



January 2023

LOCAL JOURNALISM

Innovative Business Approaches and Targeted Policies May Help Local News Media Adapt to Digital Transformation

GAO Highlights

Highlights of [GAO-22-105405](#), a report to the Chairwoman of the Federal Communications Commission

Why GAO Did This Study

With the digital transformation in recent decades, many local newspapers—a significant part of local journalism—have struggled to remain economically viable. More than 2,000 local newspapers have closed since the early 2000s. Many more have substantially cut their operations. While broadcast and digital media have partially filled the gap, the overall decline in local news, and public interest journalism in particular, concerns many policymakers and others. Public interest journalism covers key issues of public significance, such as education and public safety, and can help keep citizens engaged and hold government officials accountable.

This report discusses (1) factors affecting the viability of local news media, (2) strategies local news outlets have adopted to adapt to the new environment, and (3) public policies to enhance the viability of local journalism.

GAO conducted a literature review and interviewed agency officials, academics, and representatives of media and technology companies, industry groups, and a think tank, as well as other stakeholders. GAO also convened a 2-day workshop in February 2022 with 40 participants who had a variety of backgrounds and expertise. This included academics, legal scholars, independent and affiliated journalists, publishers, and representatives of nongovernmental organizations and technology companies.

View [GAO-22-105405](#). For more information, contact Lawrence L. Evans Jr., at 202-512-4802 or EvansL@gao.gov.

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Innovative Business Approaches and Targeted Policies May Help Local News Media Adapt to Digital Transformation

What GAO Found

The digital transformation over the last few decades has changed the economic landscape for local news media—most notably, by reducing the circulation and revenue of many local newspapers. This market disruption is attributable to several factors, according to research and participants of GAO's February 2022 workshop on the viability of local journalism. Consumers increasingly prefer to access news in digital rather than print formats, and the internet has given consumers access to many more sources of news and information, often for free. In addition, web-based marketplaces have replaced classified advertising that traditionally had been a key source of newspaper revenue. Many businesses now use digital advertising, which can be cheaper and better targeted than print advertising. As a result of these factors, local newspapers are no longer necessarily the primary source of news and information for local communities, nor the main channel for advertising by local businesses.

Local news media outlets use different strategies and organizational arrangements to adapt to the digital transformation. For example, local news organizations are seeking to diversify their revenue sources, such as by offering membership or receiving donations. Also, some news organizations are converting from private firms to cooperatives or community-based organizations, or to nonprofit organizations, to take advantage of existing tax incentives. According to stakeholders, the nonprofit model, financed by a combination of federal funding and philanthropy, could be a viable strategy for targeting low-income communities that find paid access to news restrictive. Further, media outlets are engaging in strategic partnerships to facilitate growth or to share resources.

Some workshop participants believe that public policies should focus on addressing potential market failure in providing public interest journalism and existing inequities in its provision. Digital transformation may have increased the risk of market failure because this type of news is now less frequently bundled with high revenue-generating content in a print newspaper—an approach that allowed for cross-subsidization. According to literature and participants, direct government funding and tax incentives supporting nonprofit news organizations can be useful in addressing market failure if there are sufficient safeguards to ensure independence. On the other hand, indirect government funding, such as tax credits and government advertising, can provide support but is broader in scope and does not specifically target public interest journalism.

Policymakers in the U.S. and other countries have also sought to alleviate the adverse impact of market disruption brought on by the internet through policies that make certain large internet platforms pay news publishers for using their content. However, literature, stakeholders, and experts expressed concerns that the policies may be based on insufficiently supported claims, and if not properly designed, could result in unintended consequences for smaller publishers and consumers. Experts advised that the primary goal of public policies should be to preserve the function of journalism rather than specific local news outlets. Experts conveyed that the main goal of journalism is to have a well-informed society, and policies that aim to support this goal need to be innovation-friendly, forward-looking, and inclusive.

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Abbreviations

CPB	Corporation for Public Broadcasting
DOJ	Department of Justice
EU	European Union
FCC	Federal Communications Commission
FTC	Federal Trade Commission
LPFM	Low-power FM
NTIA	National Telecommunications and Information Administration
SEC	Securities and Exchange Commission

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January 5, 2023

The Honorable Jessica Rosenworcel
Chairwoman
Federal Communications Commission

Dear Chairwoman Rosenworcel:

The economic landscape for local journalism has evolved significantly over the last few decades with the advent of digital technology. Many local news outlets have successfully adapted to this new environment, but others have not or still face challenges. For example, though local newspapers have historically been a significant component of local journalism, between 2005 and 2020, more than 2,000 newspapers closed, and at least 1,800 communities that had a local newspaper in 2004 did not have one as of 2020.¹ Many surviving local newspapers have significantly reduced their operations. At the same time, the internet has created opportunities for new types of entities and sources of news, such as digital-native media companies that are created and exist entirely online. Nevertheless, the decline in local newspaper reporting has raised concerns among some policymakers and others. Such reporting often serves the public interest by investigating and explaining local issues of public significance, which can help keep citizens engaged and government officials accountable.

We prepared this report under the authority of the Comptroller General in light of congressional interest in local journalism. This report examines (1) factors affecting the viability of local news outlets, (2) strategies local news outlets have adopted to adapt to the new environment, and (3) public policy responses that have been proposed for enhancing the viability of local journalism. The policy options and business approaches expressed in this report reflect the ideas and opinions of one or more of the experts and stakeholders included in our review and not those of GAO.

To address these objectives, we conducted a review of studies and reports from academia, think tanks, industry associations, federal

¹Penelope M. Abernathy, *News Deserts and Ghost Newspapers: Will Local News Survive?* (Chapel Hill, NC: University of North Carolina Press, 2020), 9.

agencies, and foundations. We reviewed 126 articles we determined were relevant and met our minimum quality standards. In addition, we interviewed officials from the Federal Communications Commission (FCC), Department of Commerce’s National Telecommunications and Information Administration (NTIA), Department of Justice (DOJ), Federal Trade Commission (FTC), Department of the Treasury, Corporation for Public Broadcasting (CPB), and U.S. Copyright Office. We also interviewed 10 academic and industry experts and representatives from Local Independent Online News Publishers, the Local Media Association, and one large technology company.

In addition, in February 2022, we convened a 2-day expert and stakeholder workshop with 40 participants spanning a variety of backgrounds, including academics from schools of journalism; social scientists, economists, and legal scholars; independent and affiliated journalists; and representatives of trade associations, news providers, internet platforms, community groups, and nonprofit organizations. Discussion topics at the workshop included factors influencing demand for and supply of local news; business models for local news media; policies and regulations relevant to local journalism; international experiences; and equity considerations for underserved populations.² For more information on our scope and methodology, including limitations, see appendix I. In addition, appendix VII provides a list of workshop participants and appendix VIII provides our workshop agenda.

We conducted this performance audit from September 2021 to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Journalism generally refers to the gathering, preparing, writing, recording, and publishing of news and information with accuracy and credibility, although its definition is not always straightforward, according to experts.³

²Underserved communities/populations could be defined as communities/populations that face barriers in accessing and using resources stemming from various factors, such as geographic location, income, and ethnicity.

³Throughout the report, the terms “experts” and “stakeholders” generally refer either to people we interviewed outside the workshop or authors of articles included in our literature review.

Until the 1990s, journalism typically referred to the activity and output of print newspapers and magazines, television, and radio. Since then, the format for journalism has evolved to include digital media, such as digital-native media outlets and, in some cases, such things as blogs and social media posts.

Local Journalism in the United States

The literature and experts we spoke to vary in how they define journalism as “local,” ranging from journalism for markets within a specific geographical boundary (such as municipalities, towns, counties, or cities) to markets under a specific population size. While there is no formal definition for what constitutes a local newspaper, some media experts define it to include all U.S. newspapers other than the four largest national ones (*New York Times*, *USA Today*, *Wall Street Journal*, and *Washington Post*). FCC and DOJ both delineate a local television market based on Nielsen Designated Market Areas. FCC delineates a local radio market based on the Nielson audio definition, while DOJ uses metropolitan statistical areas.⁴

Reliable local journalism is widely recognized as having important benefits to society, and some policymakers, academics, and others have raised concerns that the loss of local media outlets could have wider, national implications. For example, one expert in our workshop noted that local journalism informs the public about important issues that affect daily life, such as those related to local government, crime, weather alerts, and economic activity. According to some, it also may encourage civic participation and engagement, build social cohesion, and strengthen community ties.⁵ In addition, experts said local journalism can serve to

⁴Metropolitan Statistical Area categorizations are determined by the Office of Management and Budget, Executive Office of the President, Office of Management and Budget, OMB Bulletin No. 20-01, *Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations of These Areas* (Mar. 6, 2020). FCC uses a geography-based market delineation. When the Nielson data are not available, FCC uses signal coverage areas of radio stations. A Designated Market Area is a group of counties and ZIP codes that form an exclusive geographic area in which the home market television stations hold a dominance of total hours viewed. There are 210 Designated Market Area regions covering the entire continental U.S., Hawaii, and parts of Alaska.

⁵For example, see Penelope M. Abernathy, “Why Local News Matters, and What We Can Do to Save It” (Albany, NY: New York State Bar Association), <https://nysba.org/why-local-news-matters-and-what-we-can-do-to-save-it/>.

hold public officials and institutions accountable and, through its oversight function, has the potential to reduce corruption.⁶

Some participants in our workshop expressed concerns that a decline in reliable local news could result in less credible sources, such as social media posts, filling the void, which could lead to a spread of misinformation and distrust in public institutions.⁷ These concerns also surfaced in the academic literature we reviewed. For example, one study found that public corruption increased with the loss of local news in certain regions.⁸ Other studies have found that the loss of local news outlets was associated with a reduction in civic engagement, including political participation and voter turnout.⁹

Workshop participants and the literature also identified costs that low-quality local journalism could potentially impose on society. According to participants, local news media traditionally have not always served all segments of the population equally and may have misrepresented or

⁶For example, see Penelope M. Abernathy, *The Expanding News Desert* (Chapel Hill, NC: The Center for Innovation and Sustainability in Local Media, School of Media and Journalism, University of North Carolina, 2018).

⁷Throughout this report, the term “some participants” generally indicates that more than one participant made a statement supporting a general point, and the views by others in support of the point were relatively uniform. The term “various participants” generally means (1) we are aware there was no evidence of a full agreement or consensus on the topics discussed, and (2) multiple participants made slightly different points that went to the larger point(s) we reported.

⁸Federal Communications Commission, Steven Waldman and the Working Group on Information Needs of Communities, *The Information Needs of Communities: The Changing Media Landscape in a Broadband Age* (Washington, D.C.: 2011).

⁹For example, see: D. Hayes and J. L. Lawless, “As Local News Goes, So Goes Citizen Engagement: Media, Knowledge, and Participation in US House Elections,” *The Journal of Politics*, vol. 77, no. 2 (2015): 447–462; and C. Chapp and P. Aehl, “Newspapers and Political Participation: The Relationship Between Ballot Rolloff and Local Newspaper Circulation,” *Newspaper Research Journal*, vol. 42, no. 2 (2021): 235-252, which showed that an increase in local newspaper circulation was associated with a smaller share of voters who fail to vote down-ballot.

negatively represented certain populations.¹⁰ For example, a 2020 study by the Heinz Endowments found that 77.5 percent of Pittsburgh television and newspaper coverage of Black or African American men and boys in 2019 focused on crime and sports.¹¹ According to some participants, overrepresentation of Black people or African Americans in crime coverage can lead to stereotyping, marginalization, or policy decisions such as discriminatory policing.¹²

Main Economic Trends for News Media Outlets

Overall, while the revenues of radio and television outlets have remained stable, newspapers have experienced declines in revenues, circulation, and employment in recent years:

Newspaper revenues. Revenues of U.S. newspapers have declined in the last few years, with the steepest decline coming in advertising revenue. The total estimated advertising revenue for U.S. newspapers (excluding *New York Times*) was \$1.1 billion in 2020, as compared with \$4.0 billion in 2013, according to Pew Research Center (see fig. 1).¹³

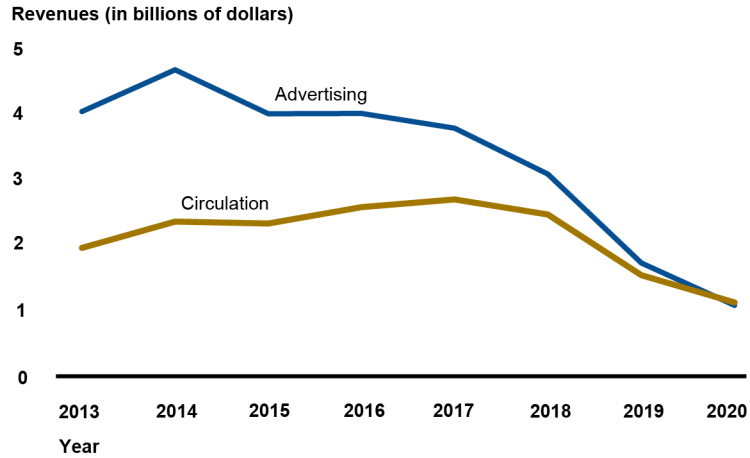
¹⁰In addition, certain populations may not have been fully represented in the newsroom. For example, according to a 2019 survey by the American Society of News Editors, Black journalists made up 6.6 percent of the overall workforce (including both newsroom leaders and others) and 7.7 percent of newsroom leaders. Minorities as a whole represented about 22 percent of the overall workforce of daily print and online-only organizations. See “2019 Diversity Results: News Leaders Association,” <https://www.newsleaders.org/2019-diversity-survey-results>, accessed August 22, 2022.

¹¹See Heinz Endowments, “Portrayal and Perception II: Content Analysis of Pittsburgh Media Coverage of African Americans” (Pittsburgh, PA: Mar. 2020). Another study said Black people have been overrepresented as criminal suspects in the literature on media effects compared to crime reports in local news broadcasts, and researchers have found an over-association between criminal behavior and Black people in local news coverage aired in Philadelphia, Chicago, New York, and Los Angeles. See Travis L. Dixon, *A Dangerous Distortion of Our Families: Representations of Families, by Race, in News and Opinion Media* (Oakland, CA: Color of Change, Dec. 2017), 20.

¹²In addition, according to a 2017 study, news media stories and opinion pieces significantly overrepresented the incidence of Black family poverty and welfare use. See Dixon, *A Dangerous Distortion*.

¹³According to Pew Research Center’s *Newspapers Fact Sheet*, the U.S. newspaper industry’s total advertising revenue declined from its peak of \$49.4 billion in 2005 to \$9.6 billion in 2020. See Pew Research Center, *Newspapers Fact Sheet*, accessed July 25, 2022, <https://www.pewresearch.org/journalism/fact-sheet/newspapers/>.

Figure 1: Advertising and Circulation Revenues of Newspapers (excluding *New York Times*), 2013–2020

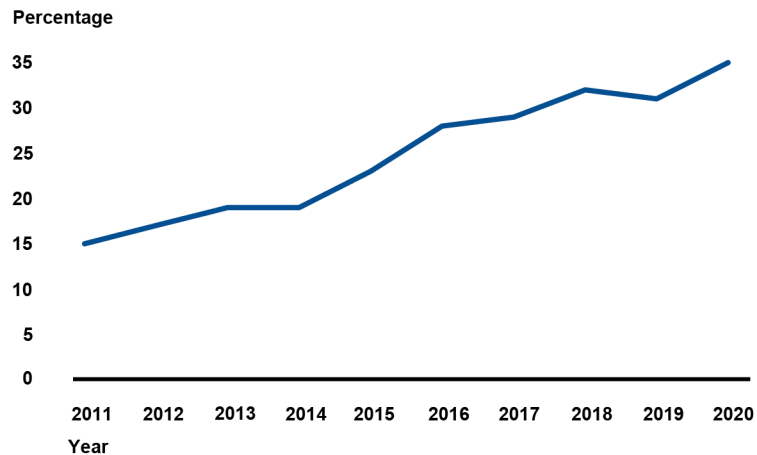


Source: GAO (presentation), Pew Research Center (analysis), Securities and Exchange Commission (SEC) (data). | GAO-22-105405

Notes: These data are based on an analysis of year-end SEC filings. Figures do not include *New York Times*. Because of differences in methodology, these data are not comparable to the estimated figures published in Pew Research Center’s *Newspapers Fact Sheet*, accessed Aug. 25, 2022, <https://www.pewresearch.org/journalism/fact-sheet/newspapers/>.

Digital advertising represented 35 percent of total newspaper advertising revenue in 2020, compared with 15 percent in 2011 (see fig. 2).

Figure 2: Share of Digital Advertising Revenue in Total Advertising Revenue for Local Newspapers, 2011–2020



Source: GAO (presentation), Pew Research Center (analysis), Securities and Exchange Commission (SEC) (data). | GAO-22-105405

Notes: These data are based on an analysis of year-end SEC filings for publicly traded newspaper companies that break out digital advertising revenue. These filings report data at the level of the parent company and do not break out revenue by individual publications. *New York Times* has thus been excluded from the data because of data limitations, while *USA Today* (a Gannett publication) remains included. *Wall Street Journal* and *Washington Post* are not publicly traded and are therefore not included in this figure.

However, the increase in digital advertising revenue has not made up for the loss of print advertising revenue for the newspaper industry. In contrast to newspapers, the revenues of local television and radio stations have been relatively stable. For example, according to data from Pew Research Center, total local television advertising revenue was about \$22 billion in 2004 and over \$18 billion in 2020.¹⁴ The digital advertising revenue received by television stations' websites has generally offset the decline in over-the-air revenue, according to Pew Research Center data. In addition, these stations' revenue from retransmission fees—the fees paid by cable and satellite systems to carry local channels—has increased steadily since 2006, although the pace of that increase has slowed in the last few years.¹⁵ Similarly, the revenues of most news-oriented local public radio stations have risen over the last decade or so, according to Pew Research Center.¹⁶

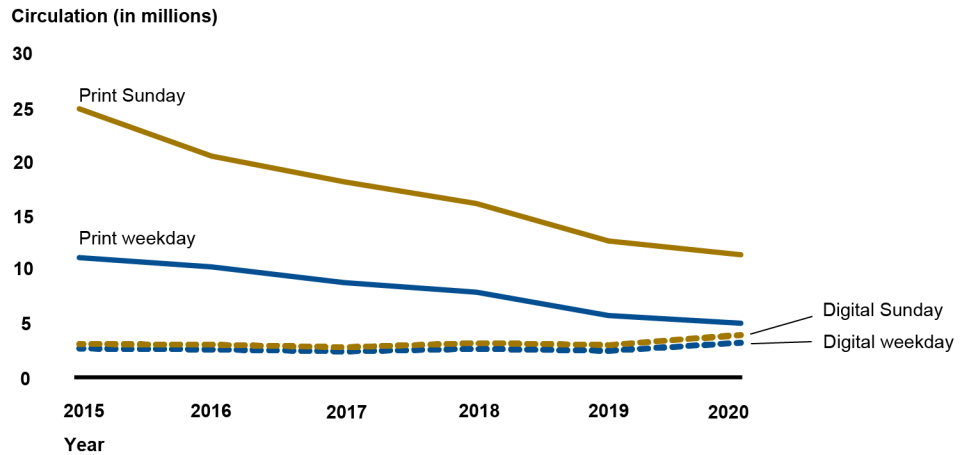
Newspaper circulation. The print circulation of local newspapers has been declining in recent years, dropping by about 50 percent from 2015 to 2020, according to Pew Research Center data. At the same time, digital circulation of local newspapers increased somewhat during this period (see fig. 3).

¹⁴See Pew Research Center, *Local TV News Fact Sheet* (Washington, D.C.: July 2021), accessed July 25, 2022, <https://www.pewresearch.org/journalism/fact-sheet/local-tv-news/>.

¹⁵According to data from Pew Research Center, total retransmission fee revenue for local television stations increased from \$215 million in 2006 to \$12 billion in 2020 and is projected to reach \$13 billion in 2025. See Pew Research Center, *Local TV News Fact Sheet*, accessed October 21, 2021, <https://www.pewresearch.org/journalism/fact-sheet/local-tv-news/>.

¹⁶Specifically, the total revenue of the 123 largest news-oriented public radio licensees increased between 2009 and 2019, the last year for which reliable data are available. See Pew Research Center, *Public Broadcasting Fact Sheet* (Washington, D.C.: June 2021), accessed Aug. 24, 2022, <https://www.pewresearch.org/journalism/fact-sheet/public-broadcasting/>.

Figure 3: Print and Digital Circulation of Local Newspapers, 2015–2020

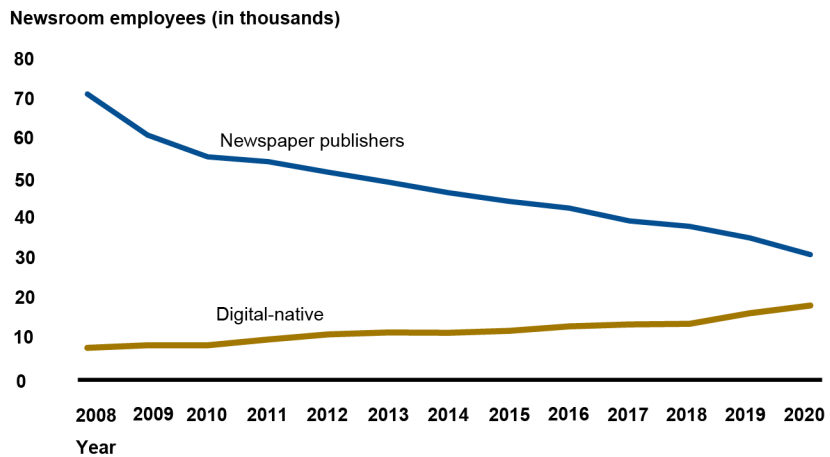


Source: GAO (presentation), Pew Research Center (analysis), Alliance for Audited Media (data). | GAO-22-105405

Notes: Figures do not include the following national publications: *New York Times*, *USA Today*, *Wall Street Journal*, and *Washington Post*. Figures are not comparable to the estimated figures published in Pew Research Center’s *Newspapers Fact Sheet*, accessed Aug. 25, 2022, <https://www.pewresearch.org/journalism/fact-sheet/newspapers/>.

