

A Bold Solution for the Decline of Local News: Public Grantmaking Funded by a Small Tax on the Advertising Revenues of Corporate Giants

The decline of local journalism has become an unavoidable issue for lawmakers and community members alike. Corporate chains and hedge funds have taken over thousands of outlets across the country, hollowing out their newsrooms and stripping communities of vital sources of information. Meanwhile, the relentless growth of mammoth tech platforms has upended our media landscape, with their billionaire owners establishing a firm grip over the information economy.

This isn't just an industry crisis — it's a democratic crisis. Local news and civic information are true public goods, and [study after study](#) has shown that strong local reporting is linked to better governance, higher levels of civic engagement, higher levels of community trust and significant savings in public spending.

That's why we're calling on state lawmakers across the country to advance a bold solution: Place a 1 percent tax on the massive advertising revenues of tech and corporate giants, and invest the revenue in Civic Information Consortia (CICs) — independent grantmaking bodies to support local journalism and community-information needs.

Every community has different needs and a unique local-news environment. Public grantmaking provides the flexibility to account for these differences and allows public funds to be used as efficiently and effectively as possible — with a focus on plugging information gaps that the market alone is unlikely to address. This approach can also encompass a variety of models: legacy and startup, commercial and noncommercial, projects that do traditional news reporting and those that focus on support services and training.

A small tax on advertising is a logical way to fund this effort. In journalism's economic heyday, advertising was the core pillar of support for local newspapers. Today, however, tech giants and corporate behemoths have almost entirely consumed the advertising market. By carving away just a tiny sliver of these companies' enormous revenues, policymakers can turn what was once an implicit funding mechanism for local journalism into an explicit and reliable support system.

This model also maintains critical firewalls between the government and the media. Since both the funds and the grantmaking process itself are housed in an external, independent body governed by a diverse group of community stakeholders, government officials are sealed off from any sort of interference in grantees' editorial processes.

By taking this step, policymakers can help foster a local media environment that truly works for all of us, not just the billionaires atop our current media system. And in the process, we can strengthen one of the most fundamental pillars of our democracy.

Raising the money: a tiny ad tax with big impacts

While there's any number of possible funding sources to support local news, the strongest choice is for lawmakers to impose a 1 percent ad tax on the advertising revenues of corporate giants. This tax would focus on ultra-rich entities like Amazon, Comcast, Disney, Google and Meta, and would exclude producers of community journalism.

What's more, this ad tax could likely sunset after just 10 years. After that time period, there should be enough money to capitalize a public trust for local news that could survive on its accrued interest.

- **Taxing advertising to fund the production of public-interest journalism addresses a market imbalance.** Advertisers are attracted to the outlets that draw the most readers and viewers. The natural incentive, then, is for advertising-supported outlets to create content that maximizes reach. Unfortunately, the quickest and easiest way to do this — especially in the digital age — is by churning out sensationalist content, clickbait, polarizing takes and other kinds of low-quality information that invite clicks without providing real social or civic value. On the flip side, the kind of content that is most valuable to communities — public-interest journalism and high-quality civic information — isn't nearly as attractive to advertisers. As a result, we've been left with a commercial media landscape that too often prioritizes fear-mongering and misinformation over trusted, relevant and verifiable local news.
- **It takes only a very small tax to create meaningful revenue — and the tax can sunset after a finite period of time.** For context, just a 1 percent tax on all U.S. advertising revenues would raise approximately \$50 billion over a 10-year period before being sunset. A journalism trust fund at this level of capitalization could allocate more than \$2 billion annually in support of public-interest journalism. These figures, of course, would be much smaller at the state level — but still more than enough to effectively fund an independent CIC in each state.

- **The advertising tax should be levied on only the wealthiest companies and should exclude community journalism producers.** Lawmakers can set a revenue floor in determining which entities would be taxed, thus ensuring that only the most revenue-rich companies pay into the fund while excluding entities that produce much-needed public-interest journalism. This ensures that the tax won't harm outlets producing the kind of journalism that lawmakers are hoping to support.
- **An ad tax has some key advantages over other methods of revenue generation – especially mandated bargaining code approaches.** Researchers at UCLA [analyzed a broad set of mechanisms](#) that could raise money for journalism policies, and the ad tax model emerged as a clear winner, legally and economically. Meanwhile, mandated bargaining approaches – like those tested out in [California](#) and elsewhere – are highly susceptible to legal challenges and create stronger incentives for tech platforms to stop showing local news entirely, a [devastating blow for smaller publishers](#) in particular.

