an underinvestment in social services and supports has inhibited the empowerment of our community to achieve more equitable social outcomes and has left Bermuda's Third Sector to fill critical gaps. However, many nonprofits struggle with sustainability and capacity. This paper will show that Bermuda invests 50% less than the Caribbean and 76% less than the OECD countries in our social system. This has enabled social inequity where the disparity between the affluent and the underserved, or the "Two Bermudas," persists.

In 2017, Premier David Burt quoted the Bank of Bermuda Foundation's acknowledgment that "Bermuda is a historically, overtly racially segregated and fundamentally unfair society where two Bermudas clearly exist, one where access to opportunity, financial security and general well-being is very difficult to achieve, and another Bermuda where, for some, there appear to be few obstacles in their path." Premier Burt went on to say, "With Bermuda's natural beauty and the welcoming kindness of Bermudians — we appear to be paradise. And for some, Bermuda really is just that. For others however, it is quite the opposite."

Many in the community have acknowledged Two Bermudas, with advocacy and services aimed at altering disparities, and yet a fundamental shift has not happened.

The introduction of Corporate Income Tax is a pivotal opportunity to take concrete steps to alter this dynamic through a deeper investment in our community. The government has signalled promising commitments to using tax revenue gains for critical uses such as debt repayment, infrastructure, and services. This is needed. However, there is a compelling opportunity to go even further. By ensuring corporate philanthropy through mechanisms like Qualified Refundable Tax Credits and directing a portion of tax revenues to greater support for Bermuda's Third Sector, we can ensure nonprofits are better positioned to meet community needs. While efficient, effective, and properly resourced public social infrastructure is a primary driver of positive social outcomes and thus a starting point for social improvement, given the role of Bermuda's Third Sector, better nonprofit funding is also part of the solution.

This report seeks to summarize the breadth and depth of current socio-economic challenges, explain three contributing factors for their persistence and propose two solutions that can support better social outcomes. It concludes with a call to action to the Tax Reform Commission, the Government of Bermuda, and the broader community for greater support of Bermuda's Third Sector. Budgets and taxes are powerful tools through which we prioritise and fund what matters most to our society. This is an important opportunity to deepen our investment in the community for the betterment of Bermuda.

Section 1: The Issue

Bermuda is often perceived as a haven of wealth and prosperity with its high per capita income and picturesque landscapes. However, for significant segments of the community — including the 17%-33% living below the poverty line (see Cost of Living Section) — beneath this pristine surface perception lies a different reality, where an increasing number of residents are being pushed toward vulnerability and marginalization, and in some cases emigration to the United Kingdom.

This section collates problematic trends and data across the areas of health, access to health care, mental health, substance abuse, education, employment, community safety, marginalized and vulnerable groups, the environment and sector infrastructure. Special attention is given to racial disparities, demonstrating the persisting detrimental effects of institutional racism, discrimination and marginalisation that continue to be embedded in the Two Bermudas.

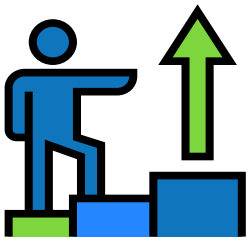
HEALTH

Notable challenges include:

1. Aging Population: As Bermuda's population ages, the prevalence and burden of chronic diseases are expected to increase.[i]

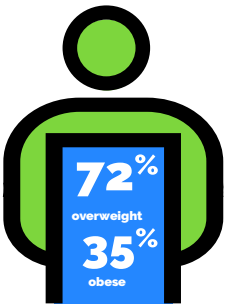
2. Cancer Rates: With two in six people in Bermuda projected to have cancer in their lifetime, Bermuda's rates are higher than Europe and the Caribbean. It is the third leading cause of death in Bermuda.[ii]

3. Diabetes: An estimated 15.5% of Bermuda's adult population has diabetes placing Bermuda as one of the top five countries globally for prevalence of people with diabetes.[iii] This is related to the high rate of associated End Stage Kidney Disease in Bermuda, which is between three and four times higher than in the United Kingdom and appears to be rising.[iv]



4. Dementia: There are at least 1,500 people living in Bermuda with a form of dementia[v] with local industry experts believing the number to be as high as 3,000.[vi] Globally and in Bermuda, dementia figures are expected to double and potentially triple in the next two decades.[vii] Additionally, 70% of individuals with dementia hold FutureCare insurance that does not currently offer coverage for essential dementia care services.[viii]

5. Obesity: The prevalence of obesity in Bermuda is higher than OECD averages. 72% of adults are reported to be overweight, including 35% classified as obese, compared to OECD averages of 54% and 18% respectively. Furthermore in Bermuda one third of children are overweight, higher than the global average of just over 18%.[ix]

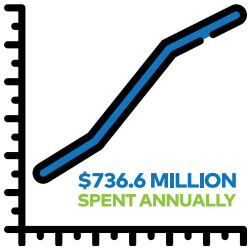


6. Racial Disparities: Risks associated with poor health outcomes include poor diets, low socio-economic status, low educational attainment and low level of physical activity. Residents who identify as Black in Bermuda are more likely to be associated with these risks and are therefore more prone to poor health outcomes.[x]

HEALTH CARE

Notable challenges include:

1. High Healthcare Costs: Bermuda's health care spending is the highest globally on a per capita basis, with $736.6 million spent annually, equating to $11,529 per person. This spending accounts for **11.6% of Bermuda's GDP**, the third highest proportion worldwide.[xi] Additionally, health care costs are expected to rise over the next 15 years.[xii] And yet, Bermuda's health outcomes, including life expectancy, are relatively poorer in comparison to other OECD countries that spend less per capita.[xiii]



2. Dependence on Employment-based Insurance: Health insurance in Bermuda is predominantly employment-based, mandatory for employees working more than 15 hours a week. There is limited access for under/unemployed individuals. Furthermore, as the old-age dependency ratio (the ratio of the population 65 years and over to the population between 20-64 years) rises due to low birth rates and an aging population, this will add further pressure on funding health care costs. By 2026, the ratio is projected to be 44 seniors for every 100 people of working age. The OECD average is 35.4 seniors to every 100 workers.[xiv]

SENIORS BY 2026

44 VS 35.4 AVERAGE

3. Insurance Coverage and Benefits: 8% of the population have no health insurance and 17% have basic coverage only.[xv] Thus, almost one-fourth of the population would be disincentivised to seek primary care for lower-cost prevention care. For seniors, the single most important issue they face is access to affordable health care and health insurance.[xvi]

4. Inability to afford services and medications:

One in five adults reported not being able to afford medical care when needed.[xvii] Between 11.5% and 12.5% of individuals on FutureCare exhaust their annual prescription allocations early in the year when they have multiple comorbidities.[xviii] Pharmacists report patients having to choose between medications due to financial constraints, and a growing number of seniors are unable to afford prescriptions.[xix]

5. Racial Disparities: 7.1% of workers in permanent employment without health insurance are Black residents; for White residents, this number is 1.4%. For temporary workers, 26.1% of Black residents are not insured; this drops to 0% for White residents.[xx]

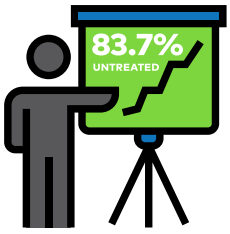
MENTAL HEALTH

Notable challenges include:

1. Prevalence of Mental Disorders: Bermuda has a high prevalence of mental health disorders, with an estimated 14.34% of the population affected[xxi] Over 30% of households surveyed reported living with someone who was depressed, suicidal or had a mental illness.[xxii] 31% of adolescents surveyed showed "moderate to severe" symptoms of depression or anxiety, which is about five or six percentage points higher than postpandemic global averages.[xxiii]

2. Underdiagnosis and Undertreatment of Adolescent Mental Health: Most adolescents with depression are underdiagnosed and do not receive treatment. Half of all mental health conditions start by 14 years of age, and over half are undetected and untreated.[xxiv]

3. Treatment Gaps: An estimated 83.7% of those with common mental health disorders do not receive the care they need.[xxv] A leading nonprofit provider of clinical services has an average waitlist of three to six months at any given time.[xxvi]



MENTAL HEALTH (CONT'D)

Notable challenges include:

5. Racial Disparities: The inpatient admission rates for severe mental illness suggest geographic variation being especially high in areas with inadequate health insurance coverage, low household income and a higher proportion of individuals who reported themselves as Black.[xxvii] A study of high school students on the island showed 34% of "Black adolescents" and 37% who identified as "Other race" exhibit symptoms of depression. This is in contrast with 22 per cent of White students surveyed exhibiting symptoms of depression.[xxviii]

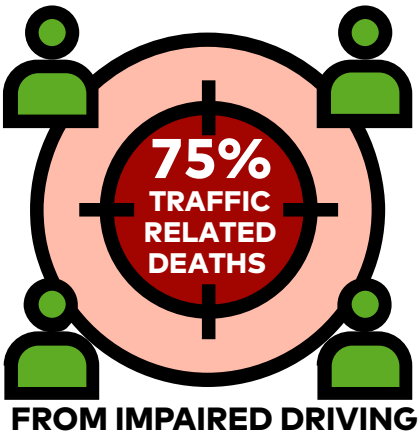
MENTAL HEALTH AND SUBSTANCE MISUSE

Notable challenges include:

1. Prevalence of Substance Abuse in Households: About 30.7% of households surveyed reported having a problem drinker or someone who misused street or prescription drugs.

