

Feasibility Report on Developing a Central Valley Journalism Collaborative



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for the James B.
McClatchy Foundation

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Letter from the James B. McClatchy Foundation

California's iconic Highway 99 has taken me through the blossoming fruit trees of Newman along Highway 33, up the orange grove foothills of the 198 through charming Exeter to the giant trees of Sequoia National Park, traversing glorious glacier-carved Kings Canyon the 180, and riding out in the LA-style traffic as rural Avenue 12 meets Highway 41 meets the 99 to beltway itself around Fresno. Home to 7.2 million people from a multicultural spectrum speaking over 105 languages, living in over 15 counties across 20,000 square miles smack dab between the Pacific coastline and the Sierra mountains, the Central Valley is, quite literally, the heart of the Golden State.

These travels reveal a vibrant tapestry of people, from the First People of the Central Valley, including the Yokuts and Miwok, to those from Armenia, Southeast Asia, Mexico, and descendants of Dust Bowl migrants, all bringing a vivid cache of Central Valley folklore of hopes achieved and of dreams averted. Stories abound of first generation collegians, football champions, farmers and farmworkers fighting through drought or family businesses trying to stay afloat amidst changing times.

And sadly, that last story of an incredibly proud family business that chronicled Central Valley's stories for 163 years came to an end in 2020, when the McClatchy family passed on the reins to the McClatchy Company, home to the Sacramento, Modesto, and Fresno Bee newspapers. With a New Jersey-based hedge fund owner, there is no guarantee that the preservation of an independent voice capturing these important stories will remain forever true and uniquely the Valley's. The declaration of the McClatchy Company bankruptcy was the genesis of this report, led by a growing and empirically supported concern for the loss of news independence, accountability, and transparency.

In 1994, the great grandson and namesake of the McClatchy Company founder James McClatchy, the late James B. McClatchy (Jim) with his wife Susan, launched the Central Valley Foundation, now known as the James B. McClatchy Foundation. With resources independent of the company, the couple started the Foundation to advance the needs of English and Dual Language Learners and to protect First Amendment freedoms of speech, expression, and a free press in the Central Valley. Jim, ever prescient, feared corporate influence in newspapers:

The creeping influence of conventional corporate attitudes into businesses with a history of public service policies frequently doesn't cause much concern, because the changes are small and incremental. But newspapers are different from other businesses such as real estate, department stores, the hardware business ... [they] are deeply engaged in public life with major responsibilities for maintaining abstract principles and social goals. Newspapers have personalities, are liked or disliked, and perform in many ways like people. Great numbers of readers consider their hometown newspapers to have a significant role in their lives, to be a personal friend, or a personal enemy, but a regular and important visitor.

Keeping alive what Jim McClatchy called “that important visitor” guides my personal conviction to honor Susan and Jim’s inspiration. I joined the Foundation in 2019 with a fresh perspective to humbly serve the state’s Central Valley through the Foundation. The last four years in our country have demonstrated the fragility of journalism. News ownership, whether through a nonprofit model, a philanthropic model, a billionaire model, or hedge fund only speak to the wide range of attempts to preserve this local voice, the last being the least favored. Myriad of efforts are courageously ideating to keep local journalism alive.

The Central Valley Journalism Collaborative is one such earnest but necessary proposal along that spectrum. It is a potential template for other communities to follow that embraces collaborative ownership, putting local reporting talent first and forging unique alliances that are locally led. It is built on successful testbeds of philanthropic supported journalism labs and partnerships. It is led by people whose livelihoods are centered on public service of independence, accountability, and transparency. It has evolved to spotlight the new voices who form the new leadership in the Valley.

Community leader Sade Williams with Parent Institute for Quality Education in Fresno succinctly reflects this new leadership and voice:

The vast majority of what we see in the Central Valley is the beauty of the human race. By sharing our stories, our voices and history, it has empowered the people around us and encouraged them to share themselves.

Diverse and beautiful, the stories of the people of the Central Valley - the first collegians, entrepreneurs, activists, and the like among our everyday people - are the stories that deserve preservation supported by independent local news.

Toward that end, JBMF is making an investment in a new model for locally owned journalism that is shaped by the visions of Central Valley leaders like Sade, Jim and Susan, and many others. To ensure lasting impact, we need partners with us to assure a future of independent and locally owned journalism for the Central Valley, today and tomorrow. Please join us.



Priscilla Enriquez
CEO
James B. McClatchy Foundation

1 Overview

Design a flexible and lasting model for **community investment** in public service journalism.

Develop a **new model for public-private partnership to preserve and expand local journalism** in the Central Valley and other California communities.

Establish a **leadership position for community-based funders to maintain local journalism's essential public service by investing in a free press** covering the Central Valley's diverse communities.

1a.

Executive Summary

The great traditions of local newspapers are well documented. They serve as an enduring public record of the life of the community. Through their pages we see the long arc of history as places and people continuously evolve. We also experience the critical tensions and conflicts which define the many turning points in the life of a place, a city, a state and ultimately, our nation. Today those centuries-old traditions of a local free press face the greatest threat in their history. The James B. McClatchy Foundation, in this report, presents a strategy for a solution.

For generations these institutions ran in the background of the more immediate rhythms of our lives. As with so many other institutions we depend on, we were secure for decades that this essential function of democracy would always be with us, imperfect but enduring. The idea would have been foreign to our forebears that somehow a community, even a small one, would have to negotiate the complexities of its social and economic fabric without a trusted and fact-based layer of local journalism.