Distributing the revenue: building an independent public-grantmaking body

Once the revenue has been secured, lawmakers face a critical question: How should it be distributed to maximize public impact while moving our media system toward a more sustainable future?

Strategic public grantmaking via the creation of Civic Information Consortia is the strongest approach. This model provides the structure needed to ensure that public dollars are spent as efficiently as possible with a focus on the most pressing gaps in the journalism landscape. Grants would be made available to all portions of the journalism sector, with no preference for business models or mediums. The core overarching goal of these grantmaking programs would be to directly support the creation of public-interest journalism and critical civic information, with an eye on filling coverage gaps that the market can't address on its own.

As it stands today, only one state has stood up a public grantmaking body for local news: New Jersey. In just a few short years, the [New Jersey Civic Information Consortium](#) has made a marked impact on the state's local news-and-information landscape. Firewalls between the state government and the grantmaking process have held up well, showing that careful policy design can and will preserve editorial independence. The consortium has distributed roughly \$10 million to more than 60 organizations focused on diversifying journalism, improving government transparency, providing community-health news and better serving communities of color and immigrant communities.

The biggest challenge for the consortium has been its reliance on the annual appropriations process for support — because funding levels can fluctuate yearly, the nonprofit has been limited at times in pursuing long-term investments. But the success in New Jersey serves as strong proof of concept for public grantmaking to support local news — while underscoring the importance of pairing this approach with an independent funding stream.

The specifics of setting up public grantmaking programs will vary from state to state. But policymakers can lean on the best practices below as a guide in crafting legislation.

I. The CIC should be an independent nonprofit (housed outside of government) with a diverse, multi-stakeholder, nonpartisan board. The board should include government appointees, researchers and university representatives, journalism practitioners, publishers, professional organizations, labor representatives, and civic and community organizations outside of the media space. This approach protects against government interference and ensures the decision-making body has journalism expertise, community representation, and a diverse cross-section of the state and stakeholders.

- Political appointees should not make up the majority bloc of votes; if they do, they should vote only on non-grantmaking decisions.
- Board appointments should have staggered terms and include term limits.
- The board makeup and number of representatives are modifiable depending on political conditions, so long as the priority remains having diverse, multi-stakeholder, and bipartisan makeup. It's hard to imagine a board without publishers, so labor representation is needed to center workers' needs.

II. There should be specific language in the bill that would create the CIC that **prohibits government employees from interfering with editorial output.**

III. The CIC should **prioritize directing public dollars to the underserved communities where need is highest**, which [research](#) has shown to be rural communities, low-income communities, BIPOC communities and limited-English-speaking communities.

IV. **Grant eligibility should be tied to meeting communities' civic-information needs and increasing the production of and access to high-quality local journalism.** How eligibility is delineated can vary, but without this language, recipients can use public funding for efforts that may not actually lead to useful civic information. This approach also helps ensure that the CIC lives up to one of its core functions: supporting coverage that commercial outlets don't have a market incentive to pursue.

V. No preference should be given to specific types of business models, mediums or platform models.

- Grant recipients should be state-based, with at least 50 percent of the entity's employees residing in the state.
- As much as possible, the grantmaking body should have the power and flexibility to make determinations for which projects best meet information needs.

VI. Clear definitions should be given for “civic-information needs,” “local-news organizations,” “community and ethnic media,” “underserved communities,” “news worker,” etc. The definitions below serve as strong templates.

- Underserved communities: Populations that do not have adequate access to news, information and necessary resources based on race, ethnicity, geographic location, religion, sexual orientation, gender identity, language barriers, disabilities, immigration status or age.
- Civic-information needs: Informational resources, including local journalism and communication infrastructure, that communities need for civic engagement.
- Local-news organization: A news organization that is dedicated to covering a community, city, neighborhood, region or demographic population that resides in the state.
- News worker: A person who directly engages in the gathering or production of news coverage or information for public audiences.

VII. The CIC should carry out research to evaluate residents' information needs and gauge the success of certain models.

- Building a research component helps inform grantmaking and aids with data collection.
- If it isn't possible to include a broader research component, then the CIC should regularly interview grantees to assess the grantmaking process. Some research or hosting of focus groups could also be conducted during the public-hearing process.

VIII. There should be extensive transparency in every facet of the program, from board meetings to applications to the announcement of grant winners. Board-meeting minutes should be part of the public record and there should be annual reporting from grantees on how funds were spent, what the impacts were and what was learned. Transparency efforts can also include public hearings, annual reports and so forth. The role of board members and any staffing needs should also be laid out as clearly and extensively as possible.