

A Local News Savior? – Local Media Shifts to Nonprofitship

It is no secret that news organizations have been struggling to stay afloat for the past decade or longer. According to a Nonprofit Quarterly article, “A quarter of all US newspapers have failed since 2004, . . .”¹ As the internet and other factors affect the industry, subscription numbers and advertising revenues are way down. Advertising revenue went from \$67 billion (adjusted for inflation) in 2000 to \$20 billion in 2014.² There is no doubt, it has been hard for news organizations, particularly local ones. What can be done?

One idea that has become more and more popular is shifting the structure of for-profit news companies to a nonprofit model. Before the major onset of the downward trend for for-profit news companies, most people (including the IRS) thought they would not qualify for 501(c)(3) status. The rationale was that a traditional news organization would look and feel too much like a commercial activity. In 2012, Marcus Owens, a former director of the IRS’s tax-exempt organizations division, stated as much, saying, “that a regular-news newspaper is not educational—that there has to be something more . . . it hasn’t articulated it, but I suspect the word would be ‘academic’ A regular-news newspaper, typically one that carries advertising, looks and feels like a commercial activity.”³ This notion has shifted since 2012, however.

News is something that will always have demand. As for-profit news organizations began to shut down, nonprofit news sites began to fill in the gap left behind. They were organized around the purpose of civic education and engagement.⁴ As the nonprofit arm of news became more prevalent, the argument asserted above against giving 501(c)(3) status to the traditional type of news organizations became weaker and antiquated. The focus centered primarily on revenue streams. But what would it look like to convert a for-profit news company to a nonprofit one?

A company that did so was the *Salt Lake Tribune* in 2019. The *Tribune* reframed its purpose a bit, but the only substantive change was that it promised to no longer make candidate endorsements.⁵ It filed an application as an educational entity. The IRS approved its application in the same year. Therefore, in essence, traditional news organizations could merely refrain from candidate endorsements and carry on as always while receiving tax-deductible donations and tax-exempt status. This means that the news industry is now thought of as inherently educational. The *Tribune* did also state that no donor or gift would direct the who, how, or what of what is

¹ Marian Conway, *Two Philanthropic Strategies Aim to Boost Faltering Local News*, NONPROFIT Q. (April 7, 2021), <https://nonprofitquarterly.org/two-philanthropic-strategies-aim-to-boost-faltering-local-news/>.

² Steve Dubb, *Among Local Media, Conversions to Nonprofit Ownership Accelerate*, NONPROFIT Q. (Jan. 26, 2021), <https://nonprofitquarterly.org/among-local-media-conversions-to-nonprofit-ownership-accelerate/>.

³ Steve Dubb, *Salt Lake Tribune Files with IRS for 501c3 Status—How Times Have Changed*, NONPROFIT Q. (June 5, 2019), <https://nonprofitquarterly.org/salt-lake-tribune-files-with-irs-for-501c3-status-how-times-have-changed/>.

⁴ *Id.*

⁵ Ruth McCambridge, *Welcome to Nonprofithood, Salt Lake Tribune!*, NONPROFIT Q. (Nov. 19, 2019), <https://nonprofitquarterly.org/welcome-to-nonprofithood-salt-lake-tribune/>. See also, I.R.S. Form 990: *The Salt Lake Tribune Inc.* (2019), retrieved from Guidestar.org.

reported, and that all donations will be made transparent.⁶ If a news organization steers clear of a few practices, like allowing major donors to direct the news, it will most likely be approved for exempt status. Just becoming a nonprofit does not solve all of the revenue issues, however. Where is the revenue going to come from?

Various approaches have started to answer this question. Revenue could come from well-known, more general philanthropic entities, but it also could come from newer, more innovative, generational-news-problem-solving entities that have not yet been needed or created. There is now space to reconsider news delivery systems. In the *Tribune's* case, they created a separate unaffiliated foundation when they applied for tax-exempt status. The foundation will use its endowment to support local outlets across the region, including the *Tribune*. Report for America is a nonprofit specializing in funding local news organizations. It raises money to fund putting reporters in under-covered communities to report on under-covered stories.⁷ The American Journalism Project, as a collective with other philanthropic organizations, is trying to increase news organizations directed by BIPOC leaders in the hope that communities of color will have increased civic engagement. The News Integrity Initiative, which is also part of the Racial Equity in Journalism Fund, “supports amplifying marginalized voices through news coverage, creative information sharing, and storytelling projects.”⁸

These specialized organizations are bringing new ideas and focus to historically forgotten or left out communities and topics. With profits not at the forefront guiding content, new news stories are possible, but revenues from grants from these organizations and others like them are still predicated on individual donations. Fortunately, donations from individuals are up. NewsMatch says its individual donors during the pandemic were up sixty five percent from the year before.⁹ There is plenty of indication that individuals will support a transparent, community-based, nonpartisan news organization. NPR represents such an entity and has a large presence in the media industry.

It is unclear whether the traditional news model is on its way out as the new community nonprofit model become the new norm. Perhaps a combination of the two will continue to develop. It is clear that increasing support from donations does give the power back to the people. The news is a critical commodity that informs our society and helps ensure the stability of our democracy. It will continue to exist; how and in what form is the question. For now, we know that, at the very least, it is likely many traditional-style local news organizations can successfully transition to nonprofitship, if they choose to do so. Whether that transition safeguards them enough to remain solvent is another question, especially as new models emerge.

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⁶ *Id.*

⁷ Conway, *supra* note 1.

⁸ *Id.*

⁹ *Id.*

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