In a place as rich in diversity and history as California's Central Valley, the American democratic experiment has one of its great canvases. Flowing across the most verdant valley in the world, a never-ending stream of new people and new ideas continues to make it one of the most dynamic and important regions of our nation. As the population of the Central Valley continues to expand, so does the diversity of its people. A deep sense of possibility and a persistent grounding in extraordinary challenges make the Central Valley an irresistible platform for experimentation and necessitates the courage to act.

Into this space we can observe that the fate of local journalism is also playing out. As the home to the original McClatchy newspapers —The Sacramento Bee (est. 1857) and The Fresno Bee (1922) — the Central Valley already commands a storied history of essential local coverage. These papers, as well as The Modesto Bee (1844) and Merced Sun Star (1869), have also done the necessary work to report

on the issues that force change and hold the powerful accountable. In times of increasing political polarization, the power of local newsrooms to unite a community in defense of its core principles and values persists.

In times of increasing political polarization, the power of local newsrooms to unite a community in defense of its core principles and values endures.

The 163 year legacy of the McClatchy family extends beyond the stewardship of its publications. It imbues the cities they have served since before the Civil War. With the transition from family ownership in 2020 post-bankruptcy, we now meet a new reality. In legal bankruptcy actions, the McClatchy Company news chain was sold. The new owners no longer have the deep roots and relationships in the places where their newsrooms operate, and the communities where their reporters and editors live and report on.

New ownership comes at a time when the entire country is experiencing a rapid decline in local reporting driven by the financialization and divestment destabilizing the industry. The once bedrock advertising base that fed the ubiquitous presence of newspapers across the country has been decimated by the digital ad market. Internet ad revenue returns a small fraction of what print ads traditionally provided. Combined with a rapidly shifting consumer environment wrought by the wider forces of the internet, newspapers have been in an existential moment of accelerating declines in revenue and reductions in staff.

New ideas and new approaches have emerged to stem the tide. Nonprofit newsrooms have launched in dozens of communities. National outlets focused on discrete areas of coverage have also arrived to help fill the gap. In some markets local public broadcasters have increased their investment in local coverage, especially in public radio. While each of these channels provides important public service journalism, together they have not restored the level of coverage in local communities that local newspapers have historically provided. Even in their imperiled state, local newspapers and their digital platforms provide the overwhelming balance of fact-based reporting on local communities across the country.¹ This is especially true in the Central Valley. We recently witnessed the impact over social media channels in Stockton's 2020 mayoral race where the incumbent was the target of misinformation.

COMMUNITY FUNDING MODEL

The future of economic sustainability for local journalism is inextricably linked to the public service it performs. This is why community engagement and impact are central tenets of a new movement of philanthropy: funding critical reporting positions and projects at local newsrooms across the country. Often developed as reporting labs, these projects embrace a deep focus on an area of critical importance to communities and are structured to provide guardrails for philanthropic support embedded in commercial entities. Ranging from education to housing security and homelessness, reporting labs have now been adopted in dozens of states. Originating with The Seattle Times and its Education Lab, community foundations have begun to adopt and champion this approach across a swath of coverage areas. These initiatives often activate local philanthropic partners who are new to

journalism. This diversity of funders allows communities of all sizes and economic levels to develop resources for reporting that not only fills a void but activates community dialogue in profound ways.

In the Central Valley, the community funding model has broken through and is thriving at The Sacramento Bee, Fresno Bee, and The Modesto Bee. As in other markets, the community foundations in each of these regions is playing a critical and central role. A healthy mix of local, statewide, and national funders has joined them. Driven by the commitment and passion of its founders and the family legacy it represents, JBMF has been responsible for catalytic investments, which led other funders to follow. The role JBMF has played honors the vision of the man it is named for and reflects the sensibilities of the family's stewardship of its flagship papers.

A NEW BEGINNING

2020 is a year without parallel. Not since the end of World War II have we been as affected by a global force with the unique features of the COVID-19 pandemic. The public health crisis has generated a companion economic and political disruption in the United States that further threatens to erode the public trust in our institutions while accelerating the economic pressure on local newsrooms. Throughout this pandemic, local newsrooms have demonstrated their unique charge by providing a continuous stream of essential information on the spread of the virus, the impact on health care, education, and our economy.

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In this moment of uncertainty there may be a new opportunity to further leverage and maximize JBMF investment in local journalism in the Central Valley. The First Amendment portfolio of the Foundation provides a platform for inviting a wide range of partners to the goal of preserving and innovating the function of local newsrooms. The spectrum of grant-making developed by the foundation management includes stakeholders ranging from grassroots community organizations to national leaders in the legal field.

The many groundbreaking projects happening in the local journalism ecosystem are elements to be drawn from, but the missing piece remains the knotted questions of ownership, operating capacity and resources. As the leadership of the Central Valley Journalism Collaborative evolves, it has the power to reimagine the solution to resolving all three.

