



# What a Journalism-Recovery Package Should Look Like During the COVID-19 Crisis

## Here's How Congress Should Help Meet Community-Info Needs

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### Introduction

In the face of the COVID-19 pandemic, people need good, economically secure journalists working in the public interest more than ever. As millions are sheltering in place, journalists are tracking the spread of COVID-19, separating fact from fiction, covering its disparate impacts on diverse communities, and holding politicians and powerful institutions accountable. We need the press asking tough questions and delivering information on how to stay safe and healthy. As essential workers in this crisis, journalists must be part of the next recovery package.<sup>1</sup>

Free Press Action believes that a mix of direct and indirect subsidies through the end of 2021, as well as a substantial increase in federal support for public-media institutions, could protect a significant number of local reporting jobs. Additional policies could create a bridge from this emergency period to a future of sustainable journalism that serves and represents local communities, especially Black and Latinx communities that have been disproportionately harmed by the current crisis and poorly served by dominant media. Our proposals focus on keeping communities informed, and on protecting and promoting newsrooms and *reporting jobs* — not broadcasters, newspaper companies or any single industry.

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<sup>1</sup> See also Craig Aaron, “Journalism Needs a Stimulus. Here’s What it Should Look Like,” *Columbia Journalism Review*, March 24, 2020; Margaret Sullivan, “Local Journalism Needs a Coronavirus Stimulus Plan Too,” *The Washington Post*, March 26, 2020; “Press Freedom, Social-Justice Groups Call on Congress to Fund Journalism and Treat Local News as Essential Service During Pandemic,” Free Press Action, PEN America and Common Cause press release, April 8, 2020.

## **Priority Policies for Emergency Recovery**

### **Direct Emergency Payments to Newsroom Workers**

To respond to the rapidly escalating crisis, Free Press Action supports establishing and distributing an emergency fund targeted at newsroom workers. This should be available to any newsroom — for-profit or nonprofit, print or digital, community and ethnic media — covering the pandemic for a local audience.

Under this emergency plan, workers in any newsroom publishing local news could qualify. Free Press Action supports an approach that would:

- *Provide approximately \$1.5 billion in **Emergency Stabilization Grants** to local-news organizations at \$50,000 per newsroom position (reporters, editors, producers, etc.) at eligible outlets. This would cover 30,000 newsroom jobs.*<sup>2</sup>
- *Direct this money toward newsroom workers:* The funds must be devoted to employees and to maintaining payroll and benefits. Any local-news company could be eligible, but recipients must spend the money locally, direct the money to newsroom jobs, and be prohibited from using funds for the purchase of securities, dividend payments, executive compensation, debt service, mergers and acquisitions, etc.<sup>3</sup>
- *Distribute these funds via the Corporation for Public Broadcasting (CPB),* expanding its mission and giving it the authority to do so.<sup>4</sup>
- *Establish accountability and transparency measures* to track how the money is spent and to build firewalls to prevent the government from interfering in content production or impeding First Amendment activities.

We believe the emergency payments described here should be available to journalists at a range of outlets — whether independently owned or part of larger chains — to keep reporters at their desks and on the beat. The key in this emergency-stabilization phase is to pay the reporters and editors working to cover the pandemic and its aftermath and to ensure communities stay informed.

These funds should be appropriated separately and in addition to money dedicated to small businesses in the CARES Act. Any measure must include strong guardrails to ensure money is spent locally and directly benefits newsrooms and their communities.

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<sup>2</sup> Free Press Action does not recommend including commercial broadcasters in this program. As made clear in their own statements to Wall Street, these companies have other resources available to them during the crisis, namely retransmission fees and a likely influx of election ads. If eligibility were expanded to include broadcasters, the total spending would increase.

<sup>3</sup> For more on the need for a targeted stimulus to newsrooms, see Frank Blethen, “Save the Free Press Initiative Seeks Solutions for Local Journalism,” *Seattle Times*, May 1, 2020.

<sup>4</sup> This role could also be filled by another grantmaking agency that legislators identify. We suggest CPB due to its quasi-independence and history of media grantmaking.

However, Free Press Action does *not* support measures to treat large newspaper or broadcasting chains as small businesses under recovery efforts such as the Paycheck Protection Program.<sup>5</sup> Such policies put deeper-pocketed interests in competition with smaller businesses that have much less access to legal and banking resources. According to the Center for Responsible Lending, up to 90 percent of minority and women business owners may be shut out of the PPP.<sup>6</sup> News-industry proposals to classify local affiliates as small businesses, modeled on the kinds of exemptions Congress gave to the restaurant industry, suffer from the same flaws that have resulted in national chains taking money even as locally owned businesses have been unable to get loans.

