

From Outsourcing to Innovation

How Nonprofit/Commercial Media
Partnerships Can Help Fill The News Gap

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From Outsourcing to Innovation

There was a time when Maggie Mulvihill could concentrate solely on journalism. But since the collapse of the news industry, she and her co-director at the New England Center for Investigative Reporting (NECIR) have been “forced to become small business people.”ⁱ Now, to stay afloat, they run training programs and other fee-for-service efforts, which take time away from their work selling stories to the *Boston Globe* and the local television news. For Mulvihill and other journalists who left commercial media to start nonprofit ventures, ensuring a sustainable business, one that lasts beyond a start-up phase, requires predictable income sources. Some nonprofits have made bets on a diversity of revenue streams to stay in business, including partnerships with for-profit media.

In the well-chronicled decline of traditional news media, both nonprofit and for-profit media organizations are struggling to find footing. Nonprofits, in their many forms, find themselves balancing their mission to produce high quality journalism against financial demands. Philanthropic and government support for the news business remains uncertain, and the economic downturn has heightened operating risks. Some nonprofits have sought partnerships with commercial media such as local TV, websites, and regional newspapers to diversify and sustain income. Only a small number have succeeded. These partnerships require closer examination to understand how they work and how they can thrive.

Nonprofits not only struggle to pay the bills, but are often called upon by their philanthropic benefactors to prove they can achieve journalistic “impact.” “Does your content advance the discussion?” asked Ford Foundation’s Calvin Sims at the 2011 Logan Foundation Symposium at UC Berkeley. “Are you reaching an influential audience?” Ford looks for content that provides the information that citizens need as stewards of their democracy.ⁱⁱ

In 2009, following a wave of newspaper shutdowns and broadcasting mergers, a task force of experts and practicing reporters found the news industry was failing to deliver the news most relevant to regional audiences. This expert panel, the Knight Commission, held that local “accountability” news, was inconsistent at best. These were the stories that covered local government, health, education and other public interest beats. In 2010, the FCC responded to Commission findings with *The Information Needs of Communities*, a wide-ranging assessment of

the collapsing news industry. Among the reports' 15 recommendations, several addressed the role of nonprofit media. This paper specifically takes a close look at the FCC's suggestion that "*Collaborations among media – including between for-profit and nonprofit media – will and should be an important ingredient in the new system.*"ⁱⁱⁱ

To that end, the Investigative Reporting Program (IRP) at the University of California, Berkeley, Graduate School of Journalism was asked to explore the prospects for expanded nonprofit/for-profit collaboration. Specifically, this paper aims to identify those policies and approaches that strengthen these partnerships, including **nonprofit practices** that support innovation in identifying and delivering local public interest stories, while also creating demand for their news products. Secondly, we point out what **policy incentives** can encourage the for-profit sector to advance and sustain such collaborations. A vibrant **discussion** by practitioners and experts, held at U.C. Berkeley in November 2011, greatly informed and shaped our analysis and recommendations.^{iv}

We offer suggestions for how to bolster nonprofit/for-profit partnerships through the following:

- *Readiness: Ways to strengthen nonprofits to attract for-profit partners. What are the laws of attraction, practices, business and negotiating tools, and support structures that build readiness?*
- *Policy Role: The narrow, but high-leverage role for government, including the nurturing of innovation, new uses for public money, and resolution of policy obstacles.*

Many of the points we raise apply to issues of organizational sustainability currently explored by foundations, academia and practitioners. We focus on themes of smart collaboration, strategic business models, and "community building" as they particularly relate to nonprofit/for-profit alliances. Rather than present a series of case studies (this is done well in prior research and reporting), we aim to identify key conditions and practices that support partnerships. But we stop short of drawing definitive lessons from nonprofit/for-profit collaborations. In most cases, they represent experiments. Some have already fallen away, while others have not yet solidified.

Partnerships cut across nonprofit type, missions and media platforms. The *Information Needs of Communities* describes the range of platforms, including websites, SPANS, public access, low power FM, journalism schools, public TV and radio. There are also a variety of nonprofit types –

“hyper local,” advocacy, and nationally networked investigative news ventures like Center for Investigative Reporting, ProPublica and the Center for Public Integrity.

This review takes a preliminary look at practice and policy possibilities. It aims to provide a launching point for deeper research, development, and testing. These partnerships are too few and too new to serve as an overall fix to the economically stricken news industry. However, we hope our examination helps sustain momentum of the critical debate sparked by the FCC report.

The Broccoli Beat

In theory, these new partnerships arise from mutual need. Nonprofit organizations often lack name recognition and the larger audiences of commercial media, which, for our purposes, include legacy print and broadcasting outlets. On the other hand, commercial media, which has shed significant numbers of journalists, needs to fill gaps in local news reporting. Working together, the for-profit news partner has the ability to bring more “eyeballs” to the public interest local news produced by nonprofits. For nonprofits, these joint ventures may also provide a reliable, if limited, revenue stream.

But while these partnerships are becoming commonplace, no one has adequately answered the question of how to sell this public interest news to increasingly fragmented and entertainment-driven audiences. Coverage of public interest or “broccoli” beats like investigative reporting, such as local health, education and City Hall falls low within the industry’s measures of audience interest.