Nearly 13% of survey respondents reported previously experiencing parents or guardians being too intoxicated to take care of them.[xxix]

2. Increase in drunk driving: Magistrates' Courts have seen a troubling trend with the rise of Impaired Driving and Refuse Breath/Blood Test offences over the last few years. The year 2023 saw a 30% increase in the amount of Impaired Driving offences and a 34% increase in the Refuse Breath/Blood Test offences. These offences include impairment through drug use as well as alcohol.



Recently, CADA, the anti-drunk driving group, linked 75% of deaths on Bermuda's roads to alcohol and drugs — often a combination of both.[xxx]

Additionally, 8.2% of students said that they had been on a bike ridden by someone who had been drinking alcohol; and 22.1% said the sameabout being in a car.[xxxi]

3. Early Onset of Substance/Drug Use: Almost 22% of students first consumed alcohol at 12 years of age or younger, and 3.5% of males first used marijuana before the age of 13.[xxxii]

4. Prevalence of Student Substance Use: 48.4% of middle and high school students in Bermuda have used at least one drug in their lifetime. The lifetime prevalence of alcohol use ranges from 26.6% for M2s to 60.2% for S4s. By S4, almost 30% of students had used marijuana in their lifetime.[xxxiii]

5. Access to Drugs: Approximately 10% of middle and high school students reported that they had received an offer to buy or consume marijuana within the last 30 days, and 31% believe it is "easy to access." About 37.7% believe that there are drugs in the area surrounding or next to their school, while 35.1% believe that there are drugs in their school.[xxxiv]

6. Racial Disparities: The inpatient admission rates for substance abuse disorders show similar geographic variation as with severe mental illness, skewing to those with inadequate health insurance coverage, those with low household income, and those who are Black.[xxxv]

EMPLOYMENT

Notable challenges include:

1. Underemployment: While unemployment rates are low at 3.1%, the underemployment rate is 13.7% and the youth unemployment rate is 11.1%, indicating there are still employment challenges.[xxxvi] This is validated by the fact that some Bermudians do not feel they have fair access to employment that provides a sense of dignity (see Appendix 5 for further information).

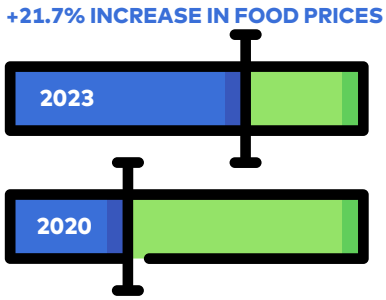
2. Employment trends in favor of knowledge workers: Almost two decades ago, reports noted demand for low-skilled workers was decreasing while at the same time, the demand for knowledge workers requiring a university degree was increasing.[xxxvii] Without a bachelor's degree or higher, the chances of entering the professional workforce in Bermuda were limited in the early 2000's.[xxxviii] The fact that current figures show that 70% of Bermudians do not have a university/bachelor's degree[xxxix] means many Bermudians continue to be less likely to access employment as knowledge workers with the academics needed to participate in an increasingly global economy.

3. Racial Disparities: Unemployment for Black residents is 3.8% versus 2.5% for White residents.[xl] Furthermore, while only 30% of Bermudians have university degrees, this number drops to 26% for Black residents versus 52% of the White population.[xli] This perpetuates racial disparities with regard to employment opportunities.

COST OF LIVING

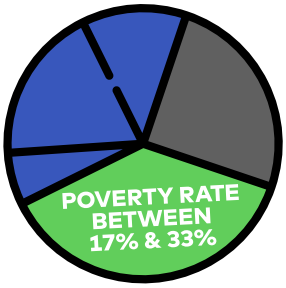
Notable challenges include:

1. High Cost of Living: Bermuda has the highest cost of living globally, beating out all other countries by wide margins. For example, Bermuda is, on average, almost 85% more expensive than the United States overall, and almost 31% more expensive than New York City — the most expensive city in the United States. [xlii]



Furthermore, between December 2020 and August 2023, food store prices increased by 21.7% and the Consumer Price Index increased by 10%,[xliii] while median annual gross income inflation from 2020 was only 5.3% based on a comparative analysis of gross annual income data.[xliv] This demonstrates that wages have not kept up with the cost of living.

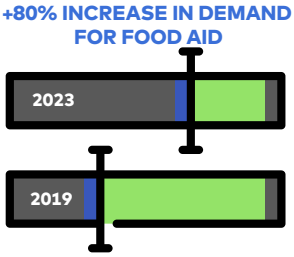
2. Poverty level: While there is no updated research on Bermuda's low income threshold, international sites place Bermuda's poverty rate at 11% of the population;[xlv] however, this is believed to be an underreporting. Based on representative sampling research from the Bermuda Omnibus Survey, the true poverty rate is more likely to be between 17% and 33% of the population.[xlvi]



6. Some categories of full time employment do not provide a living wage: In 2023, median annual income in some service industries such as food and accommodation as well as household and other services ranged from $38,854 to $40,226 (not necessarily including gratuities), and median incomes in agriculture, forestry and fishing were $37,627.[xlvii] While Bermuda lacks up to date official data on the low income threshold or household expenditure, some estimates report that a single person renting a one-bedroom apartment has an approximate annual cost of living of $48,000, while a four-person household renting a one-bedroom apartment has an approximate annual cost of living of almost $120,000.[xlviii] Based on these estimates, it is easy to see that a two-parent household, with two adults working for annual wages of $40,000 each, would be unable to afford basic necessities.

7. Housing Costs: Rent in Bermuda is, on average, 118% higher than in United States.[xlix] Furthermore, low-income households spend a larger portion of their budgets on housing than middle-income households, meaning the high costs are disproportionately experienced by those with lower incomes.[l]

8. Food Insecurity: Cost of living pressures have caused food aid requests to increase significantly, indicating growing food insecurity among Bermudians.



The Eliza DoLittle Society, a major Third Sector food aid provider, saw an 80% increase in demand for food aid between 2019 and 2023.[li] Roughly 54% of residents are concerned about being able to afford healthy food, and 21% of residents have cut back on eating fresh fruits and vegetables.[lii] Furthermore, only 30% of Bermuda residents self-report meeting nutritional guidelines to consume at least five fruit and vegetables per day.[liii]

9. Racial Disparities: Median gross annual income for Black residents is $62,160, compared to $93,404 for White residents.[liv] Roughly 97% of persons who reported being in a state of homelessness or on a pathway towards homelessness described themselves as Black or mixed race.[lv]

EDUCATION

Notable challenges include:

1. Poor Educational Outcomes:[lvi]

1. Primary: Most recent data shows that only 50% of P4-P6s achieved their targeted growth for reading, and only 55% of P3-P6s achieved one grade-level of growth in math in the year.

2. Middle: Only 50% of middle schools achieved their improvement objectives for reading, writing and math (and this data collection has now been discontinued), and only 55% of students achieved their targeted growth for reading. Only 55% of students achieved a 3 or higher on math and writing assessments.

3. Senior: Only 50% of senior schools achieved their improvement objectives for reading (and this data collection has also now been discontinued.) Only 45% of senior school students achieved their targeted growth for reading. College acceptance rates were only 60% (short of the Ministry goal of 85%). While 79% of students are graduating on time, only 60% are graduating with an industry-recognised credential.

