Executive Summary for Losing the News: The Decimation of Local Journalism and the Search for Solutions

Local news in the United States is in a state of crisis. For over a decade, there has been a steady succession of local outlets closing down, reporters being laid off, publication schedules cut, and resources tightened. As a result, thousands of communities across the country have less access to critical information on governance, elections, education, health, and numerous issues specific to their cities, towns, and neighborhoods.

Local news plays an indispensable role in American civic life as a trusted source for critical information, a watchdog for government and corporate accountability, and a building block of social cohesion. As such, local journalism is a cornerstone of American democracy, serving as a driver of civic engagement and a guarantor of government integrity.

While the appetite for watchdog reporting has never been greater—or more urgent—the business model for local news has collapsed. With the rise of the internet, the behavior and circulation patterns of news audiences have shifted, and powerful tech giants have siphoned the ad revenue that long subsidized local accountability reporting. Meanwhile, local newspapers, TV stations, and radio stations are being bought and consolidated into ever larger, often national media conglomerates in an effort to maintain financial viability. And a new generation of media owners—private equity and hedge fund investors—are reducing editorial and reporting staff to cut costs and increase profit margins. These pressures have diminished the quantity and quality of local news available to communities.

Local journalism is reaching a point of market failure. For decades, commercial media outlets relied primarily on ad revenue, and to a lesser extent circulation revenue. Now, with the rise of the internet and the behavior and circulation patterns of news audiences shifting, local news outlets are facing financial difficulties. The result is a decline in the quality and quantity of local news available to communities.

Studies indicate that Americans deeply value and trust their local news sources—more than their national ones. At a time when political polarization is growing and fraudulent news is proliferating, trusted sources of information and analysis are more precious than ever. Local news outlets play a vital role in safeguarding community health and welfare by:

- serving as a source of critical information
- amplifying local issues, including public health crises, to the regional and national level
- holding local government and corporate actors accountable
- building social cohesion by fostering a sense of belonging and shared experience

Local news also drives civic engagement. With its loss, studies show citizens are:

- less likely to vote
- less politically informed
- less likely to run for office

Studies demonstrate that, with the decline of local news—and of watchdog journalism in particular:

- Government officials conduct themselves with less integrity, efficiency, and effectiveness.
- Government corruption and costs increase: salaries, taxation, and county deficit spending go up, and federal funding goes down.
- Corporate malfeasance, such as environmental degradation, goes unchecked.

These costs and benefits are not abstract—they are rooted in the very foundations of American democracy.
revenue, to support accountability reporting. But the traditional model of for-profit journalism has largely collapsed, and there is no clear path to profitability on the horizon.

The internet has fundamentally altered the way Americans consume the news:

- Thirty-seven percent of Americans now prefer to get their news online, via news websites or social media, and the growth of this space has corresponded with the decline of traditional media.
- While more money than ever is being spent on digital advertising, news outlets see little of the revenue generated by the dissemination of their content online—in local media markets, 77 percent of that revenue is going to the “digital duopoly” of Facebook and Google.
- Local outlets are at the whim of powerful, opaque algorithms that tech giants use to populate users’ searches and feeds. Changes in these algorithms can drastically reduce traffic and revenue.

The shift to digital has been deeply disruptive for larger outlets with a nationwide consumer base, but for local outlets, often with a fraction of the resources and reach, the effects have been devastating. Across the country, local news outlets are shrinking and shuttering at alarming speed. While ad revenue has declined across media, newspapers have been hit hardest:

- Since 2005, newspapers have lost more than $35 billion in ad revenue.
- Since 2004, newspapers have lost 47 percent of newsroom staff.
- Since 2004, over 1,800 newspapers—about 20 percent of the estimated national total—have closed.
- There are at least two hundred U.S. counties, totaling more than three million people, with no newspaper at all.
- Over 1,500 counties have only one newspaper, usually a weekly, to cover populations ranging from under a thousand to over a million residents.
- Of the surviving 7,200 newspapers, at least a thousand could be described as “ghost newspapers,” so damaged by cutbacks that they produce little original reporting.

Meanwhile, industry consolidation has been both a cause and a consequence of the local news crisis. Across newspapers, radio, and television, large national corporations are buying up hundreds of local outlets:

- More than half of all U.S. newspapers have changed owners in the past decade.
- Just 25 companies owned two-thirds of the country’s daily newspapers in 2018.
- Five companies owned approximately one-third of the country’s 1,400 local TV stations in 2014.

New corporate owners frequently make significant cuts to reporting staff to cut costs. The result is a shift toward more national coverage, less diversity of viewpoints, and, in some cases, more politically polarized news. The public is often unaware that large national conglomerates own their local outlets. As local outlets are consolidated, their ability to produce original local reporting and meet the critical information needs of communities suffers. And while in the past decade digital-first outlets have proliferated, and many have proven adept at picking up some of the slack, their reach and economic viability remain uncertain.