“It becomes a question of what people want to read as opposed to what they consume,” concludes Josh Stearns of FreePress.^v Readers may want solid coverage of local government meetings, but they may not consume it at a rate anywhere close enough to justify its costs. The cost of producing investigative pieces, for example, exceeds what the market will bear. As Lowell Bergman of IRP says, “Investigative journalism is anti-profit – you dig and dig for as long as you need to get the story.”^{vi}

Even free-market champions recognize the limits of the market in supporting an informed democracy. John Hood of the John Lock Foundation, a pro-free market, anti-tax organization

based in North Carolina, is “skeptical that commercial markets will fill the gaps in certain types of local accountability journalism.”^{vii}

Christa Scharfenberg, Associate Director of the Center for Investigative Reporting, related how one venture capitalist evaluated the nonprofit’s business plan centered around selling in-depth, public journalism to commercial outlets: “He used an interesting metaphor of a vitamin versus a painkiller,” she said. “Right now, you’re offering these news outlets a vitamin. They might like it, but they can live without it. You need to give them a painkiller.”^{viii}

In other words, nonprofits must find better ways to sell their wares. Good journalism is no longer enough. As Maggie Mulvihill of the New England Center for Investigative Reporting and others are discovering, reporters must become entrepreneurs.

I. Readiness – *Skills and Conditions for Forging Effective Partnerships*

What skills and conditions prepare nonprofits to engage successfully with commercial media? Before launching any experiment or innovation, a nonprofit should spend the time building an organization on solid business fundamentals. As Jo Ellen Kaiser of the Media Consortium notes, journalists working in the nonprofit media sector must “have a business for their business”^{ix}

A working session of nonprofit and for-profit media leaders hosted by UC Berkeley’s Investigative Reporting Program (IRP) helped identify skills and conditions that help support nonprofit/for-profit partnerships:^x

- Run on a robust business plan
- Learn the art of the deal
- Practice “incremental economics”
- Manage the collaboration
- Leverage success

Condition: Run on a robust business plan – Roundtable participants agreed that prior to any venture with commercial media, the nonprofit should run on a business model with 1) diverse revenue streams, 2) a focus on audience engagement, and 3) strong staff technology expertise. When organizations set up a variety of income sources to supplement the news production, such as training, events, subscription services, donor contributions, databases, and reports, they are less financially vulnerable. Audience engagement—or marketing—can turn engaged readers into

donors. Finally, a business plan that includes a strong technology staff enables the organization to track audience interest and to create new technologies to draw in new readers and donors.

For the Center for Investigative Reporting (CIR), a business plan must include more than the sale of articles to solve the revenue problem. It needs to get at the question of how to attract customers.^{xi} In others words, it should take into account how the nonprofit creates interest in its work. How can it attract new readers and donors? What outreach and tactics should it use? And how will it budget for its marketing plan?

Nonprofits with strong business acumen at the staff or board level have an advantage. *Texas Tribune* founder John Thornton has applied his venture capital experience to innovate and expand the non-news business side of the nonprofit raise \$9.6 million since the organization's launch in 2009.^{xii} *Bay Citizen* was also founded by a financier, and its former CEO Lisa Frazier's background in business has helped drive *Bay Citizen's* entrepreneurial approach to marketing and community engagement.

Audience revenue has become more important to nonprofits as they anticipate a drop in foundation giving over time. Nonprofit business models increasingly emphasize individual donations and ways to turn readers into donors. Yet, a business strategy that incorporates aggressive donor acquisition, assumes staff capacity to fundraise. This emphasis on fundraising poses a challenge to organizations comprised mostly of trained journalists, whose skill set does not always lend itself to fund-raising.

A strong business plan should also incorporate a balance between the interests of journalism and the demands of meeting revenue goals. Nonprofits commit resources to producing the best possible local stories, but must also commit time and funds to raising resources. A solid business model will build in frequent evaluation of how the organization manages the balance between these two objectives. Periodic, hard-nosed assessments of the business model would also reveal when the nonprofit is ready to take on a commercial partnership.

To borrow from social entrepreneurialism, the model must contain a "self-refining and correcting system." In other words, the organizational plan should include a built-in means to assess the health of the business. The Skoll Foundation Awards for social entrepreneurs use criteria that

also apply to nonprofit best business practice. According to Skoll, a social entrepreneur is most effective when he or she is:

Leveraging a broad array of resources over time and applying them in the most effective way.

Building the governance and staffing capacity necessary to create and maintain a strong management structure, high-quality partnerships, skill in communicating its model and the ability to evaluate and measure change.^{xiii}

The nonprofit organization that has these elements in place will be more likely to attract and to retain commercial partners while meeting the ultimate aim of its business model – producing news relevant to the audiences they serve.

Skill: Practice Incremental Economics — For former *Bay Citizen* CEO Lisa Frazier, a strong business model applies the principle of incremental economics. For any given decision to expand, an organization should assess whether any incremental benefit of that choice would be greater than its incremental costs. Can the nonprofit come out better than before, and how can it measure its success? How will any partnership help the bottom line? These are the questions *Bay Citizen* asked when partnering with the *New York Times*. “We never wanted the *Times* to be the heaviest source of revenue,” said Frazier.^{xiv}

Ben Ilfeld of the *Sacramento Press* combines an incremental economics approach with venture capital risk-taking. “Try and fail often on a manageable scale,” he advised.^{xv} *Sacramento Press* made such a calculated gamble when negotiating a partnership with Sacramento’s local NPR station, Capitol Public Radio. In informal discussions of possible joint opportunities, the two entities decided to venture in with a “tweet chat.” While not a commercial partnership, the deal reflects Ilfeld’s approach to commercial initiatives, including his group advertising business.^{xvi} Ilfeld and colleagues run SLOAN, Sacramento Local Online Ad Network, a for-profit advertising network that connects advertisers to multiple community-oriented websites in and around Sacramento.

