



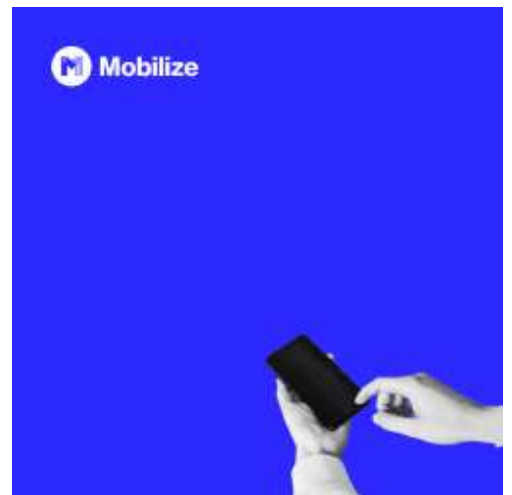
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“There is No Turning Back.” Philanthropy and Journalism After COVID-19

Mike Scutari



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Philanthropy has stepped up heroically to provide journalism outlets with emergency support in the wake of the coronavirus crisis. But what happens after the current crisis subsides? Advocates, funders and nonprofits have begun to grapple with this question as the pandemic continues to weaken an [already fragile journalism ecosystem](#).

“Newsrooms who rely more heavily on philanthropic support are uncertain whether they can count on that support as the stock market crashes,” said Steve Waldman, president and co-founder of Report for America.

Tracie Powell, who runs Borealis Philanthropies’ the Racial Equity in Journalism Fund, told me that the fund’s [primary post-COVID-19 goal](#) is helping outlets strategically leverage general operating support in the most effective way. “We’ve got to step up and provide them coaching and guidance,” she said.

And in late March, Facebook’s head of global news partnerships, Campbell Brown, said, “What we need... is Facebook to be a better partner to news for the long term, to [develop] those sustainable business models that keep news organizations in a place where they’re not trying to figure out, you know, what their future looks like,” before ominously adding, “if they have a future.”

I reached out to journalism funders and advocates, asking them how philanthropy can equip outlets for the uncertain road ahead. Three key takeaways emerged.

First, legislators must address the Facebook/Google advertising duopoly. Second, funders should help

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outlets develop sustainable business models built on three core components: digital transformation, a deep base of members or subscribers, and **robust fundraising capacity**. Organizations that have embraced these components “are better positioned to make it through the current crisis,” said Jennifer Preston, vice president for journalism at the Knight Foundation, which joined the Lenfest Institute for Journalism in supporting the \$2.5 million Philadelphia COVID-19 Information Fund.

And third, outlets—many of which were **raising more money**, broadening the donor base, and experimenting with sustainable business models before the crisis hit—can use the current crisis to accelerate digital transformation efforts and strengthen bonds with a growing funding infrastructure.

“When we come through this, the nation will have transitioned in its use and sophistication of digital communications media in ways it would have normally taken years to evolve,” Knight President and CEO **Alberto Ibargüen** told me. “Smart organizations are already seeing the enforced separation and reliance on digital media as an opportunity to experiment in the development of content, expansion of audience and engagement of the community.

“Those that use this moment of permission to experiment, learn and apply will benefit; those that retract to try to stay the way they were will fall further behind their audience. There is no turning back.”

“I’m Looking for a Business Model”

A discussion about journalism's post-COVID-19 future must address the fact that Facebook and Google will continue to control much of the advertising revenue that once went to local news organizations.

"There has to be a commercial path available for local news in the digital era," Save Journalism Project co-founder John Stanton told me. "Sadly, the destruction of the business model by the tech giants has led to the [private equity takeover](#) of many local and regional newspapers with the promise of reducing costs to keep those papers afloat."

The proposed fix of David Chavern, president and CEO of the News Media Alliance, falls outside of philanthropy's sphere of influence. Chavern says that Google and Facebook must step forward to figure out how to pay publishers for the content they circulate on social media platforms. "I'm not looking for charity," Chavern told NPR. "I'm looking for a business model."

Last year, Mark Zuckerberg announced that Facebook would pay some of its larger news partners as much as \$3 million a year for three-year deals as part of its Facebook News tab. That said, the company doesn't pay all of the publishers in the program. Facebook still hasn't "felt compelled to pay for news content because the law hasn't supported them being compelled to pay for it," Chavern said.

Such laws are already emerging overseas. In early April, French antitrust authorities ordered Google to negotiate with publishers to pay for the news content shown in search results. Two weeks later, Australia's Treasurer Josh Frydenberg announced

the government will adopt a mandatory code to require tech companies like Google and Facebook to pay local media for reusing their content. The code, Frydenberg said, seeks to "create a level playing field where market power is not misused, companies get a fair go and there is appropriate compensation for the production of original news content."

