Since the onset of the Great Recession in 2008, the newspaper industry has felt the double-barreled effects of the U.S. economy’s near death and digitally driven recovery like no other. As local newspapers have disappeared, so has coverage of local, state and regional issues. From the statehouse to city hall to city streets — the number of reporters on state and local beats has dropped by more than half in just over a decade. In some places, the decline is 80-90 percent.

The shrinking number of reporters is a result of a stunning market failure in local news. Between 2007 and 2017, although digital advertising rose from $3.6 billion to $5.1 billion, the incremental gain replaced an estimated 5 percent of what was lost in print. Circulation revenue grew only from $10.3 billion to $10.9 billion — less than the rate of inflation.

By the end of this decade, the resources our society devotes to covering and reporting local news will have declined by more than two-thirds since the beginning of the Great Recession. This crisis has a variety of societal implications, perhaps most importantly the weakening of Americans’ ability to practice deliberative, democratic governance. The path our society chooses over the next three to five years in funding local journalism will play an enormous role in defining the kind of society our children will inherit.

What does local news look like when the majority of advertising dollars goes to digital media platforms and algorithms replace reporters?

- **It’s not local**: Only 17 percent of stories carried in daily newspapers are actually about that state or region.
- **It’s not substantive**: 44 percent of local newspaper stories do not address “critical information needs.”
- **It’s not original**: Less than half of news stories carried in daily newspapers are original reporting by that news outlet.

THE AMERICAN JOURNALISM PROJECT (AJP) IS A FIRST-OF-ITS-KIND INITIATIVE, BRIDGING THE BEST OF PHILANTHROPY AND VENTURE CAPITAL TO HELP REVIVE AMERICAN CIVIC LIFE BY MEASURABLY STRENGTHENING NONPROFIT CIVIC NEWS ORGANIZATIONS (CNOs) NATIONWIDE.
An Urgent Call to Action

A Perfect Storm for Newspapers Threatens to Shipwreck our Democracy

As a nation, we stand at what author and Princeton University professor Paul Starr calls a “constitutive moment” in local news — a time in which our choices are stark, urgent and enormously consequential. Multiple studies suggest a striking correlation: Declines in local civic news are connected to less informed voting, declining political participation and more fertile territory for public corruption. Without a common set of facts, the political center erodes and our society’s collective ability to compromise declines.

The tendency for today’s newspaper owners to operate according to the economics of entertainment (and survival) is both cause and effect of an accelerating tilt of newspaper ownership toward parties whose only goals are financial.

Today:

- More than half of newspapers controlled by the 25 largest newspaper companies by total circulation are owned by hedge funds or private equity firms who are obligated not only to maximize their value to shareholders, but also to sell them at some point in the near future to provide liquidity to their shareholders.
- Another 15-20 percent is controlled by seven public newspaper companies, which are driven more by quarterly earnings than an obligation to public service.

We estimate that by this decade’s end, without non-market intervention or job creation from new commercial outlets, the number of reporting jobs in local newsrooms will have decreased nearly two-thirds since the beginning of the Great Recession in 2008.

Without a fundamental shift in how we structure and fund local news institutions, the need for basic civic information at the community level will simply go unmet. The media will continue to fail the public — at the state house and city hall, on education and transportation and on accountability for public officials. These failures will continue to erode public trust in news and fuel our growing lack of trust in society as a whole.
A New Generation of Social Entrepreneurs Needs Capital to Grow and Thrive

In the wake of this perfect storm for newspapers and a permanent change in the nature of advertising, a sustainable local press requires a diversity of revenue streams. A new generation of social entrepreneurs is poised to meet this challenge by combining charitable fundraising best practices with sophisticated commercial media strategies. But they can’t do it without investment capital.

The most consistent distinction of successful civic news organizations (CNOs) has been their ability to access philanthropic investments early in their development. These capacity-building or “growth equity” investments allow the CNOs to hire critical revenue-generating personnel when they could not otherwise afford them in the near term. Without such capital, most CNOs struggle to grow. A sustainable civic news organization needs to operate like a media business, which requires dedicated media business people who can generate revenue.
The American Journalism Project (AJP) is a first-of-its-kind venture philanthropy firm pursuing an economic “third way” to generate CNO revenue growth. Co-founders Elizabeth Green and John Thornton established AJP based on three interlocking beliefs:

- Democracy and journalism are interdependent.
- Local journalism is a public good that market forces won’t adequately supply.
- This market failure is a problem that we the people — not our government, and not our commerce — must solve.

