Inside Philanthropy

For Local Newsrooms, Philanthropy Isn't Charity—It's Revenue

Steven Waldman, Guest Contributor

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Across philanthropy there's a growing recognition that local journalism has an important role to play in strengthening our communities, fighting polarization and misinformation, and helping communities more effectively address healthcare inequities, underperforming schools and other pressing problems. And philanthropists increasingly see that this critical information ecosystem is at risk.

Yet I frequently hear a version of this back-handed compliment about nonprofit local news sites: "These newsrooms are doing great journalism, and philanthropy can certainly bridge the gap—until we figure out a new business model for local news."

Here's the thing: Adding philanthropy *is* the new business model for local news that we've been waiting for. And frankly, if executed properly, it could be a better model than the one we had before—for many types of local journalism should really be thought of as a public good. As the traditional local news models collapse, we need to build philanthropy into the mix if we are to have healthy, well-informed communities.

The third revenue stream

The key is thinking of philanthropy not as lightning-bolt-from-the-sky charity, or as the only type of support, but rather as the *third revenue stream*. It needs to be developed as a persistent, ongoing source of income, alongside subscriptions and advertising, the two primary sources of local news support to date.

There is growing evidence that community support can be significant, predictable and ongoing. This week, Report for America announced that the amount our host newsrooms raised for themselves from their communities to support Report for America journalists increased 61% from 2019 to 2020. In aggregate, the number went from $800,000 to $4.6 million; some of that was because Report for America added more newsroom partners, but most of the growth is sheer fundraising success.

Some context: Report for America pays half the salary of the exceptional reporters we place in newsrooms and asks that the local newsroom raise at least a quarter of the salary from the community. We have a team of sustainability coaches who work with them, providing them templates for direct marketing, tech platforms, webinars and advice. We have an even split of for-profit and nonprofit newsrooms.

It turns out that, if given help and some guidance, both for-profit and nonprofit newsrooms can raise meaningful support from the community, which is increasingly understanding and responding to that need.

For instance, the *Democrat and Chronicle* in Rochester, NewYork, applied to Report for America for two reporters—one focused on public education coverage in a struggling district and one focused on the local Puerto Rican community. Their campaign to attract support for those journalists caught the attention of hundreds of community members like Michael Read, who made a gift and said, “(Report for America corps members) Adria and Natalia have made Rochester better by being here.”

Notably, our experience has been that low-income communities are just as capable of raising the funds as high-income communities.

We’re not alone. The Local Media Association helps primarily for-profit newsrooms raise philanthropic support, too. They reported that their newsrooms drew in $2 million in 2020.

Adding philanthropy into the mix

The reason I say philanthropy should be the third revenue stream is to combat two tendencies: Too many nonprofit news organizations think of donations as the *only* revenue stream, and for-profits tend to view philanthropy as not a revenue stream at all. In the case of local news, there should be a mix, and philanthropy needs to be one of the ingredients.

With for-profit newsrooms, that means subscriptions and advertising. The big push now, appropriately, is to increase digital-only subscriptions (which are far more profitable than print subscriptions) and decrease reliance on advertising. They need to keep making progress there—but also add philanthropy. It can create a virtuous circle: Philanthropy can increase the quality and breadth of the journalism, which can help increase the number of new subscribers and the retention of old.

Nonprofits also should have a diverse set of revenue sources, such as underwriting or sponsorships. (Shhh. Don’t tell anyone but, it’s pretty much the same thing as advertising.) At the *Texas Tribune*, 18% of their revenue came from events, but most came from sponsorships sold for the events, not gate receipts from charging for tickets. More than half of the revenue at the San Antonio Report was from advertising.

Clearly, nonprofits that develop a mix of revenue streams have the potential to become truly substantial organizations. Last year, VTDigger raised 32% of its funds from memberships and another 39% from major gifts. The organization now has the largest newsroom in Vermont, with 20 reporters and editors, including one Report for America corps member.

Major gifts can be a steady source, too. In the popular imagination, donations from high-net-worth individuals seem like winning the lottery—a sudden burst of good fortune that helps for a while but will eventually go away, and in any event, cannot be counted on.