2. Confidence in Public School Effectiveness: The percentage of students enrolling in public school relative to private school is declining, and for the first time, private school enrolment is almost equal to public school enrolment.[lvii] Across the OECD, private schools only cater to 20% of students.[lviii]

3. Early Childhood Education: Due to financial constraints, high quality daycare is outside the financial reach of many households.[lix] Furthermore, only 20% of the early childhood practitioners feel that Bermuda has sufficient affordable resources that meet the needs of all infants, toddlers and young children.[lx]

4. Graduation Standards: While many reported learning outcomes appear to average at around 50%, graduation rates are between 79 and 90%;[lxi] however, in 2009 it was reported that approximately 50% of Black males left Bermuda public high schools before graduation.[lxii] How could the graduation rate improve by 30%-40% when learning outcomes are only being met 50% of the time? This calls into question the levels of competency of those able to graduate, and whether Bermuda is following a US trend of schools lowering graduation requirements.[lxiii]US analysis suggests that high schools are graduating thousands of students who, not long ago, might not have graduated. Perhaps this is also occurring in Bermuda.

5. Racial Disparities: Private schools are considered academically superior to public schools and are more likely to be attended by higher-income, White Bermudians.[lxiv] Additionally, 40% of White residents had attended university, versus only 18% of Black residents.[lxv]

COMMUNITY VIOLENCE

Notable challenges include:

1. Violence in the neighborhood: Around 29%-30% of residents are aware of a theft or a breaking and entering event in their neighbourhood, and 25% are aware of people openly selling or using drugs.[lxvi] Since 2022, there has also been a police reported increase in violent incidents involving the use of bladed articles.

2. Sexual Abuse: One in three Bermudians have been the victim of child sexual abuse.[lxvii] One in two women in Bermuda has experienced child sexual abuse, while two in five of individuals surveyed said someone had touched or fondled them in a sexual and unwanted way as a child.[lxviii] Rates of childhood sexual abuse are shocking and are higher in Bermuda than in other jurisdictions.[lxix]

3. Senior Abuse: The Department of Ageing and Disability Services received 89 reports of abuse of seniors last year,[lxx] which is likely an underreporting, as it is unlikely that all instances of abuse are reported.

4. Physical Abuse and Exposure to Violence: Almost 62% of individuals surveyed said a parent, guardian or household member slapped, kicked, punched or beat them up some or most of the time, and almost 22% said they were cut with an object by a parent, guardian or household member. Almost 18% saw someone being stabbed or shot in real life as a child, while 28% saw or heard someone being threatened with a knife or gun in real life as a child. Additionally, one in four individuals surveyed witnessed a parent or household member being physically abused, while three out of five people directly experienced physical abuse during their childhood.[lxxi]

5. Gang Participation and Violence: The Bermuda Police Service estimates that there are 200 to 250 persons actively involved with gangs in Bermuda, with girls and boys being recruited into Bermuda's gangs as young as eight years of age. Their allegiances to gangs have led to the commitment of violent acts while in school.[lxxii]

RECRUITED AS YOUNG AS 8 YEARS OLD

MARGINALIZED OR VULNERABLE POPULATIONS

Notable challenges include:

1. Seniors: As the population ages, there will be a higher percentage of seniors that will require social care, either in their home or at a care home. Around 86% of residents believe that government should provide greater support to senior citizens.[lxxiii]

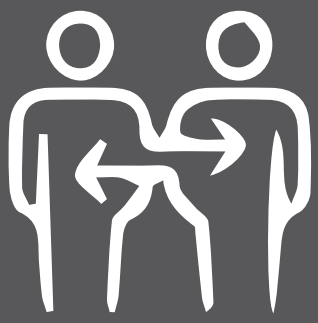
Currently, one-quarter of residents are responsible, either solely or in part, for the costs of senior care.[lxxiv] Costs of in-home care are expensive. If 24-hour care is required, this can cost up to $24,960 per month (see Appendix 1 for cost calculations). Many households will struggle to afford this.[lxxv]

2. Individuals with Disabilities: There are approximately 125 children and 400-500 adults in Bermuda with an intellectual disability, and approximately 3,160 individuals with some form of physical and/or cognitive disability. Many of these individuals require a range of support services to meet their needs. While Bermuda has a foundation of key services and supports, significant service gaps have been reported."[lxxvi]

3. Individuals experiencing homelessness: Over 650 people in Bermuda were experiencing homelessness in 2022. This represents over 1% of Bermuda's population but is likely to be an underestimate. The charity Home reported,

"Homelessness is a complex issue rooted in many of the disparities and challenges already described. There is also a high economic cost to those experiencing homelessness as well as those impacted by it, particularly in relation to physical and mental well-being, as well as the financial burden of expensive interventions required to assist individuals who have reached a stage of homelessness."[lxxvii] Furthermore, 97% of persons who reported being in a state of homelessness or on a pathway towards homelessness described themselves as Black or mixed race.[lxxviii]

4. LGBTQ+ Community: While Bermuda does not have in-depth data regarding the experiences of its LGBTQ community, overseas data show that 14% of LGBTQ youth attempted suicide in the past year, while 45% of LGBTQ youth seriously considered attempting suicide in the year prior.[lxxix] Newly conducted local research reinforces the mental health challenges of this community, where — of the adolescent participants who reported their gender as "I identify with another term [other than male/female]" — 73.8% reported moderate to severe symptoms of depression, 64.3% reported moderate to severe symptoms of anxiety, and 59.5% reported comorbid symptoms.



The prevalence of anxiety and depression among those who do not identify as male / female is over two times the national average.[lxxx]

ENVIRONMENTAL VULNERABILITY

Notable challenges include:

1. Stronger Storms with greater risk: There is a global scientific consensus that climate change will lead to more intense hurricanes, though the overall frequency may not change significantly. Bermuda is projected to experience one more major storm per decade, increasing vulnerabilities for those underinsured or living in housing that is at greater risk. The likelihood of more frequent Category 4 storms poses a significant challenge to Bermuda's disaster resilience[lxxxi] and is likely to result in the need for funds to be diverted from other areas to cover the costs to rebuild in the aftermath of such storms.

2. Heat-Related Conditions: As heat indices rise, individuals working outdoors in professions such as agriculture, landscaping, fishing, and construction will face greater risks of heat-related illnesses. These workers often belong to the lowest income brackets and have limited access to health insurance, reducing their coping capacity for heat-induced conditions.[lxxxii]

3. Impact on Marine Ecosystems: Marine heatwaves and ocean warming trends threaten fisheries and coral reef ecosystems essential to Bermuda's economy and natural sea wall. Their degradation could have profound economic impacts, affecting livelihoods, especially those dependent on marine resources and tourism.[lxxxiii]

SECTOR INFRASTRUCTURE

Notable challenges include:

1. Lack of Data: Many reports from the social sector note the lack of data capturing key social indicators as a problem.[lxxxiv] Many key indicators that measure progress towards the United Nations' Sustainable Development Goals are not being collected in Bermuda. This makes it hard to truly know how we are doing socially in comparison to other jurisdictions. Furthermore, there is very little data about the Third Sector as a whole. While the Registry General's charities team collects annual reports and financials from registered charities, this is not an automated or digital process making it difficult to aggregate and analyze.. This means we do not have a comprehensive sector-level understanding of services provided or outcomes being achieved, as well as the numbers and demographics of those employed by the sector or those being served by the sector.

2. Lack of Service Standards: Across many health and human service industries there have been calls for greater standards of practice. Many reports place a priority focus on standards, regulation and accountability[lxxxv.] The Bermuda National Standards Committee offers a robust framework for certifying and accrediting organisations; however, not all eligible organisations have received this credential. Only 15% of registered charities with revenues over $35,000 are certified or accredited by BNSC as demonstrating best practices. While some may be accredited by other international bodies are not. Additionally, many reports also call for more training and development to improve the quality of services in Bermuda.[lxxxvi]

Summary

Bermuda faces a wide range of pressing socio-economic and health challenges. These challenges create vulnerability and reinforce inequity in the community. Premier Burt was cited earlier for referencing the Bermuda for whom "access to opportunity, financial security and general well-being is very difficult to achieve," and this paper provides deeper context into the challenges and realities facing this portion of Bermuda.