Newsroom employment. The number of newsroom employees at newspaper publishers declined from about 71,000 to about 31,000 between 2008 and 2020, according to Pew Research Center’s analysis of data from the Bureau of Labor Statistics. In contrast, the number of newsroom employees at digital-native news organizations rose from about 7,000 to about 18,000 during the same period (see fig. 4).

Figure 4: U.S. Newsroom Employment, 2008–2020



Source: GAO (presentation), Pew Research Center (analysis), Department of Labor, Bureau of Labor Statistics Occupational Employment and Wage Statistics (data). | GAO-22-105405

Notes: The data are designed to produce estimates by combining data collected over a 3-year period. Newsroom employees include news analysts, reporters and journalists; editors; photographers; and television, video, and film camera operators and editors. Digital-native sector data are based on the “other information services” industry code, whose largest segment is “internet publishing and broadcasting and web search portals.” These data include both national and local newspapers.

Internet-Led Market Disruption Has Affected the Economic Viability of Local Newspapers

According to experts and literature, the digital transformation over the last 3 decades has changed the economic landscape for local newspapers that typically have been an important source of public interest journalism. Local television, radio, and digital-only outlets have not yet filled the gap left by the reduction in newspaper coverage. While the revenues of radio and television outlets have remained stable, the newspaper industry has been in decline for decades, starting when technological changes, such as cable television, led to decentralization of news and information. In particular, workshop participants pointed out that the internet has lowered the cost of entry for news providers and advertisers, creating several options for consumers to obtain news and for businesses to advertise. Consequently, local newspapers have lost their traditional dominance as the primary source of local news and information for consumers and as the main channel for advertising by local businesses.

The Internet Has Changed How People Consume Local News

The internet and overall digitalization of the economy has changed how people consume and relate to local news in a number of ways, according to the literature and participants of our February 2022 workshop on local journalism. The internet has changed people’s habits, preferences, and

expectations and created a dynamic relationship between consumer demand and news creation and delivery, with each influencing the other.

Unbundling of News and Information

The internet has facilitated an unbundling of different types of news and the decentralization of information, with different outlets speaking to different interests. The traditional newspaper industry model, some workshop participants noted, was built on bundling together news (local, national, international) on a range of topics, such as sports, politics, and weather. Newspapers have also traditionally included information related to economic activities such as employment, housing, and retail. This bundling enabled newspapers to cross-subsidize less-profitable and sometimes publicly beneficial content, according to other participants. For example, subscription revenue of readers interested only in sports or classified advertisements helped pay for local news and information gathering on other topics that may have been in the public interest. In the digital era, consumers often pay only for the specific content of interest to them, which has affected the overall revenues of some forms of media, such as newspapers, whose economic model was based on providing a broad range of content packaged together.

Availability of Alternative Sources of News and Information

The internet has given consumers access to many more sources of news and information that have traditionally been provided only by their local newspapers. This includes nontraditional news sources that may not be associated with professional journalists, as well as direct sources of information, such as government websites, neighborhood newsletters, online forums, and social media platforms. For example, an expert in journalism policy noted that while recent attention has focused on the negative effect of search engines and social media in particular, the newspaper industry has been in decline for decades, as explained above.

Preference for Digital Media

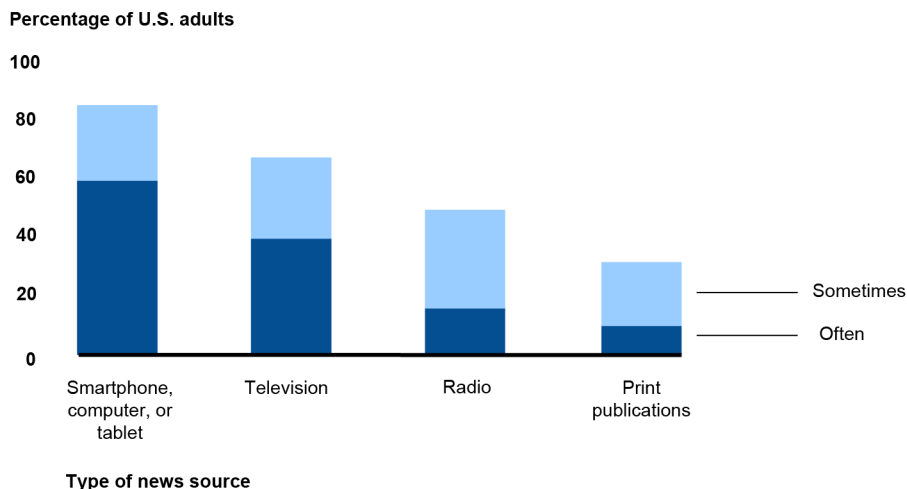
A 2020 survey conducted by Pew Research Center found that more than 50 percent of respondents said they preferred to get their news on a digital platform, such as websites, search engines, and social media, while about 35 percent preferred television.¹⁷ Only about 5 percent of all

¹⁷Pew Research Center, "More than eight-in-ten Americans get news from digital devices" (Washington, D.C.: Jan. 12, 2021), accessed Aug. 8, 2022, <https://www.pewresearch.org/fact-tank/2021/01/12/more-than-eight-in-ten-americans-get-news-from-digital-devices/>.

respondents stated a preference for receiving their news from print publications, such as newspapers.¹⁸

Consistent with these preferences, the survey found that, as of 2020, many more respondents reported accessing their news from digital devices (such as a smartphones and computers) than from print publications (see fig. 5).

Figure 5: Formats U.S. Adults Reported Sometimes or Often Using to Access News, 2020



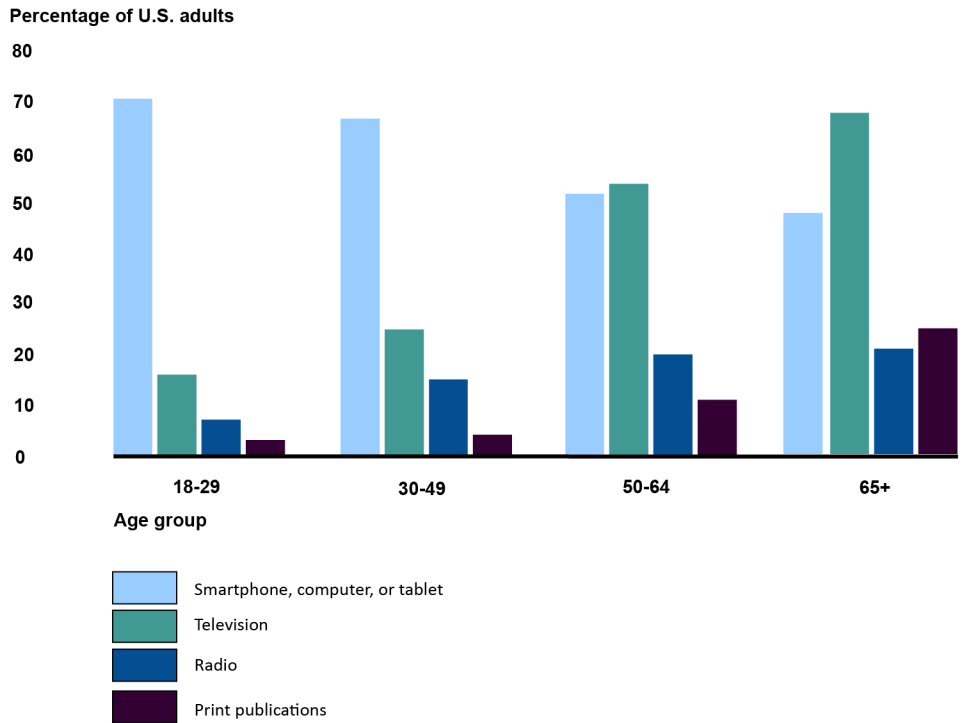
Source: GAO (presentation), Pew Research Center (analysis and data). | GAO-22-105405

Notes: Data for this figure were gathered from Pew Research Center’s The American Trends Panel survey conducted Aug. 31–Sept. 7, 2020. The survey is a nationally representative panel of randomly selected U.S. adults. Panelists participated via self-administered web surveys. Respondents could select multiple formats when answering this survey question.

As seen in figure 6, the format through which Americans access news varies by age group. For example, according to the Pew survey, 25 percent of those age 65 and above said they often access news from print publications, compared with 3 percent of respondents age 18–29.

¹⁸When asked about local news specifically, a 2018 survey found that 41 percent of respondents preferred to get their local news from television and 37 percent preferred to get it online, as compared to 13 percent who preferred a print newspaper. Pew Research Center, “For Local News, Americans Embrace Digital but Still Want Strong Community Connection” (Washington, D.C.: Mar. 26, 2019), accessed Aug. 8, 2022, <https://www.pewresearch.org/journalism/2019/03/26/for-local-news-americans-embrace-digital-but-still-want-strong-community-connection/>, 3.

Figure 6: Formats U.S. Adults Reported Often Using to Access News, by Age, 2020



Source: GAO (presentation), Pew Research Center (analysis and data). | GAO-22-105405

Notes: Data for this figure were gathered from Pew Research Center's The American Trends Panel survey conducted Aug. 31–Sept. 7, 2020. The survey is a nationally representative panel of randomly selected U.S. adults. Panelists participate via self-administered web surveys.

Workshop participants noted that demand for print media will continue to decline with the aging of the older demographic that buys print. Some participants believed that many more newspapers in the future will stop offering print editions and shift to an entirely online format to remain economically viable. However, a representative from a nonprofit media organization targeting underserved populations noted that print media continues to be important in regions without good internet service, such as some rural Native American communities.

Change in Consumer Willingness to Pay

Because the internet may offer access to several sources of free news and information, fewer consumers in the digital era are willing to pay for news, including through a subscription to a newspaper. One stakeholder noted that when some newspapers experimented with free online access, it changed readers' expectations and consequently made them less willing to pay for a subscription. In the digital era, consumers continue to

have interest in local news but are less likely to be willing to pay for it unless they perceive it to be high-quality, relevant reporting, according to workshop participants. In a 2018 Pew Research Center survey, 84 percent of readers said they had not paid for any local news in the past year, citing the abundance of free content available as the main reason.¹⁹ Similarly, in a 2017 survey by the Media Insight Project, 73 percent of respondents said they were unlikely to be willing to pay for news and information.²⁰ More than 70 percent said they would no longer access a news source that began to charge a fee, even if the amount were as low as \$0.50 a week.

Change in How News Sources Are Accessed

Many consumers have shifted from actively seeking news or information to more passively receiving news through their social media feeds or links shared by friends, according to stakeholders. This lack of a direct interface with many of their readers can make it harder for news outlets to gauge and respond to consumer demand and preferences, according to one workshop participant.

Redefinition of Community

A few decades ago, for many people, the area they lived in was their primary community, and the local newspaper often helped them connect to it, according to stakeholders. However, they said the idea of community has changed over time, and the internet has helped many people build online communities that are not limited by geographic boundaries. Because people now have more interaction with others beyond their immediate surroundings, they may value their newspaper less as a means of connecting to their local community.

Underserved Communities That Have Turned to Other Sources

According to research and stakeholders, several communities historically have not been fully served by their local newspapers and have developed their own information networks to circumvent traditional news media. These communities have felt underrepresented or represented unfairly by

¹⁹Pew Research Center, "For Local News," 36–37.

²⁰Markus Somm, "Small is Beautiful: New Business Models for Digital Media: A Case Study" (Cambridge, MA: The Shorenstein Center on Media, Politics and Public Policy, Harvard Kennedy School, May 2019), 15.

general-interest news sources and may not fully trust them.²¹ Many communities may also have experienced accessibility issues in terms of price, language, or relevance. For example, lack of translation services and Spanish-speaking reporters has sometimes made language a significant barrier for the Hispanic community to access local news sources, according to one stakeholder.

Some workshop participants said the failure of local newspapers to recognize and adapt to demographic changes within their communities has affected their viability.²² In the digital era, new sources of information (including online publications and bloggers) have stepped in to meet the needs of communities underserved by legacy media, according to the workshop participants.

The Internet Has Changed the Competitive Landscape for Local Newspapers

The industry's traditional revenue model was primarily based on the historical power and dominance of local news outlets in their local communities. However, the internet overhauled the competitive landscape for both news provision and advertising, adversely affecting the main sources of revenue for many newspapers.

Lost Market Dominance in Advertising

Digital transformation of the marketplace resulted in the disruption of the newspaper industry's traditional dominance in the local advertising market. Three to 4 decades ago, local businesses advertised to a large extent through their local newspapers. Classified advertising revenue was

²¹An underrepresented demographic group could be defined as a group that is less represented in a given population than it is in the general population. A 2018 survey conducted by the Native American Journalists Association reported that 83 percent of tribal journalists said they sometimes, often, or always faced intimidation and harassment when covering tribal affairs, which may negatively affect the fair representation of issues. The study stated that almost 72 percent of print and radio outlets in Indian Country were owned and controlled by tribal governments or tribe-owned entities, which the author of the study said may have hampered a free flow of information or resulted in tribal citizens receiving censored news. Jodi Rave, "American Indian Media Today," *Democracy Fund* (Nov. 2018).

²²One stakeholder cited the example of central Pennsylvania, where almost all the population growth is Hispanic, but, according to the stakeholder, local news media have made limited effort to create content relevant and accessible to this population. Similarly, one study noted what it characterized as a historic decline in overall interest in news, especially by young people who feel unfairly represented. The authors stated that engaging people under age 25 has been challenging for newsrooms staffed by journalists who consume news differently than their younger readers. For example, younger consumers are more likely to use social media than news websites as their main source of news, according to the study. Nic Newman et al., *Reuters Institute Digital News Report 2021* (Oxford, UK: 2021), 30.

once a significant source of local newspaper revenue. However, it started declining significantly after 2000, when websites such as Craigslist began offering less expensive and more efficient alternatives for buying and selling local goods and services, according to some workshop participants.²³ Similarly, other online marketplaces emerged to facilitate transactions related to such things as housing, car purchases, and coupon redemptions.

The rise of social media and search engines exacerbated this decline, according to some workshop participants. They noted that these internet platforms can often provide lower-cost, better-targeted advertising, and local newspapers are no longer necessarily the predominant vehicle for local advertising. In addition, the auction-based pricing of internet advertising has driven down profits from advertising, including for newspapers, according to our stakeholders.²⁴

One study noted that certain platforms are not only competing with news publishers but also play a critical role in the provision of the advertising services to news publishers.²⁵ Specifically, news publishers use these services to include advertisements on their websites and applications. One workshop participant from a trade association representing news publishers noted that news publishers receive only a small portion of advertising revenue due to the dominant position of certain internet platforms. While it did not surface in our workshop, interviews, or literature review as a major driver of the decline in local journalism, this participant alluded to alleged anti-competitive conduct by dominant internet platforms, currently being adjudicated by the courts, as having an adverse impact on newspaper revenues (see sidebar). Determining

²³According to U.S. Census Bureau data, classified advertising revenue of newspaper publishers decreased from \$3.6 billion in 2013 to \$2.3 billion in 2019. U.S. Census Bureau, *Breakdown of Revenue by Advertising Type: Newspapers Advertising Space - Classified Advertising for Newspaper Publishers, All Establishments, Employer Firms*, in FRED, Federal Reserve Bank of St. Louis, accessed June 27, 2022, <https://fred.stlouisfed.org/series/RPCNCAEF51111ALLEST>.

²⁴This trend has also allowed for advertising by some small businesses that previously could not afford advertisements in their local newspaper, according to our stakeholders.

²⁵OECD, *Competition Issues Concerning News Media and Digital Platforms*, OECD Competition Committee Discussion Paper (2021).

In re Google Digital Advertising Antitrust Litigation

One group of lawsuits alleging anticompetitive conduct by dominant internet platforms directly involves local news outlets: In re Google Digital Advertising Antitrust Litigation, No. 21-md-3010 (PKC) (S.D.N.Y. 2021). As part of this consolidated litigation, newspaper groups allege that in violation of Sections 1 and 2 of the Sherman Antitrust Act, Google and Facebook have monopolized the digital advertising market and thereby reduced revenues that would otherwise have gone to local news outlets across the country.

Source: GAO analysis

whether dominant internet platforms have engaged in anticompetitive behavior is outside the scope of this report.²⁶

In addition, some stakeholders noted that newspapers' lower circulation (discussed earlier) has reduced the demand for newspaper advertising and the amount newspapers can charge. Further, they noted that the emergence of online shopping has contributed to the decline of small local businesses that had once been important sources of advertising revenue for the local newspapers.

Lost Market Dominance in Providing News

Local newspapers lost their traditional dominance over distribution and audience in their local markets when the internet created new sources of news and new platforms for functions historically performed by newspapers. The internet transformed the news ecosystem from a closed one—dominated by official sources and professional journalism—to one that incorporates news shared via blogs, discussion groups, and social media, according to a study we reviewed.²⁷ The news ecosystem now includes news that emerges directly from public observations, data, and expert commentary in addition to direct reporting by professional journalists.²⁸ This competition dismantled newspapers' business models, which were primarily based on their dominant position as the provider of local news. As discussed earlier, it also adversely affected many newspapers' circulation.

Challenges Adapting to the New Technological Landscape

To be viable in today's economy, local news organizations need to develop multiple products and methods of sharing the news and information they collect and produce, according to some workshop participants. For example, they said that social media and search platforms may help with exposure and increase traffic to news websites.

²⁶GAO does not take a position or express an opinion on disputed matters currently in litigation. Moreover, allegations of antitrust violations and other anticompetitive conduct are generally investigated by the Department of Justice or the Federal Trade Commission. Such investigations typically take years to complete and require analysis of significant economic data obtained by subpoena from industry participants.

²⁷R. G. Picard, "Twilight or New Dawn of Journalism? Evidence from the changing news ecosystem," *Journalism Studies*, vol. 15, no. 5 (2014): 501, 505–6.

²⁸For example, many specialists such as scientists, economists, doctors, and nutritionists communicate to consumers directly (such as through a YouTube channel).

However, they noted it is challenging for local news outlets to navigate or leverage this new layer of distribution intermediaries because they do not have the resources or the expertise of national news sources. Traditionally, newspapers had two primary modes of distribution—newsstands and home delivery. But in the digital era, news outlets must adapt their content for distribution through digital media, social media, and news aggregators, sometimes resulting in replication of cost, according to some participants. At the same time, these outlets may have limited resources to invest in software and website development.

Other Reinforcing Factors Potentially Create a Vicious Cycle for Some Local Newspapers

Some of the factors discussed above are further reinforced as revenues for some newspapers continue to decline. A decline in revenues, inability to access financing, and other factors can affect a newspaper’s quality and ability to adapt to technological changes. These effects can further reduce consumer demand and revenues, potentially resulting in a vicious cycle that affects the sustainability and evolution of local media outlets.

Effect of Declining Overall Revenues

Declining revenues experienced by many local newspapers can affect their ability to invest in skills and technology needed for high-quality newsgathering and production, potentially resulting in a vicious cycle that threatens their sustainability. For example, local newspapers may have limited resources to address the following needs:

- **Investments in skills and technology.** As a result of declining revenues, some newspapers have reduced their reporting staff, which can affect the quality and depth of their local reporting, according to literature and workshop participants.²⁹ In addition, they said local newspapers may not have the resources to develop digital products and services that consumers may desire or expect.
- **Catering to every audience size.** Workshop participants noted it can be difficult to economically sustain truly “local” news in communities too small to provide a viable audience size.³⁰ However, others said that a local newspaper can build the necessary audience size if it understands the needs of the community.

²⁹Abernathy, *News Deserts*, 31. M. Ewens, A. Gupta, and S. T. Howell, “Local Journalism Under Private Equity Ownership,” NBER working paper, no. w29743 (2022): 5.

³⁰One stakeholder said that in the last 18 years, many newspaper closures and mergers have included neighborhood newspapers in metropolitan areas or in small, rural communities, and were primarily driven by stagnant or declining population. Another stakeholder mentioned that his research showed that more than two-thirds of newspapers that closed were weekly newspapers that served smaller suburban areas where urban daily newspapers were available.

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- **Creating relevant content.** Some stakeholders noted that because the digital age offers consumers numerous sources of information, local news outlets need to create content that is relevant enough to their readers that they are willing to pay for it, but declining revenues mean fewer resources for content creation. A stakeholder representing a news outlet catering to the Hispanic population noted the outlet is in great demand because it provides content that is highly relevant to its audience's needs.

Limited Access to Debt Financing

Newspapers traditionally have not had access to debt capital markets and have had to rely on venture capital or philanthropy because debt is not seen as a form of financing in the media industry, according to some workshop participants. One participant noted that debt capital can be helpful because it allows for lower returns over a longer time horizon, whereas venture capitalists expect news organizations to increase their scale as quickly as possible. Another participant believed that a general lack of financial sector support for local news outlets has served as a barrier to the necessary digital transformation of those outlets.

Lack of Awareness and Media Literacy

According to stakeholders, consumers are generally unaware of the threats to long-term viability many local newspapers face and do not fully appreciate the importance of local news to their lives. Pew Research Center reported that about 70 percent of Americans surveyed thought their local news outlets were doing very or somewhat well financially, despite generally declining revenues.³¹ Some stakeholders noted the public has a general lack of media literacy—that is, the ability to critically analyze the quality or credibility of the media they consume. As a result, they said many consumers are unlikely to pay a higher price for higher-quality content that is typically more costly to produce, particularly on topics that are important but are not big traffic drivers.

Other stakeholders believed consumers increasingly have a preference for national news over local news, and a preference for being entertained rather than informed.³² They said this further affects demand for local

³¹Pew Research Center, "For Local News," 7.

³²A 2019 study by RAND Corporation found that 28 percent of survey respondents said they got most of their news from platforms they did not rate as the most reliable. According to the study, the reason may be that for many consumers, news consumption serves needs other than gathering factual information, such as social interaction or interesting entertainment. Michael Pollard and Jennifer Kavanagh, *Profiles of News Consumption: Platform Choices, Perceptions of Reliability, and Partisanship* (Santa Monica, CA: RAND Corporation, 2019), 43.