Patterned after venture philanthropy enterprises that have for many years addressed market failures elsewhere in American society, AJP will be the first dedicated to investing in local news organizations. AJP’s co-founders each founded two of the most successful civic news organizations in the U.S. in the last decade — The Texas Tribune (John) and Chalkbeat (Elizabeth).

““At a time of great experimentation around new models for news, AJP’s injection of capital to test, build and learn from successful nonprofit news organizations can be a game-changer for local journalism. We look forward to using these learnings to lift the whole field.”

Sue Cross, Executive Director and CEO of the Institute for Nonprofit News
Our Approach to Creating Growth in Local Journalism

AJP is Organized Around Three Self-Reinforcing Functions

**Fundraising:** AJP is raising an initial $50 million to make course-altering grants to a portfolio of enterprising civic news organizations. AJP donors will be philanthropists who recognize that while communities must ultimately support their own CNOs, the sector must be partially capitalized by a philanthropic vanguard that adopts an urgent national perspective on the threat to local public interest news.

**Investment:** Over the next three to four years, AJP will seek to make transformational investments in 25 to 35 CNOs that can serve as exemplars for a new generation of local news outlets. Each grant will be designed to both leverage existing community support and build capacity for exponentially increasing local investment. An essential use of grant funds will be to hire revenue-generating team members whose efforts can directly address the long-term sustainability of CNOs.

**Capacity Building:** AJP will be staffed by “partners” with a mix of backgrounds in journalism, fund development, technology, business, venture capital and philanthropy. Partners will serve as hands-on, value-added advocates and advisers for each CNO in the portfolio.

**UPDATE:** Since mid 2018, AJP has raised $32.6 million toward our initial $50 million goal for Fund I and an additional $10 million to seed Fund II. Lead funding commitments have been made by philanthropic pioneers, including the John S. and James L. Knight Foundation, Arnold Ventures, Emerson Collective, Craig Newmark Philanthropies, the Facebook Journalism Project and the Democracy Fund. AJP has also recruited the organization’s first board members, developed a strategic plan and hired three team members. Now is the time to achieve our initial fundraising goal and begin identifying our first grantees.
AJP Will Harness An Ecosystem of Support for CNOs

Today, thanks to forward-thinking philanthropy and determined and mission-driven founders, there are more than 200 CNOs nationwide. However, vulnerabilities highlight the sector’s fragility.

According to the 2018 Institute for Nonprofit News Index, the average CNO has fewer than 10 employees, directs less than 20 percent of its expenses toward business and technology personnel and directs less than 10 percent of its expenses toward revenue-generating personnel.

AJP will leverage resources within the civic news ecosystem and make grants to help build a robust sector of economically sustainable CNOs. Our grants will be:

- Significant, course-altering financial investments
- Targeted to building the capacity of the organization with a focus on technology and revenue-generating staff
- Matched by community support
- Accompanied by intensive hands-on support and expertise

AJP will invest in a mix of existing and new CNOs that are:

- Driven exclusively by a mission of public service rather than profitability
- Led by innovative, social entrepreneurs with proven editorial expertise
- Fact-based and nonpartisan
- Committed to diversity, equity and inclusion
- Governed by boards that represent their constituents and communities
- Positioned in a market with high potential for sustainability, including available philanthropic capital and a monetizable community of interests

CNO Ecosystem of Support
AJP’s High-Return Investments will Strengthen the CNO Movement

AJP represents a bold, collective effort to bring a new level of focus and scale to local journalism philanthropy. Four Ls differentiate AJP’s approach to pooling charitable resources:

**LARGE.** A small and under-resourced group of local journalism funders has been largely unable to make significant, game-changing investments in even the most promising CNOs. AJP’s pooled funds allow for big bets while managing risk by making funded CNOs part of a portfolio with a disciplined set of investment criteria.

**LIMITED.** Investing in civic news organizations will be AJP’s sole focus. Our aim is to be the most knowledgeable investor in the field and to continually learn and improve. We will ensure that our first portfolio of CNOs is representative of our democracy with the best potential for economic sustainability. We will deploy the best possible grant-making and management tactics to ensure success.

**LEARNING.** AJP hopes to learn more, faster by doing this under one roof and sharing our learnings collectively with our donors and with the field. As a venture philanthropy startup, we are committed to constant communication with our donors and to sharing everything we’ve learned about and with the 25 to 35 funded organizations over the next few years.