In the spirit of incremental economics, a forthcoming Investigative News Network (INN) guide aims to strengthen nonprofit/for-profit partnerships by identifying skills and indicators for evaluating whether a potential partnership is worthwhile. INN’s CEO Kevin Davis says, “We

want people to think about what they want to get out of every relationship, the range of currencies, and benefits that they can get out of deals.”^{xvii}

Partnerships can take different forms. INN describes different kinds of “packages.” These range from single story deals to syndication to wire service offers. For each of these partnership types, the nonprofit can assess its goals and capacity against what a given package could potentially require and deliver.^{xviii}

Davis and Kaiser of INN and Media Consortium emphasize the need for nonprofits to stick to their overall mission. “Mission creep,” the unintentional expansion of an organization’s activities beyond its central goals, can drain resources. In addition, these detours potentially dilute the nonprofit brand, making members, donors and foundations less clear about what they are supporting.

Organizations should consider whether a commercial partnership is the best means to attract new audiences or revenue. “Don’t chase for-profit exclusively,” says Christa Scharfenberg of the Center for Investigative Reporting.^{xix} CIR charges for content, but its highest paying offers may not necessarily come from commercial media. Revenue from PBS, for example, exceeds income from CIR’s for-profit partnerships with print media, its network affiliates, and Yahoo News.

Similarly, Link TV CEO Paul Mason sees natural partners in public and nonprofit media, but not in commercial news outlets. While he does not rule out potential for-profit media partners, he senses they fail to share a common audience.^{xx}

According to Mary Walter-Brown, *Voice of San Diego* Vice President of Advancement and Engagement, “You really need to know what you want out of the collaboration before you go into it. When our relationship evolved it was very organic... So it was really about awareness for us, getting our name out there.”^{xxi}

Skill: The Art of the Deal – Forging a partnership with a commercial enterprise requires a number of negotiating skills and principles. Nonprofits should articulate their value and come prepared with non-monetary “chips” to use in the bargain.

1) Show Your Stuff - The first rule in the law of attraction entails offering a desirable product. Nonprofit news can increase its appeal to commercial partners when it conveys that it can meet the following criteria:

- Identifies and fulfills a need
- Brings a respected reputation or buzz
- Provides flexibility with exclusivity
- In larger distribution deals, offers story localization and customization
- Has experience with project management
- Anticipates legal and technology details (pro bono legal team, contract, platform compatibility)

Texas Tribune offers its potential partners a menu of services. In addition to reporting, it brings a strong technology capacity (it dedicates five staff positions to technology).^{xxii} The nonprofit provides data mapping services and expertise and designs interactive features within its stories. Beyond its high-visibility partnership with the *New York Times*, these assets have attracted ongoing partnership with the *Houston Chronicle* and the *El Paso Times* among others.

Similarly, Scharfenberg counted several ways in which CIR's *California Watch* sells itself to commercial media outlets. Newspapers subscribing to the service work with *California Watch* to develop and to localize investigative stories. These subscribers receive daily news posts and additional services. In addition, *California Watch* brings other assets to its deals, including database production.

The partnership has proven invaluable for at least one CIR partner, the *San Francisco Chronicle*. Executive Vice President and Editor Ward Bushee says the nonprofit provides competent, credible content that feeds easily into the newsrooms.^{xxiii}

Bushee has had good experience with CIR, but not all partnerships go smoothly. What can go overlooked, he says, is management, including communication practices that can gum up the process. Another partnership challenge for him is the expansion of the *Chronicle's* digital platform for the iPad and yet-invented technology innovations that pose formatting and transfer challenges with outside partners.

He hopes to find ways in which a commercial outlet can identify nonprofit news "vendors" that engage in best practice collaboration. Databases and other catalogues that clarify the assets of

nonprofits would help him and other for-profit news organizations identify potential matches. In the absence of these, he will likely stay with partners like CIR, led by Robert Rosenthal, who formerly worked at the *Chronicle*.^{xxiv}

The *Texas Tribune* and *California Watch* represent the success stories, each based on unique qualities of the organization. *Texas Tribune* enjoys a financial base and CIR has more than two decades of experience and relationships with commercial media. In contrast, many nonprofit media are younger and smaller. Providing the kinds of appealing assets to commercial media that translate into monetized deals will take time.

2. Drive the Bargain. Enter negotiations with strength, advises Lisa Frazier. “Come out strong, show your value. Show that you are providing high quality and meaningful content. Then you talk turkey.”^{xxv}

If money is on the table, enter into a contract that spells out the nuts and bolts of a deal. Where possible, the nonprofit should have a rate for services and standardized contract, advises INN’s Davis. It should include provisions for what products are to be delivered, what rights are being granted to the material produced, and what happens if either party fails to fulfill terms. In the event that the deal is not monetized, Davis suggested that nonprofits submit a “zero dollar” invoice reflecting the real value of services rendered. This may help in bartering other benefits or landing future paid deals.

3. Giving it away. In many cases, for nonprofit media, the art of the deal means knowing when to go without a monetized partnership. In New Orleans, nonprofit news site *The Lens* partners without payment with WVU Fox 8 for team investigations posted to both news sites. According to Engagement Editor Maggie Calmes, the two news organizations work easily together. “We get our name out there and we also reach more people with news we think is important to cover but gets under-reported,” says Calmes.^{xxvi} Included among other benefits of the non-monetized partnership are an expanded roster of contacts and sources.