Section 2: Contributing Factors

This paper identifies three contributing factors to these social-economic challenges. Firstly, is a historical lack of resources allocated to social infrastructure, supports and services. Secondly, is the resulting increased need for and reliance on the Third Sector. Thirdly, is the under-resourcing of the Third Sector. The end result is a system that is unable to empower everyone in the community to achieve their potential. This section explores these three factors in more detail.

UNDERINVESTMENT IN BERMUDA'S SOCIAL SYSTEM

A contributing factor to Bermuda's inability to create more equitable community outcomes is the historical underinvestment in Bermuda's social supports, services and safety net. This underinvestment transcends political parties and has enabled the Two Bermudas to persist. One way to illustrate this underinvestment is to compare Bermuda's public social expenditure, the amount a government spends on health and social welfare and protection, to other jurisdictions.

Across the OECD in 2022, public social spending was worth **21% of GDP** on average, with a range of 11% to 30%.[lxxxvii] In Bermuda the equivalent is only 5% based on the 2024/2025 budget numbers,[lxxxviii] relative to our 2022 GDP of $7.8 billion.[lxxxix] This demonstrates a significant underinvestment socially, with **Bermuda investing 76% less than the OECD socially.** The Caribbean, which spends on average 14% of GDP on public social expenditure,[xc] is also lower than the OECD average but still significantly higher than Bermuda's 7% equivalent (the Caribbean figure also includes education and environmental protection). In comparison to the Caribbean, **Bermuda invests 50% less socially.** See Appendix 2 for these calculations.

To remediate the differences in social funding would require investing an additional $600 million socially in Bermuda. This would result in a doubling of the current budget, which is not realistic or desirable. This is because the overall size of the government is small relative to Bermuda's GDP. Our total public expenditure as a percentage of GDP is approximately 14% (spending $1.1 billion out of a GDP of $7.8 billion). This is compared to the Caribbean average of 21% and the OECD average of 46%. Our spending of 14% of our GDP is equivalent to low-income countries such as Guatemala, Myanmar and parts of Africa.[xci]

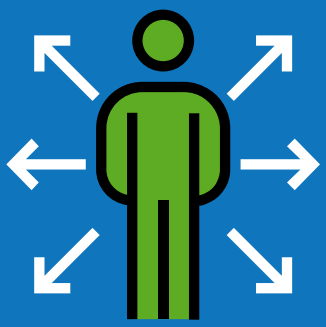
When looking at public expenditure per capita and Bermuda's figures, the picture is better, with our $17,500 per capita of public expenditure closer in comparison to Australia ($17,482), Canada ($18,685) and the United States ($21,157). These figures demonstrate there are different ways of examining levels of expenditure. From a per-person perspective, our spending is not comparatively low, but relative to our GDP (i.e., our high income status), it is low. Additionally, our high cost of living would also impact the comparisons of dollars per person expenditure, as Bermuda is significantly more expensive than Australia, Canada or the US .

The solution is not to simply pour more money into a problem and bloat the government. Bermuda's public education system will show us that even a comparatively well-resourced public service can still not produce the desired outcomes, as our education system is comparatively well-funded. However, when the broader social system is not sufficiently, efficiently or effectively resourced, it contributes to the troubling and persistent problematic social outcomes we see today and explains why some believe Bermuda is a country that is increasingly attracting high-income wealthy professionals and low-income workers from less developed countries, while more and more middle-class Bermudians are emigrating to the United Kingdom for a better life.

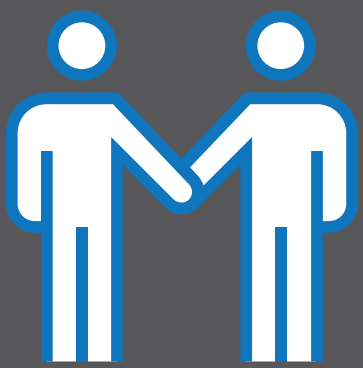
NONPROFITS FILLING THE GAP

Bermuda's social underinvestment has resulted in the Third Sector propping up the island's social infrastructure. The Third Sector is a broad term that captures nonprofits, donors, philanthropic foundations and other nongovernmental and community-based organisations such as sports clubs, PTAs and churches. In particular, nonprofits play a vital role in Bermuda. The Nonprofit Alliance of Bermuda defines nonprofits as a subset of the Third Sector that employ paid staff to provide programmes and services to the community. It is these organisations that are providing many professional critical social supports to the most vulnerable groups in our community.

Their role was demonstrated very clearly during the COVID-19 pandemic. **Nonprofits as well as churches were critical in addressing immediate needs, from providing essential services to vulnerable populations to maintaining the community's well-being amidst an unprecedented crisis.** The Third Sector Coordinated Crisis Response Effort, a collaborative group of Third Sector representatives, played a driving role in coordinating disaster response measures, access to food aid, medical care, medications, mental health support, care for seniors, housing for the unsheltered, and support for individuals struggling with substance use.[xcii] Many nonprofits were on the frontlines of the crisis providing essential services.



During the lockdown phases of the pandemic, nonprofits collectively reported:[xciii]



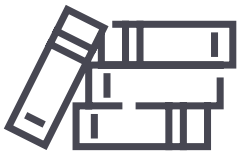
CRITICAL SOCIAL SUPPORT TO THE MOST VULNERABLE GROUPS.

- Serving approximately 10,000 meals or food security equivalents per week as groceries or vouchers.
- Ensuring the safety of 16 women and their children fleeing domestic violence.
- Making 8,000-plus calls to quarantined residents.
- Assisting with transporting community members to COVID-19 testing sites.
- Facilitating access of Wi-Fi and technology for more than 300 residents in senior care homes.
- Providing PPE to staff and volunteers.
- Giving housing support to more than 30 unsheltered people.
- Responding to over 200 calls from people in distress.
- Providing mental health supports and services to people with special needs.
- Distributing medication and equipment to people with inadequate health coverage.

Other nonprofits were in the background pivoting services to ensure the community was still supported in other areas, such as education, youth development, the arts, and the environment.

NONPROFITS FILLING THE GAP CONT'

In our post-COVID world, nonprofits continue to play the critical role of building individual and community well-being. In 2021, data from the Nonprofit Alliance's Collective Impact Survey showed the depth and breadth of nonprofit impact across our community. Over a one-year period, a group of 50 nonprofits collectively:[xciv]



- Provided over **200 young people** with an education tutor as well as over **32,000 tutoring hours**
- Connected **310 volunteer mentors** with youth
- Supported over **1,800 young people** to improve their mental health

- Provided over **1,000 young people** with a counselor, mentor, coach or other supportive adult
- Provided almost **900 young people** with subsidised access to sporting & adventure extracurricular activities
- Gave over **11,000 youth** free admission to cultural exhibits and museums

- Provided **91,423 meals or grocery bags**
- Supported over **1,000 families** with food assistance
- Provided **$256,642** in hardship support to seniors
- Gave free or subsidised medical treatment or health related supports to **1,535 clients**
- Supported **386 patients** with subsidised medication

- Cleaned or restored **40 acres of land,** recovering over **1,500 trash bags** of waste
- Provided **280 animals** with subsidised veterinary services
- Rescued **117 animals** and facilitated **205 animal adoptions**

Bermuda's nonprofits, and the entire Third Sector, are working to address many of the socio-economic needs and issues in Bermuda. They play a critical role in building island-wide community well-being. Despite its important role, the sector is not sufficiently funded or resourced, resulting in a sector that is challenged with capacity and sustainability.