Changes in Ownership and Consolidation

newspapers that invest in high-quality reporting of important issues. At the same time, one study found some evidence that television and digital journalism has become much more subjective and advocacy-oriented in the past 20 years.³³

The newspaper industry has experienced consolidation over the past 2 decades, in part because several large corporations acquired many local newspapers. For example, the top 25 companies that owned the most newspapers controlled about 30 percent of all U.S. newspapers in 2018, compared to 20 percent in 2004, according to one study.³⁴ Some research suggests that this can result in reduced newsroom employment, potentially affecting the quality or depth of local news produced.³⁵

However, according to some stakeholders, consolidation can also be beneficial for some newsrooms—for example, cost efficiencies in copyediting or back-office functions may free up resources for additional newsgathering. These stakeholders said economically vulnerable local newspapers are often the ones consolidated or purchased by hedge funds or other investors.

Key Business Strategies and Alternative Organizational Arrangements Can Help Local Media Outlets Adapt to the Digital Economy

Workshop participants and the literature we reviewed provided numerous suggestions on how some local news media outlets could better adapt to the digital age and remain economically viable, and some of these suggestions were based on approaches successful media outlets have employed. These suggestions included options for new revenue sources, organizational structures, collaborations, business approaches, and strategies for reaching underserved communities. Based in part on these strategies, several local news organizations have evolved and become more sustainable.³⁶ In addition, new digital outlets have emerged to meet the information needs of local communities.

³³Jennifer Kavanagh et al., *News in a Digital Age: Comparing the Presentation of News Information over Time and Across Media Platforms* (Santa Monica, CA: RAND Corporation, 2019), 119–120.

³⁴Abernathy, *The Expanding News Desert*, 30.

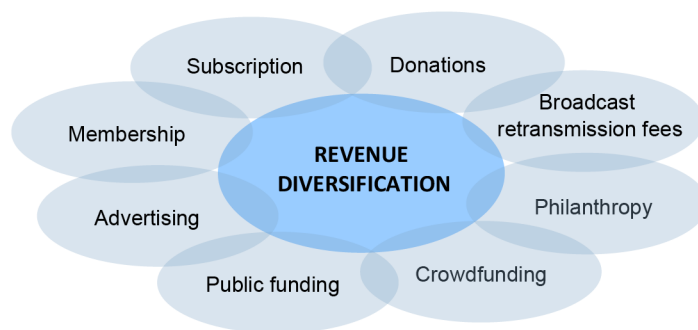
³⁵Abernathy, *News Deserts*, 26–27; Ewens, Gupta, and Howell, “Local Journalism,” 5.

³⁶Examples include *Philadelphia Inquirer*, *Texas Tribune*, and *Salt Lake Tribune*.

Local News Media Outlets May Benefit from Diversifying Their Revenue Streams

According to some workshop participants, local news organizations need to find creative ways to diversify within and across different sources of revenue. For example, newspapers can no longer rely primarily on print advertising and circulation revenue, as they traditionally did in the pre-digital era. Depending on the type of media, these revenue streams can include print and digital subscriptions, print and digital advertising, memberships, philanthropy, and public funding (see fig. 7).³⁷

Figure 7: Local News Organizations Have Several Potential Sources for Diversifying Their Revenue Streams



Source: GAO. | GAO-22-105405

Subscription Revenue

A subscription requires audiences to pay money to gain access to a product or service. Workshop participants provided the following observations about the subscription-based model:

- It incentivizes local news organizations to create high-quality news that is valued by their readers and keeps them engaged.³⁸

³⁷Business underwriting, such as a contribution by a third-party firm to support a publication's column or a television program, continues to be important for digital newspapers and broadcasting, according to some workshop participants.

³⁸For example, the Medill Subscriber Engagement Index, launched by Northwestern University's Medill Local News Initiative in late 2021, reports that people value original and unique reporting on their community. This index is designed to allow local news organizations to see what content encourages subscribers to keep their subscription and benchmark their performance against outlets in comparable markets. See Mark Jacob, "Medill Launches Groundbreaking Subscriber Engagement Tool," *Northwestern Medill: Local News Initiative*, accessed July 6, 2022, <https://localnewsinitiative.northwestern.edu/posts/2021/10/27/index-launch/>.

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- It can take a long time for a newspaper to build a subscriber base and not all readers can afford a subscription.
 - It can require the skill set of consumer marketers, who have a data-driven approach to finding and retaining customers.
 - Since the average household subscribes to one or two types of information sources, large national newspapers may crowd out small, local newspapers. For example, in 2022, *New York Times* purchased *The Athletic*, which covers sports teams in more than 47 local markets, putting itself in competition for subscribers with local news sites in those markets.
 - It generally tends to work well for specialized professional content that has a strong institutional audience with the means and willingness to pay for a subscription.³⁹

Membership Revenue

Some newspapers and other types of media rely on membership, which some literature characterizes as a social contract between a news organization and its members.⁴⁰ In some cases, members contribute financially but are not otherwise involved with the creation of news content and other management decisions.⁴¹ In others, such as cooperatives, members may be involved in such decisions or serve as owners. One workshop participant cited the example of *The Guardian* in the United Kingdom, which allows members to pay what they can, so that its content remains accessible to all.⁴²

According to some literature and workshop participants, membership can provide a sense of belonging to a shared, larger mission and serve to connect the news organization with its audience.⁴³ For example,

³⁹*The Information*, which covers the technology industry in the San Francisco Bay Area, is one example of a specialized publication that depends exclusively on subscriptions. According to a 2019 study, subscribers were willing to pay \$399 per year for access to digital news about the tech industry because they found the content useful. Somm, "Small is Beautiful."

⁴⁰Ariel Zirulnick, Emily Goligoski, and Jay Rosen, "Defining Membership," *The Membership Guide*, Sept. 13, 2020.

⁴¹Examples of membership-based news outlets include *The Texas Tribune* and *VTDigger*, which are exclusively online platforms.

⁴²Other news publications using the "pay-as-you-can" model include *The Daily Maverick* in South Africa, and *El Diario* in Spain.

⁴³Elizabeth Hansen and Emily Goligoski, "A Guide to Audience Revenue and Engagement," Tow Center for Digital Journalism, 2018.

individual contributors to National Public Radio member stations, whose revenue comes primarily from the community, may have more of an interest in the local public radio station and the information it provides than those who do not contribute. However, some workshop participants noted it can take time and commitment to develop an enduring relationship with members, and models involving decision-making or ownership by members can face governance challenges.

Donor-Based Revenue

The donor-based revenue stream for news organizations comes from individual donations and philanthropy.⁴⁴ The organization may solicit one-time donations for specific projects or hold events that solicit individual donations and sponsorships. Donors who make multiple contributions may choose to become members. Some workshop participants highlighted the importance of developing a diversified donor base over time. For example, one participant said her news organization had 10,000 members, including about 250 major donors, which had provided a consistent revenue stream over time.

News organizations may also receive funding from philanthropic organizations, such as the Knight Foundation.⁴⁵ Workshop participants noted that philanthropic funding can also come from large locally based corporations.⁴⁶ Some workshop participants stated that while local news outlets cannot solely rely on philanthropy, it can be one of multiple revenue streams. They noted philanthropy may not always be viable as a long-term strategy since it could be an unstable funding source and may last only a few years. In addition, a 2018 study reported that philanthropic

⁴⁴Donations differ from subscriptions in that the latter involves a commercial exchange that allows access to the media content.

⁴⁵For example, the Knight Foundation funded *NewsMatch*, which trains smaller local news organizations to fundraise. In 2019, the foundation stated a commitment of \$300 million over five years in support of local news.

⁴⁶For example, Microsoft provides grants to local news organizations in certain parts of the country. According to Microsoft, the goal of its Microsoft Journalism Initiative is to help strengthen local news ecosystems, restore trust and confidence in news, and provide cyber and legal security (legal counsel and a defense fund against potential lawsuits) for journalists.

organizations have not historically targeted their journalism-related giving to local news organizations or to ethnic media outlets.⁴⁷

Advertising Revenue

Advertising is still an important source of revenue for local news media. In general, advertising revenue has been steadily declining for print newspapers over the past 20 years, as discussed earlier, but it has gained importance for online outlets and has remained reasonably stable for television broadcasting. For example, a 2021 study of digital-native local news outlets in the United States and Canada found that many outlets rely heavily on local advertising revenue.⁴⁸ Online advertising often attracts small businesses because it tends to be more affordable than print advertising. However, any publication, print or digital, must have a sustainable readership base to attract advertisers.

Other Revenue

Workshop participants noted that federal, state, or local government funding can be another potential revenue source for local organizations. For example, as discussed later in this report, the Corporation for Public Broadcasting (CPB) provides an important revenue stream for public radio and television stations.

In addition, broadcasting outlets have increasingly relied on revenue from broadcast retransmission fees—that is, fees that cable and satellite systems pay local television stations to carry local channels. An academic from a school of journalism said retransmission fees had replaced advertising as a source of revenue to a large extent, although the rate of this fee revenue growth has slowed recently.

⁴⁷The use of the term “ethnic media outlets” is a common term within the news industry and refers to nonprofits serving minority or ethnic communities, or those publications with a minority, ethnic focus, according to Shorenstein Center on Media, Politics and Public Policy at the Harvard Kennedy School. A 2018 report by the Shorenstein Center found that local and state news organizations received about 5 percent of the \$1.8 billion in journalism-related grants made by more than 6,500 foundations between 2010 and 2015. Ethnic media outlets received 2.1 percent of the total funding that philanthropic foundations gave all local media outlets during that period. See Matthew Nisbet et al., “Funding the News: Foundations and Nonprofit Media,” Shorenstein Center on Media, Politics and Public Policy, Harvard Kennedy School, June 18, 2018. Available at <https://www.shorensteincenter.org/funding-the-news-foundations-and-nonprofit-media>.

⁴⁸“Introducing Project Oasis: New research and strategies for digital news startups,” University of North Carolina Human School of Journalism and Media (Mar. 18, 2021), accessed August 9, 2022, <http://hussman.unc.edu/news/introducing-project-oasis-new-research-and-strategies-digital-news-startups>. See also Project Oasis, accessed Aug. 9, 2022, <https://www.projectnewsbasis.com/#resources>.

Alternative Ownership and Organizational Structures Continue to Emerge

Workshop participants noted that some local news organizations have evolved from private ownership models to other types of ownership models. Private for-profit ownership models for news outlets include family ownership and ownership by private equity firms and hedge funds. Some organizations have also established alternative organizational arrangements, such as a mix of for-profit and nonprofit models, to diversify revenue sources and take advantage of tax incentives.

Cooperative, Community, and Other Types of Mission-Driven Ownership

According to some workshop participants, cooperatives, community and other types of mission-driven ownership of local news organizations can serve to strengthen the direct relationship between the organization and its audience. They said it can also “democratize” ownership and signal emphasis on mission and social purpose.

Cooperative ownership. A cooperative is an organization that is democratically owned and operated by its members, who can be its employees, a group of individuals, or the community at large. In a cooperative, the individuals who own it each have one vote in the decision-making process. There are various kinds of news media cooperatives. For example, in an employee-worker ownership cooperative (such as *The US News and World Report* and *The Mendocino Voice*), employees are the shareholders but are not necessarily community members, and thus they do not formally participate in the decision-making process.⁴⁹

Community-based organization. A community-based organization is an organization that is a public or private nonprofit organization of demonstrated effectiveness. The organization is representative of a community or significant segments of a community and provides educational or related services to individuals in the community.⁵⁰ Many public broadcasting stations are community-owned and receive federal funding. The Corporation for Public Broadcasting supports 171 community-licensed public radio stations and 79 community-licensed public television stations. For example, *Ideastream Public Media* is

⁴⁹However, community-owned cooperatives, such as *The Bristol Cable* in the United Kingdom, are owned by the people that patronize them, and multi-stakeholder owned cooperatives such as *The Ferret* in the United Kingdom are owned by more than one group. Another example is *The Banyan Project*, a consumer cooperative in which reader-members elect the boards of local news cooperatives.

⁵⁰See 20 U.S.C. § 7801(5).

governed by a local community board.⁵¹ (We discuss public broadcasting models in greater detail below.⁵²)

Other types of mission-driven ownership. Other models include public benefit corporations and low-profit limited liability corporations. Both are for-profit private entities incorporated under provisions of state law that require them to be operated, at least in part, for purposes other than maximizing shareholder value, which can include meeting the news and information needs of their communities.⁵³ In general, they are not exempt from federal income taxes.

- **Public benefit corporations** are required to include in their corporate charter one or more public benefits as their statement of purpose. According to some literature and some workshop participants, public benefit corporations attract investors who want their investments to align with their mission and values but also want returns on their investments.⁵⁴
- **Low-profit limited liability corporations** have been cited in some literature as a potential legal entity for newspapers.⁵⁵ These corporations often bring together foundations, trusts, endowments,

⁵¹In addition, an example of a non-public media organization is *Berkeleyside*, an independent news site in Berkeley, CA. *Berkeleyside* is a community-owned organization that launched a direct public offering and sold interest-bearing debt to the local community.

⁵²The listed models in the section are not mutually exclusive. A community-owned co-op is one type of co-op. However, there are other types of co-ops, and not all community-owned organizations are co-ops.

⁵³The law governing public benefit corporations and low-profit limited liability corporations can differ state-to-state and not all states authorize the incorporation of these types of entities. In general, owners of these entities have limited liability.

⁵⁴One example of a public benefit corporation is The Colorado News Conservancy. A workshop participant cautioned that philanthropies may prefer to give to traditional nonprofits rather than public benefit corporations. He noted that at the same time, investors may prefer to invest in companies that are not constrained in their profit goals rather than public benefit corporations with social missions.

⁵⁵Robert G. Picard, Valerie Belair-Gagnon, and Sofia Ranchordás, *The Impact of Charity and Tax Law/Regulation on Not-for-profit News Organizations* (Reuters Institute for the Study of Journalism, University of Oxford; Information Society Project; Yale Law School, 2016). See also N. Usher and M. D. Laysner, "The Quest to Save Journalism: A Legal Analysis of New Models For Newspapers From Nonprofit Tax-exempt Organizations to L3Cs," *Utah Law Review*, vol. 2010, no. 1315 (2010).

and nonprofits to pursue social and charitable objectives while operating according to a for-profit revenue model.⁵⁶

Some workshop participants noted some important considerations for news organizations considering cooperative or community-based ownership structures. First, they noted that governance is typically a deeply participatory process requiring the patience and skill of all participants. Second, it can be hard to define a “community-owner.” Finally, they said the associated documentation requirements for establishing public mission or benefit can be burdensome.

Hedge Fund and Private Equity Ownership

In recent years, hedge funds and private equity firms have acquired a significant number of local newspapers. One study found that hedge funds and private equity firms accounted for more than half of the daily newspaper circulation in the country in 2020.⁵⁷ The trend has been upward: private equity firms owned about 23 percent of U.S. newspapers in 2019, as compared with about 5 percent in 2002, according to another study.⁵⁸

Some workshop participants expressed the belief that some hedge funds buy distressed news companies for the sole purpose of maximizing financial returns and do not reinvest in the newsroom. These participants cited the case of a large hedge fund that bought a portfolio of distressed newspapers in 2021 and, as they characterized it, sold the real estate of the newspapers and reduced newsroom personnel for a short-term financial gain. However, some participants cited cases where acquisition by a financial company may have been a newspaper’s only chance of

⁵⁶In general, low-profit limited liability corporations are required by states to significantly further the accomplishment of one or more charitable or educational purposes within the meaning of subsection 170(c)(2)(B) of the Internal Revenue Code, and would not have been formed, but for the company’s relationship to the accomplishment of its charitable or educational purposes. The company’s significant purpose cannot be the production of income or the appreciation of property, and no purpose of the corporation can be political or legislative accomplishments. In general, these restrictions align the organization with tax requirements related to charitable foundations’ program-related investments. Private foundations are subject to certain tax consequences, which do not apply to other charitable organizations, including a tax on investments, which are considered to jeopardize its charitable purpose. This tax does not apply to “program-related investments.”

⁵⁷Steve Waldman, “A Replanting Strategy,” *Report for America*, Sept. 18, 2020.

⁵⁸Ewens, Gupta, and Howell, “Local Journalism.”

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survival, or cases where a hedge fund owner expanded the news staff or otherwise reinvested any realized savings back into the organization.⁵⁹

Some news organizations have changed their organizational structure in recent years, switching from for-profit entities to a tax-exempt organization, colloquially known as a “nonprofit news organization.”⁶⁰ This conversion typically entails conversion from private ownership to tax-exempt status.⁶¹ For example, *The Salt Lake City Tribune*, which had been held by a privately owned for-profit company, became a nonprofit organization in 2019, allowing it to receive tax-deductible donations directly from individuals.⁶² Nonprofit news organizations that obtain a section 501(c)(3) status are generally exempt from federal income tax.⁶³ In addition, they can accept tax-deductible donations from civic-minded individuals as well as grants from philanthropic foundations to, for example, develop coverage on important public interest issues. However, any activities that generate unrelated business taxable income, such as advertising revenue, would result in the nonprofit news organization paying unrelated business income tax on such income at the corporate

⁵⁹Consistent with these observations, one study found that private equity ownership of a newspaper resulted in a decrease in local coverage but a higher overall probability of the newspaper’s survival. The study attributed the decrease in local coverage to an increased focus on profitability, which leads to a reduction in news staff by the equity fund in an effort to quickly improve profitability. It found that private equity newspaper buyouts were associated with a decline in a newspaper’s print circulation and a large increase in its digital circulation, resulting in a higher overall probability that the newspaper would survive. See Ewens, Gupta, and Howell, “Local Journalism.”

⁶⁰To be exempt from taxation, a nonprofit newspaper must be described as in section 501(c) of the Internal Revenue Code.

⁶¹According to one workshop participant, some privately owned newspapers have also been donated to local nonprofit organizations.

⁶²*The Salt Lake Tribune* is a 501(c)(3) nonprofit. Other major metropolitan areas in which philanthropic and other nonprofit organizations have funded local newspapers include Cleveland, Chicago, and Houston.

⁶³The Saving Local News Act would add a new tax-exempt purpose to the tax code: the publication of written news articles (including electronic publication). H.R. 6068, Sec. 2(a), 117th Cong. (2021). Currently, most nonprofit newspapers are tax-exempt as educational or religious organizations.

tax rate (currently 21 percent).⁶⁴ Any such activities must be limited to an insubstantial part of the organization’s overall activities. In addition, nonprofit news organizations cannot be involved in political campaign intervention, so they cannot, for example, endorse a particular candidate for public office.

Public Radio and Television Stations

Public radio and public television stations are nonprofit entities that also obtain federal funding. According to some workshop participants, the main advantages of public media are long-term sustainability, ability to target diverse audiences, and stable funding that can be leveraged against other sources of revenue. However, one workshop participant noted that not all public stations have sufficient revenue to employ their own journalists and that high production costs can make it particularly challenging to provide adequate local television news. Another workshop participant noted public media stations face increased competition from podcasts that resemble public radio programs in format and sound.

Blended Models

Some media organizations have structures that blend nonprofit status, with its social goals and tax benefits, with for-profit revenue models that may help avoid advertising and political restrictions. In one such model, a for-profit news organization is owned or supported by a nonprofit.⁶⁵ Another model is a public media station that has merged with a nonprofit organization.⁶⁶

⁶⁴26 C.F.R. § 1.501(c)(3)-1(e)(1). Tax-exempt entities may also owe tax on unrelated business income under 26 U.S.C. § 512. The Saving Local News Act would specify that, in the case of an organization that is tax-exempt by reason of publication of written news articles, the term “unrelated business taxable income” does not include any amount attributable to payments for advertisements in news publications. H.R. 6068, Sec. 2(b), 117th Cong. (2021).

⁶⁵For example, the nonprofit Lenfest Institute owns *The Philadelphia Inquirer*, a public benefit corporation that is a taxable for-profit entity. This structure allows the newspaper to exist as an independent for-profit, while receiving grants from an institute with a tax-exempt status. In another example, the Poynter Institute owns the Times Publishing Company, which publishes *The Tampa Bay Times*. See “Philanthropic Options for Newspaper Owners: a Practical Guide,” by Nicco Mele, John S. and James L. Knight Foundation, Oct. 5, 2019.

⁶⁶For example, in 2022, the Chicago public radio station WBEZ merged with the nonprofit *The Chicago Sun-Times* newspaper.

Some Media Organizations Have Implemented Strategic Partnerships and Collaborations

In recent years, many for-profit and nonprofit newspapers and broadcast stations have partnered with each other or with other entities, often to report on specific issues, share resources, or facilitate growth or economic efficiencies. The nature of these partnerships varies in terms of geographic scope, type of participant, duration, and purpose. For example, in terms of participants, news organizations have collaborated with other news organizations, nonprofits (such as philanthropies and civic and media groups), and universities. Appendix II provides examples of news partnerships and collaborations.

Some workshop participants noted both advantages and challenges of partnerships and collaborations involving local media organizations. A key advantage can be cost savings since collaboration can achieve some scale in newsgathering and avoid the duplication of two organizations covering the same topics. They said that collaboration among news organizations can also allow them to build on their strengths and compensate for any respective weaknesses in news production and distribution. In addition, collaboration among media organizations that serve different populations can extend each organization's reach and expand its audience.

However, according to some literature, such partnerships require considerable time and effort and can involve costs for training and coordination.⁶⁷ The literature also noted potential collaboration challenges when two organizations have different newsroom cultures or levels of technical expertise, or where the power dynamic between the two organizations is unequal. In addition, one participant said that aligning each organization's incentives and strategies may be difficult, especially if the partnership is not institutionalized. Moreover, news outlets may lose some control in what news they cover if they are relying on shared reporting with another outlet.

Some workshop participants cited what they believed to be the conditions for success for local news media collaborations, such as (1) the need to have a clear focus and common understanding of the collaboration's goals, which may involve fundraising, reporting, or joint production of a product, (2) the need to establish strong relationships among the people at the different organizations who will be working together, and (3) embedded trust and incentive to collaborate, such as for economic

⁶⁷Sarah Stonbely, "Comparing Models of Collaborative Journalism" (Montclair, NJ: The Center for Cooperative Media, School of Communication and Media, Montclair State University, Sept. 2017).

necessity. For example, an academic from a school of journalism noted that many newspapers and radio stations collaborated with television stations during the 2008 financial crisis, but these collaborations did not last long.