Building up – Denver’s independent investigative nonprofit I-News built up to its paid deals. Founder Laura Frank began by offering free content, but set the expectation that over time she would charge. Sandy Rowe chronicles the purposeful evolution of Denver’s I-News from free

content to annual revenue streams reaping as much as \$40,000 from annual subscriptions with the *Denver Post* and the *Colorado Springs Gazette*.^{xxvii}

In giving it away, some nonprofits recognize broad distribution as a value in itself, a kind of calculated sacrifice. Giving it away can be a strategy for branding that brings in revenue through other avenues. A commercial partner's wider reach can promote a nonprofit's brand and translate into other benefits. These include donations and, potentially, an expanded membership. Michael Stoll of *San Francisco Press* categorizes its no-fee distribution deal with *Huffington Post* as a branding opportunity.

Steve Waldman described his experience with his own independent media venture BeliefNet and its relationship with *ABC Nightly News*. The service sacrificed revenue to prove itself with the goal of making BeliefNet invaluable. "Then we could negotiate – don't oversell your value too fast. We got advertisers this way...it created spin-off opportunities."^{xxviii}

Other non-monetized, but high value services can be part of a negotiation between nonprofits and for-profit media. Kaiser suggests that nonprofits ask that for-profits share their lists for donor outreach and offers for ad space. Co-hosting events with for-profits, she suggests would benefit both partners.^{xxix}

Oakland Local Editor Susan Mernit thinks "giving it away" is a strategic cost-benefit choice. In distribution deals with Yahoo News, for example, the two-year-old nonprofit's choice to forgo payment is compensated by the vast number of "eyeballs" on its content. But she has declined to offer the same content for free to local commercial media. The benefits failed to outweigh the costs.^{xxx} Meanwhile, the new website continues to build its body of work and its community while keeping a lookout for monetized possibilities.

Check Assumptions About Costs: Sarah Cohen, Knight Professor at Duke University's DeWitt Wallace Center for Media and Democracy, suggests that nonprofits should consider the costs to the commercial partner. "If it's outsourcing to a nonprofit, there's nothing wrong, but it's not free. The editing and directing manpower is pretty significant. Nobody would run somebody else's story with out putting some work into it. So I'm not sure it's a huge savings for the newsroom at the end of the day."^{xxxii}

Skill: Managing the Collaboration – Once news organizations from different media platforms enter into a collaborative effort, they must follow strict and often painstaking guidelines on how to share everything from the initial research to the final credits at the project’s completion.

The IRP at UC Berkeley’s Graduate School of Journalism has been codifying best practices to create guides for collaborations in a Knight-sponsored project called “Collective Work.”^{xxxii} From interviews and research, the project teases out a set of core practices. Study director Carrie Lozano spells out the basic elements, including legal review and, depending on the extent of the collaboration, designated coordination, including taking into account shared distribution of money and other resources, a publication strategy and project management skills.^{xxxiii}

We use the word partnership generally here. But, as David Cohn of Spot.us, a platform that allows the public to commission journalists to report on stories, notes, there is a definitional difference between a partnership and collaboration. Partnership can mean merely a purchase or “outsourcing” of news from nonprofits. Collaborations involve mutual contributions of a journalism project from concept to production. In nonprofit/for-profit ventures, collaboration may begin in the later phases or not at all.^{xxxiv}

Careful collaboration management means frequent communication. Ward Bushee of the *San Francisco Chronicle* finds that frequent communication and convening between his organization and *California Watch* on expectations and editing have contributed to a smooth partnership.^{xxxv} Similarly, feedback from the Chronicle and other commercial media has helped the nonprofit tailor and improve its work. Says Scharfenberg, “It makes our work stronger and helps us work across partners.”

Veteran journalist Evelyn Larrubia recently took on the role of engagement editor at INN. She agrees that communication keeps the partnership on track and builds trust. “For new partnerships, I advise going slow. These are relationships. First build trust and don’t rush.”^{xxxvi}

For nonprofits and commercial media that have forged several collaborations, relationship management becomes all the more critical. Mary Walter-Brown wonders how *Voice of San Diego* can effectively expand partnerships with other television networks while maintaining a strong NBC partnership. CIR has recently entered into partnership with the NBC Bay Area

station (part of the Comcast merger deal in its second year) and will also manage this new joint venture along with an existing news network partner.^{xxxvii}

The Pulitzer Prize-winning Chauncey Bailey Project represents a powerful, but non-monetized, cross-sector collaboration. A three-year investigation of the murder of a veteran Oakland journalist, the project's participants shared monetary and in-kind resources, each according to its capacity. Student news bureaus also aided significantly. *Oakland Tribune's* then Editor in Chief Martin Reynolds attributes success to each contributor's commitment to the story and to the leadership of CIR's Robert Rosenthal.

The Chauncey Bailey Project achieved critical acclaim, local impact and forged new newsroom collaborations. It received funding and in-kind support from multiple donor organizations, but it did not generate revenue, except, perhaps, by attracting new readers. Based on his experience with the project, Reynolds discovered that there is an audience for unique, local “accountability” reporting and that news organizations should keep them engaged as readers and news contributors.^{xxxviii}

Skill: Community Building – A nonprofit's successful work can improve its chances of sustainability. Good stories bring new partners. New partners bring new audiences, who, in turn, can be captured by a process of outreach and marketing aimed at growing a community of readers invested in the success of the nonprofit.

Many nonprofits seek to respond to the gap in quality local news and to “engage and inspire” their audiences to become more involved in civic life and in the nonprofits' success.^{xxxix} “Community building” strategies can include events, contests, surveys, and opportunities for readers to become writer/contributors (or citizen journalists). Fueling this cycle of value, or leveraging success, requires a set of marketing skills, skills that must be learned and that are integral to the business model.

Evaluate: Philanthropy's focus on “sustainability” has forced nonprofits to broaden their reach. A Knight Foundation study of eight nonprofits and suggested ways that news organizations can become more attentive and responsive to their audience:

- Regularly mining user comments on stories to understand reader views and opinions.

