

April 23, 2024

Chair Steven M. Glazer
Committee on Revenue and Taxation
California State Senate
1021 O Street
Sacramento, CA 95814

Re: SB 1327 - Data Extraction Mitigation Fee Bill to Support Local News

Dear Chair Glazer and Committee Members:

Thank you for your consideration of SB 1327, and your ongoing dedication to improving the local news ecosystem in California.

I am a California native and resident, and the co-CEO of Free Press Action, a national, non-partisan, non-profit organization with more than 100,000 members in the state. At Free Press Action, we believe that positive social change, racial justice, and meaningful engagement in public life require equitable access to technology, diverse and independent ownership of media platforms, and journalism that holds leaders accountable and tells people what's actually happening in their communities. Over the past few years, we have worked with our California allies to advance equitable local news policy, including engaging extensively with lawmakers in funding the creation of the California Local News Fellowship program at U.C. Berkeley, which trains, pays, and places journalists in newsrooms across the state to enhance local news coverage.

I write to provide Free Press Action's perspective on how SB 1327 could be shaped to provide maximum benefit for California's communities. In short, we believe that this legislation has immense potential to bolster local news at a time when California desperately needs bold action. Since 2004, we have lost [25 percent of our newspapers and total news circulation has dropped more than 50 percent](#). In a state where more than 40 percent of the population speaks a language other than English at home, [many ethnic media outlets have had to scratch and claw for financial survival](#), even as demand grows. Corporate chains and hedge funds – often from outside the state – continue to buy up local outlets, extracting what profits they can while hollowing out the newsgathering side of the business.

Although much focus is placed on how the changing local news landscape has affected journalism as an industry, it is the public that is impacted the most. [Research has shown](#) that the lack of local news negatively impacts the civic health of our communities, so it is crucial that any policies to support local news prioritize the needs of the public.

There is much to like about SB 1327, including incentivizing the hiring and retention of journalists, as well as providing support for paying freelancers, a category of workers that

smaller and ethnic media publications rely on. Further, Free Press Action has [long supported](#) taxing advertising as a way to generate financial support for the production of local journalism and civic information. We're encouraged to see this idea introduced for debate in the California legislature.

However, we also believe there are opportunities for improvement. If the legislature is to address the true root causes of the "crisis" in local news, then it should recognize that the market has [always been in a state of failure](#) for certain communities, particularly for people of color and others who have long been under- and misrepresented in the media. Local journalism is a public good, and the largest commercial players have been critically underproducing it for decades. If we are to correct this failure, then legislative solutions must be as targeted as possible in not just propping up media giants, but prioritizing the local independent, ethnic, and nonprofit newsrooms that put the people they serve above profit.

With this framework in mind, there are a few core principles that SB 1327 and any good journalism bill should adopt:

I) Place a cap on revenue or profit for organizations eligible to receive funding.

As currently written, SB 1327 would allow corporate broadcasters like Fox, ABC, NBC, CBS, Nexstar, and Sinclair to receive the lion's share of funding from the bill. Simply put, these corporate broadcasters [don't need the help](#) – they are already turning a healthy profit and adding jobs, and they generally face a far more optimistic financial outlook than print and digital-only newsrooms, ethnic media, and non-profit outlets.

Given that the data extraction mitigation fee would generate a fixed amount of revenue, every dollar that goes towards out-of-state broadcasters like Sinclair and Rupert Murdoch's Fox Corp. is a dollar less that could have gone toward small publishers, ethnic media, and community-rooted outlets – entities that are providing impactful, local, public interest journalism across our state.

If lawmakers want to optimize the public benefit generated by this bill, then as much money as possible should be funneled towards community-rooted newsrooms. To this end, we suggest placing a revenue or profit cap on the firms eligible to receive funding from SB 1327 so that outlets in need of the most help benefit from this legislation.

II) Ethnic and community-specific media should receive a significant portion of the revenue generated by SB 1327.

A legacy of racism and discrimination in our media system has fostered [low rates of media ownership](#) by people of color, and research has shown the mainstream media [overrepresents communities of color in crime coverage](#) and [underrepresents](#) us in non-crime coverage. Free Press' [Media 2070](#) project, the Los Angeles-based [National Hispanic Media Coalition](#), the [Kerner Commission](#), and many others have documented this history at length. With our state's

immense diversity, our ethnic media is not nearly as robust or as well-supported as it could and should be; it [faces all the same economic struggles](#) as legacy commercial media, yet with less access to capital and support.

If lawmakers intend to use SB 1327 as a foundational building block in fostering a more equitable and representative media system, then an explicit carve-out for ethnic and community-specific media should be added in to ensure that this sector receives the support it needs.

III) Expand funding for nonprofit organizations, and create an equitable and targeted distribution mechanism.

We applaud the explicit carve-out of funding for nonprofit local news organizations. Nonprofit news outlets are playing an increasingly vital role in filling the information gaps left behind by corporate media consolidation and hedge fund takeovers, and they have a central role to play in the equitable and sustainable future for local news that we're working towards. Especially given the ongoing collapse of economic models for commercial media, lawmakers should invest substantially in the growth of this emerging arena.

But compared to the overall revenue pool generated by the proposed data extraction mitigation fee, which is estimated to be \$500 million after various set-asides, the \$25 million for nonprofits only amounts to roughly 5 percent of distributed local news funds. We encourage lawmakers to amend the bill to ensure that more funds are going to nonprofit and public media newsrooms, and that any carve-outs are a floor, not a ceiling.

Further, SB 1327 sets aside half of the nonprofit allocation for firms with less than 10 employees. Although well-intentioned, this could have the unintended consequence of punishing success-based growth for nonprofit outlets. To avoid this issue, and to ensure that community need is at the center of revenue distribution, we suggest removing the cap entirely and replacing the current allocation mechanism – which mimics the tax credit scheme used for commercial outlets – with an independent grantmaking body.

To truly catalyze the growing noncommercial news field in California, one strong option is to create an entity similar to the [New Jersey Civic Information Consortium](#), an independent nonprofit that invests public and philanthropic funds toward the holistic growth of the state's media system. Something similar could be created with a portion of the funds generated by SB 1327, and could provide public grants to not only hire and retain journalists in existing newsrooms, but fund projects that increase civic engagement and support local news access in communities across California, with an emphasis on areas with fewer newsrooms and serving historically marginalized communities.

Free Press Action applauds this committee for taking steps to support local news and help it thrive in the state. This approach has huge potential as a revenue generating tool for local news and Free Press Action supports policy solutions that lead to more journalists in newsrooms and

in communities who need coverage the most. But when it comes to distributing that revenue, lawmakers should be clear-eyed about where support is directed. Small publishers, ethnic media, and community-rooted outlets are doing the strongest work to address information deficits and boost civic engagement. These entities should be prioritized as the bill moves forward.

I hope to continue working with the legislature as debate on SB 1327 continues, and I'd be happy to answer any questions that you may have.

Sincerely,

Jessica J. González
Co-CEO
Free Press Action