Newspapers serve as “keystone species” within local news ecosystems, providing the majority of original local reporting. The devastation of newspapers has led to the decline of accountability reporting, the type of beat or investigative reporting that serves the public interest. One recent study found that just 17 percent of the stories in local news outlets were about local communities, and just over half addressed a critical information need. When local outlets can no longer follow up on potential stories for lack of staff and resources, the press’s role as watchdog is deeply undermined.

Ultimately, this is the true, top-line consequence of the local news crisis: Original, local reporting on critical issues is declining in communities across the country. As one media reform advocate told PEN

“Somebody has got to have the skills to be able to communicate what public officials, employees, and private sector companies are doing. The absence of that is a real threat to American democracy.”

—Congressman Mark DeSaulnier of California
America: “This shouldn’t be about saving journalists’ jobs. This shouldn’t be about saving journalism as an industry. The focus really needs to be about what happens to communities when local news is deficient or disappears altogether.”

Systemic Inequity in U.S. News Media
The local news crisis both exacerbates and is exacerbated by systemic inequities in the U.S. media landscape. Many of the communities that have traditionally been underserved by local media are those most affected by its decline. News deserts are spreading fastest across communities that are poorer, older, more rural, and less well educated than the country overall—in other words, communities with comparatively fewer resources to address the problem.

When ethnic or minority-run outlets shrink or fold, other media institutions often lack the local connections, trust, resources, or motivation to replace them. The struggle of non-English-language news outlets is sometimes invisible to their counterparts—despite the fact that they serve as a major source of information for millions of Americans.

News outlets that serve communities of color face the same revenue challenges as other outlets but against the backdrop of long-standing inequities in access and representation:
- The FCC recently found that only 2.6 percent of TV stations, 5.8 percent of AM radio stations, and 2.3 of FM radio stations are owned by people of color.
- Seventy-seven percent of all newsroom employees are non-Hispanic white (compared with 65 percent of all U.S. workers), and 61 percent are men (compared with 53 percent of all U.S. workers).
- The number of American Indian print media sources has shrunk dramatically in recent memory: from 700 media sources in 1998 to only 200 today.

Even absent today’s crisis, these enduring inequities have resulted in imbalanced news ecosystems that serve the critical information needs of some communities far better than others. Finding meaningful, scalable solutions to the local news crisis presents an opportunity to revamp the industry to better represent, reflect, and serve all Americans.

Industry Innovation and Adaptation
Across the country, established local news outlets are adapting and innovating to survive, and new outlets are emerging to fill the gaps and reimagine how journalism works and whom it serves.

In response to declining ad revenue, news outlets are pursuing additional revenue streams. Among these, audience-based revenue—through digital subscriptions and memberships—is emerging as an especially promising avenue. Accelerators, supported by foundations and tech giants, are offering skills building, technical support, and resources in this area. But only a handful of media outlets have found financial sustainability in the shift to audience-based revenue models so far. The majority of these have national audiences and are owned by billionaires or family media dynasties that have invested substantially in the necessary staffing and software—advantages that few local outlets have.

In recent years, several billionaires have purchased newsrooms, largely focusing on major metropolitan papers with some national reach, like The Boston Globe, The Washington Post, and the Los Angeles Times. Each of these newspapers has benefitted from its new owner’s resources, stemming the tide of layoffs, buyouts, and property sales. But the largess of deep-pocketed owners is not a scalable or reliable solution.

The influx of philanthropic funding, spurred by the strain on for-profit media, is leading to a shift toward nonprofit models. Several for-profit newsrooms are attempting to transition to nonprofit status. Others are experimenting with crowdfunding and partnering with foundations to finance specific beats or investigative projects. And new nonprofit news outlets are proliferating, many with a track record of high-impact journalism and a commitment to diversifying revenue streams:
- Out of more than 230 nonprofit newsrooms in the United States, nearly three-quarters have launched since 2008. Collectively they employed over three thousand people and generated $450 million in revenue in 2018.
- Over 63 percent of nonprofit news outlets are focused on local, state, or regional coverage, and over 80 percent are focused on investigative, explanatory, and analytical reporting.
- In 2018, for the first time, foundation funding represented less than 50 percent of nonprofit newsroom revenue, with individuals and families donating nearly 40 percent.

While media outlets historically competed for readers, subscribers, and advertisers, the local news crisis has spurred collaboration to pool resources, expand capacity and reach, and create efficiencies of scale. Newspapers are joining forces with other papers in their market, as well as with TV and radio stations. Local outlets are also partnering with national ones and with new journalism-focused nonprofits that have emerged to help diversify revenue and plug staffing holes.