THE CHALLENGE UP CLOSE

As the Foundation pursues its due diligence on structural interventions in the market, we have several major forces to negotiate, each one of which offers important elements and demonstrates critical limitations. The nonprofit model for journalism has significant momentum yet operates at a scale that is too slight to address the substantial market failure in most communities. The commercial news organizations are almost uniformly under duress and under water on the debt that was leveraged from hedge funds to acquire them. The notable exception here remains local family ownership, which in many markets continues to provide the most sustainable channels for local coverage, albeit with real

capacity challenges. The bridge provided by philanthropic funders across these disparate entities may in fact prove to be as important as any other force we have under our control. One example is the introduction of Microsoft's Local Journalism Initiative, which named Fresno as one of its pilot communities. In addition to partnership and financial support, a key pillar of Microsoft's strategy is to provide tools and training for local newsrooms and communities to expose misinformation, deep fakes and other attempts to mislead the public. This provides a compelling opportunity to layer technology and enterprise innovation into the set of shared resources that would be drawn from in this effort. Vital to all of this is the fundamental need to ensure that the reporter, editor and leadership ranks of local journalism — funded and supported through any model — must be representative of the great diversity of the community it serves in the Central Valley.

THE WAY FORWARD

There are several scenarios that the Central Valley needs to be prepared for in order to navigate the significant headwinds confronting local newsrooms. First among these is the end of the McClatchy family stewardship of the media company and the significant uncertainty for the newsrooms that are anchored in the Central Valley. We need to preserve independent news that is not tethered to an entity driven by profit. The Central Valley Journalism Collaborative has been formed to be proactive should that independence be threatened. The community funding model we have supported is still emerging, but the pressure continues unabated. Now the question is: How do we leverage philanthropic investment to maximize local impact for the Central Valley?

Print is still a dominant revenue source for newspapers. Any operational plan must include the ongoing balance of legacy business lines with the necessary acceleration of digital subscribers and community support. Expanding audience revenue is critical in the face of declining advertising, now dominated by Google and Facebook.

The nonprofit journalism sector is an important ally, but nonprofit newsrooms have not emerged at scale in the Central Valley. The most important recent example is the nonprofit news site Cal Matters. While headquartered in Sacramento, its coverage focuses on statewide politics, not exclusively Central Valley communities. Public media has a bright spot in Capital Public Radio, but its news coverage is concentrated in the greater Sacramento region. Valley Public Radio-KVPR has an expanding newsroom, yet is not growing fast enough to shift the market. Modesto is underserved by public radio.

All of this argues for a more substantial application of JBMF's support for local journalism, including a leadership role in bringing others to the donor table. The underlying strategy for launching the meta structure of a trust, fund or new entity would be to convert our philanthropic investment into equity we can leverage to protect the core function of the newsrooms.

This equity may be expressed along a spectrum from shared management to an ownership position in organizations.

GOALS

In exploring the creation of a Central Valley Journalism Collaborative, the following goals guide our proposal:

1. Protect, sustain, and grow newsroom jobs and coverage capacity
2. Increase diversity of leadership and reporting workforce to reflect the community

3. Engage the next generation of consumers and stakeholders
4. Support local journalism ecosystem innovation
5. Expand philanthropic investment in the Central Valley

Community funding demonstrates the potential for a blended economic model for local journalism. Alone, it does not inoculate local communities from the damaging effects of ongoing cuts in newsrooms exacted by absentee ownership engaged in the financialization of the local journalism market. To provide a lasting solution we need to consider structural changes in how journalism is funded and how philanthropy engages with the sector. In doing so we cannot assume that ongoing philanthropy will be enough or that it will be evenly distributed. Philanthropy in journalism concentrates in major markets. It also orbits national organizations with high levels of brand equity, such as PBS and NPR. For communities that lack high concentrations of wealth, such as the Central Valley, the calculus must incorporate market-based approaches. This will allow for blended revenue and new ways to monetize, including sources from subscription, advertising, and events.

When a foundation or donor supports a newsroom, they are buttressing two different aspects of the news organization. First, they are underwriting a reporter or editor. In turn, that reporter and editor engage in the function of reporting, which leads to content creation. This is true of reporters working across all platforms, from print to podcasting. This content in turn leads to audience and community engagement. From this point of contact, expanded economics kicks in. For commercial newsrooms, this philanthropically funded content is creating new revenue in the form of subscriptions and advertising. For nonprofit newsrooms, the content leads to new members, donors, and grants.

While this basic model is functional and has an important impact in fueling critical reporting, it operates on a piecemeal basis. It has also moved too slowly to counter job loss in the industry over the last two decades. Commercial newsrooms adopting community funding are adding capacity, but their overall future is still chained to an ownership model defined by extraction. Funders have a responsibility to protect the public interest they are dedicated to serving. Providing funding to a newsroom to add or sustain capacity is not a blank check. The newsroom must deliver meaningful fact-based reporting, with a measurable commitment to community engagement. The capacity to do so is materially rooted in the overall health of the institution.

This leads us to a crossroads in our effort. How do we move with ambition and agility towards an ecosystem which does not sink or swim with forces out of our control? The funding we provide to newsrooms can exist outside of these — if we design a structure which would allow funders and communities to cooperate in more profound ways. Herein we ask ourselves, what is the fundamental outcome we seek? Our thesis centers on the community and its need for factual information. The means of its production and delivery is changing rapidly. What's not changing is the core function. Therefore, future impact and independence is predicated on increasing this function. Elevating this beyond the current parameters of community funding will allow us to engineer a strategy which is not dependent on any one news organization, whose future health we do not control.

1b.