Congress shouldn't let Sinclair be the next Shake Shack.

## **Tax Credits to Retain and Increase Newsroom Jobs**

Providing immediate stabilization payments should be the first course of action. To keep communities informed after this initial emergency period, Free Press Action proposes a second phase of support that would utilize tax credits to support newsroom hiring over the next two years. Under our plan, Congress would establish a set of tax credits and related policies to retain and expand newsroom staffing:<sup>7</sup>

- The first would be a ***Retaining Reporters Tax Credit***: Local newsrooms that *retain* currently employed reporters at market wages (or rehire those who were recently furloughed or laid off) would receive a \$40,000 annual tax credit per position retained for the 2020 and 2021 tax years.<sup>8</sup> The total cost of these credits would be approximately \$1.25 billion.
- This measure would be paired with an ***Expanding Newsrooms Tax Credit***: Local newsrooms that *hire new* newsroom employees at market wages while maintaining overall payroll would receive a

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<sup>5</sup> “Cantwell, Kennedy, Klobuchar, Boozman Send Bipartisan Letter Urging Support for Local Media Outlets Amidst Covid-19 Pandemic,” press release, April 19, 2020. “Sensenbrenner and Cicilline Lead Bipartisan Effort to Support Local News Outlets During Covid-19 Pandemic,” press release, April 30, 2020.

<sup>6</sup> Megan Cerullo, “Up to 90% of Minority and Women Owners Shut Out of Paycheck Protection Program, Experts Fear,” CBS News, April 22, 2020.

<sup>7</sup> In the House, Rep. Tim Ryan has proposed, as part of a package of ideas in his forthcoming bill, a \$20,000 tax credit per newsroom employee hired during the remainder of the 2020 calendar year that would extend through 2021. While we welcome the approach and have not yet seen the specific legislative language, we believe the amount is too low. See “Congressman Tim Ryan Urges House Speaker Pelosi to Provide Assistance to Local Media Outlets and Journalists,” press release, April 16, 2020.

<sup>8</sup> Local newspapers are those businesses with North American Industrial Classification System (NAICS) code 511110 (“Newspaper Publishers”) whose circulation is concentrated within a single Metropolitan Statistical Area. These include daily newspapers, community papers or “alt-weeklies.” Reporters are those employees classified under the Bureau of Labor Statistics Occupational Classification System Code 27-3022 (“Reporters and Correspondents”) or if 27-3022 data are unavailable, the 2019 code 27-3023 (“News Analysts, Reporters, and Journalists”). Retained employees would include reporters currently on staff or those laid off or furloughed as of March 1, 2020. These funds would also be available to employ reporters in digital-only newsrooms, which are classified under NAICS code 519000 (“Other Information Services”).

\$40,000 annual tax credit per new hire for the 2020 and 2021 tax years.<sup>9</sup> The total cost of these credits would be capped at \$1.25 billion (fund exhaustion would require the industry as a whole to increase the collective sizes of its newsrooms by more than 20 percent).

- Because tax credits do not benefit nonprofit newsrooms, we would add a third provision: a separate \$100-million appropriation for a ***Grant Program for Nonprofit Newsrooms*** to support hiring and retention in these vital and emerging organizations, both print and digital-only.<sup>10</sup> This short-term grant program would mirror the parameters of the tax credits to for-profit newspapers described above and would last through the end of 2021. This could be administered by CPB and attached to the public-media proposals described below.
- All of these proposals should be weighted to prioritize Small Disadvantaged Businesses (SDBs) that are owned or led by people of color and women and serve historically marginalized communities.<sup>11</sup>

## Public-Media Funding

U.S. funding for public media per capita trails far behind the amounts other leading democracies spend. To keep communities informed, help educate children sheltering at home, and ensure these vital institutions can continue to operate, Congress should significantly increase funding for public media (which should be defined broadly, including but not limited to public radio and TV).

The CARES Act did include limited support for public media in the form of \$75 million for station support (down from \$300 million originally proposed by the House). According to CPB officials, the plan to distribute these funds has already been determined, in amounts averaging just \$75,000 per radio station and \$200,000 per TV station.

