Free Press Action

A ROADMAP FOR CALIFORNIA LAWMAKERS TO SUPPORT LOCAL NEWS

A FREE PRESS ACTION POLICY GUIDE

California lawmakers rightly want to ensure that state residents get the civic information and journalism they desperately need to participate in their communities and our democracy. But the California Journalism Preservation Act (CJPA) would not make the state's journalism sector more financially stable or more responsive to community needs.

Instead, the proposed law would mostly benefit billionaire-owned hedge funds and giant national media conglomerates like Disney, Fox News and Sinclair Broadcast Group. It would directly subsidize media outlets that peddle outrage, disinformation and hate, slowly crowding out the truly independent local-news outlets that are most engaged with their communities.

What's more, the proposal would likely be tied up in litigation for years. Social-media platforms could argue that even though funds collected via the CJPA don't flow through the state's coffers, the bill's payment requirement still qualifies as a state-imposed "exaction," which would require a two-thirds vote of approval from lawmakers. The bill would also create a "must-carry" duty for platforms that companies like Meta could challenge on First Amendment grounds.

Fortunately, there's a different path forward for lawmakers. It involves two steps: The first is to stop the bleeding by enacting "bridge" policies that would stabilize the journalism market and preserve reporting jobs. The second step is for lawmakers to adopt long-term transformative solutions that would usher in a sustainable, equitable and community-focused future for local news across California.

STEP 1: PRESERVE AND PROMOTE CALIFORNIA-BASED LOCAL-JOURNALISM JOBS

Since 2004, the state has lost 25 percent of its newspapers, while total news circulation has dropped more than 50 percent. Corporate chains and hedge funds continue to buy up local outlets, extracting what profits they can while hollowing out the newsgathering side of these operations. This has led to massive newsroom layoffs — most recently, the owner of *The Los Angeles Times* began 2024 by laying off 20 percent of the paper's newsroom staff.

This is an emergency for California's civic health and our democracy, and we need urgent action to protect the most-impactful journalism jobs in the state. Lawmakers should consider a diverse set of policies that are directly targeted toward preserving and promoting employment at local newspapers, ethnic outlets and community-media newsrooms.

Deliver Support to Local-News Outlets Through Refundable Tax Credits

- **Refundable Payroll-Tax Credit for Employment of California Journalists**

  California lawmakers could incentivize local newspapers and digital outlets to retain and hire additional newsroom personnel by pursuing an approach similar to that of the Community News and Small Business Support Act (H.R. 4756). This bipartisan proposal, introduced last year in the U.S. House of Representatives, would offer local newspapers and other local-news companies a refundable payroll-tax credit for each journalist they employ.

  This policy would reduce a local newspaper's payroll costs, which are often the single largest expense and comprise a substantial portion of firms' operating costs. While the owners of these newspapers would continue to face economic pressure to cut costs in the face of declining revenues, this refundable tax credit would motivate these owners to retain newsroom employees. It's important to note that television broadcasters should not be eligible for such a benefit, given their already-solid financial footing.

- **State Business-Tax Credits for Businesses That Advertise in Local Newspapers and Community-News Outlets**

  California could grant refundable tax credits to small businesses that advertise in local-news organizations or make donations to such outlets.

A similar federal proposal included in H.R. 4756 would grant up to a $3,000 credit for qualifying businesses that make $6,000 in advertising purchases or other donations.

Refundable Personal-Income-Tax Credit for Local-News Subscriptions and Donations

Various proposals have been introduced at the federal, state and local levels that would offer residents tax rebates or direct vouchers for subscribing or donating to qualifying local-journalism outlets. For example, the District of Columbia City Council is considering the Local News Funding Act of 2023, an appropriation for "coupons" that residents could apply to the local-media outlet of their choice. The Massachusetts legislature is considering H. 2958, which would offer a $250 tax credit "for paid subscriptions to 1 or more local community newspapers for the personal use of the taxpayer."

Divert Government-Ad Dollars to Local Outlets

Every year, California government agencies spend millions of dollars on advertising. But far too little of this money goes to the community- and ethnic-media outlets that are doing so much to connect and inform underserved communities across the state. Lawmakers should pursue legislation that would direct government agencies to spend a certain percentage of their advertising budgets with community- and ethnic-media outlets in state-government advertising and outreach efforts.

Some localities are already doing this, with promising early results. In 2019, then-New York Mayor Bill de Blasio signed an executive order requiring city agencies to spend half of their print- and digital-advertising budgets on community-media outlets. Then-Chicago Mayor Lori Lightfoot announced a similar commitment in 2022.