Strategic Leadership

The opportunity to change the prospects for the survival of local journalism is uniquely suited to the James B. McClatchy Foundation. As a funder, we have a distinctive approach to investing in long term relationships and systems change. We also have a unique legacy with one of the most important newspapers serving our community. We come from and understand this place and know the devastation that would follow a collapse of our local journalism ecosystem. We can already see the negative effects of its decline in the increasing political polarization and distrust of the media. Our legacy depends on protecting this essential resource. As a sunseting foundation, JBMF is all in.

If we choose to adopt the strategic direction outlined in this study we would be assuming responsibility for establishing a new model, synthesizing many of the best practices in the field. The combination and the purpose would be new, advancing beyond subsidization of a downshifting enterprise. This new approach would establish a new infrastructure and economic principle, requiring reinvestment in and engagement with the communities we serve. The complexity of the marketplace for news and information has been distilled to one essential question. Will communities have the platform to support the local journalism they need?

We do not have to answer this question alone.
We do not have time wait for anyone else to try.
The nation needs a solution to protecting our Free Press.
The Central Valley might be the best place to produce it.

1c.

Market Analysis

Local journalism is in an **economic crisis** which threatens its ongoing viability.

The crisis represents a perfect storm of the converging forces of **digitization, social media, and hedge fund consolidation** of local newspapers.

Legacy newsrooms still produce the overwhelming majority of local journalism.

Community impact and engagement are core to restoring the relationship between newsrooms and the increasingly diverse consumers of their content.

The **McClatchy newspapers** of California represent vital and enduring public service institutions.

Community Funding initiatives have provided a critical path forward across the McClatchy newsrooms in the Central Valley

Blended revenue sources are proving essential for addressing persistent job losses and adding new capacity in critical coverage areas.

The population of California's Central Valley continues to **expand and diversify** at a remarkable rate.

Preserving civil society, empowering economic opportunity and protecting our constitutional rights all require a vibrant local press.

A new platform for maintaining local journalism in the Central Valley is required and possible.

SUMMARY

As if we need a reminder: the Fourth Estate is in trouble everywhere in the United States.

Across the country, local newspapers are struggling to survive as ad revenue has plummeted roughly 70% since 2000. In turn, the industry employs half the reporters it did in 2004. And [news deserts are expanding](#)² as more than one in four newspapers have gone out of business in the last 15 years. Add to this mix a pandemic and its botched response, a historically consequential election,

a major economic downturn and a time of great social and civil unrest, and the news business faces a “[cruel irony of the present industry hellscape](#)”³ various [media watchers](#)⁴ say.

“The amount of time Americans spend with journalists’ work and their willingness to pay for it have both spiked, higher than at any point since Election 2016, maybe before,” news media industry Ken Doctor [wrote for Nieman Lab](#) earlier this year. “But the business that has supported these journalists—shakily, on wobbly wheels—now finds the near future almost impossible to navigate.”⁵

Over the last 12 months, the local news crisis has reached a fevered pitch, with the bankruptcy of the second-largest newspaper chain in the country and a bloodbath of [layoffs in the first six months](#)⁶ of the year (spurred largely by the coronavirus pandemic), including the “[editor turned homeless blogger](#),”⁷ according to the New York Times. Additionally, Alden Capital is completing its takeover of Tribune Publishing.

As 2020 comes to a close, this year could go down as the [biggest loss of reporter jobs](#)⁸ since the Great Recession. If Local News could be summed up in one statement for 2020, it would be: Journalism—indispensable; Journalists—expendable. And what that means as America grapples with issues of systemic racism could be manifest in the industry roiled not only by these systems but also tasked with documenting it.

“The loss of so many jobs at major dailies and alternative outlets alike will likely push even more young journalists, reporters of color and writers from marginalized backgrounds out of an industry that is already lily-white and hard to access for aspiring reporters from poorer and minority backgrounds.”

Travis Waldron and Tara Golshan, for [The Huffington Post](#)⁹

In the last year, there’s been a steady drumbeat of one news story, Op-Ed and think-tank report after another describing the “deep crisis”, “apocalyptic event” and potential “mass extinction.”

This tragic chorus has raised awareness of supporting civic journalism and even spurred talk of [federal aid to bolster local news](#)¹⁰ amidst the growth of nonprofit journalism. There are also renewed calls to force tech giants Google and Facebook to negotiate better terms with news outlets for providing their content.

BY THE NUMBERS: PART 1

1 in 4

U.S. newspapers have ceased to publish since 2004

>11k

newsroom layoffs took place in the first six months of 2020

36k

journalists faced layoffs, furloughs or pay cuts caused by COVID-19

300k

newspaper jobs have been lost since 1998

14%

people surveyed say they pay for news²⁸

STATE OF AFFAIRS

The coronavirus has merely accelerated the demise of the local news business model that’s

been weakening for decades. Circulation has been dropping since 1990 as cable news started to take off.

Labor Department data show that jobs at newspapers have fallen every year since 1998, nearly a 70% drop in employment during that period, [according to CNN](#). Between 2008 and 2019, newspapers cut half of their workers, from an estimated 71,000 to 35,000, Pew Charitable Trusts' Stateline [reported](#).¹¹

This is being acutely felt with gaps in coverage, particularly among Black, Indigenous, and other communities of color. Diversity, equity, and inclusion commitments are not optional for local coverage. They are essential for growth and need to be resourced.

As readership shifted toward online news, Craigslist overtook traditional classified advertising before tech giants Google and Facebook took the lead with their evisceration of the news industry's ad revenue. The two behemoths account for 77% of locally focused ad revenue, the Wall Street Journal [reported](#).