Finally, participants said that national partners in national-local partnerships need to be committed to local coverage. For example, Report for America put one of its first reporters in Lexington, KY, because it believed the Appalachian high country lacked sufficient reporting.⁶⁸ Similarly, the *American Journalism Project* partners with communities to launch local news organizations and with local grantees to provide operational and strategic support.

Different Business Strategies and Approaches Could Help Local News Organizations Adapt

Several additional business approaches have the potential to help local news organizations acquire the skills, technology, and capital needed to adapt to the ongoing digital transformation, according to workshop participants.

Capacity-Building Programs and Strategic Support

Because the local news ecosystem is complex and evolving, workshop participants said local news outlets need strategies for distributing their content across platforms, including print, computers, tablets, and smartphones. Some participants and stakeholders cited the efforts of news trade associations, other media organizations, and large internet companies to offer training, funding, and other support to local news organizations to build their capacity for digital distribution. For example, according to trade associations we interviewed, the Meta Journalism Project and the Google News Initiative have each committed to financially invest in such capacity building programs. Appendix III provides examples of programs designed to assist local news organizations with digital transformation.

Workshop participants said local news organizations also need legal support, especially for investigative reporting in some media environments. For example, a participant from a technology company discussed a nascent program in which attorneys from this company, a private law firm, and nonprofits plan to provide *pro bono* support to local

⁶⁸Report for America is a national service program that places journalists into local newsrooms to report on underreported issues and communities.

news organizations. The program is to help the organizations with such things as pre-publication legal review and responses to subpoenas and submissions related to Freedom of Information Act requests.⁶⁹

Content Distribution Strategies

Workshop participants discussed several innovative strategies news organizations could consider for distributing their content in the new local news ecosystem. One of these strategies would have local news organizations collaborate to offer consumers content from multiple organizations in a single, bundled subscription to reduce “subscription fatigue” among consumers. Bundling can also allow multiple family members to share one subscription. For example, a regional news bundle could be especially useful in markets with little competition among news organizations because it could allow each organization to expand its reach. In another model, readers could receive a subscription to both their local newspaper and a major national newspaper for a single bundled price.

Another strategy involves emailing locally focused newsletters to interested readers, which has been a source for growing revenue for publishers like *Axios*.⁷⁰ This model allows publishers to connect directly with their customers. Similarly, reverting to print publications that target a particular audience, such as Indigenous populations with limited broadband access, can also offer some benefits. In addition, an expert discussed *Main Street Media*, a weekly print publication targeting people aged 50 and above in which some local businesses prefer to advertise rather than online publications.

In addition, offering a mix of paid and free products could be a successful strategy for local news publications. A media consultant cited the example of a news outlet that provides limited statehouse reporting at no cost and a more detailed newsletter by paid subscription. Finally, some participants cited a strategy where individual journalists sell their content to readers directly—for example, through the newsletter platform *Substack*.⁷¹ A

⁶⁹Submissions of Freedom of Information Act requests to the federal government are governed by 5 U.S.C. § 552.

⁷⁰In August 2022, *Axios* and Cox Enterprises announced that Cox Enterprises would purchase *Axios*, with the two companies’ executives stating that local news will be their emphasis. See NPR, “*Axios* Agrees to Sell to Cox for \$525 million in cash” (Aug. 8, 2022), accessed Aug. 10, 2022, <https://www.npr.org/2022/08/08/1116322995/axios-cox-deal>.

⁷¹On *Substack*, journalists own their created content, website address, and mailing list. Journalists can use *Substack* to send newsletters directly to their readers and monetize their work by putting it behind a paywall.

workshop participant noted that some local journalists, including sportswriters and columnists, have been able to earn a full-time income by selling subscriptions through this strategy.

Alternative Financing Mechanisms

Workshop participants said that local news organizations could also consider financing mechanisms they may not have traditionally used, such as:

- **revenue-based financing**, whereby investment returns come from a steady percentage of the enterprise's revenue rather than from a sale or an initial public offering.
- **debt financing** as a source of funding for local news organizations. According to a workshop participant, debt financing could be provided by some large internet companies whose previous investments in local news have been through small-scale financing or philanthropy.
- **grants or small business loans** to local news organizations to help them innovate and remain competitive, as some European governments have done.
- **venture capital investments** in local news outlets that could be raised through crowdfunding.⁷² Some participants noted that venture capital could be particularly useful in funding early-stage journalism enterprises and in helping more established local news organizations diversify their revenues.

Franchising

Some workshop participants noted that franchising may be an appropriate business model for local news outlets. In this model, the franchisor establishes the publication's name and business system and shares certain content among its local franchisees, which produce their regional publications. For example, *TAP Into* is a network of more than 90 franchised online news and digital marketing platforms that are independently owned and operated but receive the expertise and support system of the media network.

Other Strategic Support

Workshop participants discussed other forms of strategic support. For example, a workshop participant proposed establishing a news organization that could help support a broader scope of community news

⁷²Crowdfunding generally refers to a financing method in which money is raised through soliciting relatively small contributions from a large number of individuals.

organizations.⁷³ Another participant suggested establishing an entity that resembles a large news organization. According to the participant, such an entity could perform various functions for smaller news organizations, such as technological support, research and development, and data collection and analysis on consumers used to make tactical and strategic decisions.⁷⁴

Local News Organizations Can Use a Combination of Strategies to Reach Underrepresented Communities

Local news media can pursue a combination of strategies to reach specific underrepresented audiences, such as minority and low-income communities, according to some workshop participants. They said nonprofit media models are often best suited to reach these audiences because public funding and philanthropic giving may be needed to make the news coverage economically viable.

However, some for-profit media organizations that focus on underrepresented communities also have thrived. For example, one study noted that *The Washington Informer*—which focuses on serving the Black or African American community in the Washington, D.C., area—significantly increased its staff and page count over the last 5 years, particularly after the demonstrations related to the May 2020 death of George Floyd.⁷⁵ The newspaper also added a newsletter, a monthly television show, and a weekly podcast during this period, according to its editor.

⁷³Similarly, in the United Kingdom, the BBC provides strategic support to local media partners. The BBC Local Journalism Partnership aims to support public service reporting, sustain local democracy, and improve skills in journalism. The partnership was created in 2017 as a result of an agreement between the BBC, which is a public service broadcaster, and the News Media Association, which represents the majority of the United Kingdom's regional presses. The BBC provides 8 million British pounds (about \$10 million in U.S. dollars) per year in funding, which will continue until at least 2027. A Canadian study analyzing the initiative's impact cited what it believed to be two advantages of the partnership's strategy for supporting public interest journalism. First, the study noted that the initiative's funding is more targeted because it hires reporters directly, rather than subsidizing private sector news companies. Second, the study noted that the initiative's funds do not come directly from government but are administered by the BBC, which it said already commands public trust. See Public Policy Forum, *The Shattered Mirror: 5 Years On: Platforms, Innovation and Local News* (2022), 12.

⁷⁴For example, some stakeholders noted that smaller news companies may struggle to find resources to invest in new modes of communicating information expected by today's consumers, such as advanced graphics and visualization techniques.

⁷⁵Lauren Harris, "Reimagining How We Think about Local News in 2022," *Columbia Journalism Review*, Jan. 12, 2022.

Role of Philanthropy and Public Funding

In addition, one participant from a public media organization noted that new technologies and products that are being developed may give broadcasters the opportunity to target and reach larger audiences, including underserved communities. For example, this participant noted that the latest generation of broadcast transmission technology, ATSC 3.0 or NextGen TV, will provide the participant's public media organization with more bandwidth, enabling them to better reach the 22 Ohio counties they currently serve, many of which are rural.

Some participants stated that philanthropy plays an important role in ensuring local news coverage adequately reaches minority and low-income communities. Some philanthropic gifts have focused on this goal. For example, in 2020, the Knight Foundation awarded a \$1.2 million grant to help a Minnesota-based nonprofit provide news coverage of immigrants and other underserved communities.

Public funding through the CPB also supports local news organizations that serve minority audiences. CPB makes specific adjustments when it provides public radio and television grants to stations that serve rural and minority populations.⁷⁶ CPB officials told us radio stations that serve these audiences (also known as Minority Audience Service Stations) receive a "multiplier" in the calculation of their community service grants. According to CPB, as of November 2021, 248 stations qualified as "rural" and 78 radio stations qualified as "minority," which included stations licensed to Native American tribes and Historically Black Colleges and Universities.

CPB also funds *Native Voice One*, a public radio distribution service that provides programming targeted to stations on American Indian

⁷⁶A radio rural grantee is a station with a coverage area population density equal to or less than 40 people per square kilometer. CPB also provides the Universal Service Support Grant to television grantees that serve a rural population or a population of less than 1 million that is not classified as rural by the 2010 U.S. Census. Corporation for Public Broadcasting, *2022 Television Community Service Grants General Provisions and Eligibility Criteria* (Oct. 2021), 18. A radio minority grantee is a radio station that provides significant service to a minority group or groups through diverse programming that serves the needs and interests of minorities. Stations are deemed a Minority Audience Service Station if they meet at least one of the following criteria: (1) a measured minority audience composition greater than 51 percent averaged over the previous three consecutive measured quarters; (2) the station is licensed to a designated Historically Black College or University; or (3) the station is licensed to: a Native American Tribe; a consortium of such Tribes; or an entity controlled by such Tribe licensed in and with coverage within tribal lands. Corporation for Public Broadcasting, *2022 Radio Community Service Grants General Provisions and Eligibility Criteria* (Oct. 2021), 27.

reservations.⁷⁷ In addition, rural and minority stations were given priority legislatively when CPB received \$75 million in federal CARES Act emergency relief funds in the spring of 2020 and \$175 million in the American Rescue Plan Act in the spring of 2021.⁷⁸

Role of Collaboration

Some workshop participants cited the role of collaborations among media organizations and community organizations to be more inclusive and mindful of underrepresented communities, and issues occurring in and affecting those communities. Examples of such collaborations to better represent these communities in local news coverage include the following:

- **Black or African American communities.** *URL Media* is a network of 12 Black-owned media outlets that share content, distribution, and other resources in an effort to enhance reach, expand revenue, and build long-term sustainability.⁷⁹
- **Immigrant communities.** A workshop participant described a partnership between mainstream media outlets and a local civic engagement organization serving Latino and Maya immigrants. The goal is to help news outlets provide better and more comprehensive news coverage of these communities. In addition, the organization has partnered with libraries, community-based organizations, mutual aid organizations, and community clinics to provide information and assistance to these communities, the participant said.
- **Indigenous and Native American communities.** In the *Promised Land* collaboration, Oklahoma's Native American Journalists Association provides local newsrooms with resources on historical

⁷⁷In addition, National Public Radio provides discounted license fees for stations designated by CPB as rural area or minority area service stations.

⁷⁸CARES Act, Pub. L. No. 116-136, Div. B, tit. VIII, 134 Stat. 281, 571 (2020) (appropriating \$75 Million to CPB), and the American Rescue Plan Act, Pub. L. No. 117-2, tit. VII, subtit. F, § 7601, 135 Stat. 4, 111 (2021) (appropriating \$175 million to CPB).

⁷⁹In addition, some technology companies provide support to minority publishers in acquiring skills for the digital transformation. For example, the Meta Journalism Project supported a project of the International Center for Journalists and the National Association of Hispanic Journalists that teaches minority publishers about audience engagement strategies, audience trust, and digital security, among other things. Meta's Historically Black Colleges and Universities Summer 2022 News Fellowship planned to place more than 25 students and recent graduates in local and national newsrooms for 8 weeks. In addition, the Google News Initiative Ad Transformation Lab is a 4-month program designed to help Black- and Latino-owned publications in the U.S. and Canada advance their advertising strategies and grow digital revenue.

context and original coverage of Indigenous communities. Launched by the Oklahoma Media Center in 2021, it combined statewide journalistic resources toward coverage in the wake of *McGirt v. Oklahoma*, a landmark Supreme Court case addressing tribal sovereignty.⁸⁰

- **Rural communities.** In 2022, the Institute for Nonprofit News launched the *Rural News Network*, a consortium of 60 nonprofit and nonpartisan news organizations designed to provide more comprehensive reporting on rural America. In addition, some public news stations participate in collaborations that focus on rural audiences. Further, the *American Journalism Project* (a philanthropy focused on nonprofit local news) supports the Mountain State Spotlight, which focuses its reporting on rural audiences.

Various Policy Options Exist for Strengthening Local Journalism

Workshop participants and stakeholders have proposed a number of policy options to improve the viability of local journalism. According to literature and views expressed by some of these parties, public policies should focus on addressing potential market failure in providing public interest journalism. That is, policies should focus on where the market fails to produce the amount of public interest journalism that would be most beneficial to society or when there are existing inequities in its provision.⁸¹ Other public policies, such as those that seek to alleviate the impact of market disruption brought by the internet, have also been considered by policymakers in the U.S. and other countries to support local news outlets.

When government intervenes in markets to achieve policy goals, the manner in which it does so is critical to the effectiveness of the intervention and its consequences for the economy. Therefore, public policies to support local journalism should be based on sound analysis of the underlying issues and designed to limit unintended consequences. This involves a careful consideration of the rationale for the policies and their costs and benefits to society. The summary below of workshop participants' views on these policy options do not represent the views of GAO. Additionally, the policy options have not been subjected to rigorous

⁸⁰McGirt v. Oklahoma, 140 S. Ct. 2452 (2020).

⁸¹There is no universally accepted definition of public interest journalism. In this report, we define public interest journalism as journalism that covers issues of public significance to engage citizens and inform democratic decision-making, including investigative journalism that focuses on civically important topics. Both national and local journalism may have components of public interest journalism. In this report, we focus on local public interest journalism.

cost-benefit analysis or other analysis to determine whether the proposals are meritorious.

Various Policy Options Have Been Proposed to Address Potential Market Failure in Public Interest Journalism

Potential Market Failure in Public Interest Journalism

Public interest journalism, which covers issues of public significance to engage citizens and inform democratic decision-making, may be at risk of market failure. Market failure occurs when interactions in the market lead to outcomes that fall short of what would be socially beneficial. In this case, the market may fail to produce public interest journalism sufficient for a well-informed society.

The strength of the case for market failure depends largely on the existence of two key factors:

- **The public good nature of public interest journalism.** By definition, public interest journalism has characteristics of a public good—that is, a commodity or service that is made available to all members of a society. It is often “nonexcludable,” meaning it may be consumed by people who do not pay for it. It is also “nonrival,” meaning one person’s consumption does not make it unavailable for others. Generally, consumers are less willing to pay for goods that have these features.
- **The existence of externalities.** Public interest journalism usually generates positive externalities—that is, it creates benefits to society beyond what local news media outlets or consumers internalize. For example, newspaper articles related to mitigating the spread of COVID-19 in local communities have benefited society at large, including both newspaper subscribers and nonsubscribers. However, when consumers do not perceive or internalize the benefit of this information to them, or when they expect to receive it for free, they are not willing to pay enough for this type of journalism. As a result, the market may not produce public interest content sufficient for a well-informed society. Decentralization of news production and distribution

resulting from the digital transformation may have increased the inherent risk of market failure in public interest journalism.⁸²

According to the literature we reviewed and experts we engaged, local newspapers have typically been an important source of public interest journalism. Local television, radio, and digital-only outlets have not yet filled the gap left by the reduction in newspaper coverage. For example, one study found that newspapers conducted more in-depth reporting than other forms of media. It also found that topics like education, healthcare, and local government get relatively little coverage on local television.⁸³ CPB staff told us that although public radio and television stations have stepped in to fill some of the gaps left in local news, these stations have limited resources.

Moreover, research and participants have noted historic inequities in the provision and consumption of local journalism in general and of public interest journalism in particular.⁸⁴ One workshop participant explained that income inequities can generate information inequities because news and information outlets cater to the interests of the people who can pay for subscriptions or who are the target of advertisers. Some research

⁸²As discussed earlier, print newspapers allow for cross-subsidization, where revenue-generating content subsidizes non-revenue-generating content. To the extent that the internet has led to a reduction in this cross-subsidization, the result may be less than the socially desirable amount of public interest journalism being provided.

⁸³Federal Communications Commission, Steven Waldman, and the Working Group on Information Needs of Communities, *The Information Needs of Communities: The Changing Media Landscape in a Broadband Age* (Washington, D.C.: 2011). Another study found that local newspapers significantly outperform local television, radio, and digital-only outlets in stories that are original, local, or address a critical information needs. See J. Mahone et al., *Who's Producing Local Journalism? Assessing Journalistic Output Across Different Outlet Types* (Durham, NC: Duke University DeWitt Wallace Center for Media and Democracy with New Measures Research Project, Aug. 2019). Additionally, one study found that newspapers employed the greatest proportion of statehouse reporters, even though the number of such reporters had declined significantly. See A. Mitchell, M. Jurkowitz, and D. Page, *America's Shifting Statehouse Press: Can New Players Compensate for Lost Legacy Reporters?* (Washington, D.C.: Pew Research Center, 2014).

⁸⁴See, for example, J. Torres et al., *Media 2070: An Invitation to Dream Up Media Reparations* (Washington, D.C.: Free Press, 2020). See also, J. Hamilton and F. Morgan, "Poor Information: How Economics Affects the Information Lives of Low-Income Individuals," *International Journal of Communication*, vol. 12 (2018): 2832–2833.

Policy Options for Addressing
Insufficient Public Interest
Journalism

indicates that people in lower-income communities may not receive as much news coverage as those in wealthier communities.⁸⁵

While market failure is a common rationale for government intervention, it is possible to overstate the case for it and its existence does not always imply government intervention will be the best course of action or that any intervention is better than none. Government intervention can improve social welfare where the market fails to allocate goods and services efficiently. However, in the view of some economists, the uncritical identification of a market failure can lead to suboptimal policies, unintended consequences, and collateral effects on other markets.⁸⁶

Workshop participants proposed several policy options for promoting public interest journalism. They also proposed policies to address existing inequities in providing local journalism by making it more inclusive of underserved populations, including minority and low-income communities.

Tax incentives to support nonprofit news organizations. As discussed in an FCC report, nonprofit news organizations could play a crucial role in providing news and information to communities on important public topics.⁸⁷ Some workshop participants proposed the government create additional tax incentives for news organizations to convert from for-profit to nonprofit entities.⁸⁸ Under current tax rules,

⁸⁵For example, an exploratory study of Newark, New Brunswick, and Morristown, N.J. found that the smallest, wealthiest, least-diverse community (Morristown) had, proportionally, substantially more journalism sources than the largest, lowest-income, most ethnically diverse community (Newark). P. Napoli et al., "Local Journalism and the Information Needs of Local Communities: Toward a Scalable Assessment Approach," *Journalism Practice*, vol. 13, no. 8 (2019): 1024–1028.

⁸⁶See R. Bourne, "How 'Market Failure' Arguments Lead to Misguided Policy," *CATO Institute Policy Analysis*, no. 863 (2019).

⁸⁷Federal Communications Commission, Waldman, and the Working Group on Information Needs of Communities, *The Information Needs of Communities*. According to a study we reviewed, nonprofit news organizations' content typically fits within one or more of the following broad categories: (1) in-depth investigative reporting; (2) news and information for ethnic, minority, and low-income communities; or (3) regional, state, and local news and information. See Council on Foundations, *The IRS and Nonprofit Media: A Step Forward Toward Creating a More Informed Public: Two-year Status Report on the Council on Foundations' Nonprofit Media Project* (Washington, D.C.: 2015), 9.

⁸⁸The tax incentives proposed by workshop participants are different from tax credits proposed in the form of payroll tax credits for local news organizations, subscription tax credits for consumers, or tax credits for small businesses to advertise with local news outlets, which we will discuss later.

taxpayers can claim a tax deduction for the fair market value of noncash charitable donations to qualifying organizations.⁸⁹ One participant representing a coalition of locally owned and nonprofit media organizations suggested the government give further tax incentives beyond the charitable deduction to for-profit businesses for donating a newspaper to a local nonprofit organization committed to providing significant local reporting.⁹⁰ As we note below, because tax deductions, credits, and other benefits can represent a significant financial commitment by the federal government, we have long recommended greater scrutiny of such benefits, including assessing whether they constitute good policy, who actually benefits, and their consequences for the federal budget.⁹¹

Direct government funding for public broadcasting. According to workshop participants and literature, direct government funding can also be used to address insufficient public interest journalism, but safeguards are needed to alleviate concerns about independence of the press.⁹²

Some workshop participants and stakeholders advocated increasing federal funding to CPB, which is a private, nonprofit corporation

⁸⁹For more information, see Internal Revenue Service, *Determining the Value of Donated Property*, Publication 561 (Jan. 2022). As discussed earlier, some for-profit news organizations have also converted from private ownership to tax-exempt status. The conversion may also result in the for-profit corporation being required to recognize the built-in gain or loss of its assets. 26 C.F.R. § 1.337(d)-4.

⁹⁰The Rebuild Local News Coalition outlined some possible tax incentives in its plan to rebuild local news. See Rebuild Local News, “Rebuilding Local News: How Government Can Help Revitalize Local Journalism While Preserving Editorial Independence,” accessed July 11, 2022, <https://www.rebuildlocalnews.org/our-plan/#sub2>.

⁹¹See, for example, GAO, *Tax Expenditures: Background and Evaluation Criteria and Questions*, GAO-13-167SP (Washington, D.C.: Nov. 29, 2012).

⁹²One Australian study concluded that successful programs for government funding of journalism have the following characteristics: (1) a focus on a specific objective, such as a specific type of “at-risk” journalism; (2) careful analysis of the problem to be addressed and ability of alternative interventions to tackle it; (3) openness to digital as well as established media and institutions; (4) distribution via grants to identifiable, fixed-term projects, based on clear criteria and transparent decision-making processes; (5) administration by an independent body, operating with a clear framework for governance and accountability; and (6) scope to leverage nongovernment sources of funding. See R. Foster and M. Bunting, *Public Funding of High-Quality Journalism: A Report for the ACCC* (Australian Competition and Consumer Commission, 2019), 14–15.

authorized by Congress that supports public broadcasting.⁹³ CPB staff we interviewed explained that CPB provides direct federal funding to public media stations to support local journalism through Community Service Grants, which funded 551 stations as of June 23, 2022, with \$330 million of fiscal year 2022 appropriations.⁹⁴ Some participants said that public radio stations supported by CPB are a significant source of local news coverage and that more funding would help them better reach rural, underserved areas and minority communities.⁹⁵ A recent study found the U.S. spends less than many other advanced economies in per capita government funding for public media.⁹⁶

Some participants said increased federal funding for CPB would allow it to expand its grantee base to include not just public broadcasters but all noncommercial entities engaged in local journalism, including print and digital media. CPB staff told us that while CPB cannot directly fund non-telecommunications entities, they can reach these entities through partnership with public media organizations.⁹⁷ For examples of such

⁹³The Public Broadcasting Act of 1967 authorized and established funding for CPB. CPB receives federal funding through the annual appropriations process. Pub. L. No. 90-129, 81 Stat. 365 (1967) (codified at 47 U.S.C. § 396).

