



MAKING A DIFFERENCE

Philanthropy and the Future of Local Accountability Journalism

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Made possible, in part, through support from the John S. and James L. Knight Foundation
and the Carnegie Corporation of New York

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The future of local accountability journalism in communities across the country is at stake in the chaotic digital reconstruction of American journalism. As commercial news media struggle to reinvent themselves and survive, a growing number of emerging nonprofit news organizations are trying to fill gaps left in local accountability reporting.

Four-year-old California Watch told millions of parents and students last year that the state was failing to enforce its own earthquake safety requirements for thousands of public schools. The Berkeley-based nonprofit's stories about unaddressed seismic risks were published and broadcast by newspapers and radio and television stations throughout the state, as well as its own website. School districts reacted by shutting down potentially unsafe buildings, and the state released millions of dollars to fix seismic safety problems in schools.

Voice of San Diego, an eight-year-old nonprofit website, documented dysfunction and financial mismanagement in that city's schools. Its revelations about the high cost of designated affordable housing in San Diego led to state hearings and City Council reforms. And its exposes of local corruption led to criminal convictions.

The Texas Tribune, a nonprofit launched in Austin late in 2009, spurred accountability coverage of that state's government, both competing and collaborating with newspapers and broadcast stations throughout Texas. "We are lifting the lid on the inner workings of government," said Texas Tribune editor, Evan Smith, "so the average person is better informed and can make better choices."

MinnPost, now nearly five years old, helped readers of its non-profit website in Minneapolis and St. Paul to cope with local budget cuts and a brief shutdown of the state government. The fledgling Public Source nonprofit website, launched in Pittsburgh at the end of 2011, worked with a local newspaper to reveal that colleges and universities in Pennsylvania and West Virginia were considering deals to allow drilling for Marcellus Shale natural gas reserves on their land.

Investigative reporting by WNYC, New York's public radio station, prompted the city to improve security procedures at municipal buildings and to fix the rules for funding so-called "homeless hotels." The New York Police Department changed the way it conducted marijuana possession arrests after WNYC reported that majority black and Latino neighborhoods were being targeted disproportionately. "Local accountability journalism is central to who we are and what we do," said Laura Walker, president and CEO of New York Public Radio.

All of this is journalism that makes a difference in local communities. And all of it is being produced by nonprofit news organizations started or re-directed within the last decade and financed mostly through philanthropy – by national, regional, community and family foundations and by individual donors, big and small.

Leaders of a number of these nonprofits – along with foundations and philanthropists helping to support them – met earlier this year at Arizona State University's Walter Cronkite School of Journalism and Mass Communication for a national conference, *Exploring the Role of Philanthropy in Local Accountability Journalism*, funded by the John S. and James L. Knight Foundation and the Carnegie Corporation.

They discussed how to carry out a key recommendation of the 2011 report of the Federal Communication Commission's Working Group on Information Needs of Communities to make it "easier for non-profit media to develop sustainable models" to fill gaps in local accountability journalism. They focused on the role of philanthropy in helping to develop that sustainability as a continuous public good – in the way philanthropy has traditionally supported local museums, hospitals, the performing arts, schools and other institutions of great value to communities.

Most local news nonprofits are financially fragile, and their sustainability is quite uncertain. Some startups already have failed. Others have had to reduce staff and expenses. Most of their founders have had to focus on fundraising as much as journalism.

This was dramatically illustrated not long after the conference when one of its prominent attendees, James O’Shea, co-founder, CEO and editor of the two-and-a-half year-old Chicago News Cooperative, unexpectedly shut down the nonprofit because it was running out of money. Despite initial foundation support and a working relationship with the Midwest edition of The New York Times, “we were under-capitalized from the start,” O’Shea said in an interview later. “I’m a journalist, not a fund-raiser.”

At the conference, O’Shea, a former managing editor of the Chicago Tribune, had said the Chicago News Cooperative was needed because the commercial news media there “had really backed out of the kind of accountability and public service journalism the city had come to expect.”

Local accountability journalism is a vital part of any community. It maintains a close watch on those with power or influence and sounds an alarm when abuses are discovered. It sparks conversation about what matters in communities. And it gives citizens the information needed to be civically engaged. It is the kind of journalism for which the First Amendment exists.