Despite forecasts that 2020 was going to be a [banner year](#)¹² for digital media, where profitability has proven elusive, COVID-19 has landed a debilitating blow there as well. Major newspapers such as the New York Times and Washington Post have seen an explosion in digital subscriptions.

“The New York Times is going to basically be a monopoly,” Axios founder Jim VandeHei [predicted](#) to the Times' Ben Smith. “The Times will get bigger and the niche will get nichier, and nothing else will survive.”¹³

But at the local level? Reader habits have changed, as only [14% of people pay for local news](#) through subscriptions, donations or membership, according to a 2019 Pew Research Center survey. In fact, the majority of those surveyed thought local news media outlets were doing well financially.

In reality, consolidation of newspaper chains and media outlets will likely continue, marked most recently by GateHouse/Gannett, along with the almost complete “[financialization of the American newspaper industry](#),” as Ken Doctor described it to the New York Times when Chatham Asset Management took on McClatchy post-bankruptcy.¹⁴

BY THE NUMBERS: PART 2

49 Million

Decline of cumulative weekday newspaper circulation from 2004 to 2019

Under 50%

Percentage of newsroom employees employed by newspapers in 2020

62%

Percentage of newsroom employees employed by newspapers in 2008

58% & 77%

Percentage of digital advertising revenue attributed to Google and Facebook at the national and local levels, respectively in 2018

WHAT LIES AHEAD

There are increasingly urgent calls to rescue the industry, from federal stimulus to benevolent billionaire and tech bailouts to more civic-minded and accountability-oriented nonprofit journalism to jettisoning legacy for-profit newspapers for a network of online news outlets.

While many media pundits see an apocalyptic moment, others see the pandemic's effect on the already wobbly state of local news as more of a [“catalyst for change.”](#)¹⁵ For many smaller newspapers, the coronavirus is being described as a “mass extinction event.” Yet, in some rural markets, where internet bandwidth is lacking and there isn't much online competition for local information, [some local papers don't feel as threatened — for now.](#)¹⁶

In fact, some are even bullish about the industry, thinking there's [money to be made in local news,](#)¹⁷ with returns historically on par with the stock market. Hyperlocal online publisher Patch has seen revenue climb by 30%, and several new local efforts have started this year or plan to early next year.

Those include:

- Axios - bucking the New York Times monopoly prediction - is launching newsletters in four local markets.
- City Cast, a startup podcast company that will [focus on local news](#)¹⁸
- And even media watcher Ken Doctor [has launched a local news site,](#)¹⁹ “Lookout,” that reports on Santa Cruz, Calif., while partnering with national outlets like Inside Climate News. He says he can devote about 70 percent of its resources to content creation, compared to a print-based daily model that can only afford 12 to 20 percent on content.

A little more than a decade after 27 nonprofit newsrooms gathered to promote investigative journalism, that group has increased tenfold and now comprises the 280+ members of the Institute for Nonprofit News. Nonprofit newsrooms have been [launching at a pace of more than one a month](#)²⁰ in the United States for almost 12 years, according to an Institute of Nonprofit News report that surveyed over 100 nonprofit news outlets in 2019.

Journalism-focused philanthropy has nearly quadrupled since 2009, according to a 2019 [report](#) by Media Impact Funders.²¹ In 2017, over 1,200 funders contributed over \$255 million in journalism grants to 925 organizations.

That, in turn, has funded outfits like Report for America and helped ProPublica, among [others,](#) expand its support to local newsrooms. And then there's tech giants like Facebook, which in 2019 [pledged \\$300 million over three years](#)²² to support journalism, content and partnerships, and [added another \\$100 million](#)²³ as the pandemic took hold.

Will it be enough? Some say not even close. Tech entrepreneur and Democratic presidential candidate Andrew Yang proposed establishing a \$1 billion “Local Journalism Fund”²⁴ and others are calling for legislation to tax Big Tech, a federal stimulus plan with [\\$500 million in public-health ad buys](#)²⁵ and a temporary exemption on antitrust laws for local publishers to negotiate with tech giants. For now, the outlook remains bleak. The industry saw second quarter advertising [drop 40 to 50 percent](#)²⁶ and the next quarters looked sluggish, especially as states wrestle with a winter surge of the coronavirus.

1d.

A New Third Force in the Market

THE NEW

The strategy for addressing the destabilizing confluence imperiling local journalism must blend innovative new models and practices that also addresses the enduring need of communities to have access to fact-based information. To resolve this, we must design an approach that is agile and flexible enough to invest in and deploy. We can accomplish this by introducing a *third force* — a new operating entity which can sit underneath, between, or outside of both nonprofit and commercial models. This new entity would be engineered to reset the economic relationship between funding and reporting by evolving the traditional platform for sustaining reporters: stand-alone news organizations — whether they are commercial or nonprofit.