Here in the U.S., Chavern is a proponent of the Journalism Competition & Preservation Act, which would allow news publishers to collectively negotiate with tech giants like Google and Facebook. "It would be a high-impact, low-cost way for the government to really help the news consumer now," he said. Chavern believes the legislation would be an improvement over calls for more federal and state funding. "I, for one, am not comfortable with the Fourth Estate being on a government payroll."

"Philanthropy Can Only Do So Much"

Philanthropy isn't completely powerless to influence the Facebook/Google duopoly debate. "We need research on effective regulatory models to protect small businesses from the anti-competitive actions of the tech giants," Stanton told me. "The United States has a long history of regulating monopolies, from the railroads to telephones. What is a mode that would work for the online marketplace?"

Stanton's comments underscore the prescience of the Knight Foundation, which launched a [\\$300 million initiative](#) to strengthen journalism and democracy last year. Last December, I spoke with John Sands, Knight's director for learning and impact, who told me that the foundation's [slate of](#)

22 investments addressed “the increasing shift of the public sphere to a digital realm owned by private internet technology companies and the immense powers that these companies have assumed in recent years to mediate speech, commerce and information flows.”

Research into Big Tech’s influence will become even more important post-COVID-19, Stanton said. “It is very likely that whatever world emerges post-COVID will be more centered online. That will mean more power for the tech giants and more industries will likely come under their thumbs in the same way the journalism industry has over the last decade-plus.”

Barring meaningful action from Congress reining in Facebook and Google or a dramatic outlay of public funding, outlets, once again, must turn to philanthropy for support.

Stanton told me that philanthropy can provide “alternative mechanisms to local news outlets looking for ways to reduce costs of operation in the digital marketplace without losing their reporting capabilities.” This may entail support or “funding research on how to construct a model that allows for pooling resources and sharing costs on certain aspects of modern digital journalism, while retaining the **local reporting capabilities** that generate value for these outlets.”

That being said, Stanton told me that “philanthropy can only do so much. It is simply not possible to entirely replace the revenue model for journalism with grants and donations.”

Contextualizing Facebook’s COVID-19 Relief

The biggest philanthropic lifeline to outlets affected by the coronavirus has come from one of the funders most responsible for the sector's pre-COVID-19 ills.

On March 30, Facebook announced a new \$100 million investment to help outlets affected by the crisis. The company earmarked \$25 million in emergency funding to outlets through the Facebook Journalism Project. The new initiative is in addition to Facebook's previous [\\$300 million investment](#) in local news.

Twenty-five million dollars in emergency support isn't chump change. Borealis Philanthropies' Powell told me that the fund's \$5,000 payout per outlet "can pay for one or two freelancers. It gives outlets the hope to keep pushing." That said, Facebook's \$5,000 is but a one-time emergency infusion. As Powell noted, "\$5,000 can only go so far."

Meanwhile, \$75 million will flow to news organizations through Facebook marketing and ad space Facebook is purchasing from those outlets to market itself. The idea here is that these marketing efforts will draw users to an outlet's site, where they'll become subscribers. It's a laudable aim under ideal circumstances, but it's not the same as giving outlets no-strings-attached general operating support.

Chuck Brown, an adviser to Bay Area nonprofits, picked up on this thread while looking at Google's relief plan, which provides grantees [\\$800 million](#) in cash and advertising. The company, he argued, is simply giving grantees "a coupon to use their services and entrench their platforms into your nonprofit. It's clearly a huge benefit for them—

where if you truly supported the nonprofit sector, you would put cash on hand and you would give them zero restrictions.”

Envisioning the Post-COVID-19 Business Model

Outlets stood on shaky footing before COVID-19 hit. [Legacy print dailies](#) felt the pressure to roll out a more robust digital presence, while digital outlets, many of which provide free content, needed to get creative in terms of cultivating sustainable revenue streams.

Funders will work with the same mix of pre-coronavirus revenue-generating inputs in their efforts to help outlets develop a sustainable business model. This menu consists of memberships, subscriptions, advertising, sponsorships, events, grants, donations and more. But what, exactly, will the composition of the mix look like?

Knight's Preston told me that while “there is not a single model for sustainability, the strongest organizations include leaders who are completely focused on revenue, whether it's from local philanthropists, national foundations, local events, sponsorships, advertising, memberships or subscriptions. The [American Journalism Project](#) (AJP) is investing directly in that capacity.”

The AJP, which went live in 2018 under the premise that outlets could boost revenue by adopting the principles of venture philanthropy, joined other funders in a conversation around what kinds of inputs a “sustainable business model” should include.