That's not true. As any nonprofit with an effective development operation knows, major donations can become a persistent source of revenue if leaders approach the possibilities methodically, practice good stewardship, demonstrate impact, and constantly attempt to expand their pipeline.

As one example, Becky Meiers of KCAW Raven Radio in Sitka, Alaska, reported that Report for America's partnership helped her station increase the number of major donors by 85% from 2019 to 2020.

This pool of income is likely to become more reliable, not less reliable, for an unfortunate reason: rising income inequality. There are now more than 10 million millionaires in the United States, almost double the number in 2008. If the number of car dealerships almost doubled in a bit more than a decade, news leaders would be focusing on them as a promising revenue stream. They should view proliferation of millionaires (and other wealthy folk) in the same way.

Taken together, individual donations in the United States, large and small, totaled $310 billion in 2019. There are already plenty of signs that media—if it is oriented to civic good—can attract a meaningful amount. Roughly half of the donations to Report for America's local newsrooms were from individuals. Although public radio stations around the country did take a revenue hit during the pandemic, the decade before that showed record-level growth in philanthropic support, much of it from individual donations. No one looks at public radio and says, "Too bad they don't have a business model."

Of course, I don't mean to be rigid. The number of revenue sources could be two or four, and different outlets will come up with different approaches. But philanthropy can be reliable and robust if done the right way.

The community foundations are key players, too. There are more than 750 community foundations. If they spent a tiny percentage of their budgets on local news, that would transform the local landscape.

To make this support durable, community foundations should look to creating permanent funds or endowments. This is another finding in the report released by Report for America this week: "One of the most notable trends is community foundations creating structures designed to make philanthropic support broader and more enduring. In all, we are aware of at least 10 cases nationally in which community foundations have now set up special funds to attract and manage support for local journalism over the long term."

In Washington state, the Community Foundation of Snohomish County established a new fund to support investigative journalists, with a $250,000 goal to fund investigative reporting at the *Daily Herald* in Everett, Washington. The partnership has a longer-term goal of raising $550,000 to establish a trust in order to retain at least one full-time investigative reporter.

In 2019, five community foundations worked with Report for America to support local reporting. In 2020, there were 25.

Julie Sandorf, the visionary leader of the Revson Foundation, recently proposed “the 2% solution”—the idea that if foundations spent just 2% on journalism, it would generate $1.5 billion. Add to that a comparable level of support from individual donors, and you’ve added $9 billion into the local news sector per year.

That would be enough to end the crisis of local news in America. Although newspapers have lost far more than that in revenue, it is estimated that $1 billion to $2 billion in philanthropic support, if properly targeted, could wipe out news deserts and create a strong system of accountability reporting.

The reward far outweighs the risk

The local news ecosystem of the future must consist of more for-profit players supported by some philanthropy, and more nonprofit players supported by earned revenue.

Yes, there are risks to a bigger role for philanthropy. Journalism could be warped by the interests of donors, just as it sometimes is by the interests of advertisers, and frequently is by the passions of viewers or readers of click-bait, ad-based media models. But that can be solved by having diverse sources and establishing appropriate firewalls to protect coverage from being skewed.

Early in this piece, I said this model might actually be better than what came before. The previous models often left many communities out. The insertion of philanthropic funds means that news organizations can also do “civic good” journalism—stories that might not generate a short-term financial ROI but do generate a civic ROI. Labor-intensive accountability and beat reporting rarely generates enough page views to drive revenue, but creates great value for the community by holding institutions accountable.

Another example translates this notion of Civic News ROI into mathematical terms. One Report for America corps member is Zak Podmore, who covers the poorest county in Utah for the *Salt Lake Tribune*. He discovered that San Juan County had been double-billed by their law firm. He got them a $109,500 refund. Now this is not a Watergate-level blockbuster. But that amount happens to triple the amount of Zak Podmore’s entire salary and the amount of philanthropic spending that helped to make that position possible. The people of that county got a good return on the donors’ investment.

Among local news innovators, there’s a recurring debate about whether the future will be nonprofit or for-profit journalism. The obvious answer is both. That means a bigger role for philanthropy. We journalists should not view that as a defeat. We should call it what it is—a third revenue stream, a new business model, and a path to stronger, healthier communities.

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