“It’s protecting democracy,” said Robert Rosenthal, a veteran former newspaper editor who is now executive director of California Watch and its much older, Berkeley-based, non-profit parent, the Center for Investigative Reporting. “What we all do,” he said at the conference, “is invaluable to democracy.”

Accountability journalism prospered during the economic golden age of newspapers in the last third of the twentieth century – after the Pentagon Papers and Watergate changed everything. Not all news organizations joined in. But local accountability journalism became a priority for the best newspapers of the era. Investigative journalists exposed police abuses in cities like Philadelphia, Washington, Miami and Dallas; local government corruption in Baltimore, Providence, Philadelphia, Miami and Chicago; pension abuses in Milwaukee and New York, and mistreatment of mentally ill adults and neglected children in protective care in New York and Washington, among many noteworthy examples.

But the impact of digital media and dramatic shifts in audience and advertising revenue undermined the economic model that had subsidized much of that local accountability journalism – and more – at most newspapers. City hall, suburban government and statehouse bureaus emptied out. Many local news beats went unmanned entirely. Investigative and project teams were thinned or disbanded. Those newspapers still dedicated to accountability journalism tried to devote to it as much of their depleted staffs and resources as they possibly could. But they have not been able to fill anywhere near adequately what the FCC report identified as a critical need for our democracy.

“Although there is tremendous (digital) innovation in the commercial (news media) sector, and it is difficult to predict what will come next,” the FCC report concluded, “it is not inevitable that commercial media markets will solve all the problems we face, especially the provision of relatively unprofitable, labor-intensive accountability journalism.”

“We’re brought together today by a market failure,” Duke University professor James Hamilton said at the Cronkite School conference. “The market does a very bad job of supporting public goods,” such as public affairs and accountability journalism, he explained. “We’re really talking about market failures. Nonprofits are one way to solve them. Why? Because people get a tax deduction if they support you, because it’s a signal to funders about how you use your money...and (because) it’s an organization that allows us to spread the word that we don’t have to rely on a media family like the Grahams (of The Washington Post) or the Sulzbergers (of The New York Times) to engage in the provision of a public good.”

Evan Smith said he and Texas investor John Thornton decided to launch the Texas Tribune after they had “watched the decline” of the state’s commercial news media and their accountability and public affairs coverage. “This is a problem that needed to be rectified,” he said. “If the for-profit media could no longer produce the kind of serious journalism that raises the level of civic engagement in our communities – a fundamental element of our democracy – then we have to create a new model to do it.”

The Texas Tribune, supported by a mix of wealthy donors, foundations, fund-raising events and public broadcasting-style membership, is one of the largest of the new nonprofits, with a 2012 budget of more than \$4 million

and a staff of 32, including 16 reporters. “We are almost half of the press corps at the capitol in Austin,” Smith said.

“Having someone paying attention to serious public policy issues raises everyone’s game,” said Joel Kramer, editor and CEO of MinnPost. Kramer, a former Minneapolis newspaper editor, and his wife, Laurie, have put their own money and labor into the nonprofit website, which they said has a staff equivalent to 18 full-time people and an annual budget of \$1.5 million, mostly from local philanthropy and memberships. Since MinnPost put a reporter in Washington to cover legislation and federal activity that affected Minnesotans, Joel Kramer said, the local public radio station did the same, and the Minneapolis newspaper added a reporter to its Washington bureau.

“I think one of the underestimated impacts of organizations like us is that competition,” agreed Andrew Donohue, editor of Voice of San Diego, which has a staff of 10 full-time journalists and a budget of around \$1 million. “Now you see a little bit more of those good old-fashioned journalism wars.”

Buzz Wooley, a San Diego philanthropist who also participated in the Cronkite School conference, had become concerned about the city’s “rather mediocre daily newspaper,” Donohue said. “He finally saw in 2004, 2005 that the Internet was sort of tearing down those barriers (to competition with commercial media) and could facilitate a very inexpensive model. We went online and really focused on a core small number of issues, but did those very well, and did those very aggressively, and really focused on things like education and local government.”

The San Diego Union-Tribune “used to have one reporter at city hall” when Voice of San Diego was launched, Donohue said. “And when we started flooding the zone and putting a bunch of reporters at city hall, all of a sudden they had seven.”

Julie Sandorf, president of the Charles H. Revson Foundation, which has funded a significant expansion of local accountability journalism by WNYC, New York Public Radio, told the conference that, after arriving at the foundation in 2008, she had watched “the degradation of New York City and metro area journalism up close and personal.