THIRD SECTOR CAPACITY CONSTRAINTS CONT'D

The Third Sector — and nonprofits specifically — face challenges and constraints relative to their capacity and sustainability. Some of the pressing constraints include:

1. Increased Service Demand: The data highlighted in Section 1 illustrate the trends towards increasing social needs and therefore demands on the Third Sector. Nonprofits qualitatively report that the high increases in demand from the COVID-19 pandemic have persisted. Collective food security service data show continued increases in demand for food aid into 2023. These providers report being at capacity with waitlists, and unable to meet current needs. [xcv]

2. Funding Shortages and Financial Vulnerability: In the face of high service demands, nonprofits are fiscally challenged. In 2023, nonprofits rated fund development as their greatest area of challenge.[xcvi] Data from 2021 showed that almost 60% of nonprofits did not meet their fund development targets.[xcvii] In the United States, nonprofits receive over 30% of their revenues from government contracts and funding,[xcviii] and in the United Kingdom, this number is close to 20%.[xcix] Yet in Bermuda, this is only 8%.[c] Additionally, 2021 Registrar annual reporting data showed that 44% of registered charities reported an annual net loss, and 61% of registered charities reported current assets of $100,000 or less.[ci]

3. Governance: Board engagement and development is a significant challenge for nonprofits who rated finding and keeping effective Board members with the necessary skills as their greatest challenge, outside of fund development.[cii]

4. Talent Recruitment and Retention: Nonprofit workforce data from 2022 showed that for many professional roles, Bermuda's nonprofit sector does not compete with public sector salaries.[ciii] Recruitment firms also indicate that the nonprofit sector is deemed low-paying and job-insecure. This presents a significant challenge in recruiting and retaining individuals with the capabilities to deliver effective services and lead well-run nonprofit businesses.

5. Burnout: Many nonprofits provide critical human services, working and supporting vulnerable populations. As a result of the emotionally exhaustive nature of the work, it is a field typified by high levels of burnout and attrition.[civ] Many nonprofit leaders in Nonprofit Alliance programmes and services report being exhausted, depleted and working at an unsustainable rate.

6. Sector Level Data: Bermuda's charities registration and regulation function is currently a paper-based, unautomated system which results in an inability to capture key sector-level data on employment statistics, revenue sources, programmes, outcomes and demographics of beneficiaries served. These are all critical data points for being able to understand and effectively communicate how the Third Sector is functioning and the value and impact it is having.

The historical underinvestment in government social supports has resulted in a reliance on nonprofit organisations that, despite their importance, face sustainability and capacity challenges. These organisations are pivotal yet underfunded, struggling to meet the increasing demands for services. Together these factors create barriers to addressing Bermuda's pressing socio-economic challenges.

Section 3: The Solution

Given that a contributing factor to the persistence of problematic socio-economic and health challenges is a resource allocation issue, this presents a unique opportunity when considering potential revenue gains from a new form of taxation. This paper endorses the government's stated priorities to address the national debt, invest in infrastructure and reduce the cost of living. It also accepts the complicated balance of taxation and spending, and the need to remain competitive as a place to do business. What this paper seeks to demonstrate through facts is that the balance has never been quite right.

The Corporate Income Tax is thus a unique and exciting national opportunity to establish a new balance through better support of the Third Sector. While efficient, effective and properly resourced public social infrastructure is a primary driver of social outcomes and thus a starting point for social improvement, better nonprofit funding is also part of the solution. Therefore, we propose a two-part solution to address the resource challenges identified: firstly, to include corporate philanthropy as a Qualified Refundable Tax Credit, and secondly, to direct a portion of corporate income tax revenues to a strategic investment in the Third Sector.

QUALIFIED REFUNDABLE TAX CREDITS FOR CORPORATE PHILANTHROPY

It was already noted that the Tax Reform Commission may consider tax concessions for corporate philanthropic giving.[cv] This is important to ensure we sustain, or more ideally, enhance the corporate community's support of nonprofits. Currently, Bermuda's corporate community play a vital role in the funding of the Third Sector, contributing to approximately 31% of nonprofit revenues annually.[cvi] It is the largest source of nonprofit revenue. Corporate philanthropy also provides a way for Bermuda's business sector to feel connected to the local community and be a part of the solution to some of the challenges and issues. Including corporate philanthropy as a Qualified Refundable Tax Credit will ensure there is continued motivation and perhaps even greater incentive to donate. This would be a lifeline for Bermuda's Third Sector.

REPRESENTS 31% OF PER ANNUM NONPROFIT REVENUES

QUALIFIED REFUNDABLE TAX CREDITS FOR CORPORATE PHILANTHROPY

Corporate income tax concessions, either through deductions or credits, are a common tool to encourage philanthropic activities. For comparative purposes, the OECD can be considered as a framework for how these concessions are structured and limited. Taxation mechanisms for philanthropic giving vary across countries, encompassing deductions and credits for corporate donors. While deductions are prevalent and most common for corporations, some countries opt for tax credits. In a review of 39 countries' corporate tax concessions, 87% made concessions through deductions while 13% used alternatives such as credits, and all had some form of limitation:[cvii]

CANADA	donations are deductible up to a limit of 75% of taxable income.
SWITZERLAND	donations are deductible up to 20% of taxable income.
GERMANY	donations are deductible up to 20% of taxable income (before the deduction) or 4% of the sum of the total turnover and wages and salaries paid.
AUSTRIA	donations by corporations are deductible but cannot exceed 10% of total profit.
AUSTRALIA AND NEW ZEALAND	corporate donations are deductible with no upper limit as long as the deduction does not create a negative tax liability (and the donation can be spread over five years).
BELGIUM	corporate donations to accredited philanthropic entities are deductible up to 5% of the taxable profit or up to $542,000.
THE NETHERLANDS	corporate donations are deductible up to a limit of 50% of fiscal profit to a maximum of $108,000.
FRANCE	provides corporate donors a 60% tax credit for the share of the donation up to $2,167, 000 and a 40% tax credit for amounts over that. For organisations providing free meals, care or accommodation for people in need, the tax credit is 60% of the total amount of donation.

These types of concessions should be considered to ensure that current or even enhanced levels of corporate philanthropy continue to be incentivised and encourage the international business sector to remain involved in the community in which it operates.

While we do not have total sector data on Bermuda's current levels of corporate giving, nor for the segment of companies that will be subject to the Corporate Income Tax, we estimate total corporate giving to the sector to fall between $20,000,000 and $25,000,000 per year. This is based on 2020 reporting from a subset of all registered charities where 93 nonprofits reported 31% of revenues, or just over $13,000,000, coming from corporate giving.[cviii] We also know that the Association of Bermuda Insurers and Reinsurers members, some of whom will be subject to the Corporate Income Tax, contributed $6,000,000 to charities in 2021.[cix]

We believe at least a doubling of corporate philanthropic giving is needed to better support the Third Sector. Therefore, the Nonprofit Alliance of Bermuda advocates for the structuring of tax credit limits that allow for a minimum of $25,000,000 and ideally up to $50,000,000 of corporate giving to be refundable. This would help to ensure that current levels of giving are not only maintained, but are enhanced.

MINIMUM $25M **ADVOCATE FOR THE STRUCTURING OF TAX CREDIT LIMITS** **UP TO $50M**

STRATEGIC INVESTMENT IN THE THIRD SECTOR

The second opportunity is for the Government of Bermuda to invest a portion of Corporate Income Tax revenues in Bermuda's Third Sector. The government, in its November 2023 Throne Speech and 2024/2025 Budget Statement, stated their priorities include investments to reduce the national debt and tackle the cost of living, as well as investments in affordable housing, education reform, long term care and universal health care.[cx] We encourage these types of investments, as they indicate the Government's commitment to its people. This paper further advocates for a formal hypothecation of tax revenues to be allocated towards funding in support of the Third Sector. We propose five areas for strategic investment:

1) Third Sector Infrastructure: to address the significant gap in data around the Third Sector, the automation and digitisation of the Charities Commission regulatory and registration function would be beneficial. This should incorporate categories of information submitted by the Nonprofit Alliance to the Registrar's charities team to digitally capture relevant data (see Appendix 3 for more information), including:

1. Mission focus **2. Programmes & services** **3. Key outcomes** **4. Certifications & Licensures**
5. Income and expense data **6. Number & demographics of direct beneficiaries served**
7. Number & demographics of staff and board members

Enhanced sector-level data would bring greater transparency, accountability and awareness to the Third Sector. This is especially important given the Charities Team reported to the Nonprofit Alliance in November 2023 that they have a direct mandate from the government to reduce the number of charities. This must be done with clear criteria, care, caution and transparency so as not to add further stress and burden to vital services.

2) Data collection: to similarly address the national-level data gaps on social outcomes, it would be beneficial to allocate resources to enhance the Department of Statistics' population-level data collection on health and social outcomes. This should include social indicators submitted to the Department of Statistics by the Nonprofit Alliance, ensuring we are capturing key indicators in alignment with Bermuda Vital Signs[cxi] and the United Nations Sustainable Development Goal outcomes. Without this information, it is hard to hold Bermuda truly accountable for social outcomes because we do not have the data. See Appendix 4 for more information.