Some local outlets are taking the disruption wrought by the news crisis as an opportunity to better engage
and serve their communities. Initiatives are emerging
that prioritize assessing community information needs,
treat residents as active partners in the news production
process, and more effectively embed journalists in communities. While no single approach provides
a comprehensive solution, many of these initiatives
show promise, pointing the way to new, potentially
more resilient models of local journalism. But so far
few of these adaptations and innovations have been
formally evaluated for their ability to meet the critical
information needs of their communities, to fill gaps in local news ecosystems, and to reach financial sustainability.

Big Picture Solutions
Revitalizing local news will require investments that collectively total billions of dollars and that cannot come
from a single source. An all-of-the-above approach is
needed. Philanthropic funding, already trending upward, must expand dramatically to make a dent at the local level. Tech giants need to shift from charitable giving and skill-building initiatives—which are welcome but pale against the scale of the need—to a more equitable distribution of the profit generated in part from content produced by publishers. And government has a central role to play. It should ensure that the Federal Communication Commission (FCC) fulfills its foundational mandate to support localism, diversity, and competition; pursue policies and laws that rebalance the relationship between tech giants and publishers; and significantly expand public funding for local journalism.

The Role of Philanthropy
Overall philanthropic investment in journalism has nearly quadrupled over the past decade. Foundations have led the way, funding innovations in news gathering and community engagement; initiating research and debate about the challenges facing the industry; and publicizing the acute need for more philanthropic support. Impact investment in the media sector, although still in its infancy, is a promising development, as public-minded investors support news outlets striving to turn a profit while serving the public interest.

Tech giants, confronted with growing criticism for the role they have played in the local news crisis, have begun to offer support to local and national media outlets, primarily through tools and training and occasionally through direct funding for news gathering or staffing. While these investments are welcome, there is warranted skepticism among experts and media professionals that they at best scratch the surface and at worst are part of an attempt to ward off regulations that would more comprehensively address the problem.

A flurry of nonprofits news outlets and countless promising experiments in original reporting have been made possible by growing philanthropic funding. But major challenges—of scale, reach, equity, and sustainability—remain. Of all foundation funding for journalism and media between 2010 and 2015:

- Only $80 million (about $13 million a year, just 4.5 percent) went to local nonprofit news organizations. 38
- Nonprofits in 10 states secured over 80 percent, while the Midwest, the Mountain West, the Southwest, and South received relatively little. 39
- Just 2.1 percent supported local ethnic- or minority-focused media organizations. 40

The above challenges are intertwined with a phenomenon called pack philanthropy, whereby better-known, often national nonprofits act as magnets, consistently attracting a disproportionate share of the support. Between 2009 and 2015, over 90 percent of funds given by foundations and donors to 60 digital nonprofit news outlets went to the 20 largest nonprofits, 8 percent to midsize ones, and less than 2 percent to the 20 smallest. 41

The Role of Government
Reorienting the FCC
The FCC, which oversees the nation’s television and radio communications, has a significant role to play in protecting localism in the news. Unfortunately, its current emphasis on deregulation undermines this mandate, opening the door to further industry consolidation. To better safeguard the country’s local news ecosystems, the agency must reverse this deregulatory drive. The FCC also has the responsibility
to promote diversity and to ensure that broadcast news content is serving the public benefit. By clarifying and enforcing these standards, it can help guarantee that news remains local, independent, inclusive, and informative.

**Addressing the Destabilizing Impact of Tech Giants**
Some of the most far-reaching plans to reverse the local news crisis address the ways that technology companies have destabilized the revenue model for commercial news outlets.

One major proposal to redress this damage is a “link tax,” or ancillary copyright tax, which would require search engines and content aggregators to pay publishers for permission to link to or reproduce snippets of their content. Both Germany and Spain have previously implemented national link taxes, and a European Union-wide directive passed earlier this year. In Germany and Spain, the link tax ultimately hurt both media outlets and small news aggregators, in part because of the unequal power dynamics between news publishers and tech giants. Whether EU-wide regulation can shift the balance of power remains to be seen.

Another key proposal is more direct: a tax on the revenue that tech giants generate from targeted advertisements, which would go to directly supporting local public-interest journalism. The funds could either finance a new endowment for journalism or feed existing public media initiatives.42 With the caveat that specific plans must be careful to preserve editorial independence, PEN America supports the idea of using an ad-revenue tax to infuse much-needed funding back into local news ecosystems.

**Expanding Public Funding for Local Journalism**
Given the state of market failure that has gripped the news industry, the burden of which falls disproportionately on small and local media outlets, the time has come to examine ways that the United States could revamp and expand public funding for local journalism, including through the creation of a new mechanism focused on its production.