- Hosting membership coffees, where readers and community members are invited to share their feedback and insights with the newsroom.
- Analyzing social media data such as Facebook ‘likes.’”
- Audience surveys and focus groups.^{x1}

Engage: Nonprofits can build community through multiple strategies to reach those who care about the local news. Initiatives may include events, courses on how to be a citizen journalist, and getting the community to support specific reporting. The *Texas Tribune* held 60 events this year with local speakers. One nonprofit news site posts the recognition a particular journalist is receiving for work, as well as the legislation or other outcomes of the reporting.^{xli}

Use community building to attract commercial partners: Community assets made *Voice of San Diego* attractive to its commercial partner. “We explained to NBC our membership numbers, that we have direct access to audiences in their community.” In turn, she noted, members know that someone is covering important local stories. You reinforce that knowledge, and the brand, with other products. A set of recent reports on nonprofit media shows that effective engagement builds demand.^{xlii} By increasing civic engagement through news, events, other benefits, nonprofits and commercial media create the market for the journalism that they believe readers want but may not consume.

Community building is also a means of survival. In his review of three new studies on nonprofit sustainability, Rich Gordon, Associate Professor at Northwestern University’s Medill School of Journalism, puts it in stark terms: “Non-profit news organizations will survive only if they find and build a community. They have to identify people who believe in their mission, engage them online and in person, and make them want to provide financial support.”^{xliii}

Marketing and other skills listed here are ways to build a nonprofit’s appeal to partners. By attracting new partners, they potentially broaden the audience for local accountability reporting. However, for nonprofit/for-profit partnerships to survive and thrive, additional supports are needed. Philanthropy has played a significant role, but policy changes can also help.

III. Policy: A Narrow, But High Leverage Role

While the *Information Needs of Technology* finds only a limited role for government in supporting nonprofit/for-profit partnership, it listed areas where policy can help. Most urgently, it must remove obstacles by resolving the current uncertainty in the tax exemption status of independent journalism. In addition, policies can strengthen nonprofits in their work with commercial media by 1) encouraging new uses for public funding, 2) incubating innovations that benefit nonprofit journalism and 3) incentivizing commercial media through the licensing process and other levers. Government, together with philanthropy, academia and free press advocates, should continue to examine, design and push for low or no-cost, policy-based incentives that bolster effective nonprofit/for-profit ventures.

Recent press and research frequently heralds the government's role in the *Voice of San Diego* collaboration with its local NBC affiliate. In the pre-merger deal with the FCC, Comcast agreed that in acquiring NBC it would increase local programming by formalizing partnerships with nonprofits for at least five of its ten NBC stations. Through a request for proposals process, Comcast selected its partners, announcing them a year after the merger.^{xliv}

According to the *Information Needs of Communities*, “only four in 100,000 license renewals were turned down due to failure to meet public interest programming obligations.”^{xlv} Rather than granting essentially automatic renewals, the FCC could exact leverage at renewal and merger time.

The following policy-related recommendations focus both on enhancing the organizational viability of nonprofit news and their news delivery and on creating conditions that foster partnerships. They may compensate, in part, for market failures.

Resolve IRS tax exemption status: After granting tax exemption to a wave of public and nonprofit media, the IRS has recently held up issuance of 501c(3) status to many news organizations. In the best of a bad scenario, without the tax status, these groups risk losing charitable revenue. At worst, they may face tremendous fines. Without tax exemption status they are unable or hesitant to approach commercial media for fear of jeopardizing their 501c(3) applications. This leaves them in an organizational purgatory and prevents innovation.^{xlvi}

New Orleans-based *The Lens* represents one of many organizations caught in the tax law bind. According to Managing Editor Steve Beatty, *The Lens* has been waiting a year and a half for an answer to its request for 501c3 designation. In the interim they have had to forgo partnerships and funding with community foundations in the region. *The Lens* has also gone back to some donors to clarify that they cannot receive direct contributions. Instead, they must use a nonprofit pass-through. “It works against us and our fundraising ability. You want to present yourself as a professional entity, not one that’s under scrutiny or unsure of its status,” said Beatty.^{xlvii}

Moving L3C status (low-profit limited liability company) forward at the state and federal level federal would also help. INN is partnering with policymakers to take on the IRS bottleneck, as is James Hamilton of Duke University’s DeWitt Wallace Center for Media and Democracy. The Knight Foundation has funded the Council on Foundations to examine the tax law issue and make recommendations.

Make Tools Free. Government can promote tools: Hamilton, also a member of the FCC *Information Needs of Communities* Working Group, points to the National Science Foundation as a potential pool of innovation to help nonprofit/for-profit partnerships provided that rules about access change. Currently government funding favors the privatization of the tool or software developed under NSF grants. Nonprofit journalism has already established its value add in the arena of database-driven journalism. Its initiatives make a policy impact while at the same time 1) drawing in community and 2) partnering with commercial media to expand the reach of both its research and its findings. More organizations could benefit from open-source data and analytic tools with government adjustments to NSF.