To meet community needs during and after the current crisis, Free Press Action proposes the following:

- ***Emergency Appropriations to Support Local Public-Media Reporting:*** To take advantage of public media’s reach into local communities, we propose \$1 billion in emergency aid to implement and expand their internet-first local journalism efforts through the end of 2021. To do this, Congress would amend the 1967 Public Broadcasting Act (which has a rigid formula for how CPB distributes funds) and appropriate an additional \$500 million annually for 2020 and 2021. This doubling of the annual federal appropriation for CPB would be for the sole purpose of local reporting, and would be in addition to other funds appropriated for stations whose normal donation revenues have declined due to the COVID-19 emergency.

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<sup>9</sup> Newsroom employees are jobs classified under the Bureau of Labor Statistics Occupational Classification System Codes 27-1024 (“Graphic Designers”), 27-3022 (“Reporters and Correspondents”), 27-3041 (“Editors”), 27-3043 (“Writers and Authors”) and 27-4021 (“Photographers”). If data for 27-3022 are unavailable, the 2019 code 27-3023 (“News Analysts, Reporters, and Journalists”) should be used.

<sup>10</sup> Web-only publishing firms are those with NAICS classification code 519000 (“Other Information Services”). There were approximately 5,100 “News Analysts, Reporters, and Journalists” employed by such firms in 2019. The majority of these are nationally focused outlets and would not qualify as “local news publishing firms.”

<sup>11</sup> As defined in the Code of Federal Regulations at 47 C.F.R. §124.1002.

This appropriation should include \$85 million annually in funds specifically dedicated to supporting coverage and programming targeting communities of color via the National Multicultural Alliance, which includes Black Public Media and Latino Public Broadcasting. This funding should also support capacity-building organizations such as Native Public Media and the Latino Public Radio Consortium. These funds could also include the \$100 million earmarked for nonprofit newsrooms above, as long as those funds support outlets besides traditional radio and TV stations.

- ***Emergency Appropriations for Public Broadcasting Station Operations:*** The ongoing crisis is impacting many aspects of the economy, including operations that rely on individual and corporate donations. Nearly 70 percent of the revenue for public radio and TV stations comes from private donations (with 15 percent coming from the federal appropriations, and 17 percent from state and local sources).<sup>12</sup> We propose that Congress appropriate an additional \$125 million for emergency local public-broadcasting station operation funding, with a priority on stations serving rural audiences and communities of color, the outlets that are most vulnerable to the crisis and economic downturn.
- ***Emergency Appropriations for Community-Media Channels:*** Public radio and television stations are not the only source of noncommercial information for local communities. Fees on traditional cable-television services are collected and distributed in part to support the operation of community-media channels (also known as Public, Educational and Government channels, or “PEG”). However, as more and more people drop traditional cable-TV services, the budgets for these PEG channels are in permanent decline, a situation made worse by FCC decisions that could further squeeze their budgets. The COVID-19 economic crisis is expected to accelerate cord cutting and with it further erode PEG funds. But PEG channels can play a major role in supporting local communities during the crisis, particularly by producing and distributing traditional and online educational and informational content, ensuring government transparency at the local level and sharing public-health information during the crisis. We therefore propose that Congress appropriate \$200 million in emergency funds for local franchise authorities to expend on PEG channel operations, including expansion of these channels online.

In light of CPB’s key role in all of these proposals, Congress should consider renaming/chartering it as the “Corporation for Public Media” to reflect its new responsibilities.

## **Federal Ad Spending**

There are a number of proposals and letters circulating in Congress on how the federal government might increase or target its own spending on advertising to reach local audiences, support local media, and share lifesaving public-health information.<sup>13</sup> Report for America’s Steve Waldman and the NewsGuild have proposed such measures, as have trade associations representing broadcasters and news publishers.<sup>14</sup>

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<sup>12</sup> Corporation for Public Broadcasting, “Public Broadcasting Revenue Fiscal Year 2018,” Table 1.

<sup>13</sup> Rep. Debbie Dingell et. al, “Letter to President Trump in Support of Local Media,” April 20, 2020.

<sup>14</sup> Steve Waldman and Charles Sennott, “The Coronavirus Is Killing Local News,” *The Atlantic*, March 25, 2020; “Life-Saving News Needs a Stimulus,” NewsGuild-CWA Executive Council, April 1, 2020.

While the \$10 billion that industry groups have called for could be spent in better ways (see higher priorities above), we can endorse a more targeted approach given the dire nature of the crisis, the benefits of getting this important information in front of more people, and the opportunity to target the funds toward local and diverse audiences.<sup>15</sup>

During this public-health and economic crisis, federal, state and local governments all have a critical need to communicate with local residents, particularly those whose first language is not English and those who may not be reachable via broadcast media. The Government Accountability Office estimates that the federal government now spends about \$1 billion per year on advertising, though the accounting of where this spending ends up is incomplete.<sup>16</sup>

Ad spending is an inefficient way for the government to support local media, and the direct grants and tax credits described above would be a more effective form of support and economic stimulus. Ad spending also comes with fewer strings attached for media organizations — which, in this case, means there’s no guarantee that these dollars would be spent on local journalism or community-information needs.