“The question we had was: How is this gap going to be filled? If we believe that a strong and engaged citizenry is essential to democracy and to

democracy in New York City, how are we going to fill this gap?” In looking for someone to help do it, Sandorf said she asked herself: “Was there potential for financial sustainability, and was there a clearly defined mission to information and to engage the public?”

“There was only one institution in New York that could fit our goal so well, and that was WNYC,” she said. “I came to them and said, ‘You guys are best positioned to create a new model of accountability journalism.’”

Because the staffs of most nonprofit news organizations are relatively small, many of them, like Voice of San Diego, focus their limited resources on those same gaps in public affairs and accountability journalism. “We’re not going to cover anything” Donohue said, “unless we think we can do it better than anybody else or unless nobody is doing it.”

The Texas Tribune concentrates on public policy, politics, government and subjects such as education and the environment. “No sports, weather or traffic. The for-profit media do a perfectly good job on those things,” Evan Smith said. “We’re starting to hit ‘em where they ain’t, and where they ain’t, in the case of Texas newspapers, is coverage of those serious issues.”

A few years ago, a number of nonprofit news sites, including several represented at the Cronkite School conference, formed the foundation-funded Investigative News Network (INN) to help each other with sustainability, editorial collaboration and audience building. The still-evolving group’s now 60 members are required, according to its by-laws, to be “transparent in funding and non-partisan.”

“We have members that have less than three full-time employees, operating budgets of less than \$200,000 and, frankly, aren’t paying themselves minimum wage,” Kevin Davis, INN’s CEO and executive director, told the conference. “We have members that have no full-time employees.”

Their website audiences also are relatively small. But a growing number of nonprofits have significantly expanded the distribution and impact of their journalism by sharing it with both commercial and other non-profit media.

“Collaboration among media – including for-profit and nonprofit media – will and should be an important ingredient in the new system,” the FCC working group said in its report’s recommendations.

New York Public Radio, for example, has seven stations in the greater metropolitan area, including New Jersey. It also partners with other public radio stations and the New Jersey Spotlight nonprofit news site, as well as with The New York Times on a website covering local education. “We believe very strongly in having partnerships,” Laura Walker told the conference. Revson’s Julie Sandorf said that also was a factor in her foundation’s support for WNYC.

“I think we have learned over the last several years in our partnerships that it’s pretty obvious if you have a real strategic need to be together and, from an editorial perspective, there’s shared values and a real clear reason for being partners, it tends to work well,” Walker said. “We all want to engage the community more.”

Sharon Walsh, editor of the non-profit Public Source in Pittsburgh, which collaborates with the Pittsburgh Post-Gazette and Duquesne University’s public radio station, agreed that collaboration is a learning experience. “I think, for journalists, the idea of opening your arms and sharing information and sharing the same stories, it’s been a real challenge,” she said. “But we’re finding our partners becoming much more at ease with that.”

The Texas Tribune provides news for the Texas regional edition of The New York Times, partners with KUT Radio in Austin and collaborates with several dozen newspapers and television stations around the state. “We are partnership promiscuous,” Evan Smith said at the conference. “We believe there is no partnership that we are not willing to try.”

Its website also offers to other news media and the public a number of databases on campaign finance, school rankings, demographic changes, health care and poverty. So far, all this has been financed by donations from wealthy backers, foundation grants, memberships, event sponsorships, corporate underwriting and subscription revenue from a specialized newsletter.

In Texas, Smith said, “we have a natural wealth that we can tap into that is clearly an advantage that we enjoy. We’ve exploited that quite significantly. We actually have a model we think is sustainable. We will break even this year for the first time. I have said more than once that I feel like Indiana Jones outrunning the boulder. I cannot look away from the ground in front of

me for a second or I will get killed. I am constantly out friend-raising, fund-raising, brand-raising. All of those things feed into the sustainability of the operation.”

The Texas Tribune gives away its news content to partners and the public. “The money that comes in the door from a variety of sources permits us to make our content available to everybody around Texas for free,” Smith said. “Ubiquity is worth more to us than the few pennies you could scrape together to pay us.”

But a few other nonprofits have begun earning revenue from partnerships with commercial media.

The Voice of San Diego sells content to the local city magazine and collaborates on accountability journalism with the NBC-owned television station, while sharing the advertising revenue.