3) Capacity building support: funding for nonprofit capacity building. This should include funding of the Nonprofit Alliance of Bermuda's role in providing training and capacity-building programmes and driving collaboration and coordination across the sector. The benefit of our work is stronger nonprofit organisations and more effective collaboration and coordination between them. Ultimately, this work improves services to the community and contributes to better social outcomes.

4) Certification and accreditation processes: funding of the Bermuda National Standards Committee to ensure adequate resources to provide certification and accreditation to social sector service providers (including public, private and nonprofit providers). This would provide a better benchmark for validating which organisations are demonstrating best practices, a helpful indicator to assess when making funding decisions to ensure efficient allocation of resources to services operating with high standards.

5) Direct Services grants: funding directly to nonprofits such that they can function in a more sustainable manner, where organisations are prioritised if they:

1. Meet priority community needs, demonstrated by clear, evidence-based outcomes. The Bermuda Vital Signs,[cxii] a Bermuda assessment of community priorities and needs, has an established set of evidence-based outcomes that could be used to inform funding allocations.

2. Are accredited or certified by an internationally recognised body, such as the Bermuda National Standards Committee.

While the final design of a process could be subsequently established, the importance is the earmarking of funds for community investment, and deeper investment in Bermuda's Third Sector.

FIDUCIARY AND DISTRIBUTOR OF FUNDS

If formal hypothecation of tax revenues were allocated to third sector funding, some form of decision-making process or body could be used to distribute funds in a way that ensures effective, strategic and needs-based resource allocations.

One option is to partner with locally established foundations. For example, Bermuda has its own community foundation, the Bermuda Foundation, which could be the fiduciary and distributor of hypothecated revenues. The Bermuda Foundation builds and manages customised charitable funds (permanent and pass-through) to sustain the nonprofit sector long-term and to inspire philanthropy for social impact. The Nonprofit Alliance believes this would be a more effective mechanism for the distribution of funding, than directly through Ministry grants.

If other options are considered, case studies may be useful for seeing how other countries have approached similar initiatives. Three such case studies have been identified for consideration.

Case Study 1: The Denver Climate Protection Fund

In 2020, the citizens of Denver, Colorado, raised the local Sales and Use Tax by 0.25% to create the Climate Protection Fund (CPF), to raise $40 million for climate action annually. The City and County of Denver established the Office of Climate Action, Sustainability and Resiliency (CASR) to manage the Fund, with six allowable use categories specified, from investment in renewables technology and energy efficiency to programs for climate justice, adaptation and resilience. The City allocates funds via Requests for Proposals for priority projects, distributed publicly through an online platform. The five-year plan for the fund was developed through extensive community consultation, and the ballot which created the Fund enshrined a strong focus on equitable outcomes, stating that the Fund should, over the long term, "endeavor to invest fifty per cent (50%) of the dedicated funds directly in the community with a strong lens toward equity, race and social justice." Annual reports are issued to transparently share how funds have been allocated, the progress and impact of funded programs and the benefits for local people and communities.[cxiii]

Case Study 2: Lotterywest

Lotterywest is a government-owned and government-operated lottery in Western Australia which returns profits from its lottery games to the community through both statutory allocations and direct grants to nonprofits and local governments. Funding varies in scale from small grants supporting local community organisations to significant grants enabling organisations to take their projects to scale and evaluate their impact over multiple years. Lotterywest grants fund projects or activities with a clear community benefit aligned to their Community Investment Framework, which sets out five priority areas and desired outcomes within each. Personalised support is provided to prospective applicants, and applications are evaluated based on a publicly available set of assessment criteria. A structured acquittal process supports grantees to report on the outcomes of funded activities.[cxiv]

Case Study 3: USAID's Development Innovation Ventures

Development Innovation Ventures is an open innovation fund responsible for managing a small portion of the $42 million foreign aid budget of the United States Agency for International Development. According to USAID, DIV is an evidence-driven, open innovation fund that invests in breakthrough solutions to some of the world's toughest development challenges. DIV accepts applications year-round from social entrepreneurs, nonprofits, private sector companies, government partners and researchers, working across every sector and country in which USAID operates. DIV has developed a unique model combining 'tiered' funding with rigorous evidence-gathering to maximise impact per dollar spent. Allocating funds within distinct tiers with different risk appetites allows DIV to take risks supporting a greater number of potentially powerful innovations in their early stages, while minimising risk and ensuring social return on investment for larger allocations. Meanwhile, a focus on gathering evidence of both impact and cost-effectiveness within funded programs allows DIV to maintain rigour and fund what works across their portfolio. DIV's funding is provided through "fixed amount awards," a unique pay-for-results grant instrument that sets them apart from traditional grant-makers.[cxv]

However it is structured, enhanced support for Bermuda's Third Sector could help to alleviate some of the capacity challenges nonprofits are facing, and better enable it to provide critically-needed support to the community.

Section 4: Call to Action

The choice of how Bermuda will invest revenues generated by the incoming Corporate Income Tax, and more generally how it allocates government spending, is not just a fiscal decision but an indicator of where our country places its priorities. Bermuda faces difficult socio-economic and health challenges, especially when considering the extreme level of wealth on the island. It can do better for its people.

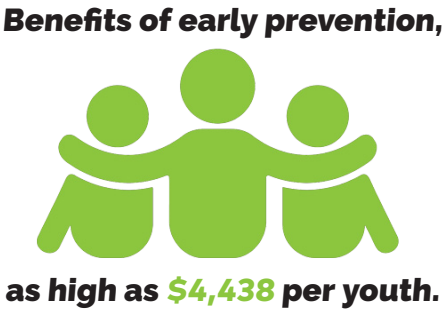
Part of the problem for such persistent and troubling social outcomes is the underinvestment in sufficient, efficient and effective social supports and services. This argument is based on comparisons to our public social expenditure as a percent of our GDP, an internationally accepted benchmark for comparing social spending. We appreciate that some may disregard comparisons to our GDP as inappropriate because of the unusually high amount of our GDP that derives from international business and financial services. The Nonprofit Alliance disagrees with this position, and believes this is a contributing factor to the Two Bermuda's. Bermuda cannot be at the cutting edge of international business while falling behind on the social metrics used by our economically advanced OECD peer countries. The reality is there is tremendous wealth being accumulated in Bermuda due to the international business sector. This is driving much needed and vitally important growth on the island. However, it is also matched by increasing income inequality between white-collar and blue-collar workers.

Since at least 2005, workers in financial services, real estate and international business have, on average, seen their inflation-adjusted incomes increase by over 25%. During the same period, inflation-adjusted incomes of fishermen, farmers and construction workers have fallen by over 20%. Incomes for hotel, food service and private-sector transport workers have declined by between 12% and 15%. For 2005-2022, public administration inflation-adjusted incomes increased 3%; for 2013-2022, there was no increase[cxvi]. Many sectors, and therefore workers, in our community, are not experiencing trickle down benefits of the growth of international business.

Bermuda is indeed another world, and that is even more of a reason that we have the potential to do more to make Bermuda's growth more equitable. We fundamentally believe that Bermuda would be a better place if it were more equal. Bermuda's nonprofits are playing a key role in this regard, but there is an unsustainable level of need falling on the Third Sector, especially in terms of its efforts to prop up Bermuda's social safety net. Bermudian nonprofits if left underfunded will only be able to create and capture impact proportionate to the investment in them. Bermudian nonprofits if supported, trained and funded will be able to create and capture greater impact - paving the way for a more united and equal Bermuda.

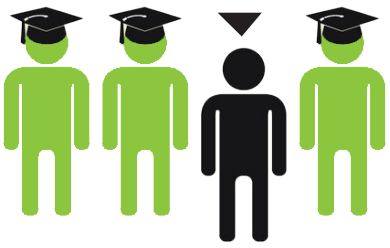
This argument is first and foremost a moral one, and a call to do better than settling for Two Bermuda's, or a Bermuda that Bermudians are leaving. However, there is also a purely economic justification for greater community investment. Global peers show that it is best to affordably prevent issues rather than expensively remedy them when it is too little too late, and prevention science literature has long made the case for the economic returns on social investment. For example, research shows that individual evidenced-based social programmes and nonprofit interventions can have a benefit to cost ratio of up to $700 over a lifetime per person. This means that one dollar spent on one social intervention for one person can have a return of $700 over that individual's lifetime, in terms of benefits accrued not only to the individual but also to society. See appendix 6 for a sample of 53 social programme ROI indicators[cxvii].