There is also room in the government’s transparency project, or Open Government Initiative, to move toward accessible data that could be used by journalism.^{xlviii}

Use Public Money Differently. In 2010 the Corporation for Public Broadcasting (CPB) received an allocation of \$420 million, with a required distribution of 89 percent to public TV/radio annual budgets. More than 550 stations received Community Service Grants, but a 2009 study of the program failed to recommend that those funds go toward local coverage.^{xlix} “There is space to expand the mission of CPB funds, to loosen the funding requirements to include other sorts of media,” says Josh Stearns of Free Press.¹

Information Needs of Communities’ Steven Waldman argues that changing public funds allocation is not without complications. “But the more you get into accountability journalism, I think the tougher the issues get, and you come up against a ‘picking winners’ issue. You don’t want a situation where you end up in the nonprofit sector privileging one group over another. Are you going to give it all to PBS and NPR? And none of it to the new websites? At a time when they’re trying to get traction? You could end up killing them in the crib.”^{li}

One way to use public money differently would be to set up an innovation fund, a matching grant program of the federal government. In its 2009 report “Saving the News: Toward a National Journalism Strategy,” Free Press urges policymakers to turn to the 1996 Telecommunications Act and its Telecommunications Development Fund (TDF) “to focus investment in small businesses that produce important public goods in the communications sector that were ignored by for-profit venture capital... We suggested that such a fund should function as a private/public partnership, in which government funds match investments made by foundations, universities or private companies.”^{lii}

Echoing a recommendation from *the Information Needs of Communities*, Tom Glaisyer of the New America Foundation suggests that money raised from sales at spectrum auctions go to a technology information fund. (In Spectrum auctions, the government puts up rights to signal transmissions for bidding). “If news is a public good, it has to be as close to a public good as you can make it. But the more local the news, the more difficult to make money. You have to think about the assets you can leverage, innovate in how money is spent, including how spectrum auction is allocated,” Glaisyer said.^{liii}

Cap and Trade. In imagining ways in which government can boost nonprofit/for-profit partnerships through incentives, Steven Waldman borrows from climate policy. In a kind of ‘cap and trade’ system, commercial media would take advantage of existing public interest obligations of broadcasters (requiring minimum levels of local coverage) to benefit cross-sector collaboration. “Instead of requiring certain behaviors, do a cap and trade system, the station will provide local content, but they can partner with others to get it. Even write them a check.”^{liv} Similarly, if one part of a news conglomerate is particularly active in pairing up with nonprofits, less active branches could pay into a fund to support them.

Ultimately, the *Information Needs of Communities* sees a narrow role for policy in rectifying the crisis of local accountability journalism. Waldman sees readers as the most influential drivers of positive change. “...You are piggybacking on the judgments of consumers... these websites or entities ...have to convince readers and viewers—or philanthropists—that they’re worthwhile...”^{lv}

Partner with non-news private sector – Imagine, identify and experiment with partnerships between nonprofit media and any commercial venture (such as technology companies, online games companies, and other commercial service providers where mutual benefits exist). The Knight Foundation recognizes the potential power of such a match:

The two forces, the tech sector and public media, need each other: The tech sector will gain from public media's high-quality content, commitment to community, and public service mission; and public media will gain from technology's network efficiencies, professional and social connections, and radical new distribution paths.^{lvi}

What if other non-media entities like online games paid for the news? Google has said it wants to support journalism and has made corporate commitments to that end. Search and news aggregators should pay for the news they are distributing.

LinkTV currently receives in-kind services from technology companies that help it do things like stream videos. In addition, CEO Paul Mason says there are other partnerships in the works, “We are already in conversation with for-profit to talk about how we can take the skills we have, primarily in aggregation and curation, and use them to help for-profit companies and help the companies create revenue streams for us.”^{lvii}

LinkTV is also in talks for potential partnerships with an online video distribution hub. “Hopefully what would happen is that we would curate content because that’s one of our skillsets, and we would carry content for one of their products, which they would sell ad revenue, from which we would derive some percentage.”

Media Consortium hosts Hack-a-thons where tech companies work with nonprofits to create mobile apps, develop metric analysis, and other tools.

Duke University's Sarah Cohen, an expert in data-driven journalism, says tech companies can help get better tools into the hands of reporters. Esri software is being given to trained IRE members (Investigative Reporters and Editors) that facilitate speech recognition, text mining, among other capabilities.

The private sector could follow philanthropy in tool innovation. In its fifth year, the Knight News Challenge has funded a number of digital innovators, including Every-Block, DocumentCloud, and others.^{lviii}

V. Conclusion

Society needs local accountability journalism, which nonprofits are ideally placed to provide. Partnerships with commercial media can help, but only in a limited way. To achieve journalistic impact and appeal to partners, nonprofits must focus on the business side as much as on the news side. There are government solutions, such as changes in tax laws and the use of public funds, that can also make these partnerships more likely and perhaps more profitable.

The *Information Needs of Communities* identified several gaps in local coverage that a robust nonprofit sector could fill. Nonprofit/for-profit partnerships can offer one solution to broader questions about the viability of local accountability journalism. But most of these partnerships are still in the experimental stage, trying to pay meager wages to their journalists while balancing the ideals of a free press against the realities of the bottom line. Those that thrive are those that succeed in attracting a devoted local community to their original brand of reporting.

The philanthropic sector, in particular, has invested in research and development to create capacity, advocate policy, and nurture conditions for success. The FCC's Waldman and others agree that new independent media entities will need at least another five years of foundation support to gain footing. Rather than be seen as "start-ups," those ventures that advance public interest journalism should be viewed as a public good, and, thus, as an ongoing investment. As James Hamilton put it, "You can't expect to build a hospital or school and walk away in two years expecting it to pay for itself."^{lix} In the meantime, nonprofits must no longer rely exclusively on plugging into traditional media outlets. Instead, they must explore the new possibilities opening up in fast-changing fields of technology and communications.

But most nonprofit/for-profit partnerships are still fledglings. It is doubtful that they can stand on their own feet without continued backing from philanthropies that are willing to extend core funding beyond the start-up phase. This would allow nonprofits to grow their assets (journalistic and fiscal) and move from non-monetized to monetized deals and/or expand their donor base through community building and branding.