Free Press Action supports an emergency increase in federal ad spending that would include:

- ***Emergency Appropriations for Public-Service Advertising in Local Outlets:*** An additional method of reaching audiences is through public-service advertisements in local media, particularly free hyperlocal and weekly newspapers. Congress should appropriate \$500 million to be expended through 2021 for pandemic-related public-service advertisements. Half of this amount (\$250 million) should be targeted at locally owned media, with a minimum of \$125 million (see details below) spent on advertising in outlets serving audiences that dominant and national outlets either do not reach or do not serve well. A portion of this funding could be sent to the states to distribute, as they may be better positioned to identify local needs.
- ***Targeting Ad Spending to Ethnic-Media Outlets to Reach Diverse Audiences:*** During the Clinton administration, the president issued an executive order calling for the government to pay “special attention” to placing ads with ethnic-media outlets. Municipalities like New York City have committed 50 percent of their advertising budgets to community and ethnic-media outlets.<sup>17</sup> Free Press Action supports the Congressional Tri-Caucus’ call to direct federal ad dollars to “ethnic and local news media that serve minority communities to ensure that these newsrooms can continue delivering uninterrupted local and community news during the COVID-19 pandemic.”<sup>18</sup> In any ad-

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<sup>15</sup> “Media Groups Call on Congress to Support Local News, Local Media Amid Coronavirus Crisis,” News Media Alliance press release, April 9, 2020.

<sup>16</sup> “Federal Advertising: Contracting with Small Disadvantaged Businesses and Those Owned by Minorities and Women Has Increased in Recent Years,” U.S. Government Accountability Office, July 2018. While we believe Congress should insist on reports and more transparency on ad spending, Rep. Tim Ryan’s proposal to hand this responsibility to the Federal Communications Commission is infeasible because the agency is not equipped for the job.

<sup>17</sup> Mayor Bill de Blasio, “Executive Order 47: Strengthening Our Commitment to Community and Ethnic Media,” May 22, 2019.

<sup>18</sup> “Letter to Leadership on Additional Funding and Relief for Local and Ethnic Media Outlets During Covid-19,” Congressional Tri-Caucus, April 21, 2020.

spending proposal, Congress should follow the lead of New York and others to ensure that at least 50 percent of the local spending goes to outlets locally owned by people of color.

## **Additional Policies to Support Local Journalism**

While we strongly urge Congress to include and advance the policies described above in the next recovery package, lawmakers should also implement other measures to support community-information needs, local journalism and journalists. These include but aren't limited to:

- ***Increased Funding for Libraries to Cover Digital Subscriptions:*** We propose that Congress appropriate \$1 billion in funding for local libraries to cover the costs for at-home digital newspaper subscriptions or nonprofit-news memberships for local residents, as well as to promote awareness of this service. This appropriation would run through the end of 2021 or until funds are depleted (at a cost of \$2 per subscriber, this appropriation could support 18 months of access for nearly 30 million library-card-holding families).
- ***Tax credits for paid subscriptions:*** Free Press Action supports measures proposed by the NewsGuild and others to make news subscriptions tax deductible. Unlike the library policy described above, this credit would benefit those with the ability and willingness to pay for subscriptions. But as an added benefit alongside library funding, it could help local outlets struggling to monetize their products and facing a sharp downturn in advertising.
- ***Easing the path for news organizations to become nonprofits:*** We support measures instructing the IRS to make it easier for news organizations to receive nonprofit status, as suggested by Rep. Tim Ryan (D–Ohio) in his proposed legislation and introduced previously in a bill by Rep. Mark DeSaulnier (D–California).<sup>19</sup>
- ***Moratorium on media mergers:*** Alongside broader efforts to limit mergers and acquisitions during this crisis, Free Press Action calls for a moratorium on media-company mergers to prevent further community-harming consolidation. We strongly oppose requests by the National Association of Broadcasters and others to push for more deregulation.<sup>20</sup> We need the opposite, ideally paired with policies, programs and incentives to return ownership to the local level (see below).
- ***Making journalists part of AmeriCorps and forgiving student loans:*** As Steve Waldman of Report for America has advocated, legislation is needed to make journalism programs part of AmeriCorps and part of broader support for public service in the United States. In addition,

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<sup>19</sup> “Congressman Tim Ryan,” *ibid.* “Congressman DeSaulnier Introduces Legislation to Eliminate Hurdles for Newspapers to Become Nonprofits,” press release, June 6, 2019.