That same year, Google launched its \$300 million Google News Initiative, which provides small outlets with improved analytical tools and [sustainable video operations](#). A year later, upon launching its \$300 million journalism initiative focused on local news, Facebook expanded its Accelerator pilot, which launched in the U.S. in 2018 to help local newsrooms with subscription and membership models.

Funders have bankrolled [investigative journalists](#), [collaborative funding models](#), and announced plans to create outlets using [blockchain technology and crypto economics](#). All the while, major players like [the Knight Foundation](#) have worked to boost outlets' internal fundraising capacity.

We're also getting some illuminating guidance in real time. Knight's Preston told me that "funders need to pay attention to how people are [using technology and media](#) differently during this crisis, and especially how news organizations, such as Outlier Media in Detroit, are innovating to reach traditionally under-served audiences. They are showing us the future."

Trending Toward More Philanthropy

Funders launched pre-COVID-19 revenue-generating initiatives when Americans were enjoying unprecedented prosperity. But in three months, consumers will be less inclined to subscribe, just as struggling businesses will dial back advertising dollars. Then what?

The best-case answer to this question is that outlets will raise more money, even against the backdrop of

a recession. The curious thing is that the pandemic has created the conditions in which this can happen.

Remember: Outlets raised a ton of money before the coronavirus hit. A 2019 Media Impact Funders report showed that journalism philanthropy has quadrupled since 2009. The ecosystem has also successfully weaned itself from its over-reliance on foundation support. The Institute for Nonprofit News found that individuals and families now donate nearly 40% of all the revenue going to news nonprofits, while [foundation funding](#) fell below 50% in 2018.

We can attribute this success to funders like “the Knight Foundation and myriad others” that have built out “local news philanthropy” ecosystems, said Steve Waldman.

Knight’s Preston laid out the breadth of this growing infrastructure, noting that “NewsMatch.org has a national directory of nonprofit news sites, while SupportLocalNews.org connects funders with the organizations that are building the infrastructure for sustainable local news, organizations [vetted by Knight](#), and others.” In addition, “local funders have come together in Colorado, Philadelphia and other communities to support trusted news and information sources. Community foundations in Miami, Seattle and other cities have funds in support of investigative reporting at major metropolitan daily newspapers.”

While a recession will dampen individual giving, journalism’s response to the crisis may compensate for this loss by recruiting new patrons to the cause by “underlining how vital local journalism is to

communities,” to quote Knight’s Ibarra. “Reliable news and information are critical not only to participate in democracy, but also to keep ourselves and our families safe.”

Waldman told me that “donors write in saying how critical their local newsroom is to their understanding of COVID-19 and its impact on the community.” Waldman cited North Carolina’s *News and Observer*, which raised \$25,000 in a week from readers, and a just-launched newsroom out of West Virginia that raised nearly \$10,000. (In similarly encouraging news, recent BBB Wise Giving Alliance research found that 30% of individuals say they intend to [give more across the board](#) in 2020.)

“If anything good comes out of this calamity,” Waldman said, “it might be the realization by the philanthropy world that civically important local journalism has to be partly a philanthropic function. Community journalism won’t survive without community support.”

Encouraging Headwinds

If citizens are stepping up in the age of COVID-19, Waldman argues that foundations should do the same. “Foundations are required by law to spend 5% of their endowments on grantmaking each year,” he wrote in a recent piece in *The Atlantic*.

“Distributing the minimum percentage is prudent in normal times. But these aren’t normal times. Foundations need to take bold action; going above that 5% target would unleash millions of dollars.”

Another encouraging pre-COVID-19 trend was funders’ embrace of general operating support to invest in revenue-generating activities. Borealis

Philanthropy's [Racial Equity in Journalism Fund](#) earmarked this support for activities like hiring development staff, conducting advertising experiments, and implementing membership models. Many outlets have since repurposed it to keep the lights on and pay journalists.

"It almost goes without saying that unrestricted/general operating support is the most impactful way you can give," Waldman said. It would be counterproductive for funders to cut off general operating support once the crisis ebbs.

Given these developments, struggling for-profit dailies and alt-weeklies will also be taking a closer look at philanthropy, adding further momentum to a trend that [began in earnest in 2016](#), when H. F. Lenfest gifted his Philadelphia Media Network, which included the *Philadelphia Inquirer*, the *Philadelphia Daily News* and Philly.com, to his new Lenfest Institute for Journalism.

Last fall, Knight published a report laying out a menu of [philanthropic options](#) for profit-making newspapers, including case studies illustrating the various tax-related implications. And last November, in what Knight's Preston calls a "historic ruling," in 2019, the IRS signed off on the *Salt Lake Tribune's* request to become a nonprofit. The decision, wrote NeimanLab's Christine Schmidt, created "a major opening for other newspapers who might find nonprofit status a more appealing alternative than selling or closing down."

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