⁹⁴Community Service Grants represent about 70 percent of CPB's annual appropriation. CPB was appropriated \$465 million in fiscal year 2022. Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, 133 Stat. 2534, 2600 (2019). CPB also has discretionary grants, which may be awarded to stations upon application to CPB for collaborations and specific projects. 47 U.S.C. § (k)(3)(A)(i).

⁹⁵For example, one stakeholder said a public radio station in Oklahoma recently added a news reporter focused exclusively on Indigenous affairs and two reporters focused on agriculture and rural affairs, despite having a small newsroom. She also said that public radio may be some people's only access to local news because they lack reliable internet, broadcast television, or a local newspaper.

⁹⁶For example, based on funding data primarily from 2018 and 2019, the U.S. spent \$3.16 per capita on government funding for public media, whereas several countries, such as Germany, the United Kingdom, Spain, France, and Japan, spent over \$50 per capita. T. Neff and V. Picard, "Funding Democracy: Public Media and Democratic Health in 33 Countries," *The International Journal of Press/Politics* (Dec. 2021): 1–27.

⁹⁷CPB is authorized, with some limitations, to contract with or make grants to "public telecommunications entities, national, regional, and other systems of public telecommunications entities, and independent producers and production entities, for the production or acquisition of public telecommunications services to be made available for use by public telecommunications entities" under 47 U.S.C. § 396(g)(2). The term "public telecommunications entity" refers to any enterprise that (1) is a public broadcast station or a noncommercial telecommunications entity, and (2) disseminates public telecommunications services to the public. 47 U.S.C. § 397 (12)(A)-(B).

partnerships, see appendix II. CPB staff told us increased federal funding would allow CPB to substantially increase investments in local journalism and support a broader array of public media entities that are partnering with other nonprofit news organizations.

However, some stakeholders cautioned that broadening CPB's scope without significantly increasing its overall funding could dilute the funding that goes to public broadcast stations and weaken the public media structure because the pool of funding is limited and CPB funding is essential for public broadcast stations.

Some participants also suggested reconsidering the current CPB funding allocation between public television and public radio (currently 75 percent and 25 percent, respectively), given that public television does not provide as much local news programming. Moreover, some participants said this funding formula may no longer make sense given that many radio and television stations are now multi-platform organizations and the distinction between them has become less clear.⁹⁸ However, modifying the funding allocation for radio and television would require statutory changes.

Other direct government funding. Providing federal grants or loans to nonprofit news organizations was also suggested during the workshop. One participant suggested a government program that matches funds that local nonprofit news organizations raise from their communities, similar to *NewsMatch*, a private sector program that provides foundation support to nonprofit journalism.

Several stakeholders suggested targeted government funding to support local journalism in underserved communities that may be under-reported by local newsrooms. An expert in journalism policy cited the example of the New Jersey Civic Information Consortium, a nonprofit organization that receives public funding for improving the quantity and quality of civic information in New Jersey communities.⁹⁹ The participant said this

⁹⁸For example, a public radio or television station may also have a news podcast and email newsletter, and it may provide content in several formats, including text, audio, and video.

⁹⁹The New Jersey Civic Information Consortium is an independent nonprofit body that receives public funding it uses to provide grants for news and information projects around New Jersey. The consortium was created by state law in 2018 and received \$500,000 in state government funding in fiscal year 2021.

consortium illustrates how government can effectively provide direct financial resources to local news organizations serving low-income and other underserved communities.¹⁰⁰ Appendix IV provides information on similar funding efforts in selected foreign countries based on our literature review.

Other Policy Options Have Been Proposed to Support Local News Outlets in General

Workshop participants also discussed other potential public policies designed to support local news outlets in general. These policies generally aim to support the economic viability of local news media, but they do not specifically seek to promote public interest journalism or address existing inequities. Appendix V provides more information on selected federal agencies' roles and current federal laws related to local journalism.

Tax Credits

One policy option is for the government to support local journalism by offering federal tax credits. Such tax credits could be in the form of payroll tax credits for local news organizations, subscription tax credits for consumers, or tax credits for small businesses to advertise with local news outlets. Some workshop participants said tax credits, depending on their design, could eliminate the direct link between the government and local news organizations and could apply to all types of news content and media platforms.¹⁰¹

As noted above, proposals to increase tax benefits should be carefully scrutinized.¹⁰² Moreover, some participants noted that tax credits would have a limited impact on promoting public interest journalism or addressing inequities in news provision and consumption if they were available to all media organizations, including commercial television

¹⁰⁰The participant noted controls the consortium has in place to prevent editorial interference from the state government. For example, the consortium has its own staff to manage the fund and a board of directors to approve grants and set strategic priorities. To help ensure transparency and accountability, the consortium issues regular reports about its work and how it spends its money. The organization is also required to host public hearings across the state to gather input from communities about the consortium's funding priorities.

¹⁰¹The Local Journalism Sustainability Act would allow local newspaper employers to receive payroll tax credits and individuals and businesses to receive tax credits for supporting local newspapers and media. Portions of this bill have been incorporated into the House-passed Build Back Better Act. See the Local Journalism Sustainability Act, H.R. 3940; S. 2434, 117th Cong. (2021) and the Build Back Better Act, H.R. 5376, 117th Cong. § 138517 (2021).

¹⁰²See, for example, [GAO-13-167SP](#).

broadcasters and newspapers owned by hedge funds. Some participants also said that subscription tax credits for consumers tend to have limited impact because policies aimed at helping local news organizations generate new customers generally do not work as well as policies that help them generate more revenue. This was evident when France's and Canada's use of subscription tax credits did not spur a significant increase in number of subscriptions:

- According to a report commissioned by the Australian Competition and Consumer Commission, France funded 50 percent of the cost of a 1-year newspaper subscription for 18–24 year olds from 2009–2011.¹⁰³ A government review estimated that only 5–8 percent of eligible youth took out a paid subscription during this period.¹⁰⁴ A study evaluating France's subscription tax credits attributed this relatively low number to the fact that most youth likely were satisfied with the free news already available and would not consider a subscription even with a large discount.¹⁰⁵
- Canada provided 595 million Canadian dollars (about \$448 million in U.S. dollars) in government support for journalism in its federal budget of March 2019.¹⁰⁶ According to a report commissioned by the Australian Competition and Consumer Commission and a NiemanLab article, this included a tax credit for news outlets that produced original content, a 15 percent tax credit for individual consumers who purchased digital news subscriptions, and tax deductions for individuals and foundations that donated to nonprofit news sources.¹⁰⁷ A Canadian study found the tax credit for news outlets to be the most successful of the three tax credits. It reported that the subscription tax

¹⁰³Foster and Bunting, "Public Funding of High-Quality Journalism," 10.

¹⁰⁴Ministry of Culture and Communication, Inspector General of Cultural Affairs, M. Balluteau, *Inciter les jeunes à la lecture de la press écrite: Bilan de l'opération 'Mon Journal Offert' et des autres actions aidées sur fonds publics [Encourage Young People to Read the Written Press. Assessment of the Operation "My Newspaper Offered" and Other Actions Supported by Public Funds]*, IGAC Report No. 2012-28 (France: July 2012).

¹⁰⁵See Foster and Bunting, "Public Funding of High-Quality Journalism," 11.

¹⁰⁶Government of Canada, 2019 Budget Plan, "Tax Measures: Supplementary Information," accessed July 6, 2022, <https://www.budget.gc.ca/2019/docs/tm-mf/si-is-en.html>.

¹⁰⁷See Foster and Bunting, "Public Funding of High-Quality Journalism," 38. See also NiemanLab, "Canada Introduces a \$595 Million Package in Support of Journalism" (Nov. 2018), accessed Aug. 5, 2022, <https://www.niemanlab.org/2018/11/canada-introduces-a-595-million-package-in-support-of-journalism/>.

credit did not significantly increase subscriptions and that the foundation tax deduction did not spur much philanthropic support for journalism.¹⁰⁸

Government Support through Advertising

The federal government is among the nation's largest purchasers of advertising, such as for public service announcements.¹⁰⁹ Some workshop participants called for the federal government to channel more of its advertising spending through local news organizations, although they cautioned this may not necessarily support public interest journalism in particular.

Some participants cited New York City's advertising spending initiative as a successful example of channeling more government advertising through local news organizations. In 2019, the city's mayor issued an executive order requiring city agencies, along with the NYC Department of Education, NYC Health and Hospitals, and NYC Housing Authority, to spend at least half of their annual print and digital advertising budgets on community and ethnic media outlets.¹¹⁰ According to the City University of New York's Center for Community Media, these entities spent about 84 percent of their advertising budgets, or about \$10 million, at more than 220 community and ethnic media outlets in fiscal year 2020.

Government Intervention with Respect to Dominant Internet Platforms

Government policies have been proposed or adopted in Europe, Australia, Canada, and the U.S. that aim to make dominant internet platforms pay news media outlets.¹¹¹ The economic logic underlying these policies is redistribution of revenue between dominant internet platforms and news media outlets to alleviate the adverse impact of the market disruption brought by the internet. These policies may help

¹⁰⁸Public Policy Forum, *The Shattered Mirror: 5 Years On: Platforms, Innovation and Local News* (2022), 37.

¹⁰⁹In 2018, we reported that the federal government spent nearly \$1 billion annually on advertising contracts. See GAO, *Federal Advertising: Contracting with Small Disadvantaged Businesses and Those Owned by Minorities and Women Has Increased in Recent Years*, [GAO-18-554](#) (Washington, D.C.: July 17, 2018).

¹¹⁰N.Y. Exec. Order No. 47 (May 22, 2019), <https://www1.nyc.gov/assets/mome/pdf/mayor-executive-order-47.pdf>.

¹¹¹We use the term "dominant internet platforms" to refer to a small number of search engines and social media platforms that have a substantial share of their respective markets.

generate additional revenue for some news outlets but are not designed to specifically promote public interest journalism. Moreover, if not properly designed, these policies could result in some unintended consequences for small publishers, startups, and consumers. (App. VI provides additional information on these policies and their potential effects.)

Underlying these policies is an assumption that the advertising revenue of news publishers has decreased primarily because of dominant internet platforms, and that internet platforms should therefore pay news publishers for the use of their news content.¹¹² In addition, some stakeholders claim that news content is what brings users and advertisers to the platforms.¹¹³ Some news publishers say the platforms benefit from increased advertising revenues when they free-ride on news publishers' headlines and snippets to target advertisements to platform users who are attracted to them. They say this advertising revenue may be at the expense of news publishers because news headlines and snippets may replace some readers' consumption of original news content, potentially reducing publishers' advertising and subscription revenue from the lost audience.

However, the literature and discussions with experts and stakeholders highlighted important considerations related to the claims underlying these policies:

- **Decline in newspaper advertising revenue is the result of the digital transformation of the economy.** As discussed earlier in this report, the internet in general has changed how people consume local news and changed the competitive landscape for local newspapers. The decline in the market dominance of local newspapers and their advertising revenue started before the rise of dominant internet

¹¹²The European Union, Australia, and Canada define publishers' rights to their written news content differently. For more details, see app. VI. For the purpose of this report, we use the phrase "news headlines and snippets" to refer to hyperlinking to news content and short extracts of news content.

¹¹³For example, see *Breaking the News—Journalism, Competition, and the Effects of Market Power on a Free Press Before the Subcomm. On Competition Policy, Antitrust, and Consumer Rights*, 117th Cong. (2022) (testimony of Hal J. Singer, Managing Director, Econ One Research).

platforms.¹¹⁴ As this decline in newspapers' advertising revenue continued, the advertising revenue of dominant internet platforms increased significantly. These platforms primarily generate revenue by creating search engines and social media platforms that people use extensively. They are also able to collect a large amount of data on users and create cheaper and better-targeted advertising.¹¹⁵ While this increased the revenues of the internet platforms, it lowered the advertising rates and further depleted the advertising revenue of newspaper publishers.¹¹⁶

- **News is not what primarily attracts users to the platforms.** Studies do not suggest that news headlines and snippets of news content are what primarily attracts users to dominant internet platforms.¹¹⁷ For example, news queries represent a very small portion of all Google search queries, and news article links constitute

¹¹⁴As previously stated, according to Pew Research Center, advertising revenue for the U.S. newspaper industry started to decline sharply in 2005. See Pew Research Center, *Newspapers Fact Sheet*.

¹¹⁵See, for example, J. Benton, "Australia's Latest Export is Bad Media Policy, and It's Spreading Fast" (NiemanLab, 2022), accessed July 6, 2022, <https://www.niemanlab.org/2022/02/australias-latest-export-is-bad-media-policy-and-its-spreading-fast/>. A stakeholder representing an independent online news outlet said that there are far more places to advertise now and news publishers who used to be supported by advertising revenue cannot continue to rely on that revenue if their products no longer remain attractive to customers.

¹¹⁶As noted above, newspaper groups have filed litigation alleging that anticompetitive conduct by dominant internet platforms has reduced newspapers' advertising revenue. GAO does not take a position or express an opinion on these or other disputed matters currently in litigation.

¹¹⁷Platforms may derive some benefits from increased consumer engagement by having links to news content and then selling advertisements to those consumers, but linking to news content is not critical to their primary business model, according to studies we reviewed and stakeholders we interviewed. See, for example, J. Loan et al., *The Implications of Competition and Market Trends for Media Plurality in New Zealand*, Report for the Ministry for Culture and Heritage (Sapere Research Group, Nov. 2021).

a very small portion of the many sources of content on Facebook, according to company representatives.¹¹⁸

- **Internet platforms can drive traffic to news sites.** Many internet platforms use news publishers' content by linking to their news articles and directing readers to their websites.¹¹⁹ Various stakeholders argue that offering news headlines and snippets creates a "substitution effect" by allowing readers to get the gist of the news without visiting publishers' websites, which may reduce their advertising and subscription revenue.¹²⁰ Others state that internet platforms expand the market by driving readers to news publishers' websites, which may increase their advertising and subscription revenue.¹²¹

Whether dominant internet platforms primarily expand the market by referring web traffic to news publishers or diverting traffic away from them

¹¹⁸News queries represent less than 2 percent of all Google search queries, according to a company representative. See U.S. Copyright Office, *Publishers' Protections Study Roundtable* (Washington, D.C.: Dec. 9, 2021), 36. According to Meta's public filing submitted to the U.S. Copyright Office, while the feed of content varies by user, less than 4 percent of a user's Facebook feed will contain a link to a news story. See Meta, Comments Submitted in Response to U.S. Copyright Office's Notice of Inquiry (Nov. 26, 2021), 2. GAO has not independently verified the information from Google or Meta because of the proprietary nature of the data. A representative from News Media Alliance disputed the number for Google, although the support for the disagreement was not clear. See U.S. Copyright Office, *Publishers' Protections Study Roundtable* (Washington, D.C.: Dec. 9, 2021), 38.

¹¹⁹Publishers sometimes post their news articles in Google's Accelerate Mobile Page format, which allows them to load faster. In these cases, publishers allow Google to copy, store, host, and directly serve their news content to users, according to a News Media Alliance's study. See News Media Alliance, "How Google Abuses Its Position as a Market Dominant Platform to Strong-arm News Publishers and Hurt Journalism," June 18, 2020. Google started to deprioritize this format in 2020 and several large publishers started to test alternatives to it.

¹²⁰News Media Alliance, Comments Submitted in Response to U.S. Copyright Office's Oct. 12, 2021, Notice of Inquiry (Nov. 23, 2021), 2–3; News Corporation, Comments Submitted in Response to U.S. Copyright Office's Oct. 12, 2021, Notice of Inquiry (Nov. 26, 2021), 4–5.

¹²¹For example, Google stated that it drives 24 billion visits to news sites globally each month. See Google, Comments Submitted in Response to U.S. Copyright Office's Oct. 12, 2021, Notice of Inquiry (Nov. 24, 2021), 4. See also J. Calzada and R. Gil, "What Do News Aggregators Do? Evidence from Google News in Spain and Germany," *Marketing Science*, vol. 39, no. 1 (2020): 134–167; L. George and C. Hogendorn, "Local News Online: Aggregators, Geo-Targeting and the Market for Local News," *The Journal of Industrial Economics*, vol. 68, no. 4 (2020), 780.

is an empirical question that remains open for large publishers.¹²² However, for smaller publishers, studies analyzing Spanish copyright law reform in 2014 found that a Google News shutdown in Spain resulted in a decline of traffic to small publishers' websites and a reduction in online advertising revenue.¹²³ Moreover, news publishers have control over the length, content, and appearance of the news headlines and snippets and can opt out from being linked, according to comments Google and Meta submitted to the Library of Congress' U.S. Copyright Office.¹²⁴ But, as noted in the U.S. Copyright Office report, most news publishers have—implicitly or explicitly—recognized the importance of referral traffic from dominant internet platforms and have declined to opt out.¹²⁵

Researchers and stakeholders have cited several important factors they believe should be considered before the government intervenes to require internet platforms to compensate news publishers:¹²⁶

- **Potential effect on publishers' revenue.** If dominant internet platforms were required to compensate news publishers, platforms may choose to reduce or stop providing news headlines and snippets

¹²²For example, one study found that, overall, Google News does not have a strong market expansion or substitution effect for larger publishers, but it is a substitute for the high-revenue landing pages of those outlets. In contrast, Google News does bring additional traffic for small outlets. S. Athey, M. Mobius and J. Pal, "The Impact of Aggregators on Internet News Consumption," NBER working paper, no. 28746 (2021). Another study looked at the longer-term impact of the Google News shutdown in Spain between 2014 and 2019 and found that the loss in traffic was temporary and that overall online traffic increased until 2019. However, this study only looked at the trend of monthly visitors to a few select Spanish news websites, including large news websites, without controlling for any other factors that may have affected the traffic. GAO found this study had significant methodological limitations that rendered the findings unconvincing. See News Media Alliance, *The Effects of the Ancillary Right for News Publishers in Spain and the Resulting Google News Closure* (2019).

¹²³See Calzada and Gil, "What Do News Aggregators Do?" This study found similar results in Germany when it enacted an "ancillary copyright" law for press publishers. See also Athey, Mobius and Pal, "The Impact of Aggregators on Internet News Consumption."

¹²⁴See Google Response to the Notice and Request for Public Comment: United States Copyright Office's Publishers' Protections Study, 86 FR 56721 (Oct. 12, 2021) Docket No. 2021-5, Nov. 24, 2021, at 4. See also Meta, Before the United States Copyright Office, Nov. 26, 2021, In re: Study on Ancillary Copyright Protections for Publishers, Docket No. COLC-2021-0006, 86 FR 56721, at 4, 5.

¹²⁵U.S. Copyright Office, *Copyright Protections for Press Publishers: A Report of the Register of Copyrights* (Washington, D.C.: June 30, 2022), 51.

¹²⁶These factors may also apply to other proposals discussed in this report, but we highlight them in the context of internet platforms.

they include on their sites. As noted earlier, this could reduce traffic directed to news sites, affecting publishers' advertising and subscription revenue. Thus, one would need to weigh the potential negative impact of internet platforms on publishers' revenue against the platforms' positive impact, which is likely to be considerable given that news publishers choose to use the services provided by the platforms.

- **Effectiveness in promoting public interest journalism.** Policymakers should consider whether this intervention would address the potential market failure in public interest journalism, according to some stakeholders.
- **Potential unintended consequences for small publishers and consumers.** Various stakeholders said policymakers should also consider the potential disparate impact on smaller news publishers or the potential effect on consumers. For example, a representative of a small news publisher said that requiring dominant internet platforms to compensate publishers could result in platforms reducing or no longer providing news headlines and snippets. This would create barriers for small news outlets to reach their audiences, thereby affecting their advertising and subscription revenue, according to the representative. Moreover, she said any deals by the platforms would be done with large news outlets and small outlets might not benefit. Studies also found that these policies may negatively affect consumers by reducing their news consumption.¹²⁷
- **Extent to which the issue lies with dominant internet platforms.** Various participants said that dominant search engines and social media platforms are likely not the primary challenges facing local news in the digital era. In addition, some stakeholders noted that, as discussed earlier, some of these platforms have invested money and initiated programs to support local journalism.

Agency Comments

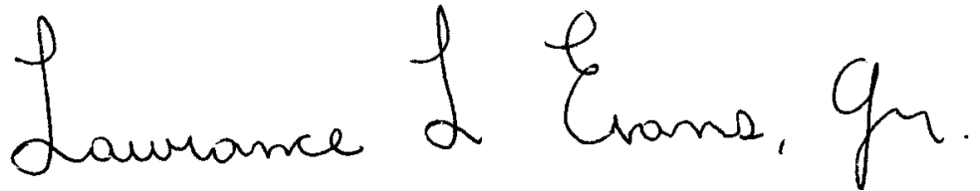
We provided a draft of this report to the Corporation for Public Broadcasting, Department of Commerce's National Telecommunications and Information Administration, Department of Justice, Department of the Treasury, Federal Communications Commission, and Federal Trade Commission. All agencies provided technical comments, which we have incorporated, as appropriate.

¹²⁷See Calzada and Gil, "What Do News Aggregators Do?" See also Athey, Mobius and Pal, "The Impact of Aggregators on Internet News Consumption."

We are sending copies of this report to the President and Chief Executive Officer of the Corporation for Public Broadcasting, the Secretary of Commerce, the Attorney General, the Secretary of the Treasury, the Chairwoman of the Federal Communications Commission, the Chair of the Federal Trade Commission, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact Lawrance L. Evans Jr., at 202-512-4802 or EvansL@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in Appendix IX.

Sincerely yours,

A handwritten signature in black ink that reads "Lawrance L. Evans, Jr." The signature is written in a cursive style with a period at the end.