“The NBC (collaboration) is probably the most instructive,” Donohue told the conference. “It was almost, sort of like, dating. We got to know each other. We trusted each other a little bit. We left our toothbrushes at each other’s apartment. And, all of a sudden, we were very much integrated.

“Here were two organizations with very different missions, histories and staffs, but we integrated incredibly well because we did such different things that augmented what each other did. We felt, at a certain point, we had saturated the sort of free publicity that we were getting out of partnering with them, and, at the same time, they wanted us to step up and actually start coming up with ideas for regular segments for shows.

“We came to them and said, ‘Okay, we’ve got these ideas, but we’re going to need you to start paying for them’” Donohue said. “The result is now we do three weekly segments. We’re writing them. They’re producing them. And we’re fronting them” on camera.

As he pointed out, this has become a model for collaboration between local nonprofits and NBC-owned television stations in ten cities, the fulfillment of a commitment made to federal regulators by Comcast when it bought NBC Universal last year. NBC’s station in Chicago, for example, is collaborating with The Chicago Reporter’s non-profit blog and magazine; its Los Angeles station is working with KPCC public radio, and its Philadelphia station is

partnering with WHY Y public radio and its NewsWorks community news website.

California Watch is paid modest fees for many of the investigative stories and video packages it provides to dozens of newspapers and broadcast stations throughout the state, including syndication relationships with some of them. “We have five ABC (television) affiliates, nine or ten newspapers, and they all pay us a fee for a certain amount of stories each day,” Rosenthal said. “In a sense, we’re becoming a center.

“I don’t think syndication is a sustainable model necessarily,” he added. “But it’s generating...the first year, in 2011, \$75,000...this year, \$500,000. Video is where the money is.”

Sustainability is what all the new nonprofits are chasing. The nascent models they described at the Cronkite School conference are quite varied, although many contain the same elements.

Most started with large donations from local philanthropists – such as Buzz Wooley for Voice of San Diego and John Thornton for Texas Tribune – or sizeable grants from national, regional and local charitable foundations, including Knight, Carnegie, Ethics and Excellence in Journalism, Revson, Hewlett, Irvine, MacArthur, Atlantic Philanthropies, Pittsburgh, Heinz, Mellon, William Penn and the San Diego Community Foundation, among others. Some of the national foundations, led by Knight, were among the first to make grants for nonprofit journalism, while a small number of the nation’s 700 community foundations – essentially pools of local philanthropic funds in communities around the country – have joined in more recently.

“We’re a community foundation, and the purpose of any community foundation at its heart is to improve the quality of life in the community where it’s located,” Grant Oliphant, president of the Pittsburgh Foundation, told the conference in explaining why it provided initial funding for the Public Source nonprofit news site. “We fund any number of programs that I think have incredible value in social services and education, protecting the environment, so forth. But we reached the conclusion a couple of years ago that we can fund all of those we want to, but, if we don’t have a citizenry that’s engaged in the life of the community, that all of the other funding is going to be a waste.

“What we quickly realized,” he said, “was there was a real absence in Pittsburgh of good, in-depth, investigative journalism that plays those roles of informing the community, engaging citizens in important issues and keeping institutions honest.”

“Of course, I immediately went to them and said, ‘But I need more money because I have to hire reporters,’” said Public Source founder and editor Sharon Walsh. “Fortunately, Pittsburgh (also) has the Carnegie and Mellon foundations, and they chipped in.”

“It’s not good to have the entirety of an important social good to be concentrated just in the newspapers,” Oliphant added. “We need new organizations.”

Older nonprofits have added audience memberships, fund-raising events, corporate sponsorships and even small amounts of advertising to their revenue bases.

While developing earned revenue from its journalism and databases, plus philanthropy from individual donors, California Watch was still dependent at the time of the conference on local, regional and national foundations for 80 per cent of its \$5 million budget, according to Robert Rosenthal.

Voice of San Diego’s Donohue said only 35 per cent of his funding comes from foundations, with 15 per cent from corporate sponsorships and earned revenue and 50 per cent from large and small individual donations, including renewable memberships. “The path to sustainability is membership,” Donohue said, “not spontaneous acts of (donor) heroism.”