Such an approach would help the nonprofits solidify their fiscal foundation while still covering the “broccoli beats” unpalatable to the entertainment-oriented mainstream media but still vital to the public interest. As Maggie Calmes from *The Lens* from New Orleans said, “[City] budget meetings are dry, but incredibly important, especially in a city teeming with corruption. It’s important to follow the money. We use hard data and our presentation to make it more interesting. These stories become a catalogue of data and event that we see as an investment for later. We can look back and learn and say: ‘We were there, watching.’”^{1x} That after all is the fundamental duty of every journalist: to bear witness to the events that shape our lives and opinions.

Appendix: At the November 2011 roundtable that guided this report, the following requests and ideas came from participants. We organize them around the skills and conditions from Section I:

Condition – Have a Business Plan

- More information on revenue models
- More business assessment skills, watching for mission creep

Skills - Practice Incremental Economics & Understand the Art of the Deal

- Share contracts that have been made
- Set up a clearinghouse option for distributing information or a liaison to match like organizations
- Create an online directory of nonprofits and for-profits

Skill – Collaborate

- More about the role of collaboration coordinators
- Share how to embed nonprofit journalists in for-profit papers

Skill – Leverage Success

- Branding strategies

Roundtable Participants

Lowell Bergman, Reva and David Logan Distinguished Professor (UC Berkeley)

Ward H. Bushee, Executive Vice President and Editor, San Francisco Chronicle

David Cohn, Founder and Director, Spot.Us

Kevin Davis, CEO and Executive Director, Investigative News Network

Lisa Frazier, CEO, Bay Citizen

Mark Glaser, Executive Editor and Host, MediaShift (PBS)

Jo Ellen Green Kaiser, Executive Director, Media Consortium

Ben Ilfield, Chief Operating Officer, Sacramento Press

Matt Isaacs, Fellow, Investigative Reporting Program (UC Berkeley)

Carrie Lozano, Fellow, Investigative Reporting Program (UC Berkeley)

Martin G. Reynolds, Senior Editor - Community Engagement, Bay Area News Group (recent editor in chief of *Oakland Tribune*)

Michael Stoll, Executive Director, San Francisco Public Press

Christa Scharfenberg, Associate Director, Center for Investigative Reporting

Steven Waldman, Senior Advisor to the chair of the Federal Communication Commission

Mary Walter-Brown, Vice President for Advancement, Voice of San Diego

Affiliated Staff:

Haleh Hatami, Roundtable Coordinator

Alisha Diego Klatt, Administrative Director, Investigative News Program

Rubina Jaffer, Rapporteur, Media Student

For more on the roundtable: Hadley Robinson, “How Non-Profit, For-Profit Newsrooms are Working Together,” MediaShift, December 2, 2011. <http://www.pbs.org/mediashift/2011/12/how-non-profit-for-profit-newsrooms-are-working-together336.html>

END NOTES

ⁱ Fora.tv, “New Models for Investigative Journalism,” The Paley Center for Media, November 11, 2011.

ⁱⁱ Calvin Sims, Logan Foundation Symposium, University of California at Berkeley, April 4, 2011.

ⁱⁱⁱ Steven Waldman, “The Information Needs of Communities,” FCC, June 2011, pg. 346 (hereafter, FCC-INC) <http://www.fcc.gov/info-needs-communities>

^{iv} Roundtable on nonprofit/for-profit media collaboration held November 29, UC Berkeley Graduate School of Journalism (Roundtable)

^v Josh Stearns, Interview (January 17, 2012)

^{vi} Lowell Bergman, Roundtable (November 29, 2011)

^{vii} FCC-INC, p. 190

^{viii} Christa Scharfenberg, Roundtable (November 29, 2011)

^{ix} Jo Ellen Green Kaiser, Interview (January 6, 2012)

See also, Michele McLellan and Mayur Patel, “Getting Local: How Nonprofit News Ventures Seek Sustainability,” John S. and James L. Knight Foundation, October 2011. <http://www.knightfoundation.org/publications/getting-local-how-nonprofit-news-ventures-seek-sus>

And, “Seeking Sustainability: A Nonprofit News Roundtable (Summary and Report),” April 2010 Funded by the James L. Knight Foundation, April 26, 2010. Interestingly, ventures attending this panel did not cite for-profit partnerships as predictable revenue streams. Nor were these partnerships relevant at a 2010 roundtable on nonprofit sustainability (University of Texas, Austin). Other recent studies, while citing the role of for-profit media in bringing audiences to nonprofit journalism, have downplayed revenue potential.

^x For more on the roundtable: Hadley Robinson, “How Non-Profit, For-Profit Newsrooms are Working Together,” MediaShift, December 2, 2011. <http://www.pbs.org/mediashift/2011/12/how-non-profit-for-profit-newsrooms-are-working-together336.html>

^{xi} Christa Scharfenberg, Roundtable (November 29, 2011)

^{xii} As reported by Mark Glaser, Roundtable (November 29, 2011)

^{xiii} Skollfoundation.org

^{xiv} Lisa Frazier, Roundtable (November 29, 2011)

^{xv} Ben Ilfeld, Roundtable (November 29, 2011)

^{xvii} Kevin Davis, Interview, (December 16, 2011)

^{xviii} INN Report, “Paths to Sustainability v1.0: Audience Development & Distribution Strategies,” (forthcoming).