Lawrance L. Evans Jr.
Managing Director, Applied Research and Methods

Appendix I: Objectives, Scope, and Methodology

This report examines (1) factors affecting the viability of local news outlets, (2) strategies local news outlets have adopted to adapt to the new environment, and (3) public policy responses that have been proposed for enhancing the viability of local journalism. To address these objectives, we conducted a literature review, analyzed results from a GAO workshop of experts and stakeholders, and interviewed federal agency officials and other knowledgeable stakeholders and experts. The information on foreign laws and regulations in this report is based on secondary sources and interviews and does not necessarily reflect our independent legal analysis.

Literature Review

To inform our understanding of issues related to local journalism, we conducted a literature search. We started our search using general internet searches and snowball sampling, and further augmented it with studies identified by knowledgeable agency officials, experts we interviewed, and participants of our February 2022 workshop (described below). In addition, GAO research librarians searched various databases and platforms, including ProQuest, Scopus, Dialog, and EBSCO for relevant academic articles published between 2011 and 2021. Our literature review comprised peer-reviewed academic publications, conference papers, government reports, legislative materials, and publications by experts and stakeholders.

We identified over 160 publications that we considered potentially relevant to our research questions, and we assessed their methodological rigor. For those publications, we followed a two-step process:

1. First, one economist reviewed the title and abstract of each publication and made an initial assessment of the relevance of the study to the topic. If relevant, the economist reviewed the study in depth to assess its quality against minimum standards to ensure the data and methodology were sufficient to support key findings and also identified relevant assumptions and limitations;
2. Second, the economist presented the publication to the team of GAO economists who collectively determined whether they agreed with the initial reviewer's quality assessment and the publication's inclusion in our final review.

As a result, we determined that 126 articles were relevant and met minimum quality standards. We reviewed these articles and used them to address our research objectives, while acknowledging any appropriate context and limitations.

Workshop

On February 9–10, 2022, we convened a 2-day virtual workshop of 40 participants from varied sectoral and professional affiliations to discuss our three research objectives. We initially identified over 130 participants from our literature review and preliminary interviews with experts and agency officials. We reviewed and discussed each potential workshop participant against our criteria to ensure our selection represented a wide range of experience and diverse demographic backgrounds. Our criteria included participants' professional affiliation, demographic characteristics, and area of expertise, such as business models, policies and regulation, internet platforms, international perspective, urban and suburban focus, and racial and ethnic issues, among others.

In addition, we administered a questionnaire to 39 potential participants to identify their relevant expertise on various topics and their availability. Discussion topics in our pre-workshop questionnaire included benefits and costs of local journalism to society and factors that affect its viability; current and potential public policies to support local news media; and potential and adopted business strategies to improve the viability of local news. Thirty-six of the 39 participants completed the questionnaire. We finalized our workshop agenda based on their responses.

Our selected workshop participants came from a variety of backgrounds, including academics from schools of journalism, social scientists, economists, legal scholars, independent and affiliated journalists, producers and publishers of large and small newspapers, and representatives of nongovernmental organizations, community organizations, trade associations, and technology companies. Participants had diverse demographic backgrounds and represented a variety of perspectives based on their different areas of expertise. These areas included issues of underserved and underrepresented populations, urban and rural issues, access to digital information, internet platforms, news deserts, consumer demand, types of distribution, policies and regulations, business models, trends, specific geographic area, and international focus.

A GAO methodologist with experience in conducting panel discussions facilitated the workshop. The workshop included six 2-hour sessions, with 15–20 participants in each session. Some participants were invited to join multiple sessions based on their expertise and availability.¹ The

¹Google and Meta each sent a total of two representatives who participated in different sessions of the workshop to ensure participation when their expertise was relevant. Google and Meta each sent one participant to any given session.

discussions were recorded and transcribed to ensure that we accurately captured participants' statements. We analyzed the workshop transcripts to identify common themes and key statements from participants. In addition, we downloaded and reviewed about 130 references provided by the workshop participants during and after the discussion. The references included links to websites, articles, books, and written responses to the questions raised during the discussion. There was a small overlap between the literature we identified through our literature search and the information provided by the workshop participants.

We did not poll workshop participants or take votes on priority rankings of business strategies or public policies discussed during the workshop. Consequently, we do not provide counts or otherwise quantify the number of workshop participants agreeing to a strategy or a policy. Further, since workshop participants were generating and discussing ideas as part of a free-flowing group discussion, the number of times a concept was (or was not) repeated does not necessarily indicate the level of consensus on that concept. Throughout the report:

- The term “some participants” generally indicates that more than one participant made a statement supporting a general point, and the views by others in support of the point were relatively uniform.
- The term “various participants” generally means (1) we are aware that there was no evidence of a full agreement or consensus on the topics discussed, and (2) multiple participants made slightly different points that went to the larger point(s) we reported.

Appendixes VII and VIII provide a list of the names and affiliations of the 40 participants and the agenda of the workshop.

Interviews

We interviewed officials from: the Federal Communications Commission, Department of Commerce's National Telecommunications and Information Administration, Department of Justice, Federal Trade Commission, and Corporation for Public Broadcasting regarding their roles in supporting local journalism and implementing current and proposed laws and regulations. In addition, we interviewed officials from the Department of the Treasury to inform our presentation of business models and policy options generated from the workshop. We also interviewed officials from the Library of Congress' U.S. Copyright Office regarding its study on ancillary copyright protections for publishers.

To obtain additional perspectives on the economic viability of local journalism, we interviewed 10 academic and industry experts,

representatives from an internet platform, and representatives from two industry associations (Local Independent Online News Publishers and Local Media Association).

Throughout the report, the terms “experts” and “stakeholders” generally refer either to people we interviewed outside the workshop or authors of articles included in our literature review. The policy options and business approaches expressed in this report reflect the ideas and opinions of one or more of these experts and stakeholders, as well as our workshop participants, and not those of GAO.

Understanding several key limitations and qualifications may help readers contextualize this report’s findings. First, the individuals participating in the 2-day workshop may not have been representative of all potential stakeholders. However, the mix of qualitative methods we used for this report allowed us to corroborate findings from key relevant sources we identified. Specifically, our literature review, which covered a wide range of views and issues, and our extensive interviews with additional experts provided a portfolio of quality information to support our findings. Second, even though our methodological approach ensured we heard from a diverse set of experts and stakeholders, the views we assembled reflected only the available evidence, which will continue to grow as the body of analytically rigorous research grows. For example, factors, strategies, and policies identified may be limited in their comprehensiveness; may represent only those considered by the identified experts, stakeholders, and literature; and may not be reflective of matters deemed important in the future. These limitations and qualifications provided contextual boundaries to our qualitative evidence.

We conducted this performance audit from September 2021 to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Examples of Strategic Partnerships and Collaborations among Local News Organizations

Many local news organizations have established strategic partnerships and collaborations as a strategy for improving their viability and meeting the information needs of local communities. These partnerships and collaborations vary in terms of their geographic scope and the types of entities involved. Some of these collaborations have been temporary, while others are permanent and institutionalized.

Partnerships Have Occurred across Different Geographic Boundaries

Partnerships among news organizations have included local-national, local-local, and interstate partnerships.

Local-national partnerships involve local partners that provide local reporting and national partners that provide access to such things as donor funding, technical assistance, and guidance on promising business practices. For example, Report for America is a national service program that has placed more than 60 reporters in local newsrooms across the country to report on underreported issues and communities. A combination of funding from Report for America, the local news organization, and local philanthropy and institutional support pays the salary for each reporter. Report for America says it is able to attract funding from national philanthropies that cannot or may not want to judge individual local publications on a case-by-case basis. Examples of other local-national partnerships include the Solutions Journalism Network and the *American Journalism Project*.¹

Local-local partnerships can include collaborations between two or more newsrooms, between a community organization and a newsroom, or among news organizations and local content creators (such as street photographers or radio show hosts). For example, WHYY, a public media outlet in the Philadelphia region, established the News & Information Community Exchange, a mutual aid journalism collaborative funded by the Knight-Lenfest Local News Transformation Fund. It seeks to develop and share ideas about revenue models, platforms, and approaches with local media outlets and content creators. The Solving for Chicago News Collaborative consists of about 20 print, digital, and broadcast newsrooms that coordinate stories and share resources and end products.

Interstate collaborations include the New York and Michigan Solutions Journalism Collaborative, which consists of 26 news organizations and six academic and community organizations. Its goal is to provide

¹Solutions Journalism Network is a nonprofit organization that advocates for solution-based journalism. American Journalism Project is a venture philanthropy dedicated to nonprofit local news.

coverage of chronic problems, and its first project reported on the challenges that caregivers and older adults experience.

Collaborations Can Involve Many Different Types of Entities

Local news organizations have collaborated with many different types of entities, including other news organizations, nonprofits (such as civic and media groups), and universities. The collaborating news organizations have included newspapers and other publications, television and radio stations, and digital-only media outlets.²

Collaborations among public media outlets. Public media radio and television stations across the country work with local partners on various news initiatives. The Ohio Valley ReSource is a journalism collaboration led by Louisville Public Media with station partners across Kentucky, Ohio, and West Virginia. America Amplified is an initiative that provides central resources for 20 small and medium-sized public media stations across the country.

Collaborations with nonprofits. Some media outlets collaborate with nonprofit organizations. For example, California Dream, which focuses on issues of inequality, is a statewide nonprofit media collaboration among four public media stations and CalMatters, a nonprofit news organization.³ The Granite State News Collaborative is a collective of about 20 local media, education, and community organizations that produce and share news stories on issues affecting New Hampshire.

Collaborations with universities. News organizations have also established partnerships with colleges and universities. For example, Arizona PBS has partnered with the Walter Cronkite School of Journalism and Mass Communication at Arizona State University to cover state legislative affairs and news out of Navajo Nation, among other issues. In addition, the University of Florida's Innovation News Center collaborates with public media station WUFT on Fresh Take Florida, a statehouse

²A study that categorized different of models of journalistic collaborations described models where (1) partners create content separately and share it, (2) partners work together to create content, and (3) partners share content, data, or resources at the organizational level. It noted that each of these models can be temporary (one-time) or ongoing (open-ended). Sarah Stonbely, "Comparing Models of Collaborative Journalism," (Montclair, NJ: The Center for Cooperative Media, School of Communication and Media, Montclair State University, Sept. 2017).

³This collaboration has allowed the coverage to be picked up across the state through CALMatters media partners.

Appendix II: Examples of Strategic Partnerships and Collaborations among Local News Organizations

news service that distributes stories to other Florida public media stations and to national press outlets.

Collaborations among different media types. Some news collaborations span different types of media. For example, the 68 participants of the Chicago Independent Media Alliance include traditional print newspapers, independently produced podcasts, video production studios, and nonprofit newsrooms.

Appendix III: Examples of Programs Designed to Help Local News Organizations Adapt to Digital Transformation

The American Journalism Project is a venture philanthropy that makes grants to nonprofit news organizations and provides them with capacity-building resources and supports. These include workshops to improve fundraising capabilities, access to financial management advisors, talent recruitment support, and coaching on diversity, equity, and inclusion. The project also has an incubation program that partners with community groups and funders to launch new news organizations.

Texas Tribune Revenue Lab (RevLab) is a training and innovation center within the Texas Tribune, which is a statewide, nonprofit news organization based in Austin, Texas. It aims to leverage lessons learned to help newsrooms develop revenue-generating best practices and experiment with new revenue-generating products and processes that it can test locally and share at no cost.

News Catalyst is a program based at Temple University's Klein College of Media and Communication whose goal is to help news organizations transform into sustainable digital businesses. It says it accomplishes this by providing news organizations with tools, technology, training, and support and expertise, with a focus that includes product development, data, analytics, and digital storytelling.

Local Independent Online News Publishers learning programs has a mission to provide teaching, resources, and "community" to independent news entrepreneurs as they build and develop sustainable businesses. Local Independent Online News Publishers is a professional journalism association for independent news publishers, and most of its 400 members run local news businesses. It has published a guide to launching a digital news startup. It also sponsors training programs, including an 8-week program designed to help aspiring founders launch news businesses and a 6-month startup lab designed to help publishers improve operational and financial sustainability. Its Project Oasis includes a database of locally focused digital news publications in the U.S. and Canada, as well as analysis about these organizations.

The Meta Journalism Project Accelerator Program is a global program of the technology company Meta, which owns Facebook and other social media applications. According to Meta, the program's main goal is to accelerate the speed at which publishers can test, learn, and implement best practices in adapting to digital transformation. The program provides coaching and stipends for publishers focused on revenue growth and digital business transformation. The program also offers tools that help publishers authenticate users who have linked to a news website from

Appendix III: Examples of Programs Designed to Help Local News Organizations Adapt to Digital Transformation

Facebook, which allows users to return to the news website without having to log in again.

The Google News Initiative, created by Google in 2018, funds training programs and tools for news providers. Its stated goals are to advance the practice and quality of journalism, build a collaborative news community, and help publishers adapt to digital transformation. During the COVID-19 pandemic, Google provided an emergency fund of \$40 million to 6,000 local news operations in the U.S. and other countries, and it has funded additional research grants of \$3 million–\$5 million intended to help news organizations better understand local communities.

Appendix IV: Selected Examples of Government Funding in Other Countries to Support Local Journalism

Several other countries provide direct government funding to support local journalism. Below are selected examples from our literature review.

Canada’s Local Journalism Initiative, launched by the Government of Canada in 2019, is a 5-year project in which the national government is providing 50 million Canadian dollars (about \$38 million in U.S. dollars) to support the hiring of reporters to cover civic journalism in underserved communities, according to the initiative’s website and a government press release.¹ A Canadian study analyzing the initiative’s impact found that for the fiscal year ending in 2021, the Local Journalism Initiative maintained employment and supported the hiring of 435 journalists in 386 media organizations.² The study also identified some areas of improvement. For example, it said the existing funding structure imposed some administrative burden on smaller organizations and may have prioritized volume over quality.

New Zealand’s Public Interest Journalism Fund is providing national government funding of 55 million New Zealand dollars (about \$39 million in U.S. dollars) for years 2021–2023.³ The fund is administered by NZ on Air (the national broadcasting commission) to help New Zealand’s media industry keep citizens informed, according to a report commissioned by the New Zealand government.⁴ New Zealand also launched the Local Democracy Reporting program with 1 million New Zealand dollars (about

¹According to Government of Canada’s website, civic journalism covers subjects of public importance to society or activities of the country’s civic institutions, such as courthouses, city halls, school boards, federal Parliament, and provincial legislatures. Government of Canada, “Glossary of terms: Local Journalism Initiative,” accessed July 6, 2022, <https://www.canada.ca/en/canadian-heritage/services/funding/local-journalism-initiative/glossary.html#a1>.

²Public Policy Forum, *The Shattered Mirror: 5 Years On: Platforms, Innovation and Local News* (2022), 20.

³New Zealand Ministry for Culture & Heritage, “Public Interest Journalism Fund,” accessed July 13, 2022, <https://mch.govt.nz/media-sector-support/journalism-fund>.

⁴See J. Loan et al., *The Implications of Competition and Market Trends for Media Plurality in New Zealand*, Report for the Ministry for Culture and Heritage (Sapere Research Group, Nov. 2021). The funding is allocated in three ways: (1) project funding, which is for tightly defined projects delivered by a deadline, (2) role-based funding, which supports newsrooms for the employment of reporters and is tied to content outcomes that support the production of public interest journalism, and (3) industry development funding, which includes training and cadetships. According to NZ on Air’s website, the fund is open to all New Zealand media entities, including large organizations, small, local entities, and Māori, Pacific, and ethnic media. <https://www.nzonair.govt.nz/funding/journalism-funding/>, accessed July 28, 2022.

\$0.7 million in U.S. dollars) in 2019. The report noted that the program seeks to address a “democracy deficit” arising from cutbacks in the number of news reporters.⁵ Radio New Zealand administers the program, which publicly funds 20 reporters around the country to report exclusively on stories about publicly appointed or elected officials or bodies. The report also stated that reporters are directly employed by news firms but their content is made available to all New Zealand media partners at no charge.⁶

France’s Support Fund for Local Social Information Media, established by France’s Ministry of Culture in 2016, is an annual grant to financially support the development of locally based media. According to the Ministry of Culture’s website, with a budget of €1.83 million (about \$2.2 million in U.S. dollars) in 2021, the fund has supported 152 media outlets.⁷ France also has a separate fund to support the pluralism of regional and local periodicals. According to the Ministry of Culture’s website, the fund was originally created in 1996 to promote circulation of regional press titles for political and general information, which is essential for the pluralism of expression and the cohesion of the economic and social fabric.⁸ In 2021, the fund benefited approximately 250 regional and local press publications through a total amount of €1,470,000 (about \$1.7 million in U.S. dollars), according to the Ministry of Culture’s website.⁹

⁵Loan et al., *The Implications of Competition and Market Trends for Media Plurality in New Zealand*, 45.

⁶Loan et al., *The Implications of Competition and Market Trends for Media Plurality in New Zealand*, 45.

⁷See Ministère de la Culture, “Support fund for local social information media,” accessed July 28, 2022, <https://www.culture.gouv.fr/en/Demarches-en-ligne/Par-type-de-demarche/Appels-a-projets-candidatures/Fonds-de-soutien-aux-medias-d-information-sociale-de-proximite>. Local social information media is defined as press publications, online press services, or other electronic communication services to the public that put online content of general interest renewed regularly and are subject to journalistic treatment.

⁸See Ministère de la Culture, “Support for the pluralism of regional and local periodicals,” accessed July 28, 2022, <https://www.culture.gouv.fr/en/Thematiques/Presse/Aides-a-la-Presses/L-aide-au-pluralisme-de-la-presse-periodique-regionale-et-locale>.

⁹See Ministère de la Culture, “Support for the pluralism of regional and local periodicals.”

Appendix V: Selected Federal Agencies’ Roles and Current Federal Laws Related to Local Journalism

Roles of Selected Federal Agencies with Regard to Local Journalism

Several federal agencies have funding, regulatory, or administrative roles that directly or indirectly affect local journalism.

Federal Communications Commission

The Federal Communications Commission (FCC) has authority to regulate broadcast media in the public interest.¹ FCC, however, does not regulate print media. Accordingly, FCC has policy goals to promote the public interest by encouraging diversity, competition, and localism in the media, and requires broadcast licensees to meet public interest obligations.²

To promote localism, FCC gives local applicants for noncommercial services more points when issuing a construction permit for a new broadcast station under FCC’s point system selection process, which is required by law before a broadcast station obtains a license.³ For example, the noncommercial education station point system awards a maximum of seven merit points. Three points are awarded to applicants that certify that they have been local and established for at least 2 years immediately prior to the filing of their application.⁴ In 2000, FCC created

¹See, for example, 47 U.S.C. §§ 303, and 307. See also *FCC v. Prometheus Radio Project*, 141 S. Ct. 1150, 1151 (2021).

²See, for example, Federal Communications Commission, *2002 Biennial Regulatory Review: Review of the Commission’s Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996*, 17 FCC Rcd. 18503 (2002). The review states: “In conducting this reassessment of our broadcast ownership regulatory framework, we must clearly define our objectives as we strive to promote the public interest. The Commission’s ownership policies traditionally have focused on advancing three broadly defined goals: (1) diversity, (2) competition, and (3) localism.” Federal Communications Commission, *2002 Biennial Regulatory Review: Review of the Commission’s Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996*, 67 Fed. Reg. 65,751, 65,752 (Oct. 28, 2002) (codified at 47 C.F.R. pt. 73). See also Federal Communications Commission, *FCC Strategic Plan for Fiscal Years 2022–2026*, 2022 WL 990509 (Jan. 1, 2022), 2. See also GAO, *Media Ownership: FCC Should Review the Effects of Broadcaster Agreements on Its Media Policy Goals*, [GAO-14-558](#) (Washington, D.C.: July 28, 2014); and *Local Media Advertising: FCC Should Take Action to Ensure Television Stations Publicly File Advertising Agreements*, [GAO-16-349](#) (Washington, D.C.: Apr. 11, 2016).

³Under 47 U.S.C. § 319, “No license shall be issued under the authority of this chapter for the operation of any station unless a permit for its construction has been granted by the Commission.” 47 U.S.C. § 319; see also 47 C.F.R. § 73.7003 (Point system selection procedures).

⁴47 C.F.R. § 73.7003 (Point system selection procedures).

the low-power FM (LPFM) category of radio stations, with the goal of providing programming responsive to local community needs and interest.⁵

FCC also seeks to promote localism and competition with its broadcast media ownership rules. In 2017, FCC eliminated the radio/television cross-ownership rule and the newspaper/broadcast cross-ownership rule.⁶ According to a report by Congressional Research Service, FCC determined that repealing the rules could promote localism by enabling local news outlets to achieve efficiencies by combining resources needed to gather, report, and disseminate local news and information.⁷ In April 2021, the U.S. Supreme Court upheld FCC's decision to repeal or modify its existing ownership rules.⁸

FCC has several programs to increase broadband deployment throughout the nation, which could improve access to digital news outlets for local

⁵Creation of Low Power Radio Service, Report and Order, 15 FCC Rcd. 2205 (2000).

⁶2014 Quadrennial Regulatory Review, Order on Reconsideration and Notice of Proposed Rulemaking, 32 FCC Rcd. 9802, 9803 (2017). The radio/television cross-ownership rule previously restricted the common ownership of broadcast radio and television stations located in the same market. The newspaper/broadcast cross-ownership rule previously prohibited common ownership of a full-power broadcast station and a daily newspaper if the station's contour completely encompassed the newspaper's city of publication and the station and newspaper were in the same relevant Nielsen market. FCC also revised the Local Television Ownership rule to eliminate the requirement that at least eight independently owned television stations must remain in the market after combining ownership of two stations in a market. FCC also established an incubator program in 2017, under which an established radio broadcaster is to provide financial and operational support, including training and mentoring, to a new or small radio broadcaster. At the end of a successful incubation relationship, the new or small broadcaster will either own and operate a new station independently, or be on a firmer financial footing.

⁷Congressional Research Service, *Federal Communications Commission (FCC) Media Ownership Rules* (Washington, D.C.: 2021), 24.