Laurie Kramer of MinnPost agreed. Individual donations from 30,000 people, including 650 “sustaining members,” since its launch, account for more than half of MinnPost’s revenue, she told the conference. Advertising and sponsorships now provide 25 per cent, and foundation grants contribute only 20 per cent. “We’ve been on a plan, which has been working, to decrease our reliance on foundations – not eliminate but decrease – and roll out advertising sponsorship revenues.

“We have one major fund-raising event each year that is called MinnRoast,” she said. The event, at which prominent state and local politicians are

subjected to satire, draws hundreds of people, raising a net of \$100,000 each of the last two years, according to Kramer, who did not address whether that creates any conflict of interest issues in covering the politicians. In addition, she said, capital campaigns have raised \$600,000 from members to “help us build our revenue infrastructure, including a director of membership and an expanded advertising sponsorship sales staff.”

“In the nonprofit business we’re all in,” Joel Kramer told the conference, “we have the potential to generate a lot of money not from foundations, and I think that appeals to the foundations.”

“Diversify, diversify, diversify,” advised Laurie Kramer. “Do not rely on any one thing for your revenues.”

This is what was lacking at the Chicago News Cooperative.

“My view of it is that relying on philanthropy is totally unsustainable,” its co-founder, CEO and editor, James O’Shea, said, somewhat prophetically, at the conference. “You’ll never make it. They’re going to get tired of giving you money at some point, and so you have to figure out a way to come up with a diverse revenue stream.”

O’Shea had not succeeded in doing that. He said he launched the site with a \$1 million grant from the MacArthur Foundation and a donation and fees from The New York Times – in exchange for stories the Chicago News Cooperative contributed to two pages of the Times’ Midwest regional edition twice a week. In addition to the money, “The New York Times really confers a lot of credibility to your organization, gives you a leg up with readers,” O’Shea said at the conference.

But only several weeks later, O’Shea announced that the Chicago News Cooperative was closing. In an interview, O’Shea blamed its lack of an IRS designation as a tax-exempt nonprofit, which he said limited the nonprofit’s fund-raising, as well as a monthly fee from The New York Times that was too low to cover the cost of producing stories for it, and too little capital for developing a diversified revenue stream.

O’Shea said he came to realize that the nonprofit had “started as a stepchild of The New York Times. We had trouble establishing an independent identity. We were under their shadow.” He concluded that it was difficult to

explain to donors “why they should give money to subsidize a non-profit” contractor for The New York Times.

Across the country, another nonprofit also struggled with producing local accountability journalism while supplying stories for a regional edition of The New York Times. The Bay Citizen non-profit local news website was launched in San Francisco in 2010 with \$5 million from local philanthropist Warren Hellman, who was concerned about the impact on news coverage of deep staff cuts at San Francisco Bay area newspapers. The Bay Citizen also was paid for eight exclusive stories each week for the Friday and Sunday West Coast editions of The New York Times, which restricted the new nonprofit’s ability to set its own course for local news coverage or to partner with other news organizations.

“If I were starting a locally focused news organization,” Rosenthal said about the Bay Citizen at the time of the Cronkite School conference, “I’d be looking to see where vacuums are, who are the least-served audiences and what would be unique content, like investigative journalism, in a cluttered media environment. I would want to have as many partners as possible and get paid for it.”

In April, 2012, a few months after the Cronkite School conference, Rosenthal took charge of determining that mission for the Bay Citizen. After the death of philanthropist Warren Hellman and an exodus of its top editorial and business side leaders, the Bay Citizen merged with the Center for Investigative Reporting and California Watch. Rosenthal said all three nonprofits would focus on accountability journalism: the Bay Citizen locally, California Watch statewide and the Center for Investigative Reporting nationally.

Joined together, the three San Francisco Bay area nonprofits will have a staff of 70, including bureaus in Sacramento and Southern California, and a budget of more than \$10 million. Rosenthal said in an interview that new philanthropic contributions from the Hellman family and other donors, plus memberships and fees for content sold to partners, would alter their mix of revenue to one-third from donors, half from foundations and the rest from memberships and fees.

Sustainable nonprofits also must engage in bold experimentation in both their journalism and their business models, Rosenthal told the Cronkite

School conference. “It’s about passion, risk-taking,” he said, “knowing that things are going to keep changing and being open to that... One of the things I’m constantly telling everyone at CIR is, ‘Everybody’s an entrepreneur. And you all have to be innovators. You’re all part of sustaining this.’”