In California, lawmakers should support AB 1511, sponsored by Assm. Miguel Santiago. The bill would create an Office of Ethnic Media to help agencies and departments maximize the use of ethnic- and community-media outlets in state-government advertising and outreach efforts. The Latino Media Collaborative, a nonprofit organization that works to bolster the Latino media sector within California, is a driving force behind the legislation.

Support the UC Berkeley Local News Fellowship Program

In 2022, state lawmakers took bold action by dedicating $25 million to the creation of the California Local News Fellowship program, an initiative that places 40 early-career journalists in newsrooms throughout the state every year.

Fellows work for a range of newsgathering organizations, including mainstream newspapers, digital sites, ethnic media, nonprofits, youth media and public-media outlets.

The program is already delivering results, but it requires long-term funding beyond this pilot phase. Policymakers should solidify state support for this historic initiative so it can expand its reach and impact with firm financial footing.

Study the Information Needs of Californians and Advance Possible Policy Solutions

The primary goal of local-news policy is to ensure that Californians receive the news and information they need to effectively participate in civic affairs. If the state is going to dedicate taxpayer dollars to improving local news, policymakers must first develop a deep understanding of the problem and ensure that solutions put California residents' needs first.

Given the complexity of why local-news production is in decline, lawmakers should evaluate the likely impact of various interventions before implementing sweeping policy changes that could further destabilize an already-failing market. To develop this understanding, the state could commission the University of California to conduct an independent study on the state's civic-information markets, with an analysis of potential policy interventions.

STEP 2: ENACT LONG-TERM POLICIES TO CREATE A HEALTHY LOCAL-NEWS AND CIVIC-INFORMATION SYSTEM FOR ALL CALIFORNIANS

The measures detailed above would slow the downward spiral of local news in California and provide much-needed relief to a newspaper industry on the brink of collapse. But survival is not enough. The status quo in local news has left countless residents without the information they need to connect with one another, hold leaders accountable and create change. Mainstream commercial media outlets have neglected communities of color, low-income people and immigrant communities for far too long.

If lawmakers are serious about creating a sustainable and equitable future for local news, they must enact transformative policies that treat journalism and civic information like the public goods that they are.

Incentivize the Sale of Local Newspapers Back to Local Owners and the Conversion of For-Profit Outlets to Nonprofit Status

In addition to the tax credits proposed above, which are aimed at preserving and promoting newsroom employment, policymakers should take action to help preserve local-journalism institutions that are fully committed to serving local constituents' needs.

To that end, lawmakers should explore policies that offer local-newspaper firms (including online-only outlets) refundable tax credits and subsidized loans if those publishers reenter local markets and hire reporters who live in communities that lack any dedicated local coverage ("news deserts").

California lawmakers should also explore policies that would incentivize firms to convert their for-profit news outlets into nonprofits, either via direct sale to a nonprofit or conversion of an existing for-profit. Steve Waldman of the Rebuild Local News Coalition has outlined several specific policies that would provide financial benefits for owners that spin off their newspapers in this way.

However, changes in federal tax law would be needed to maximize these incentives, as state taxes comprise only a small share of a firm's overall tax burden. To aid this process, California lawmakers could provide direct financial support (grants, subsidized loans and tax credits) to employee-controlled or other locally based entities that purchase a for-profit newspaper and convert it into a nonprofit.

Create a Local-Journalism Trust Fund

Instead of subsidizing corporate media giants, policymakers should invest in their local and state public-media institutions. This means investing in local journalism itself, not just in mediums.

Instead of merely supplying the resources necessary for radio and television broadcasting, lawmakers should focus specifically on the production of quality local journalism. At its core, this requires transitioning from a broadcasting-centric model to a local civic-journalism model.

