

# CJPA Analysis: Good for Corporate Media, Bad for CA Residents and Local News

**Contact:** Mike Rispoli, Senior Director of Journalism and Civic Information, [mrispoli@freepress.net](mailto:mrispoli@freepress.net)

This year, California lawmakers advanced the California Journalism Preservation Act (CJPA), an attempt to improve access to trusted news and information at a time when the local media landscape is rapidly deteriorating. The legislation would require online platforms of a certain size — essentially just Alphabet, Meta and Microsoft — to pay individual news outlets for each webpage that the platform hosts that links to that journalism provider’s content.

To better understand who would benefit under the CJPA and how the proposed law would impact independent local media outlets — which are closest to the communities they serve and arguably in most need of assistance — Free Press Action conducted a study of the website traffic going to the outlets that would qualify for support. Our methodology enables us to estimate the likely magnitude of differences in CJPA payments between classes of news outlets.

**The results paint a clear picture: The CJPA, however well-intentioned, would result in a windfall of payments flowing to wealthy broadcast-television firms, hedge funds and nationally focused news and entertainment outlets.** Meanwhile, locally

focused independent, nonprofit and ethnic media outlets would likely receive very little funding from the CJPA and could see their financial struggles worsen as larger outlets’ profits grow. Even more troubling, the mechanism that determines the payouts would create incentives that could kick off a “clickbait gold rush,” which would lead to a more toxic online news environment for California residents.

A graphic containing a quote, enclosed in large teal quotation marks. The text is white on a teal background.

**Giant corporations would receive nearly all of the CJPA payments coming from Alphabet and Meta, with a substantial majority of payments going to outlets that do not produce local California news.**

## A windfall for the rich and crumbs for the rest

Some findings from our analysis:

**Giant corporations** would receive **nearly all of the CJPA payments** coming from Alphabet and Meta, with a substantial majority of payments going to outlets that do not produce local California news.

**Broadcast-TV network affiliates** — which are already very profitable — would receive a **disproportionately large share of the Meta-referred traffic** compared to legacy newspapers and local independent, nonprofit or ethnic media outlets.

**Right-wing political websites** in our national sample on average **generated three times the number of Meta referrals and four times the number of Alphabet referrals** as the average local independent, nonprofit or ethnic media outlet in our sample. Outlets like Breitbart, The Drudge Report and Newsmax — which traffic in hate and disinformation — are all eligible for CJPA payments.



**In sum, the CIPA is a massive giveaway to large and already-profitable media companies.**

Meanwhile, California's independent media outlets would likely see little-to-no benefit from this legislation. These independent news firms might initially receive at best less than pennies on the dollar. And over time the CIPA-created clickbait gold rush would further reduce these small outlets' online visibility, shrinking their readership and rendering them worse off than before.

Even California's major daily newspapers would see relatively small payments from the CIPA compared to broadcasters and national website owners — and most of this already-small slice would go to giant hedge funds that have gutted their newsrooms and replaced local coverage with cheap-to-produce national content.

## **An unfixable approach**

These problems are inherent to the CIPA's design, and cannot be fixed through amendments. Even if the bill cut out giant media firms from receiving payments, the website traffic from those companies must still factor into the valuation of news for covered platforms. This is due to the mechanism that lies at the heart of the legislation.

**No amount of tinkering would change the reality that the independent, nonprofit and ethnic media outlets that most need help would receive at best token payments.** Worse still, the click-driven incentive structure baked into the CIPA would create an automatic revenue stream for companies that can afford to invest in search-engine optimization and viral content production. This would reduce smaller outlets' visibility and crowd out impactful local news on social media and search platforms.

Smaller community-focused outlets are innovating and pushing the entire field of journalism forward, away from the boardroom's focus on quarterly profits, and toward a future where impact is not measured in revenue growth. Yet any CIPA payouts such outlets would receive would be — at best — the leftover crumbs from revenue pies gorged on by already-wealthy media companies.

## **An alternative to the CIPA**

Lawmakers have the right instinct. Big tech platforms have upended the local-news environment in California and it's clear that the market cannot right the ship on its own. Policy intervention is needed — but there are far better alternatives to the CIPA that ensure that benefits actually flow where they're most needed.

For one, we strongly urge policymakers to reinvest in local and state public media, specifically in newsrooms and journalism. Recognizing that reinvestment requires revenues, we urge lawmakers to explore the creation of public-media trust funds. After an initial period of capitalization, these trusts could operate independently of both commercial and governmental financial support or interference.

The bulk of the initial capital for the public-media trust fund could still come from the social-media platforms, whose dominance over online advertising contributes to the financial disruption of local-news and civic-information markets. Instead of forcing only Alphabet and Meta to pay link taxes that come with a host of negative side effects, California should instead tax advertising revenues to seed a public-media trust fund.

The CIPA is a bad policy based on good intentions. We strongly encourage lawmakers to focus instead on equitable and better-targeted policy options.