Rosenthal cited as an example a California Watch coloring book explaining earthquake safety to school children, which became extremely popular and a source of revenue from distribution sponsors. “This came from one of the younger staffers,” he said. “It was edited and vetted to make sure it matched the facts we had... We were so overwhelmed by demand. We printed it in a ton of languages. One of the major corporations now wants to print half a million.”

Rosenthal knows this may also attract more money from foundations, which often prefer to fund innovation and specific results-oriented projects rather than the overhead – or sustainability – of nonprofits. “Foundations are fickle,” said Revson’s Julie Sandorf. “Foundations function more often than not at the whims of their boards and their incoming new presidents. They are not someone you can count on for the long haul. I think we should be looking for other means of revenue.”

“Sustainability, to foundations, means we don’t fund you anymore,” said Grant Oliphant of the Pittsburgh Foundation. But he added that an initiative begun by the Knight Foundation in 2010 is encouraging community foundations to play a larger, longer-term role in helping accountability journalism nonprofits in their communities to become sustainable.

“We’re part of an experiment that may produce a whole bunch of different varieties of sustainability, and we have to be somewhat patient about it,” he said. “I think we’re in it for the long haul, but not the forever haul, would be my guess.”

Oliphant also told the conference that community foundations must realize that local accountability journalism nonprofits must have complete editorial independence.

“There are issues that we take stands on and that we fight for, so that automatically makes us in some respects a challenging source for providing in-depth journalism,” he explained. “The value of journalism is that it can ask uncomfortable questions... We’re not in a position to be the ones out

there asking the really tough, fundamental questions about where money is flowing and who's benefitting. It helps to have an entity that is independent of us, even if we're funding it, being able to raise questions about an issue like that.

"I think the thing that we did that was very important was to fund (Public Source) outside our walls," he said. "I think the temptation that the board and we as staff would fall into was to try to steer the journalism, or to refrain from doing certain things, so it was very important to us that we weren't in a position to do that. We created (Public Source) as a separate entity, actually initially working under another 501c(3)."

Designation as a 501c(3) tax-exempt organization by the Internal Revenue Service is vital for nonprofits, so foundations can keep their tax-exempt status while giving them money and other donors can take tax deductions for their contributions. "There are people that will give without that," Kevin Davis of the Investigative News Network told the conference, "but without the 501c(3), it severely limits a nonprofit's ability to be able to accept philanthropy."

The Center for Investigative Reporting, Voice of San Diego, MinnPost and Texas Tribune are all 501c(3) non-profits. But each was granted that designation by applying individually to the IRS, rather than automatically, because nonprofit journalism is not listed in the 501c(3) statute in the IRS code, which is limited to: "Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition...or for the prevention of cruelty to animals or children."

Another clause adds that "no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation...and which does not participate in, or intervene in (including the publishing and distribution of statements) any political campaign on behalf of (or in opposition to) any candidate for public office." So 501c(3) journalism nonprofits cannot endorse candidates or express editorial opinions about legislation, as commercial news media are free to do.

"We exist happily as a c(3), and it's been central to foundations that we are a nonprofit," said the Texas Tribune's Evan Smith. "We don't endorse

candidates. We don't take positions on issues. And we operate entirely in the public interest."

Recently, IRS approvals of 501c(3) designations for journalism nonprofits have slowed to a crawl, leaving many startups in unexplained limbo. The Investigative News Network, for example, has not yet gotten one after 18 months of waiting. The Chicago News Cooperative never got one, which Jim O'Shea blamed, in part, for its demise.

The IRS has not said why there is a virtual moratorium on 501c(3) approvals for nonprofit journalism organizations, except to tell inquiring journalists that applications have been consolidated for special review at its D. C. headquarters. Kevin Davis of INN said applicants have been asked many questions by the IRS, but they have been warned not to extrapolate from them anything about the agency's deliberations.

"What appears to be happening is there are a number of concerns about where journalism fits within current 501c(3) status," Davis said. "They (at the IRS) do not consider journalism to be a charitable function. Another issue seems to be how we are substantively different from commercial models."

While they wait, some nonprofits have contracted with others who have 501c(3) status to be, often for a fee, their "fiscal agents" for grants from foundations. "Some foundations don't want to work with fiscal agents," however, Davis said, for fear the journalism nonprofit is not strictly adhering to 501c(3) rules, even though it does not have that designation itself.