**LEVERAGE.** A $5 million donation to AJP is leveraged by $45 million (9x) from other funders. Additionally, AJP will work arm-in-arm with CNO management teams to further leverage our investment with matching funds from the local community. This support will play the most critical role in building the long-term sustainability of CNOs: supporting local investments in the growth of local news.
AJP will act as both a catalyst and a force multiplier, working aggressively to maximize the “bang for the philanthropic buck” for its investors:

- Aggregating capital from national sources to enable consequential, course-altering grants
- Working aggressively with CNO management teams to raise matching funds and to build a culture of journalism philanthropy among funders in the community
- Making grants used primarily to fund revenue-producing personnel who produce annually a multiple of the initial cost to hire them
- Coordinating at the board level with CNO management teams, importing and exporting expertise and best practice

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"I’m supporting American Journalism Project because our country depends on it. Reliable sources of trustworthy, local coverage help to ensure the public is informed, and that’s critical to a healthy democracy."

Craig Newmark, Founder of Craigslist and Craig Newmark Philanthropies
AJP Fundraising & Grant Making

We are committed to maintaining a lean organizational infrastructure and target a minimum of two-thirds of the fund toward grant making. At this ratio, we can ensure our capacity to provide high-return investments, effective capacity building and coaching to CNOs in our portfolio and share regular updates and key learnings with our donors and partners.

As transitional philanthropy, AJP grants will be intended to put recipients on a path to financial sustainability. AJP plans to make large ($500,000 to $1.5 million), multi-year investments on a quarterly basis to 25 to 35 organizations starting in 2019. The grants, mostly two-year commitments, will be intended as one-and-done investments toward a concrete growth or sustainability plan. Grants will be evaluated on an annual basis, driven by performance and specific progress indicators. In addition to financial investments, AJP grants will include hands-on expertise from the AJP team, industry experts and peers.

Startups with Scalable/Replicable Models

AJP plans to require that new CNOs begin with a minimum of two years of expenses in committed funding. AJP anticipates providing no more than one-third of this amount.

Approximate Grant-Making Timeline
Grants are projected to be made on a quarterly basis

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We anticipate the following composition of CNOs — at various stages of development — to make up our first portfolio of grantees:

**ESTABLISHED LEADERS.** There are a handful of CNOs with a demonstrated track record of success that are critical to leading and lifting the entire field. Use of proceeds for these grants could include:

- Additional tech and revenue-producing capacity
- Expansion into other coverage areas/geographies
- General “recession proofing,” succession planning, and mitigation of existential risk

**HIGH POTENTIAL NEWSROOMS.** These CNOs are largely categorized as “newsrooms that need to evolve into media enterprises.” Grants from AJP will be deployed almost exclusively to hire technology and revenue-producing personnel. The expanded team will be required to deliver a clear ROI by producing a multiple of AJP’s investment through a significant increase in annual revenue.

**REPLICABLE OR SCALABLE MODELS.** These are new CNOs that we believe have replicable or scalable models, outstanding core leadership, and demonstrable local support. We envision that AJP would provide no more than 33-40 percent of total startup capital, representing a minimum of two years of projected expenses.

Through our grant-making approach, we will seek to invest in CNOs that reflect strong leadership and visions and build an AJP portfolio that is diverse in geography, leadership and coverage model.
AJP Board of Directors

Chair: Elizabeth Green, Co-Founder, AJP and Co-Founder, CEO and Editor-in-Chief of Chalkbeat

John Thornton, Co-Founder, AJP and Founder of The Texas Tribune

Rosental Alves, Knight Chair in Journalism at the University of Texas at Austin

Jeff Cohen, Executive Vice President of Communications, Arnold Ventures

Peter Lattman, Managing Director of Media at Emerson Collective

Karen Pittman, Co-Founder, President and CEO, Forum for Youth Investment

Irving Washington, Executive Director, Online News Association

Please consider joining us as a founding donor. For more information, please contact Alice Rhee, Managing Director, Strategic Partnerships & Growth, at alice@theajp.org.

The American Journalism Project is mobilizing a movement to sustain our democracy by making local news a public good. Its success over the next three to five years in funding local journalism will play a critical role in defining the tenor of civic life. Only by educating America’s communities through robust, fact-based and well-funded local journalism can we hope to ensure democracy will thrive.