This remains a controversial idea. Many media professionals fear that publicly funded media will inevitably lead to government interference with editorial independence, a sacred pillar of freedom of the press. As a free speech advocacy organization, PEN America is vigilant against government threats to editorial independence. Public funding for news gathering raises questions about the press’s ability to report fairly on the officials who indirectly support their salaries, and those concerns must be addressed.

But it is important to evaluate these concerns within a historical and international context. The United States has actually subsidized commercial media since its foundation and has financed public media for decades.43 But the amount of that funding is minute compared with other high-income democracies44 and continues to face significant threats. Even so, public media in the United States enjoys widespread public trust,45 and a significant majority of Americans support its continued funding.46 A large body of international research indicates that publicly funded news outlets produce more informative content than commercial ones, contributing to a more knowledgeable and engaged citizenry.47 Other high-income democracies have developed models for substantial public funding that preserve editorial independence, offering institutional blueprints that American policy makers could draw from.

A second concern about public funding is that it could prop up established media outlets that have failed to adapt to new market realities, amounting to a government bailout of legacy news. Addressing this concern will necessitate a funding model that prioritizes the production of journalism over the maintenance of specific journalistic institutions or media formats, that centers on local media outlets and local news ecosystems, and that diminishes—rather than entrenching—inequities in media access and representation.

Current proposals for more federal funding that would directly fuel the production of local news fall broadly within one of two camps:

• the reimagining of the Corporation for Public Broadcasting (CPB) as the Corporation for Public Media, gearing its operations toward supporting the production of local public journalism and substantially expanding its appropriation.
• the creation of a new endowment to support the production of local journalism, which could be financed by a tax on digital ad revenue, through fees collected by the FCC, or by other means.

PEN America believes that both of these approaches have significant merit. Public funding and a free press can coexist—as numerous other countries have proven. Its success in the United States, though by no means assured, depends on the intentional and thoughtful design of a funding model that both prizes high-quality news and prevents undue governmental influence. To this end, PEN America recommends, in this report, a set of specific institutional safeguards to accompany any new public funding policies.

**Calling for a Congressional Commission**
Recognizing that elected officials will make the ultimate determination on expanding public funding,
PEN America calls on the U.S. Congress to convene a Commission on Public Support for Local News. This commission would be tasked with evaluating:

• the current state of our local news ecosystems and of public subsidies for news gathering.
• ways that the CPB and other federal or government-affiliated bodies can best support the production of local journalism.
• proposed solutions to the local news crisis, including the prospect of creating a new public funding mechanism for news production.

To ensure the credibility of its findings, the commission would need to be staffed by recognized authorities with relevant subject-matter expertise, appointed by a bipartisan group of members of Congress. The commission would culminate with the release of a public report describing its findings and conclusions and offering a set of public recommendations for steps that Congress may wish to take.

PEN America views such a commission as a spiritual successor to the Carnegie Commission on Educational Television, which convened over 50 years ago and led directly to the formation of the Corporation for Public Broadcasting. Today, given the damage to local news ecosystems and its implications for our democracy, Congress needs to galvanize a new approach to revive local news.

Addressing the local news crisis will demand significant shifts in thinking and funding. Given the magnitude of the problem, it is time to reconceptualize local journalism as a public good rather than a market good. When local news ecosystems erode, the foundations of American democracy are weakened. The U.S. government has a responsibility to recognize the problem and to proactively advance solutions, including public funding of local journalism.

Case Studies

PEN America commissioned three local journalists—based in Detroit, Denver, and southeastern North Carolina—to recount how the local news crisis is playing out on the ground.

In Detroit, the local news ecosystem rests uneasily on a history of systemic inequity. Across the city, the population of which is more than 80 percent black, communities of color have long protested that their information needs were not being met, a problem that has only worsened with the local news crisis. In response, a new generation of minority-run, digital-native, and nonprofit outlets have emerged.

In Denver, corporate consolidation has devastated the city’s media. Older and more established news outlets have shriveled, even as the city’s population and economy are booming. There has been a major influx of philanthropic funding to support local journalism and myriad new outlets and initiatives have sprung up, but their long-term reach and sustainability remain uncertain.

In North Carolina, Robeson and Cumberland Counties have seen their community-based media outlets shrink, while the regional outlets that used to supplement this coverage have receded. But the fallout is much worse for one of these two counties.

All three of these case studies demonstrate the complex, significant, varied, and tangible consequences of the local news crisis.

“Philanthropy is not enough! It’s good life-support for the moment.”
—LaMonte Guillory of the LOR Foundation
ENDNOTES

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