^{xix} Christa Scharfenberg, Roundtable (November 29, 2011)

^{xx} Paul Mason, Interview (January 27, 2012)

^{xxi} Mary Walter-Brown, Roundtable (November 29, 2011)

^{xxii} McLellan and Patel, p. 24

^{xxiii} Ward Bushee, Roundtable (November 29, 2011)

^{xxiv} Distribution and match-up technology can help. Through an easy to use vetting mechanism, similar to the PRX model (Public Radio Exchange), both stories and organizations can find each other. This way Bushee, for example, would go to a story clearinghouse and purchase stories or review potential organizational partners.

A new deal between INN and Reuters helps match up local nonprofit news with commercial outlets. Reuters has agreed to offer its vast distribution, marketing infrastructure to INN-member content across Reuters' network of media. Reuter's customers can pick and choose and purchase, rather than pay a flat rate to investigative journalism producers, buy content on a story by story basis. It offers revenue potential, as Reuters and INN member sites share licensing revenue. Additionally members enjoy some additional services provided by Reuters to those who opt in. In turn, Reuters gets a semi-exclusive deal and shuts out its competitors from similar deals.

^{xxv} Frazier, Roundtable (November 29, 2011)

^{xxvi} Maggie Calmes, Interview (January 17, 2012)

^{xxvii} Sandy Rowe, "Partners of Necessity: The Case for Collaboration in Local Investigative Reporting." Shorenstein Center on the Press, Politics and Public Policy at Harvard Kennedy School, June 2011. p.11.
http://www.hks.harvard.edu/presspol/publications/papers/discussion_papers/d62_rowe.html

^{xxviii} Waldman, Roundtable (November 29, 2011)

^{xxix} Kaiser, Interview (January 6, 2012)

^{xxx} Susan Mernit, Interview (January 27, 2012)

^{xxxi} Sarah Cohen, Interview (January 22, 2012)

^{xxxii} Investigative Reporting Program, forthcoming

^{xxxiii} Carrie Lozano, Roundtable (November 29, 2011)

^{xxxiv} Cohn, Roundtable (November 29, 2011)

^{xxxv} Bushee, Roundtable (November 29, 2011)

^{xxxvi} Evelyn Larrubia, Interview (January 20, 2011)

^{xxxvii} Walter-Brown, Roundtable (November 29, 2011) and Scharfenberg, via email

^{xxxviii} Martin Reynolds, Roundtable (November 29, 2011)

^{xxxix} McLellan and Patel, p. 8.

^{xl} Ibid. p. 11.

^{xli} "What's Working for Nonprofit News?" Northwestern University, November 2011. p. 12.
<http://digiwatchdog.com/whats-working-for-non-profit-watchdog-news/>

^{xlii} The Future for Nonprofit News Builds a Community of Members, Donors. November 2011
<http://www.pbs.org/idealab/2011/11/the-future-for-non-profit-news-build-a-community-of-members-donors331.html>

^{xliii} Ibid.

^{xliv} *New York Times*, “Nonprofit News May Thrive in Comcast Takeover” December 30, 2010, and
New York Times, “For Local NBC Stations, Collaborative Journalism,” December 6, 2011.

^{xlv} FCC-INC, p. 25

^{xlvi} Gabrielle Gurley, “Dialing for Dollars,” *Commonwealth Magazine*, November 3, 2011.
<http://www.commonwealthmagazine.org/News-and-Features/Features/2011/Commemorative-Issue/001-Dialing-for-dollars.aspx>

and, Charles Lewis, Brittney Butts, Kate Musselwhite, “A second look: The new Journalism Ecosystem,” November 30, 2011. <http://investigativereportingworkshop.org/ilab/story/second-look/>

and, *Columbia Journalism Review*, “Will the IRS Derail Nonprofit Journalism?” November 11, 2011.
http://www.cjr.org/the_news_frontier/will_the_irs_derail_nonprofit_journalism.php?page=all&print=true

^{xlvii} Steve Beatty, Interview (January 17, 2012). While Fox 8 had donated studio space, *The Lens* has had to turn down the contribution and offer rent in order to pass the IRS inquiries in its ongoing tax exemption application.

It is also important to note that some philanthropies are reluctant to contribute to news nonprofits that work with commercial partners. They believe their contributions would be going toward a “subsidizing” of commercial businesses that are neglecting their public interest missions.

^{xlviii} James Hamilton, Interview (January 18, 2012)

^{xlix} FCC-INC – p. 318

^l Josh Stearns, Interview (January 17, 2012)

^{li} Joel Meares, “Q&A with FCC Report Head Writer Steve Waldman, Part One,” *Columbia Journalism Review*, June 20, 2011. http://www.cjr.org/behind_the_news/qa_with_fcc_report_head_writer.php?page=all

^{lii} Free Press, 2009. *Saving The News: Toward a National Journalism Strategy*.

^{liii} Tom Glaisyer, Interview (January 25, 2012)

^{liv} Waldman, Roundtable (November 29, 2011)

^{lv} Meares

^{lvi} “Why PRX Knight Created an Accelerator for Public Media,” January 19, 2012.
<http://www.knightfoundation.org/blogs/knightblog/2012/1/19/why-prx-knight-created-accelerator-public-media/>

^{lvii} Paul Mason, Interview (January 27, 2012)

^{lviii} Sarah Cohen, James T. Hamilton, Fred Turner, “Computational Journalism: How computer scientists can empower journalists, democracy’s watchdogs, in the production of news in the public interest,” *Communications of the ACM*. October 2011. <http://cacm.acm.org/magazines/2011/10/131400-computational-journalism/fulltext>

^{lix} Hamilton, Interview (January 18, 2012)

^{lx} Calmes, Interview (January 17, 2012)