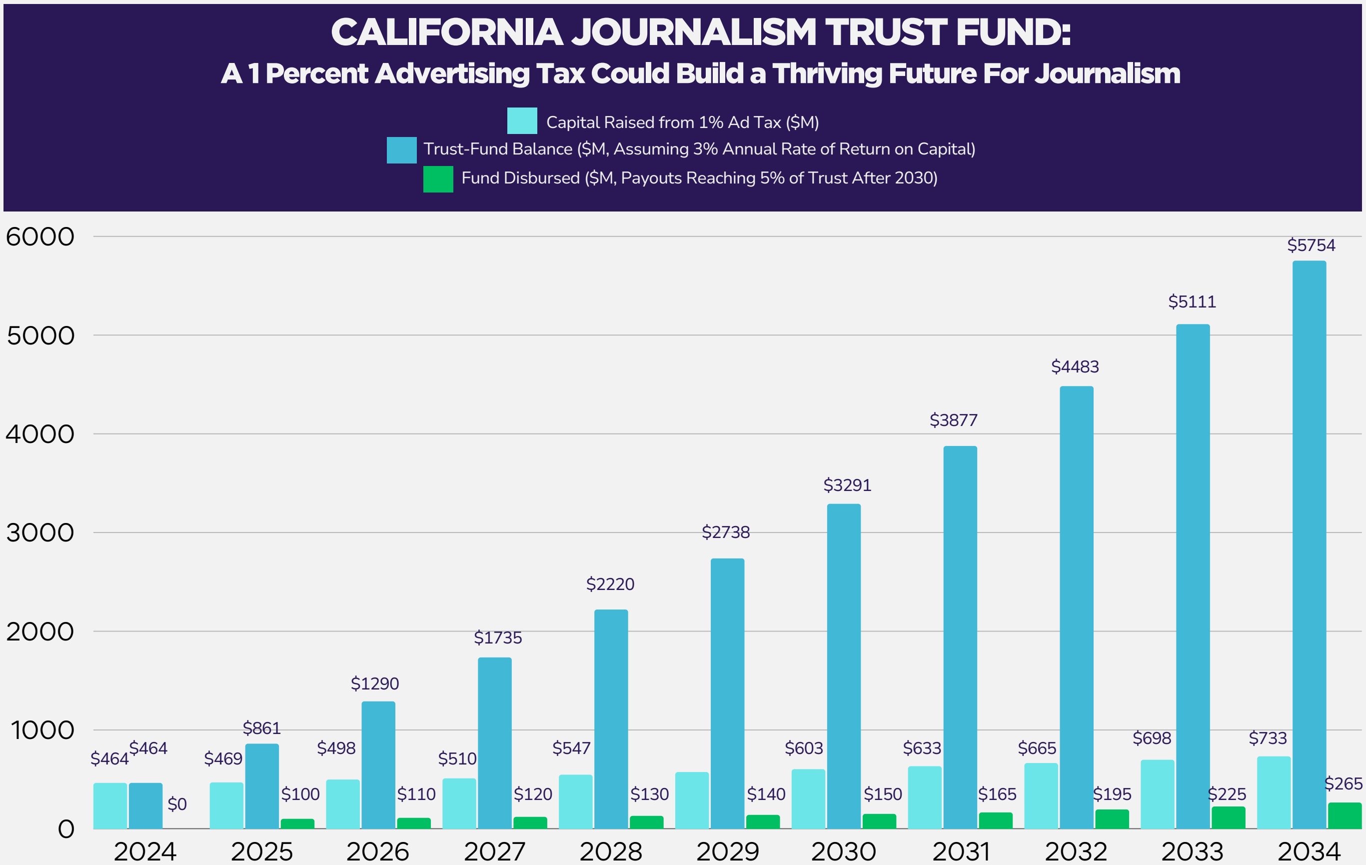
Since investment requires revenues, we urge lawmakers to explore the creation of public-media trust funds so that after an initial period of capitalization, these trusts can operate completely independent of both commercial and government financial support. To fortify a firewall between government and industry on one side and journalism on the other, states should consider creating NGOs like the New Jersey Civic Information Consortium, which would act as central funding entities. States like Wisconsin are actively exploring this funding model.

HOW CAN WE PAY FOR ALL THIS?

While there are any number of possible funding sources for the measures detailed above, we strongly urge policymakers to explore the creation of a tax on advertising revenues. Taxing advertising to fund the production of civic information is a rational way to transform what was an implicit funding mechanism for local journalism into an explicit support system.

Furthermore, the tax could be relatively small and short-lived. In 2024, approximately $46 billion will be spent on advertisements shown to Californians, and this figure is expected to continue to grow at a compound rate above 5 percent annually. A 1-percent tax on advertising revenues in California would raise approximately **$5.6 billion over a 10-year period.**

Below is an illustration of how the state could use this revenue mechanism to grow a local-journalism trust fund while making escalating payouts to the sector. The program could pay out $100 million during the first year, escalating to a stable 5-percent payout rate after several years. After a decade of payouts, the fund balance would be nearly $6 billion. The ad tax could then sunset, leaving a fund that would likely require no further capitalization.



The California ad market is expected to exceed $46 billion in 2024, growing to $70 billion by 2033

A 1 percent tax on this revenue would raise $464 million in the first year

Beginning in the 2nd year, the Trust could pay out $100 million, increasing over time to 5% annual disbursement

After the first decade of payouts, that tax would sunset, leaving the Trust with nearly $6 billion (assuming 3% rate of return)