$1 ON AN INTERVENTION = A RETURN OF $700 OVER A LIFETIME



When an entire system of evidence based early prevention measures are taken, the benefit of early prevention services has been found to be as high as $4,438 per youth[cxix]. Research in North American and Europe around adverse childhood experiences has shown that a 10% decrease in adverse childhood events prevalence would result in at least a $105 billion in savings for those regions[cix]. ***Investing socially saves money over time***. These savings can be compared to the costs associated with not preventing negative social outcomes.

For example, US cost estimates on society per high school dropout is approximately $240,000 over a lifetime in terms of lower tax contributions, higher reliance on government support, and higher crime rates, while the average cost to society for chronic criminal offenders who continue to commit crimes into adulthood is almost half a billion dollars[cxx]. Not investing enough socially is expensive for Bermuda, and costs far more to society.



While pure social spending alone will not solve the challenges Bermuda faces, investment in strong social foundations, standards, and services can have a profound impact. Without doing anything different, the Two Bermuda's will persist and are already worsening. This is an opportunity for change. By deepening the investment in the community, Bermuda can build stronger infrastructure, better standards, greater accountability and higher quality services. Collectively this would result in greater community impact by organisations that are better positioned to execute their missions. Nonprofits play a key role in building a better Bermuda. The community needs better support for a sector that is so critical. It could be a driving force to reduce vulnerability and disparity, and to replace it with wellbeing, equity and unity.

Appendix 1:

Social Care Cost Calculations

Here is one family's experience of the expenses associated with caring for their elderly mother:

FutureCare will pay 40 hours per week, at $15.00 per hour, to a max of $2,600 per month. We pay $38.00 per hour to an agency who provides the carers (plus time and a half on holidays). On average, then, with eight hours a day and $38.00 per hour, the total monthly bill for Mom's care (assuming no holiday pay, and a 30-day month) is $9,120.00, less FutureCare's share of $2,400.00, for a net out-of-pocket cost-of-care of $6,720.00. If mom will need 24-hour care at a future state, we would be looking at $27,360.00, minus future care's $2,400.00, for a net of $24,960.00 per month just for the care alone. On top of that the monthly bill, supplies (diapers, skin creams, gloves, dry wipes, distilled water for the home oxygen concentrator — all the things that are required to provide personal care to an elder), food and pharmacy materials (not including prescriptions of which $3,000.00 are covered by FutureCare) are about $1,000.00 on average. Alternatively, live-in care at a nursing facility ranges from $6,000-$12,000 per month. It varies whether you have to purchase your own diapers or whether the facility includes that in their charges. For example, Westmeath includes diapers. Matilda Smith does not. A nursing home also of course includes food, laundry and all the other stuff that home care providers need to take care of out of pocket. You can also get a live-in provider, but in general, those contracts are for 40-50 hours per week, with a fee that is anywhere between $22.00 and $25.00 per hour plus benefits. Even with a live-in carer, you may also have to hire hourly workers to fill in the gaps for time-off and vacation, so the costs of that can be extremely variable. [cxxi]

Additional cost implications for individuals living with dementia are further highlighted by NorthStar, Bermuda's leading dementia care provider:

Current eligibility criteria for the Personal Home Care Benefit for FutureCare means that many persons with dementia actually fall through the gaps and do not receive the maximum benefits available (40 hours). This is because criteria typically relate to basic physical ability levels, i.e., can the person feed themselves, can they mobilise independently, can they toilet themselves independently.... In the early/middle stages of the condition, physical abilities may remain, but because of the associated cognitive decline, clients may not remember to prepare meals and eat regularly, may miss medications, may not remember to bathe, etc. So, we find the current systems to be more reactive than proactive in terms of supporting someone to successfully age in place at home. Without the ability to tap into the maximum benefits, the cost of care is only increased for families. We are also not capturing the other "costs" of care: extreme caregiver stress and burden levels which are taking a toll on the health and well-being of family members as a result of 24/7 care needs; missed workdays; impacts on families and younger generations as an outcome of expecting families to do the impossible and care for their loved ones 24/7, 365 days a year without sufficient community-based support, financial means or respite care services. About 80% of dementia care is currently undertaken by family members who report high levels of caregiver stress and burnout. This is resulting in increasing costs to the health care system because persons are regularly admitted to BHB and long-term care facilities primarily for social reasons vs. acute medical care needs. The Continuing Care Unit is full, and skilled nursing facilities have lengthy waitlists and as a result can pick and choose the clients they would like to admit. I have many clients who are waiting in beds both at BHB and at home for appropriate long-term care placement. In the meantime, families are expected to manage until a bed becomes available, which can realistically take months or years. We are seeing more and more care

crisis scenarios, with BPS involvement, seniors reporting abuse, etc. People are really struggling to manage unrealistic care expectations on their own at home. We know that current evidence-based practice promotes community-based services and programs that facilitate successful aging in place for persons with dementia, in environments that are most familiar to them for best outcomes. This requires integrated care planning throughout the continuum of care and bolstered multidisciplinary team service provision to meet the needs of both clients and caregivers. At present, 87% of clients/families self-report that they are uninsured/underinsured for essential dementia care services and unable to afford out-of-pocket expenses associated with service provision.[cxii]

Appendix 2:

Public Expenditure Calculation

The below tables were used in order to compare Bermuda's public social expenditure with that of the Caribbean and the OECD. The figures were extracted from the 2024-2025 budget projections[cxxiii] and compared to the 2022 Bermuda GDP. Two different tables were used, as the OECD and Caribbean data included different buckets in their public social expenditure calculations.

The Caribbean comparison included the following 12 budget items

ECLAC COMPARATIVE-EDUCATION AND ENVIRONMENT		2024/25 BUDGET	% OF BERMUDA GDP
Health	$	200,442,000	2.57%
Health Insurance	$	40,122,000	0.51%
Pensions	$	40,316,000	0.52%
Social Insurance	$	3,000,000	0.04%
Financial Assistance	$	54,121,000	0.69%
Workforce Development	$	4,214,000	0.05%
DCFS	$	19,680,000	0.25%
Bermuda Housing Corp.	$	6,550,000	0.08%
Education	$	149,589,000	1.92%
Tourism, Culture & Sport	$	26,619,000	0.34%
Parks	$	10,269,000	0.13%
Ministry of YSDS	$	11,494,000	0.15%
Total	$	566,416,000	7%

The OECD comparison included the following 8 budget items

OECD COMPARATIVE-WITHOUT EDUCATION		2024/25 BUDGET	% OF BERMUDA GDP
Health	$	200,442,000	2.57%
Health Insurance	$	40,122,000	0.51%
Pensions	$	40,316,000	0.52%
Social Insurance	$	3,000,000	0.04%
Financial Assistance	$	54,121,000	0.69%
Workforce Development	$	4,214,000	0.05%
DCFS	$	19,680,000	0.25%
Bermuda Housing Corp.	$	6,550,000	0.08%
Ministry of YSDS	$	11,494,000	0.15%
Total	$	379,939,000	5%

Appendix 3:

Nonprofit Data Requested by the Nonprofit Alliance

On February 16, 2024, the Nonprofit Alliance submitted a request to the Registrar's Charities Team requesting a range of information be included in any future automating and digitizing of the charities' registration and regulation processes. The full submission can be accessed online.[cxxiv]

Appendix 4:

Social Indicators Requested by the Nonprofit Alliance

On January 4, 2024, the Nonprofit Alliance submitted a request to the Department of Statistics requesting the inclusion of 29 key social indicators to be included in the 2026 census, or other appropriate national-level surveys. These were submitted after an analysis of the Sustainable Development Goals and the Bermuda-based Vital Signs. The full submission can be accessed online.[cxxv]

Appendix 5:

Dignity at Work Testimonial

Some Bermudians do not feel they have access to employment that provides a sense of dignity, as described by Transitional Community Services, a nonprofit servicing adult males in Bermuda:

The biggest barrier that young men experience is equality and what they experience as unfair practices. What we have consistently seen is that young men are applying for "low-level" positions in well-known establishments, primarily in the hospitality industry, and are presented with employment conditions that are not on par with their non-Bermudian counterparts. Prior to the amendments to the Employment Act, young men were often offered "informal positions" colloquially known as "hustles." Amendments to the Act allowed these same young men to be "elevated" to "Independent Contractor[s]." The difficulty with this is that they would be performing the exact same tasks as non-Bermudians, often in the same posts, yet the non-Bermudians would be deemed employees. This is further underscored by the fact that often times the young Bermudian men would be reporting to the non-Bermudians as a more "senior" worker, yet their posts and job descriptions are similar, and in some instances the same. To quantify the differences from a financial standpoint, Independent Contractors are not entitled to the mandatory minimum wage ($16.40); they are entitled to a set stipend for the "services rendered." The highest fee for service we have ever seen for a young man classified as an Independent Contractor is $60.00 per day for eight hours. This young man works six days per week, equalling $360.00 in take-home pay. Independent Contractors do not have any deductions or any of the protections extended to employees. An employee working those same eight hours at minimum wage for six days per week would make $787.20 (albeit deductions would be taken out). We have had a young man employed (as an employee) in one of these businesses referenced above who, after working 35 hours, took home less than $250.00. Simply put, our young men are not attracted to working in these establishments. They describe being overlooked, overworked and feeling disrespected, often times by non-Bermudians. They cannot afford to live on the wages earned. A stark difference that is often overlooked is that oftentimes, non-Bermudian workers in these industries live together communally, thus splitting the costs-of-living expenses. This approach to living is not one we have seen with Bermudian young men, unless they are living with family OR when they are living rough and pooling what little resources they have. The ones who work as Independent Contractors constantly describe an internal battle of wanting to advocate for themselves but at the same time feeling like that should "be happy for something." The notion of "being happy with something" inevitably wins and they suffer in silence.[cxxvi]

Appendix 6

Since the 1990s, the Washington State legislature has directed Washington State Institute for Public Policy to identify "evidence-based" policies and provide policymakers and budget writers with a list of well-researched public policies that can, with a high degree of certainty, lead to better outcomes coupled with a more efficient use of taxpayer dollars. The WSIPP developed a robust process to draw conclusions about what works and what does not to achieve particular outcomes of legislative interest: the WSIPP benefit-cost model. The resulting analysis estimates the dollar value of offering a program to one additional person over that person's life course. The model does this by valuing changes in outcomes (e.g. crime, depression, test scores) produced by programs and comparing them to the costs of providing those programs. The benefit and cost estimates reflect the difference between a person who receives the program and one who does not. The "Total benefits" represent the total value of the program to society, including accumulated benefits to the taxpayer, participant, other indirect benefits. "Taxpayers" includes expected savings to government (e.g., from reduced expenditures in the criminal justice, child welfare, or other systems) and expected increases in tax revenue. "Participants" includes expected increases in earnings and expenditures for items such as health care and college tuition. "Others" includes benefits to people other than taxpayers and participants. Depending on the program, it could include reductions in crime victimization, the economic benefits from a more educated workforce, and the benefits from employer-paid health insurance. The "Benefit to cost ratio" is calculated as the total benefits divided by the net program cost.

The strength of the WSIPP benefit-cost model is that it uses a consistent framework for all programs. The model uses the same modeling algorithms and background information, along with consistent estimates of the value of different outcomes. That framework is combined with information on specific programs to create comparable benefit-cost results. The below chart provides an example of findings for some of the most effective interventions reviewed[cxxvii]. This analysis demonstrates that sound social programmes and interventions can have a benefit to cost ratio of up to almost $700 over a lifetime. This means for a dollar spent on a social intervention for one person can have a return of $700 over that individual's lifetime.

CIT Paper - Washington State Institute

Programme Name	Net Benefits (benefits minus costs) Over A Lifetime for 1 Participant	Benefit to Cost Ratio (Benefit for every $1 spent)
Juvenile Justice		
Functional Family Therapy (FFT) for youth post release	$157,036	$18.73
Other (non name brand) family based therapies for court involved youth	$42,327.00	$13.62
Mentoring for youth post-release (inc. volunteer costs)	$33,274.00	$9.37
Education & Employment training for court involved youth	$25,219.00	$8.39
Mentoring for court involved youth (inc. volunteer costs)	$21,867.00	$8.14
Adult Criminal Justice		
Employment couseling & job training (transitional reentry from incarceration into the community)	$52,027.00	$19.13
Offender reentry communicty safety programme	$39,053.00	$1.90
Circles of support & accountability	$29,065.00	$7.30
Correctional education (post-secondary education)	$27,609.00	$19.74
Vocational Education in Prison	$19,289.00	$11.94
Mental Health Courts	$16,665.00	$5.56
Outpatient or non-intensive drug treatment during incarceration	$11,524.00	$14.05
Outpatient or non-intensive drug treatment in the community	$11,259.00	$13.42

Appendix 6: Continued

CIT Paper - Washington State Institute		
Programme Name	Net Benefits (benefits minus costs) Over A Lifetime for 1 Participant	Benefit to Cost Ratio (Benefit for every $1 spent)
Pre-K - 12 Education		
Becoming a Man w/ high dosage tutoring	$45,663.00	$9.56
Child-Parent Center (CPC)	$36,525.00	$4.18
Tutoring: By Peers	$25,599.00	$246.31
Tutoring: By certified teachers, small-group, structured	$20,790.00	$10.68
State childhood education programmes: Universal	$20,516.00	$3.59
Summer book programmes: multi year intervention	$20,327.00	$80.22
Teacher Professional development: use of data to guide instructiont	$19,028.00	$147.84
Consultant Teachers, online coaching	$16,879.00	$73.27
Head Start	$16,623.00	$2.67
State early chidhood education programs: low income	$12,651.00	$4.79
Out-of-school-time tutoring by adults	$7,427.00	$7.68
Summer learning programmes - Academically focused	$6,501.00	$5.74
Class size: reducing classroom size by one student in Kindergarten	$1,919.00	$8.76
Childrens Mental Health		
Group and individual cognitive behavioural therapy (CBT) for children & adolescents w/ anxiety	$13,423.00	$27.04
Parent cognitive behavioural therapy (CBT) for children w/ anxiety	$6,606.00	n/a
Acceptance and commitment therapy (ACT) for children w/ anxiety	$5,262.00	n/a
Child Parent psychotherapy	$75,095.00	$15.69
Cognitive Behavioural therapy (CBT)-based models for child trauma	$30,324.00	na
Kids Club & Mom Empowerment	$21,280.00	$28.63
Health Care		
Lifestyle interventions to prevent diabetes: Longterm, intensive, individual counseling	$32,007.00	$8.18
Other prenatal home visiting programmes	$12,858.00	$16.74
Multi-component interventions including exercise and home hazard reduction (high-risk population)	$8,525.00	$8.45
Home hazard reduction (high risk population)	$3,767.00	$11.04
Substance Use Disorders		
Contingency Management (higher cost) for substance use disorders	$26,081.00	$39.74
Brief marijuana dependence counseling	$16,972.00	$26.84
Adult Mental Health		
Cognitive behavioural therapy (CBT)-for adult anxiety	$45,227.00	$67.85
Acceptance and commitment therapy (ACT) for adult anxiety	$30,982.00	$61.66
Cognitive Behavioural Therapy (CBT) for adult depression	$34,014.00	$58.20
Cognitive Behavioural Therapy (CBT) for adult posttraumatic stress disorder (PTSD)	$67,360.00	$102.40
Eye Movement Desensitization and Reprocessing (EMDR) for adult posttraumatic stress disorder (PTSD)	$56,611.00	$696.33
Posttraumatic stress disorder (PTSD) prevention following treatment	$6,467.00	$7.44
Public Health & Prevention - school based		
Positive Action	$35,707.00	$31.03
Mentoring school based by teachers or staff	$19,244.00	$5.95
School wide positive behavioral Interventions & Supports (SWPBIS)	$10,274.00	$15.09
Promoting alternative thinking strategies (PATHS)	$9,937.00	$24.44
Sunshine Circle Model	$5,566.00	$31.22
Population Level Policies		
anti-smoking media campaign youth effect	$1,955.00	$60.29
Workforce Development		
Career & Technical education academies	$12,673.00	$2.94
Higher Education		
College advising provided by counselors (for high school students)	$35,070.00	$39.08
Summer outreach counseling (for high school graduates)	$22,855.00	$202.38

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