⁸The unanimous Court found that FCC has broad authority to regulate broadcast media "as public convenience, interest, or necessity requires." The Court held that the agency considered evidence in the record and reasonably concluded that the ownership rules at issue were no longer necessary to serve the agency's public interest goals of competition, localism, and viewpoint diversity, and that the rule changes were not likely to harm minority and female ownership. The Court said that FCC acknowledged gaps in data, and noted that despite requesting such data that there might be such harm, it received no such data. The Court further held that because its decision was based on the record and was reasonable, its decision to repeal or modify three of its rules was not arbitrary or capricious for purposes of the Administrative Procedure Act. *FCC v. Prometheus Radio Project*, 141 S. Ct. 1150, 1151 (2021).

consumers.⁹ For example, FCC's Universal Service High-Cost programs, including \$20.4 billion from the Rural Digital Opportunity Fund and \$1.49 billion from the Connect America Fund Phase II Auction, are used to bring connectivity to consumers in areas with limited access to broadband. In 2021, FCC also launched the \$3.2 billion Emergency Broadband Benefit and its successor, the \$14 billion Affordable Connectivity Program, to address broadband affordability.¹⁰

There is a statutory requirement that certain television broadcast licensees meet public interest obligations.¹¹ FCC also has some statutory requirements for locally produced programming for television, and previously had ascertainment requirements and directed broadcasters to comply with detailed procedures for determining the problems, needs, and interests of their communities, but these requirements were rescinded in the early 1980s.¹² At present, FCC does not set benchmarks for what constitutes public interest programming, instead allowing broadcast stations to fulfil their public interest obligations themselves. Some media advocates and other stakeholders have suggested that FCC

⁹The U.S. Department of Agriculture's Rural Utilities Service also promotes broadband through funding deployment for rural communities with limited broadband access, such as through the Community Connect Grant Program, Rural Broadband Program, Telecommunications Infrastructure Program, and Rural eConnectivity Program.

¹⁰The authority for the Emergency Broadband Benefit Program is the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. N, tit. IX, § 904, 134 Stat. 1182, 2129 (2020). The authority for the Affordable Connectivity Program is the Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, div. F, tit. V, § 60502, 135 Stat. 429, 1238 (2021). The Infrastructure Investment and Jobs Act appropriated an additional \$14.2 billion for the Affordable Connectivity Program, Pub. L. No. 117-58, div. J, tit. IV, 135 Stat. 429, 1382 (2021).

¹¹47 U.S.C. § 336(d).

¹²For ascertainment requirement, see generally, Primer on Ascertainment of Community Problems by Broadcast Applicants, Report and Order, 27 F.C.C. 2d 650 (1971); Ascertainment of Community Problems by Broadcast Applicants, First Report and Order, 57 F.C.C. 2d 418, 442 (1976) ("Renewal Primer"). For elimination of this requirement, see Deregulation of Radio, Report and Order, 84 F.C.C.2d 968, 997-98 (1981) ("Radio Deregulation Order"); Revision of Programming and Commercialization Policies, Ascertainment Requirements and Program Log Requirements for Commercial Television Stations, Report and Order, 98 F.C.C. 2d 1075, 1099 (1984) ("Commercial Television Deregulation Order"). Class A television stations are required to produce 3 hours per week of locally produced programming. 47 U.S.C. § 336(f)(1)(A)(ii); 47 CFR § 73.6001(b). There is no such corresponding requirement for other broadcast services (such as AM and FM stations, or other full-power television stations). Additionally, in the points system for construction permits for new low power FM stations, a point is awarded to applicants that pledges to provide 8 hours per day of locally produced programming. 47 C.F.R. § 73.872.

**National Telecommunications
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take a more active role to ensure stations serve the public interest.¹³ FCC staff we interviewed explained that because of the First Amendment and Section 326 of the Communications Act of 1934, as amended, FCC largely allows stations discretion to fulfill their public interest obligations.¹⁴

Housed in the Department of Commerce, the National Telecommunications and Information Administration (NTIA) has a role in improving broadband infrastructure and providing access to digital news outlets for local consumers. In 2021, NTIA received an appropriation of \$42.45 billion to award grants through the Broadband Equity, Access, and Deployment Program for states, the District of Columbia, and territories such as Puerto Rico to use for broadband deployment, mapping, and adoption projects.¹⁵ NTIA also established the Enabling Middle Mile Broadband Infrastructure Program, which was appropriated \$1 billion for the construction, improvement, or acquisition of middle-mile infrastructure, with the goal of reducing the cost of connecting unserved and underserved areas to the internet backbone.¹⁶

NTIA also administers the Tribal Broadband Connectivity Program, which provides grants to tribal governments and other eligible entities to expand access to and adoption of (1) broadband service on tribal lands or (2) remote learning, telework, or telehealth resources. The program was initially appropriated \$1 billion, and the Infrastructure Investment and Jobs Act subsequently provided an additional \$2 billion.¹⁷

¹³For example, see PEN America, *Losing the News: The Decimation of Local Journalism and the Search for Solutions* (New York, NY: 2019), 62.

¹⁴U.S. Const. amend. I, and 47 U.S.C. § 326. GAO has not independently evaluated whether this would be a constitutional exercise of powers, and does not take a position on it.

¹⁵Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, div. J, tit. II, 135 Stat. at 1353 (2021).

¹⁶Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, div. J, tit. II, 135 Stat. at 1355 (2021). According to NTIA, the internet backbone is comprised of interconnected networks that transmit data between and across countries and continents. See, U.S. Department of Commerce's NTIA, *Broadband Network Deployment Engineering – An Overview* (Mar. 2022).

¹⁷Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. N, tit. IX, § 905(b), 134 Stat. 1182, 2138 (2020). Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, div. J, tit. II - 135 Stat. at 1353–54 (2021).

The Infrastructure Investment and Jobs Act provided \$2.75 billion to NTIA to establish three grant programs that promote digital inclusion and equity.¹⁸ NTIA also manages two additional broadband grant programs funded by the Consolidated Appropriations Act, 2021:

- The Broadband Infrastructure Program, which was appropriated \$300 million, provides grants to partnerships between a state, or one or more political subdivisions of a state, and providers of fixed broadband service to support broadband infrastructure deployment to areas lacking broadband, especially rural areas.¹⁹ In a notice of funding opportunity issued in 2021, NTIA said it would make up to \$288 million available for federal assistance under the program.²⁰
- The Connecting Minority Communities Pilot Program, which was appropriated \$285 million, provides grants to Historically Black Colleges and Universities, Tribal Colleges and Universities, and Minority-Serving Institutions for the purchase of broadband internet access service and eligible equipment or to hire and train information technology personnel.²¹ In a notice of funding opportunity issued in 2021, NTIA said it would make up to \$268 million available for federal assistance under the program.²²

Department of Justice and
Federal Trade Commission

The Department of Justice (DOJ) reviews applications and determines whether to approve joint operating agreements for newspapers. Federal

¹⁸The Digital Equity Act of 2021 was included as part of the Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, div. F, tit. III, 135 Stat. at 1209–1231 (2021). See also, U.S. Department of Commerce's NTIA, Infrastructure Investment and Jobs Act Implementation, 87 Fed. Reg. 1122 (Jan. 10, 2022).

¹⁹Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. N, tit. IX, § 905, 134 Stat. at 2138 (2020).

²⁰Notice of Funding Opportunity, accessed July 13, 2022, https://broadbandusa.ntia.doc.gov/sites/default/files/2021-05/NTIA%20Broadband%20Infrastructure%20Grant%20Program%20NOFO.Final_.pdf.

²¹Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. N, tit. IX, § 902(c), 134 Stat. 2125 (2020).

²²Notice of Funding Opportunity, Aug. 3, 2021, accessed July 13, 2022, <https://broadbandusa.ntia.doc.gov/sites/default/files/2021-11/CMC%20Pilot%20Program%20NOFO%20Amendment%20%2811-9-2021%29.pdf>.

**Appendix V: Selected Federal Agencies' Roles
and Current Federal Laws Related to Local
Journalism**

law allows two newspapers to apply for a joint operating agreement to merge their commercial, but not newsgathering, operations.²³

DOJ and the Federal Trade Commission (FTC) share roles for enforcing merger reviews and reviews of anticompetitive conduct.²⁴ Some stakeholders have suggested DOJ and FTC play a more active role in addressing concerns about the acquisitions of local newspapers by hedge funds and their effect on local journalism. However, ownership changes that do not result in a reduction of the number of competitors, which is the case for a hedge fund's acquisition of a local newspaper, typically do not pose antitrust concerns, according to DOJ staff. To date, according to DOJ, its enforcement efforts in the newspaper industry have focused on acquisitions or mergers that affect the number of competitors at a local level and that have the potential to negatively affect consumers and advertisers.²⁵

²³The Newspaper Preservation Act of 1970, 15 U.S.C. §§ 1801-04. According to DOJ staff we interviewed, joint operating agreements may have perverse incentives from an economic perspective. They said that when there is one dominant newspaper (in terms of circulation) and a competing newspaper, the dominant newspaper may have no incentive to split the markets and profits with its competitor. They said the incentive may exist only when two newspapers are fierce competitors and are on equal footing. However, in this case, the relationship may be unstable.

²⁴The statutory provisions that outline the federal government's role in antitrust enforcement include the Sherman Antitrust Act, July 2, 1890, c. 647, 26 Stat. 209 (codified as amended at 15 U.S.C. §§ 1 et seq.) (Sherman Act); the Clayton Act, Oct. 15, 1914, c. 323, 38 Stat. 730 (codified as amended at 15 U.S.C. §§ 12-27 as amended); and the Federal Trade Commission Act, Sept. 26, 1914, c. 311, 38 Stat. 717 (codified as amended at 15 U.S.C. §§ 41-58, as amended.) The Federal Trade Commission derives its investigative, enforcement, and rulemaking responsibilities from a wide range of additional statutes.

²⁵For example, DOJ filed a complaint against Tribune Publishing Company, the owner of *Los Angeles Times*, when it tried to acquire the *Orange County Register*, which was owned by Freedom Communications, Inc. The United States alleged that this acquisition would result in Tribune Publishing owning the four local daily newspapers with the highest circulation in Southern California, which would allow it to increase subscription prices and advertising rates to businesses targeting readers in those areas, among other harmful effects. Complaint at 1, *United States v. Tribune Publ'g Co.*, No. 2:16-cv-01822-AB (PJWx) (C.D.Cal. 2016) (alleging acquisition would substantially lessen competition in violation of Section 7 of the Clayton Act). The court issued a temporary restraining order stopping the Tribune from finalizing its acquisition of Freedom Communications and the *Orange County Register*, but the United States later dismissed its suit after the assets were instead sold to MediaNews Group rather than Tribune Publishing.

Selected Current Federal
Laws Related to Local
Journalism

Selected federal laws related to local journalism include the following:

- **39 U.S.C. § 3626** requires that the U.S. Postal Service set postage rates reflecting preferred status for certain periodicals and newspapers. Since the 1960s, the postage rate subsidies provided for newspapers and periodicals have substantially decreased.
- The **Postal Service Reform Act of 2022** includes a section on rural newspaper sustainability. The act increased from 10 percent to 50 percent the percentage of sample copies that newspapers can mail to nonsubscribers in their home counties at the same rate paid to the Postal Service to deliver to subscribers.²⁶ This higher limit may make newspapers more attractive vehicles for advertising.
- The **Cable Television Consumer Protection and Competition Act of 1992** created the retransmission consent system that ensures local television stations receive fair compensation for the value of their programming.²⁷ Through retransmission consent, cable and satellite companies pay a portion of the monthly subscription fees back to local television stations to compensate them for the value of their programming, and broadcasters reinvest that compensation in developing local news programming.

²⁶Pub. L. No. 117-108, § 204, 136 Stat. 1127, 1147 (2022) (amending 39 U.S.C. § 3626(h)).

²⁷Pub. L. No. 102-385, 106 Stat. 1460 (1992) (codified at 47 U.S.C. § 325).

Appendix VI: Selected U.S. and Foreign Enacted or Proposed Laws and Regulations with Regard to Dominant Internet Platforms

This appendix provides additional information on selected enacted or proposed laws and regulations in the U.S. and foreign countries with respect to dominant internet platforms' use of news content, as well as a summary of select aspects of key ongoing litigation in the U.S. against dominant internet platforms filed under these laws.¹ It also provides considerations related to these laws and regulations, based on our review of the literature, interviews with stakeholders, and comments of participants of GAO's February 2022 workshop, Economic Viability of Local Journalism (see app. I for additional information on our methodology). Considerations about foreign laws in the material below reflect these sources and do not reflect our legal analysis. In addition, the views presented below reflect these sources and do not represent the views of GAO, and the litigation allegations described below reflect the plaintiffs' views and not the views of GAO. GAO does not take a position or express an opinion on the litigation allegations or proposed legislation discussed below.

United States: Antitrust and Other Anti-Competition Laws

The key federal statutes prohibiting antitrust and other anticompetitive conduct are the Sherman Antitrust Act, codified as amended at 15 U.S.C. §§ 1 *et seq.*; the Clayton Act, codified as amended at 15 U.S.C. §§ 12-27; and the Federal Trade Commission (FTC) Act, codified as amended at 15 U.S.C. §§ 41-58.

The Department of Justice (DOJ) and FTC have filed lawsuits against dominant internet platforms over the past 2 years alleging various types of anti-competitive conduct under these three federal statutes, among other laws. DOJ and FTC officials cited two such cases to us but noted that their suits do not directly involve local news outlets:²

- *United States v. Google LLC*, No. 1:20-cv-03010 (D.D.C.): This is a civil antitrust lawsuit filed against Google by DOJ, together with several states. The suit alleges Google has unlawfully maintained monopolies in general search services, search advertising, and general search text advertising through anticompetitive and

¹We use the term dominant internet platforms to refer to the small number of search engines and social media platforms that have a substantial share of their respective markets.

²As noted in the report, however, newspaper groups have separately filed suit against the platforms alleging anticompetitive conduct.

exclusionary practices such as exclusionary agreements and tying arrangements, in violation of Section 2 of the Sherman Antitrust Act.

- *FTC v. Facebook, Inc.* (now *FTC v. Meta Platforms, Inc.*), No. 20-cv-3590-JEB (D.D.C.)³: In this lawsuit, FTC alleges that Facebook (now Meta Platforms, Inc.) has obtained monopoly power in the personal social-networking services market and has unlawfully maintained that monopoly power by acquiring competitors or would-be competitors, notably Instagram and WhatsApp, in violation of Section 2 of the Sherman Antitrust Act and Section 5(a) of the FTC Act.

United States: Journalism
Competition and
Preservation Act
(proposed)

The Journalism Competition and Preservation Act was introduced in Congress in 2021. It would permit eligible digital journalism providers to collectively negotiate with dominant internet platforms while providing a safe harbor from U.S. antitrust laws for this negotiation and agreements to occur.⁴ News publishers potentially would be able to generate revenue from dominant internet platforms as a result of these negotiations.

Considerations:

- Some antitrust experts have cautioned that allowing news publishers to bargain collectively would essentially create a national news cartel and harm consumers and deter innovation in news.⁵
- These experts also believe that offering antitrust immunity to news publishers may open the door for other industries to seek similar immunity to negotiate collectively with their suppliers or distributors.

³A majority of U.S. states brought a related case against Facebook. See *State of New York v. Facebook, Inc.* (now *State of New York v. Meta Platforms, Inc.*), No. 20-CV-3589-JEB (D.D.C.), *on appeal*, No. 21-7078 (D.C. Cir.).

⁴The Journalism Competition and Preservation Act of 2021, H.R. 1735; S. 673, 117th Cong. (2021). An amendment in the nature of a substitute to S. 673 which revised and expanded the proposed legislation was released for discussion in Aug. 2022, see <https://www.klobuchar.senate.gov/public/index.cfm/2022/8/klobuchar-kennedy-cicilline-buck-durbin-nadler-release-updated-bipartisan-journalism-bill> (last accessed on Sept. 2, 2022).

⁵For example, see *Breaking the News—Journalism, Competition, and the Effects of Market Power on a Free Press* Before the Subcomm. On Competition Policy, Antitrust, and Consumer Rights, 117th Cong. (2022) (Written testimony of Daniel Francis, Climenko Fellow and Lecturer on Law, Harvard Law School). See also, J. Yun, “News Media Cartels are Bad News for Consumers,” *Competition Policy International*, Apr. 25, 2019.

- Some stakeholders also have expressed concern that allowing news publishers to collectively bargain with internet platforms may result in large publishers dominating the negotiations and leaving out small local publishers.

European Union: Directive on Copyright in the Digital Single Market

The European Union's (EU) Directive on Copyright and Related Rights in the Digital Single Market (Directive) went into effect in June 2019 and states that it complements existing EU copyright directives.⁶ Under Article 15 of the Directive, for 2 years following the initial publication of news articles, publishers have the right to authorize or prohibit third-party online service providers from reproducing news articles or making them available to the public.⁷ This right does not apply to hyperlinking to news content and the use of very short extracts, among other things. The Directive did not define "very short extract."⁸

According to a U.S. Copyright Office report, while Article 15 of the Directive does not itself mandate any negotiation right for press publishers, in practice, several EU member states, such as France, have

⁶Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on Copyright and Related Rights in the Digital Single Market and Amending Directives 96/9/EC and 2001/29/EC.

⁷According to a U.S. Copyright Office report, as part of the Directive on Copyright in the Single Digital Market, the European Union required Member States to grant press publishers an "ancillary" right in the content of their press publications. The report further notes that an "ancillary" or "neighboring" right is one that does not belong to the author of the copyrighted work. In this case, the term "ancillary copyright" arises because press publishers are not the authors of the news materials at issue, but will nonetheless have the right to authorize or prohibit certain uses of the materials. See U.S. Copyright Office, *Copyright Protections for Press Publishers, A Report of the Register of Copyrights* (Washington, D.C.: June 2022), 22 and app. B.

⁸The EU Directive 2019/790 of the European Parliament and of the Council of 17 April 2019 on Copyright and Related Rights in the Digital Single Market and Amending Directives 96/9/EC, Art. 58, states: "The use of press publications by information society service providers can consist of the use of entire publications or articles but also of parts of press publications. Such uses of parts of press publications have also gained economic relevance. At the same time, the use of individual words or very short extracts of press publications by information society service providers may not undermine the investments made by publishers of press publications in the production of content. Therefore, it is appropriate to provide that the use of individual words or very short extracts of press publications should not fall within the scope of the rights provided for in this Directive. Taking into account the massive aggregation and use of press publications by information society service providers, it is important that the exclusion of very short extracts be interpreted in such a way as not to affect the effectiveness of the rights provided for in this Directive."

reinforced the right with competition law measures.⁹ France transposed the Directive into its national law in July 2019, the U.S. Copyright Office report notes.¹⁰ Anticipating France’s implementation of Article 15, Google announced that it would no longer display snippets of results from European press publishers as part of search results in France, unless a publisher opted in to the display free of charge.¹¹ French press publisher groups sued Google, and according to its decision (English translation), France’s competition authority declared that Google would have to enter into good faith negotiations with publishers over remuneration for their protected content.¹² According to news reporting, Google subsequently signed contracts with several French news publishers, but in July 2021, the competition authority fined Google more than \$500 million for failure to negotiate in good faith.¹³ In its April 9, 2020, decision (English translation), the French competition authority took the preliminary view that Google was likely to hold a dominant position on the French market for general search services, and that Google’s practices could be

⁹U.S. Copyright Office, *Copyright Protections for Press Publishers*, 54.

¹⁰U.S. Copyright Office, *Copyright Protections for Press Publishers*, 73 (citing to: LOI n° 2019-775 du 24 juillet 2019 tendant à créer un droit voisin au profit des agences de presse et des éditeurs de presse [Law 2019–775 of July 24, 2019 on the Creation of Neighboring Rights for the Benefit of Press Agencies and Publishers], Journal Officiel de la République Française [J.O.][Official Gazette of France], July 26, 2019).

¹¹U.S. Copyright Office, *Copyright Protections for Press Publishers*, 26.

¹²For the original legal decision, see Decision 20-MC-01 of 9 April 2020 on requests for interim measures by the *Syndicat des éditeurs de la presse magazine*, the *Alliance de la presse d’information générale* and others, Agence France-Presse, and the *Autorité de la concurrence*, at 3–4, and 71. The English version notes that only the French version is authentic and it prevails in the event of its differing from the translated version. GAO did not review the French version of the decision.

¹³See Tom Hirche, “Google Signs Contracts with a Handful of French Publishers,” IGEL, Nov. 24, 2020, accessed July 8, 2022, <https://ancillarycopyright.eu/news/2020-11-24/google-signs-contracts-handful-french-press-publishers>. See also Laura Kayali, “Google slapped with €500M fine in French press publishers case,” *Politico*, July 13, 2021, accessed July 13, 2022, <https://www.politico.eu/article/french-competition-authority-fines-google-500m-euros-press-publishers-case/>.

regarded as anti-competitive.¹⁴ In June 2022, Google settled this dispute.¹⁵

Considerations:

- Various stakeholders and experts stated that the EU-type ancillary copyright may have unintended consequences for small publishers and startups—for example, hindering small news outlets from reaching their audiences. They say it also may have unintended consequences for consumers, such as creating obstacles to finding and accessing relevant news sources.¹⁶
- Various stakeholders said small news outlets may not benefit from the Directive because internet platforms will prioritize negotiations with large publishers.
- Studies have outlined meaningful differences between the European and U.S. antitrust enforcement systems and one study concluded that these differences make it very difficult for the U.S. antitrust enforcement agencies to emulate their EU counterpart with respect to their actions against dominant internet platforms.¹⁷
- The U.S. Copyright Office’s report also outlined important differences between the European and U.S. copyright framework. The report pointed out that press publishers in EU member states often lack ownership of the copyright in the underlying materials, which is why a new “ancillary” right was adopted in the Directive.¹⁸ In contrast, press

¹⁴République Française, de la Autorité de la concurrence, Decision 20-MC-01 of 9 April 2020, 3–4, and 60 (English Translation).

¹⁵Gaspard Sebag, “Google Avoids More Fines After Settling French News Dispute,” *Bloomberg*, June 21, 2022, accessed July 8, 2022, <https://news.bloomberglaw.com/antitrust/google-avoids-more-fines-after-ending-french-dispute-over-news>.

¹⁶Some experts question the economic justification of the EU copyright reform. For example, see G. Colangelo, “Enforcing Copyright through Antitrust? The Strange Case of News Publishers against Digital Platforms,” *Journal of Antitrust Enforcement* (2022): 133–161.