Funders of journalism provide their support in faith that the institutions they are funding will always center the needs of communities in pursuing their mission. What happens when they no longer can? When a journalism company is forced into cutbacks, they inevitably lose trust in their communities. We've seen this time and again. For the growing hybrid community funding model, discussed above, funders lack a mechanism for ensuring that their support against the larger more draconian divestment across the industry. To protect the interests of the community, this third force strategy would firewall the reporting which philanthropy underwrites by maintaining a direct relationship with the jobs it pays for. This relationship would be anchored to our new proposed Nonprofit Cooperative Entity. The basic architecture is as follows:

1. JBMF establishes a new non-profit cooperative entity, Central Valley Journalism Collaborative.
2. JBMF invites other funders to participate in capitalizing the Central Valley Journalism Collaborative.
3. Central Valley Journalism Collaborative aggregates programmatic funding from JBMF and other foundations and donors.
4. Central Valley Journalism Collaborative funds journalism jobs.
5. The journalism jobs are made available to local newsrooms for specific projects.
6. Central Valley Journalism Collaborative signs agreements with local newsrooms who apply.
7. Central Valley Journalism Collaborative deploys those funded positions to the participating newsrooms with a *claw-back* should the newsroom fail to meet its obligation, or its ownership engages in divestment.
8. When the participating newsroom is a commercial entity, it agrees to share with Central Valley Journalism Collaborative 50% of revenue generated by the deployed journalists.
9. If the funded positions are clawed back, then Central Valley Journalism Collaborative may redeploy them to a different newsroom, if no newsroom is ready to accept the positions, Central Valley Journalism Collaborative can run the project itself and share the content freely with any newsroom and across its own channels.
10. This essentially protects the journalism job, supports the newsroom by providing additional capacity, and embeds the value of the reporting within the community.

FUNDING COOPERATIVES

The importance of cooperatives in the agricultural sector is, appropriately, an inspiration for how JBMF can develop this new model of sustainability for local journalism. Inviting participation from other institutional funders and donors in Central Valley Journalism Collaborative will not only spread out the risk, it will focus the investment in ways we are unable to achieve today. As importantly, it will open channels for support which are today in their infancy. The critical role of community foundations in building this movement for the Central Valley would be extended in this model, by establishing a collective negotiating position that grows the journalism, provides insurance to funders and donors, and protects the public interest.

This approach also reflects recent developments with our participation in the Emerging Bilingual Funders Cooperative, which brings Funders together to synthesize strategy and amplify impact.²⁷

METHODOLOGY

Surrounding the core third force principal outlined in Section A above, there are a range of funding approaches that Central Valley Journalism Collaborative would have to deploy. These include:

1. Unrestricted grants: most likely for nonprofit partners
2. Restricted grants: designed with guardrails for commercial partners
3. Program related investments/loans: critical to scale promising organizations
4. Investments: developing equity and leverage in companies
5. Blended: combination of approaches to meet the needs of the community

MERGERS OR ACQUISITIONS

Central Valley Journalism Collaborative should be prepared to engage in the market when newsrooms become available. This is critical as the financialization of the market continues and ownership is dominated by hedge funds. We can and should contemplate pursuing community ownership of local newsrooms which Central Valley Journalism Collaborative could help broker, finance, or manage.

MANAGEMENT SERVICES AGREEMENTS

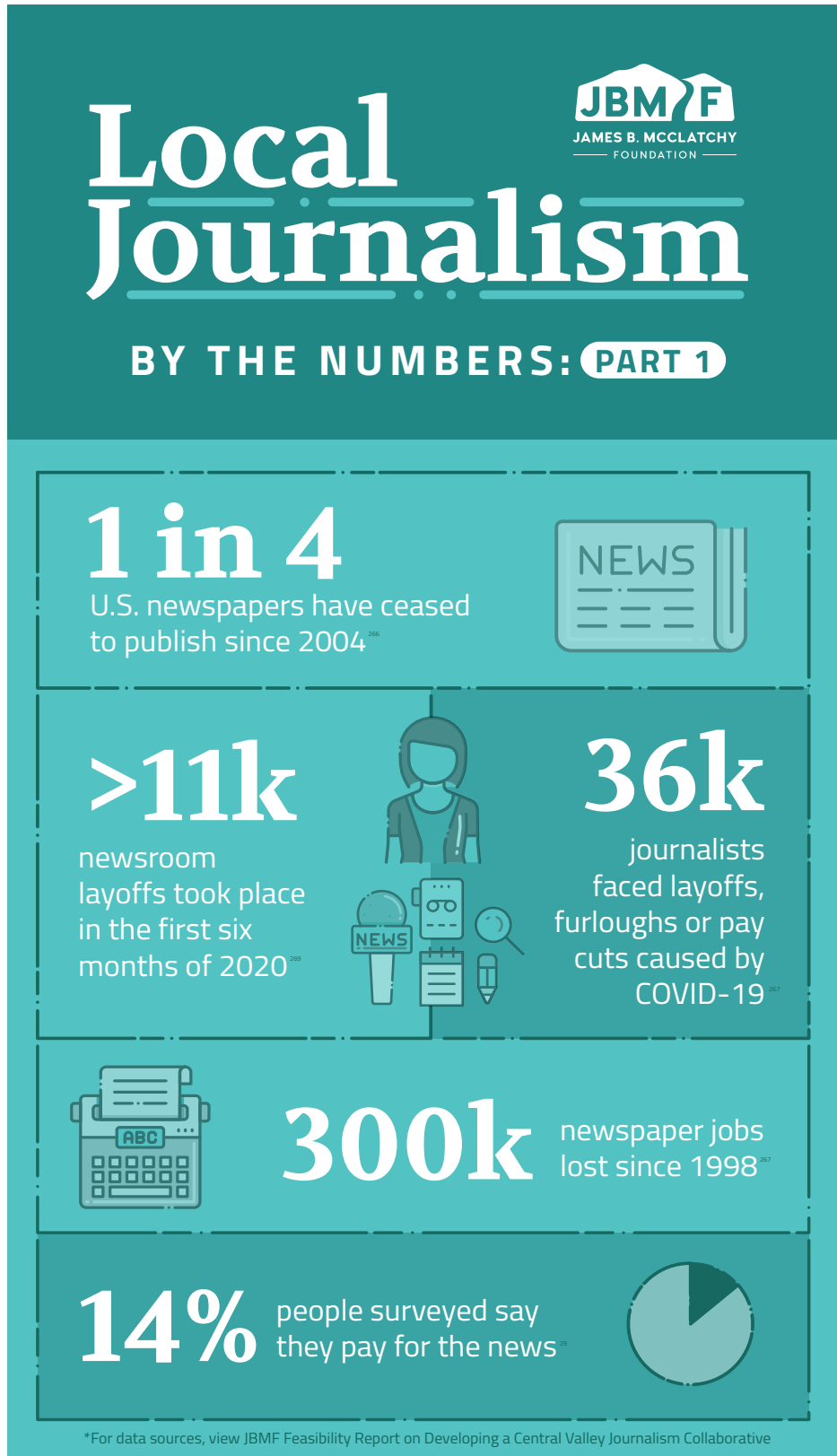
This model is more common in public radio, where community-based nonprofits work in partnership with public radio license holders, typically local education institutions. Under these agreements, the community-based non-profits operate the stations and manage the fundraising and budget to relieve the license holder, which typically lacks capacity, and increase public service.