Davis said he hoped that inquiries from members of Congress and participants in the Cronkite School conference, among others, could prod the IRS into action – or even that Congress and the IRS could create a new designation for nonprofit journalism. "We need to accelerate those conversations because the clock is already ticking," he said, "and we're already seeing some major foundations start to fall back."

"It will be a travesty if we lose this fight over whether organizations such as we're talking about are legitimate nonprofits or not," Grant Oliphant told the conference. "We live in a time when politicians routinely form nonprofits to act as cover for their activities and that somehow passes muster.

“These (nonprofit journalism) organizations are performing a social good,” he added. “As long as they’re not taking a political point of view, then I think it’s inarguable that they should be allowed to be nonprofits... We have to fight for that.”

In its report last year, the FCC working group recommended that “policymakers should recognize that cleaning up the ambiguities in the tax code for nonprofit media is potentially a crucial step toward enabling nonprofit entities to develop sustainable business models. A respected nonpartisan organization, such as the Council on Foundations, should convene both nonprofit tax experts and nonprofit news entrepreneurs to study the question of what tax changes or clarifications could better enable nonprofit media to meet the information needs of communities and issue a report making recommendations about how to implement such changes.”

Judging from the discussion at the Cronkite School conference, more aggressive advocacy than that may be needed more quickly.

Public radio and television stations are already long-established, IRS-recognized non-profits. But only recently have a number of scattered public radio stations joined pioneers like WNYC, WHYY in Philadelphia and Minnesota Public Radio to increase their original local reporting, including accountability journalism.

With grants of government money from the independent Corporation for Public Broadcasting (CPB), seven groups of public radio stations across the country are collaborating in experimental regional journalism centers. Their reporters are looking into environmental issues in Pennsylvania, agriculture in the Farm Belt, economic development in the industrial Midwest, health care in Florida, technology in upper New York State and demographic change in the Southwest.

The relatively new investigative reporting team at National Public Radio (NPR) is collaborating with member stations on accountability journalism training, resources and reporting. Other public radio stations are collaborating with the Public Insight Network (PIN) of American Public Media, the parent of Minnesota Public Radio and Southern California Public Radio, on accountability journalism projects based on information gleaned from listeners participating in PIN surveys of their demographics and specialized qualifications and knowledge.

When WNYC, an independent nonprofit once owned by the city of New York, successfully resisted pressure from the city's police to stop reporting of its stop and frisk drug enforcement activities in minority neighborhoods, "that, to me, demonstrated clearly the power of an independent organization to do journalism," WNYC CEO Laura Walker told the Cronkite School conference.

"We do need to have philanthropic funding," she added. "We need to believe we can build some kind of sustainable model" through foundation grants, fund-raising, journalistic partnerships with other media and the relatively small amount of money the station gets from the CPB.

Asked why most public television stations are not similarly engaged in local news reporting of any kind, including accountability journalism, Walker said, "The economics are so different, and, frankly, it doesn't have (local) journalism in its blood. Radio has always been a much, much stronger community medium. We have to be close to our community."

University journalism schools also can better serve their communities and students by producing nonprofit accountability journalism. At the conference, Cronkite School Dean Christopher Callahan described the numerous ways in which its students produce professional-quality journalism under the supervision of veteran newspaper, broadcast and digital journalists on its faculty.

The student-staffed Cronkite News Service bureaus in Phoenix, the Arizona capital, and in Washington, D. C., provide news coverage and accountability journalism to about 30 newspapers, broadcast stations and digital sites throughout Arizona, plus the Associated Press and the McClatchy News Service. CNS deploys the largest number of reporters covering Arizona state government, and it has the Arizona news media's only full-time Washington bureau. Its accountability journalism has explored food deserts in Arizona cities and rural areas, revealed a long-ignored diabetes "pandemic" among Hispanics in the state's border areas and investigated the spending of campaign money by state legislators.

In addition, the school's broadcast journalism students produce a half hour, four-days-a-week "Cronkite NewsWatch" local news program and accountability journalism documentaries for Arizona's largest public

television station, which is owned by ASU and operates out of the Cronkite School's state-of-the-art multimedia building in downtown Phoenix.

The Cronkite School also is the national headquarters for News21, funded by the Knight Foundation and Carnegie Corporation. Selected student reporters from a dozen universities across the country work together with professional journalists in a teleconferenced spring semester seminar and a summer newsroom at the Cronkite School on innovative national investigative reporting projects with local impact. They've covered, in the past three years, transportation safety, food safety and voting rights. Their stories and multimedia have been published by partner newspapers and websites across the country.