¹⁷See G. Werden and L. Froeb, “Antitrust and Tech: Europe and the United States Differ, and It Matters,” *CPI Antitrust Chronicle* (2019). See also M. Coppola and R. Nazzini, “The European and U.S. Approaches to Antitrust and Tech: Setting the Record Straight – A Reply to Gregory J. Werden and Luke M. Froeb’s Antitrust and Tech: Europe and the United States Differ, and It Matters,” *Competition Policy International* (2020).

¹⁸U.S. Copyright Office, *Copyright Protections for Press Publishers*, 3.

publishers in the U.S. already own a copyright in the compilation of materials that they publish. They also often own the copyright in the individual articles and rights in accompanying photographs. The U.S. Copyright Office concluded that ancillary copyright protections have not been shown to be necessary in light of publishers' existing rights, and would likely be ineffective so long as publishers depend on news aggregators for discovery. Therefore, the U.S. Copyright Office does not recommend adopting additional copyright-like rights for press publishers in the U.S.¹⁹

- According to the U.S. Copyright Office's report, some stakeholders raised the concern that requiring dominant internet platforms to pay to display snippets and issuing a fine for not reaching agreements to do so would create a "must carry" regime that would be inconsistent with principles of U.S. law.²⁰

Australia: News Media and Digital Platforms Mandatory Bargaining Code

Australia's Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2021 (Code), enacted in March 2021, requires designated digital platform corporations to negotiate with eligible news businesses to obtain remuneration for news content made available through reproduced content, links to the content, or extracts of content provided by the platforms.²¹ If, after 3 months of bargaining, the parties have not reached an agreement, an arbitration panel makes a binding decision on the rate of remuneration. According to a U.S. Copyright Office notice of inquiry soliciting comments on its study, the law also included a set of minimum standards for providing advance notice of changes to algorithmic ranking and presentation of news.²² No digital platform had yet to be designated under the code as of August 2022.

One workshop participant stated that by requiring final offer arbitration, the Australian code incentivizes parties to negotiate in good faith for fear that the other parties' final offer will win. According to a joint media

¹⁹U.S. Copyright Office, *Copyright Protections for Press Publishers*, 2.

²⁰U.S. Copyright Office, *Copyright Protections for Press Publishers*, 27.

²¹Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2021 (Cth) (Austl.), https://parlinfo.aph.gov.au/parlInfo/download/legislation/bills/r6652_aspassed/toc_pdf/20177b01.pdf, Schedule 1, Part IVBA, Div. 1, 52A, 52B, 52ZH (2021).

²²U.S. Copyright Office, *Publishers' Protections Study: Notice and Request for Public Comment*, 86 Fed. Reg. 56,721, 56,725 (Oct. 12, 2021).

release from the Treasurer and the Minister for Communications, following the introduction of the Code, Google and Meta engaged in commercial negotiations outside the Code and reached voluntary commercial agreements with a number of news media organizations.²³

Considerations:

- Some experts we interviewed said Australia’s model resulted in compensation to large publishers but not to many small publishers.
- One study found that negotiations between internet platforms and news businesses in Australia lack transparency because of confidentiality clauses.²⁴
- One workshop participant said the Australian model may allow for undue political influence in journalism because instead of designating digital platforms, the government guided the platforms to make deals with certain publishers.
- Some participants expressed concerns that Australia’s model increases the dependence of journalism on financial contributions of dominant internet platforms.
- The Code does not require that money received from platforms be spent on producing public interest journalism.
- Some stakeholders believe the Australian model would be subject to heightened First Amendment scrutiny in the U.S. because it may be seen as impinging on the editorial freedom of platforms and their users who make choices regarding the content to be shared.²⁵ In addition, this model may be difficult to implement in the U.S. given its far larger population and number of news publishers.

Canada: Online News Act
(proposed)

Canada’s Minister of Heritage introduced Bill C-18 in Parliament of Canada, known as the Online News Act, on April 5, 2022. Similar to the Australian model, it would establish a framework through which internet platforms and news publishers negotiate respecting to news content

²³<https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/parliament-passes-news-media-and-digital-platforms>, accessed Aug. 8, 2022.

²⁴Public Policy Forum, *The Shattered Mirror: 5 Years On: Platforms, Innovation and Local News* (2022), 24.

²⁵See, for example, Comments of Computer & Communications Industry Association and Internet Association before the United States Copyright Office, In re Publishers’ Protections Study: Notice and Request for Public Comment, Docket No. 2021-5, 21.

**Appendix VI: Selected U.S. and Foreign
Enacted or Proposed Laws and Regulations
with Regard to Dominant Internet Platforms**

made available by the internet platforms.²⁶ Under Canadian law, news content is made available if: a) the news content, or any portion of it, is reproduced; or (b) access to the news content, or any portion of it, is facilitated by any means, including an index, aggregation or ranking of news content.²⁷ According to a summary published by the Canadian Government's Department of Canadian Heritage, internet platforms would have an opportunity to reach fair commercial deals with news media before they were required to go to mandatory arbitration.²⁸ The Department of Canadian Heritage also stated that the bill would allow designated news publishers to negotiate collectively with digital platforms. Actions taken under the act would ensure transparency of the process.²⁹

²⁶Bill C-18, An Act respecting online communications platforms that make news content available to persons in Canada, 1st Sess, 44th Parl, 2022, cl. 2(1).

²⁷Bill C-18, An Act respecting online communications platforms that make news content available to persons in Canada, 1st Sess, 44th Parl, 2022, cl. 2(2)(a)-(b).

²⁸According to the Canadian Government's Department of Canadian Heritage, the voluntary commercial deals that meet the following criteria would be exempt from mandatory arbitration: deals that (1) provide fair compensation to the news businesses for news content that is made available on their platforms; (2) ensure that an appropriate portion of the compensation would be used by the news businesses to support the production of local, regional and national news content; (3) do not allow corporate influence to undermine the freedom of expression and journalistic independence enjoyed by news outlets; (4) appropriately contribute to the sustainability of Canada's digital news marketplace; (5) appropriately reflect the diversity of the digital news marketplace including with respect to language, racialized groups, Indigenous communities, local news; (6) ensure support for independent local news businesses, and ensure that a significant portion of independent local news businesses benefit from the deals. See Government of Canada, "Backgrounder – Government Introduces Legislation to Ensure Fair Compensation for News Media and the Sustainability of Local News, Canadian Heritage, Government of Canada," accessed July 8, 2022, <https://www.canada.ca/en/canadian-heritage/news/2022/04/backgrounder—government-introduces-legislation-to-ensure-fair-compensation-for-news-media-and-the-sustainability-of-local-news.html>.

²⁹For example, the government published the criteria for what qualifies as an eligible news business and will make the list available to the public. Canadian Radio-television and Telecommunications, an independent public authority that regulates and supervises Canadian broadcasting and telecommunications, would administer the process, rather than a political appointee. The list of arbitrators for final-offer arbitration would be agreed upon by both the platforms and publishers and made available to the public, and the arbitrators would consider the benefit internet platforms provided to news publishers. An independent auditor would be contracted to publish an annual report on the value of commercial agreements and other key information.

Considerations:

- Some stakeholders voiced concerns that similar to the Australian model, there may be potential unintended consequences on small publishers and consumers, potential political influence and over-reliance on financial contributions of dominant internet platforms, and potential antitrust concerns.³⁰
- Current U.S. federal antitrust law does not allow collective negotiation by groups of industry participants working together toward a common goal in order to encourage competition in a free-market economy.³¹

Germany: Ancillary
Copyright Law for Press
Publishers

The U.S. Copyright Office report noted that in 2013, Germany enacted an “ancillary copyright” law for press publishers, in which publishers were given an exclusive right to make press products available to the public for commercial purposes on the internet, although the law did not extend to very short excerpts or to the mere act of linking and expired 1 year after publication of the press product.³²

According to the report, when the law went into effect, Google changed its policy for news websites in Germany from an opt-out procedure, where a website could exclude itself from Google’s web crawler, to an opt-in mechanism where publishers could opt in by renouncing their right to

³⁰See, for example, Independent Online News Publishers of Canada, “Canada’s Online News Act Needs These Fixes – Bill C-18 Risks Disproportionately Benefiting Large News Organizations and Shutting Out Digital Startups and Independent Media,” May 31, 2022, accessed Aug. 8, 2022, <https://theyee.ca/Opinion/2022/05/31/Online-News-Act-Needs-Fixes/>; Lukas Ruthes Gonçalves, “Canada’s Online News Act Threatens Information-sharing, The Online Ecosystem, and International Trade,” The Disruptive Competition Project, June 2, 2022, accessed Aug. 8, 2022, <https://www.project-disco.org/competition/060222-canadas-online-news-act-threatens-information-sharing-the-online-ecosystem-and-international-trade/>; Isabel Macdonald, “Canada’s Online News Act: Repeating Australia’s Mistakes?” Institute for Research on Public Policy, Apr. 25, 2022, accessed Aug. 8, 2022. <https://policyoptions.irpp.org/magazines/april-2022/canada-online-news-act-mistake/>.

³¹Applicable federal antitrust laws include the Sherman Antitrust Act, July 2, 1890, c. 647, 26 Stat. 209 (codified as amended at 15 U.S.C. §§ 1 et seq.) (Sherman Act); the Clayton Act, Oct. 15, 1914, c. 323, 38 Stat. 730 (codified as amended at 15 U.S.C. §§ 12 et seq.); and the Federal Trade Commission Act, Sept. 26, 1914, c. 311, 38 Stat. 717 (codified as amended at 15 U.S.C. §§ 41 et seq.).

³²See *Copyright Protections for Press Publishers*, 17 (citing to: Gesetz über Urheberrecht und verwandte Schutzrechte [Urheber-rechtsgesetz] [UrhG] [Copyright Act], Sept. 9, 1965, BGBl I at 1273, as amended by Ahtes Gesetz zur Änderung des Urheberrechtsgesetzes, May 7, 2013, BGBl I at 1161, § 87f (Ger.)).

compensation for use of their content and continue to be aggregated by Google News.³³ Subsequently, a consortium of German publishers attempted to establish a fee for the use of extracts of digital press products and Google responded by displaying only the links to their articles and the headlines. A study found that the number of daily visits to the outlets controlled by these publishers declined by 8 percent, and the publishers accepted Google's opt-in conditions.³⁴

Considerations: as discussed earlier, studies have outlined meaningful differences between the European and U.S. antitrust enforcement systems and copyright framework.

Spain: Reform of Intellectual Property Law

In 2014, the Spanish government approved a law adding a new right for publishers to its intellectual property law, according to the U.S. Copyright Office report.³⁵ The report also found that unlike Germany's approach, the law did not grant publishers the right to exclude third-party uses but rather a non-waivable right to remuneration, and required aggregators to pay

³³*Copyright Protections for Press Publishers*, 17–18.

³⁴J. Calzada and R. Gil, "What Do News Aggregators Do? Evidence from Google News in Spain and Germany," *Marketing Science*, vol. 39, no. 1 (2020): 134–167. According to the U.S. Copyright Office's report, the consortium of German publishers initiated a series of lawsuits against Google and other online service providers asserting both competition and copyright claims. See *Copyright Protections for Press Publishers*, 19. The German Federal Cartel Office rejected the competition claim because the complaint did "not provide sufficient indications of abusive conduct to initiate formal abuse of dominance proceedings against Google," and "was not based on a specific conduct of Google." See *Copyright Protections for Press Publishers*, 19 (citing to: Complaint by VG Media Not Sufficient to Institute Formal Abuse of Dominance Proceedings Against Google, BUNDESKARTELLANT (Aug. 22, 2014) (Ger.)) On Sept. 12, 2019, the Court of Justice of the European Union held that the ancillary copyright law was unenforceable because Germany had not properly notified the European Commission before passing the law. See *Copyright Protections for Press Publishers*, 19 (citing to: Case C-299/17, VG Media v. Google, ECLI:EU:C:2019:716 (Sept. 12, 2019)).

³⁵*Copyright Protections for Press Publishers*, 20 (citing to: Ley 21/2014, de 4 de noviembre, por la que se modifica el texto refundido de la Ley de Propiedad Intelectual, aprobado por Real Decreto Legislativo 1/1996, de 12 de abril, y la Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil [Law 21/2014, of November 4, Amending the Consolidated Text of the Law on Intellectual Property, approved by Royal Legislative Decree 1/1996, of April 12, and Law 1/2000, of January 7, on Civil Procedure] (B.O.E. 2014, 11404)).

press publishers for use of news snippets.³⁶ Google News subsequently chose to cease operation in Spain, and it remained inactive until June 2022. According to news reporting, in November 2021, Spain adopted the EU Directive on Copyright and Related Rights in the Single Digital Market.³⁷

Considerations:

- As discussed earlier, studies have outlined meaningful differences between the European and U.S. antitrust enforcement systems and copyright framework.
- Studies analyzing the impact of the 2014 Google News shutdown found a fall in traffic to news publishers' websites, and especially to smaller publishers. One study found affected users consumed about 20 percent less news overall, and page views on Spanish news publishers declined by about 10 percent, affecting small publishers in particular.³⁸ Another study found the shutdown decreased the number of daily visits to Spanish news outlets by 8–14 percent, with the greatest effect on smaller outlets. This study also found that Spanish news outlets experienced a reduction in online advertising revenues and advertising intensity.³⁹

³⁶*Copyright Protections for Press Publishers*, 20 (citing to: Congreso de los Diputados, Proyecto de Ley por la que se modifica el Texto Refundido de la Ley de Propiedad Intelectual, aprobado por Real Decreto Legislativo 1/1996, de 12 de abril, y la Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil [Draft Law amending the Consolidated Text of the Law on Intellectual Property, approved by Royal Legislative Decree 1/1996, of April 12, and Law 1/2000, of January 7, on Civil Procedure], BOLETÍN OFICIAL DELAS CORTES GENERALES 8 (Feb. 21, 2014)).

³⁷Reuters, Spain Adopts EU Copyright Law, Paving Way for Google News to Return, Nov. 2, 2021, accessed Aug. 5, 2022, <https://www.reuters.com/technology/spain-adopts-eu-copyright-law-paving-way-google-news-return-2021-11-02/>.

³⁸See S. Athey, M. Mobius and J. Pal, "The Impact of Aggregators on Internet News Consumption," NBER working paper, no. 28746 (2021).

³⁹See Calzada and Gil, "What Do News Aggregators Do?" See also P. Concha, A. García, and J. Saleh, *Impact on Competition and on Free Market of the Google Tax or AEDE fee: Report for the Spanish Association of Publishers of Periodical Publications (AEEPP)* (Madrid, Spain: NERA Economic Consulting, 2017). Another study looked at the longer-term impact of the Google News shutdown in Spain between 2014 and 2019 and found that the loss in traffic was temporary and that overall online traffic increased until 2019. However, this study only looked at the trend of monthly visitors to a few select Spanish news websites, including large news websites without controlling for any other factors that may have affected the traffic. Because of methodological limitations, GAO did not find the conclusions convincing. See News Media Alliance, *The Effects of the Ancillary Right for News Publishers in Spain and the Resulting Google News Closure* (2019).

Appendix VII: Participants of GAO Workshop on the Economic Viability of Local Journalism

Madeleine Bair, Founder of El Tímpano

Merrill Brown, Founder and CEO of The News Project Inc.

Julia Cagé, Associate Professor of Economics at Sciences Po Paris and a Research Fellow at the Center for Economic Policy Research

Danielle Coffey, Executive Vice President and General Counsel for the News Media Alliance

Letrell Deshan Crittenden, Inaugural Director of Inclusion and Audience Growth for the American Press Institute

Al Cross, Director of the Institute for Rural Journalism and Community Issues and Professor at the University of Kentucky

Ken Doctor, Founder of Newsonomics

Craig Forman, General Partner of NextNews Ventures and former President and CEO of McClatchy Co.

Alan Fisco, President of Seattle Times

Tim Franklin, Senior Associate Dean, Professor, John M. Mutz Chair in Local News, and Director of the Local News Initiative at the Medill School of Journalism of Northwestern University

Anne Galloway, Founder and Editor of VTDigger and the Executive Director of the Vermont Journalism Trust

Richard Gingras, Vice President of News at Google

Ellen P. Goodman, Associate Dean and Professor at Rutgers Law School of Rutgers University

James Hamilton, Professor of Communication, Chair of the Department of Communication, and Director of the Journalism Program at Stanford University

Elizabeth Hansen, Senior Research Fellow at the Tow Center for Digital Journalism at Columbia Journalism School and the CEO and Co-founder of the National Trust for Local News

**Appendix VII: Participants of GAO Workshop
on the Economic Viability of Local Journalism**

Danny Hayes, Professor of Political Science at George Washington University

Howard Husock, Senior Fellow in Domestic Policy Studies at the American Enterprise Institute

Elizabeth Kendall, Global Intellectual Property Policy at Meta

Josh Mabry, News Programs and Special Projects Lead at Meta

Kevin Martin, President and Chief Executive Officer of Ideastream Public Media

Tom McGeeveran, Partner and Co-founder of Old Town Media

Amy Mitchell, Director of Journalism Research at Pew Research Center

Stefanie Murray, Director of the Center for Cooperative Media at Montclair State University

Phillip M. Napoli, Professor of Public Policy in the Sanford School of Public Policy at Duke University

Bob Papper, Adjunct Professor of Broadcast and Digital Journalism of The Newhouse School at Syracuse University; Emeritus Distinguished Professor of Journalism at Hofstra University and Professor Emeritus at Ball State University

Robert Picard, Senior Research Fellow at the Reuters Institute for the Study of Journalism at University of Oxford, a Fellow of the Royal Society of Arts, and a Fellow at the Information Society Project at Yale University Law School

Mike Rispoli, Senior Director of Journalism Policy at the Free Press/Free Press Action Fund

Jon Schleuss, President of The NewsGuild

Kate Sheerin, Global Lead on Intellectual Property Policy at Google

Mary Snapp, Vice President of Strategic Initiatives at Microsoft

**Appendix VII: Participants of GAO Workshop
on the Economic Viability of Local Journalism**

Jodi Rave Spotted Bear, Executive Director and Founder of the
Indigenous Media Freedom Alliance

Roxann Stafford, Managing Director of the Knight-Lenfest Local News
Transformation Fund

Margaret Sullivan, Media Columnist at Washington Post

John Thornton, Software Venture Capitalist, Founder of Texas Tribune,
Co-founder of Elsewhere Partners and the American Journalism Project

Christopher Turpin, Chief of Staff to the CEO and President of NPR

Susan Valentine, Acting Deputy Director of the Program on Independent
Journalism at the Open Society Foundations

Steven Waldman, Co-founder and President of Report for America,
Chairman of the Rebuild Local News Coalition

Brett Wesner, Chair of the National Newspaper Association

Liena Zagare, Editor and Publisher at Bklyner.com

Neal Zuckerman, Managing Director and Senior Partner at the Boston
Consulting Group

Appendix VIII: Agenda of GAO Workshop on Economic Viability of Local Journalism

Wednesday, February 9, 2022

8:30 to 9:00 am

Welcome and Opening Remarks

Lawrance Evans, Managing Director, Applied Research and Methods, GAO

Walter Vance, Assistant Director, Applied Research Methods, GAO

9:00 to 11:00 am

Session 1: Benefits and costs of local journalism to society and factors that affect its viability

- What are the general benefits, including the potential effects of the loss in content and services provided by local journalism?
- What are the potential costs to society?
- What are the key challenges faced by local journalism today (including local newspapers, TV, radio and online news outlets)? How do they vary by type of journalism (e.g. investigative and public interest journalism and others)?
- What unique challenges do underserved communities (minority, rural) face?

11:00 – 11:30 am

Break

11:30 – 1:30 pm

Session 2a: Public policies (including those used in other countries or industries)

- What is the rationale for public policy intervention? Is local news a public good? Is there a market failure?
- How can public policies be used to support local news media?
- What are the advantages and disadvantages, as well as implementation challenges related to these public policies?
- How may we draw upon experiences in other countries or industries?

1:30 – 2:30 pm

Break

2:30 – 4:30 pm

Session 2b: Public policies (including those used to support underserved communities or address demand-side challenges)

- Rationale for public policy intervention (Is local news a public good? Is there a market failure?)
- How can public policies be used to support local media?
- What are the advantages and disadvantages as well as implementation challenges related to these public policies?
- Are there any policies specifically targeted to support underserved communities?

Thursday, February 10, 2022

8:30 to 9:00 am

Welcome and Opening Remarks

Lawrance Evans, Managing Director, Applied Research and Methods, GAO

Walter Vance, Assistant Director, Applied Research Methods, GAO

9:00 to 11:00 am

Session 3: Benefits and costs of local journalism to society and factors that affect its viability

- What are the general benefits, including the potential effects of the loss in content and services provided by local journalism?
- What are the potential costs to society?
- What are the key challenges faced by local journalism today (including local newspapers, TV, radio and online news outlets)? How do they vary by type of journalism (e.g. investigative and public interest journalism)?
- What unique challenges do underserved communities (minority, rural) face?

11:00 – 11:30 am

Break

11:30 – 1:30 pm

Session 4: Potential business strategies to improve viability of local news media

- What are the alternative business models and/or strategies that could potentially help and what are their advantages and disadvantages?
- What would be the challenges associated with these models and/or strategies?
- What business models or strategies employed in other industries may be useful for local news media to consider?

1:30 – 2:30 pm

Break

2:30 – 4:00 pm

Session 4 continued

4:00 – 4:30 pm

Session 5: Closing remarks

- Are there any topics or concerns that we have not discussed and are important to consider?

Appendix IX: GAO Contact and Staff Acknowledgments

GAO Contact

Lawrance L. Evans Jr. at 202-512-4802 or EvansL@gao.gov.

Staff Acknowledgments

In addition to the above contact, Namita Bhatia-Sabharwal (Assistant Director), Gergana T. Danailova-Trainor (Analyst-in Charge), Dan Luo, and Seyda G. Wentworth made significant contributions to this report, with legal and methodological support from Jehan A. Chase and Walter K. Vance. Jason Bromberg, Ying (Sophia) Liu, and Alec J. McQuilkin provided invaluable technical assistance. Pille Anvelt, Leia J. Dickerson, and John A. Karikari also contributed to this report.

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