JOINT OPERATING

In this version, Central Valley Journalism Collaborative would enter into an agreement to share operating responsibilities with the partner. This could include a split between the newsroom and business functions, with Central Valley Journalism Collaborative managing the newsroom and the partner managing subscription and advertising, with a shared budgeting process that includes philanthropic support.

End Notes

A. Report Infographics



Local Journalism



BY THE NUMBERS: **PART 2**

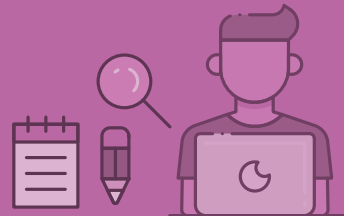


49 Million

Decline of cumulative weekday newspaper circulation 2004-2019²⁶⁵

<50%

Newsroom staff employed by newspapers in 2020²⁶⁵



62%

 Newsroom staff employed by newspapers in 2008²⁶⁵

77%

Digital advertising revenue attributed to Facebook at the national and local levels in 2018²⁶⁴



58%

Digital advertising revenue attributed to Google at the national and local levels in 2018²⁶⁴

²⁶⁴For data sources, view JBMF Feasibility Report on Developing a Central Valley Journalism Collaborative

Central Valley, CA



JAMES B. MCCLATCHY
FOUNDATION

A RICH TAPESTRY

OF CULTURES

1
**Many Languages;
One Valley**

SOME OF THE MANY
LANGUAGES SPOKEN
ACROSS 15 COUNTIES:

TRIQUI LAO Khmer FARSI
Hmong YOKUTS MIXTECO
Punjabi CANTONESE TAGALOG
Arabic MIEN KOREAN SPANISH
MANDARIN ARMENIAN
ASSYRIAN ZAPOTECO
Russian English
VIETNAMESE
JAPANESE

2

AMONG THE
**Fastest
Growing**

ETHNIC MINORITIES
IN THE VALLEY

Hmong

Punjabi

LAO

Khmer



3

SPOTLIGHT ON DIVERSITY

**San Joaquin
Valley**

OVER **70** ETHNICITIES
& **105** LANGUAGES

other than English spoken at home

Sources: Fresno State Community & Regional Planning Center 2021, US Census Bureau, and USDA