<sup>20</sup> John Eggerton, “NAB to FCC: Covid-19 Challenges Emphasize Need for Dereg,” *Broadcasting and Cable*, April 27, 2020.

Waldman’s idea of a loan-forgiveness program for journalism graduates who work for nonprofits — like those given to lawyers or nurses — would help more people enter the field.<sup>21</sup>

## **Medium and Long-Term Policy Ideas**

Free Press and Free Press Action will put forward a series of forward-looking policies in papers to be published in the near future. While longer-term policies are beyond the scope of this report, we wish to highlight a few key areas and concepts here as recovery legislation is being shaped and future planning is underway. These include:

- ***First Amendment Fund:*** Now is the time to invest in a public fund to support new positions, outlets and approaches to newsgathering. Such a fund, distributed by a new CPB division or another newly created entity, could offer grants to meet civic-information needs, create jobs dedicated to newsgathering and community engagement, and prioritize places and populations that the mainstream outlets have never served well. The effort could be modeled on and work in tandem with state-level projects like New Jersey’s Civic Information Consortium and similar projects being explored in Colorado and Ohio.<sup>22</sup>
- ***Taxing Targeted Online Ads:*** Free Press Action has proposed funding the First Amendment Fund through a small tax on targeted online advertising.<sup>23</sup> Just as a carbon tax could help the environment, this approach would require online platforms like Facebook and Google to help clean up their pollution of civic discourse.<sup>24</sup> Under Free Press Action’s proposal, a 2 percent targeted-ad tax on all online enterprises that in 2018 earned more than \$200 billion in annual digital-ad revenues would yield more than \$1.8 billion a year for a First Amendment Fund or similar public-interest endowment that could hand out grants to news and civic-information projects.
- ***Deconsolidation of Local Media:*** In addition to easing the transition of local news outlets to nonprofit status and preventing further media consolidation, the United States needs policies that would incentivize local, independent or worker ownership and control when outlets go up for sale or into bankruptcy.<sup>25</sup> Media ownership must be removed from hedge funds and other distant and unaccountable owners and returned to the local level. This approach should include revisiting past policies such as the “minority tax certificate” to update and expand them to meet current needs and support ownership opportunities for women and people of color in TV and radio and at news outlets.

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<sup>21</sup> Steve Waldman, “Curing Local News for Good,” *Columbia Journalism Review*, March 31, 2020.

<sup>22</sup> Mike Rispoli, “Why the Civic Info Consortium Is Such a Huge Deal,” Free Press, Jan. 16, 2020; “Local News Is a Public Good,” Colorado Media Project, Oct. 13, 2019; “Breaking News: Newspaper Closures Hurt Ohio Communities,” Policy Matters Ohio, July 2019.

<sup>23</sup> Timothy Karr and Craig Aaron, *Beyond Fixing Facebook: How the Multibillion-Dollar Business Behind Online Advertising Could Reinvest Public Media, Revitalize Journalism and Strengthen Democracy*, Free Press, February 2019.

<sup>24</sup> For another version of this concept, see the *Seattle Times*’ call for the creation of a “superfund” to support local-news institutions. See Blethen, “Save the Free Press Initiative Seeks Solutions for Local Journalism,” *ibid.*

<sup>25</sup> See also Waldman, “Curing Local News,” *ibid.*



- ***Reconciliation and Reparations:*** Any policies under consideration must include efforts to redress the racial inequities that exist in the news media and to remedy the history of discrimination in the industry. As the nation debates the concept of reparations for slavery and its aftermath — a conversation now happening at the highest levels of politics — the media must be part of the conversation and proposed solutions. The United States must confront the ways in which mainstream media outlets and media-policy decisions have helped create the inequities that exist and endure in our society. Free Press is working with racial-justice allies and leaders on an in-depth exploration of this topic to be released later this year.

The reality is that the local-news industry will continue to face massive business headwinds. If we, as a country, value high-quality local news, then meeting community-information needs will require a substantial public investment over a long period of time. We're seeing firsthand what happens when community-information needs are left solely to the whims of the market. A viable future for local news will require a steady funding stream and eventually a trust fund; it will require an operational structure that is independent and responsive to local needs; and it will require ambitious and creative policy solutions.