The University of Maryland's Merrill College of Journalism supplies news and video to many of that state's newspapers and television stations from its student-staffed Capital News Service bureaus in College Park, Washington, and the state capital of Annapolis. Northwestern University's Medill School has news bureaus in Washington and Chicago. The Columbia University Graduate School of Journalism, New York University and the City University of New York each operate student-staffed city news bureaus and neighborhood blogs in New York City. The USC Annenberg School has a student-run local news website in Los Angeles.

Dean Callahan, who pioneered student-staffed news bureaus when he was at the University of Maryland, said all journalism schools could and should produce professional-quality journalism, in addition to teaching it, as medical schools do in the practice of medicine by placing their student residents in teaching hospitals.

In its 2011 report's recommendations, the FCC working group said, "Journalism schools should continue to increase their role in providing local journalism through the 'medical residency' model, practicing local journalism as they teach it."

To help achieve this, the FCC working group said, "We recommend that foundations and philanthropists help fund journalism-school 'residencies' for recent graduates who can help manage year-round efforts to produce significant journalism for the community, using journalism students. This simple step could enable journalism schools to significantly increase their

impact in communities, while improving the quality of their instruction at the same time.”

The participants in the Cronkite School conference agreed that foundations, philanthropists and all Americans should consider news reporting of public affairs to be a continuous public good requiring long-term funding for the sustainability of nonprofits engaged in local accountability journalism.

“Local foundations, philanthropists and ordinary Americans should consider increasing donations to organizations that provide reporting, especially at the local level,” the FCC working group said in its recommendations.

To make a difference in their communities, journalism nonprofits must be self-sustaining, independent, local news organizations that set their own aggressive accountability agendas, collaborate effectively with other news media, innovate digitally and maintain news values and ethical standards that ensure the credibility – and thus the impact – of their journalism. Both they and their financial supporters should ensure that there is transparency about funding and an impermeable wall between each donor’s interests and the nonprofits’ news reporting.

“We need to educate the foundations and educate individuals that supporting accountability journalism is very similar to supporting education,” which is widely recognized as a worthy recipient of philanthropy, suggested Buzz Wooley, founding donor for Voice of San Diego. “How do we sell this idea better, because we’re hardly scratching the surface?”

“Our job, collectively, (is) we need to sell this,” echoed Cronkite School Dean Callahan in closing the conference. “We have the choir here. We need to go out to other communities, to other journalism leaders, to other philanthropists who are not involved in this space and get them excited about it. We need to make sure that word is spread.”

The Cronkite School could do more itself by convening other forms of face-to-face conversations and opening new lines of digital communication for more leaders in journalism and philanthropy focused on the most pressing issues facing nonprofit local accountability journalism.

Among such issues emerging from the Cronkite School conference are:

1. Defining and expanding the roles of national and community foundations in supporting nonprofit local accountability journalism
2. Achieving IRS 501c(3) or alternative charitable designation for all journalism nonprofits
3. Sharing business model information and alternatives among journalism nonprofits
4. Sharing journalistic and digital innovation among journalism nonprofits
5. Maintaining editorial independence and credibility amidst the mix of roles and funding at journalism nonprofits
6. Expanding the role of university-produced nonprofit journalism
7. Increasing local accountability journalism produced by public radio and television stations
8. Exploring increased journalistic and financial collaboration among nonprofit and for-profit news organizations

Among the institutions that could work with the Cronkite School on projects like these are national and community foundations funding nonprofit journalism and education (such as Knight and Carnegie), the Council on Foundations and community foundation leadership groups, other universities and journalism schools, journalism education organizations, selected nonprofit and for-profit news organizations, the Investigative News Network, the American Society of News Editors, Investigative Reporters and Editors Inc., the Corporation for Public Broadcasting, American Public Media, National Public Radio, the Poynter Institute, and non-partisan think tanks like the New America Foundation.

It is clear from the deliberations at the Cronkite School conference, as well as from numerous recent reports about the chaotic state of American news media, that the growth and sustainability of nonprofit local accountability journalism is a vital need for the nation. More leadership is needed for it to survive and thrive.



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MAKING A DIFFERENCE
Philanthropy and the Future of Local Accountability Journalism

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