B. Source Endnotes

- 1 <https://www.niemanlab.org/2019/09/local-newspapers-are-suffering-but-theyre-still-by-far-the-most-significant-journalism-producers-in-their-communities/>
- 2 <http://hussman.unc.edu/news/2020-report-unc-hussman-knight-chair-state-local-journalism>
- 3 https://www.cjr.org/the_media_today/local_news_layoffs_coronavirus.php
- 4 <https://www.nytimes.com/2020/03/29/business/coronavirus-journalists-newspapers.html> and https://www.washingtonpost.com/lifestyle/media/local-journalism-needs-a-coronavirus-stimulus-plan-too/2020/03/25/08358062-6ec6-11ea-b148-e4ce3fbd85b5_story.html
- 5 https://www.niemanlab.org/2020/03/newsonomics-what-was-once-unthinkable-is-quickly-becoming-reality-in-the-destruction-of-local-news/?utm_source=Daily+Lab+email+list&utm_campaign=5e6bad1132-dailylabemail3&utm_medium=email&utm_term=0_d68264fd5e-5e6bad1132-396065841
- 6 <https://www.axios.com/newsroom-layoffs-2020-c509fb2d-ef58-4fcf-bcdd-3d40022a7a39.html>
- 7 <https://www.nytimes.com/2020/05/04/business/newspaper-editor-gannett-homeless-blogger.html>
- 8 <https://www.poynter.org/business-work/2020/here-are-the-newsroom-layoffs-furloughs-and-closures-caused-by-the-coronavirus/>
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- 11 <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2020/09/08/covid-19-is-crushing-newspapers-worsening-hunger-for-accurate-information>
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- 13 <https://www.nytimes.com/2020/03/01/business/media/ben-smith-journalism-news-publishers-local.html>
- 14 <https://www.nytimes.com/2020/02/13/business/media/mcclatchy-bankruptcy.html>
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- 16 https://www.cjr.org/business_of_news/in-search-of-the-next-generation-of-local-media-owners.php
- 17 <https://digiday.com/media/go-in-small-with-clear-eyed-expectations-how-a-crop-of-startups-are-trying-to-make-for-profit-local-news-work/>
- 18 <https://www.vulture.com/2020/10/city-cast-local-podcasts-david-plotz.html>
- 19 <http://newsonomics.com/newsonomics-why-im-starting-a-company-to-build-out-a-new-model-for-local-news-in-the-2020s/>
- 20 <https://mountainx.com/news/journalism-nonprofits-work-to-supplement-local-reporting/>
- 21 <https://mediainpactfunders.org/wp-content/uploads/2019/09/Journalism-report-for-web-hyperlinks-1.pdf>
- 22 <https://www.cnn.com/2019/01/18/media/report-for-america-reliable-sources-podcast/index.html>
- 23 <https://www.facebook.com/journalismproject/coronavirus-update-news-industry-support>
- 24 <https://www.brookings.edu/wp-content/uploads/2019/11/Local-Journalism-in-Crisis.pdf>
- 25 <https://www.cjr.org/analysis/journalism-stimulus.php>
- 26 <https://www.editorandpublisher.com/stories/local-journalism-under-siege,172547>
- 27 Emerging Bilingual Funders Collaborative includes Sobrato; Heising-Simons; CA Community Foundation; Silver Giving; and JBMF.



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C. Partner with Us

EMAIL

cvjc@jbmclatchyfoundation.org for more information on how to partner in the Central Valley Journalism Collaborative

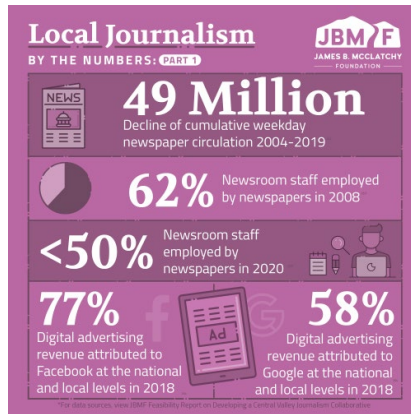
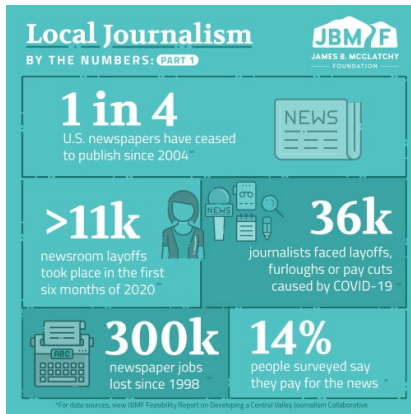
Share The Report

to grow support for the Collaborative



Share The Report Graphics

that help tell the story of local journalism and the Central Valley



SUGGESTED SOCIAL POSTS:

New JBMF study on Saving Local Journalism. Read the report.

New JBMF study shines a spotlight on the Central Valley's rich tapestry of cultures. Let's revitalize independent local journalism for all. Read the report.

#LiftingLocalVoices #CentralValleyLocalJournalism

D. Authors, Acknowledgements, About JBMF

AUTHORS

This report was developed by Studio To Be, a creative media agency for independent storytelling, content development and production.

ACKNOWLEDGEMENTS

Special thanks to the dedicated JBMF Board of Directors and Staff and to the grantee-partners guiding our work, including the community foundations across the region playing a critical and central role for community-based local news.

Central Valley Community Foundation (CVCF): Education Lab with the Fresno Bee

CVCF, with The Fresno Bee, has pioneered The Impact Media and Measurement Fund, which launched the Fresno Education Lab. The lab exists to drive solutions-based, investigative journalism to address education issues critical to the advancement of California's 6-county Central San Joaquin Valley.

Sacramento Region Community Foundation (SRCF): Sacramento Bee Equity Lab

SRCF established their Media Lab Fund to foster local journalism in the region. They are collaborating with the Sacramento Bee on the Equity Lab to focus on diverse voices and issues in the greater Sacramento region.

Stanislaus Community Foundation (SCF): Modesto Bee Economic Mobility Lab

SCF is growing its existing community journalism model with the hiring of additional reporters covering education, Spanish-speaking communities, and Central Valley economic development while acting as a leader to address the dearth of local news in their region.

ABOUT THE THE JAMES B. MCCLATCHY FOUNDATION



Founded in 1994 as the Central Valley Foundation, Susan and the late James B. McClatchy envisioned an organization that would address two issue areas important to California: the needs of English Learners and the protections of the First Amendment in free speech, freedom of expression, and a free press. Since then, the Foundation has made grants across its footprint in the Central Valley, and strives to make bold investments for long lasting impact. In 2016, JBMF's Board of Directors voted to sunset the Foundation. California's Central Valley faces many critical challenges requiring significant resources. The pressing nature of these challenges is compelling; they should be addressed sooner rather than later. For more information, please visit www.jbmclatchyfoundation.org



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