

**The Non-Profit Model of Investigative Reporting:
Can it Save Public Service Journalism?**

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Abstract

As newspaper profits around the country shrink and the realization that newspapers were not pioneers of the Web, editors are faced with tough decisions. They are forced to ask: "What in our newsroom is expensive and expendable?" Increasingly, the answer to that question is long-term investigative reporting. In response, several non-profit organizations have popped up to fill the void budget shortfalls created, but it might not be enough to save the public service element of journalism. Most media experts agree that the current advertising-supported model for newspapers is dead, but little consensus exists over whether a non-profit model can support news organizations. While large media corporations try to find a working model, though, smaller non-profit organizations remain committed to in-depth investigative reporting, providing a lifeline for journalism's role in society as we know it.

Introduction

The financial problems news organizations face today are well chronicled. In a time when the U.S. financial infrastructure is crumbling around us, newspapers still devote significant space to their own dying industry. Report after report laments the latest layoffs, the possibility of titanic media organizations like The New York Times Company disintegrating and the seemingly unanswerable question of “what will save us?”

The popular scapegoat for killing the industry has been a perceived shift in audience from the print edition of papers to the Internet, where much of the same content is distributed for free. But The State of the News Media 2009 report suggests that diminishing advertising revenue, not audience migration, is the culprit. According to the report, weekday circulation fell 4.6 percent last year while ad revenue plummeted 16 percent. In two years, ad revenue has dropped 23 percent (Project for Excellence in Journalism, 2009). Yet, papers still generate almost 90 cents for every dollar they make on advertising in the print edition. Fundamentally, newspapers have not been leaders in innovation, leaving the profitability of the Internet to be pillaged by upstarts like Craigslist. Now, in the midst of a global recession, online ad revenue is even down .4 percent (2009). Those statistics paint a clear picture: media are becoming less and less profitable every day, and publishers more often than not are looking to cut costs. In-depth investigative teams are among the most expensive entities in a newsroom, and with increasing frequency, they find themselves shrinking and, in some cases, disappearing (Steiger, 2008). Without a model to make the Web profitable, public service journalism is deteriorating.

In response to that problem, several different models of non-profit organizations have popped up to pick up the slack in investigative reporting. Three distinct models stand out today: the independent, donor-supported non-profit organization with a staff of journalists reporting on

issues the organization deems significant; the non-profit organization attached to a larger, for-profit media company; and the non-profit organization that relies on community funding to pay for specific stories suggested by community members and filtered by an editor. The one thread that ties all these models together, though, is that they were born from a need for in-depth investigative reporting, oftentimes on a local level (Lewis, 2007).

But, like the advertising-supported model that has given years of profitability to media organizations, the non-profit model of investigative reporting has its problems. Chiefly among those problems is the potential conflict of interest that exists in every non-profit model (Schilders, 2008). Critics of the non-profit model say that the perception of a conflict of interest exists because these operations frequently find themselves bankrolled by wealthy benefactors with strong political interests. Charles Lewis, who founded the Center for Public Integrity, said “You can’t always control perceptions” (Schilders, 2008), even if the reporting is free from donor scrutiny.

Ultimately, though, it is still questionable whether a non-profit model can save public-service journalism. For all the potential conflicts, non-profit organizations still do solid investigative work. However, the sustainability of these organizations and whether the news market can support more local non-profit newsgathering operations remains to be seen.

Literature Review

Models for Non-Profit Investigative Journalism

The non-profit model for journalism has existed successfully for years. The Associated Press, which was founded in 1864, is a non-profit news cooperative with international reach (Lewis, 2007). The Christian Science Monitor and National Public Radio both have found success in the non-profit sector. But none of those media organizations has a specific, exclusive

interest in investigative reporting. For every in-depth report of those publications produces, they create hundreds of surface-level stories. What those organizations do have in common with the rise of non-profit investigative reporting centers, though, is that they were born out of necessity (Lewis, 2007). Charles Lewis wrote of NPR that “a public need for such an institution was perceived and then duly addressed.” That too is the situation media face in the extinction of investigative units. For that reason, three major models have shown themselves as potential players in the long-run sustenance of investigative reporting: the organization with a staff of journalists reporting on issues the organization assigns (ProPublica model); the non-profit investigative team a branch of a larger, for-profit company (Huffington Post Investigative Unit model); and the community-funded model that allows community members to suggest stories and donate money for their production (Spot.Us model).

ProPublica model. The ProPublica model refers to the idea that an independent non-profit organization staffs its own reporters to write stories it deems worthy. In the case of ProPublica, and many organizations like it, the organization works both alone and in tandem with established media organizations. For example, ProPublica worked with *The Los Angeles Times* to produce a series on nurses with criminal records (Project for Excellence in Journalism, 2009).

ProPublica, according to its Web site, “focuses exclusively on truly important stories, stories with ‘moral force.’” The organization does not trumpet specifics in the “About Us” section of its Web site, but its “Hot Topics” — government bailout, the federal stimulus package and torture — are all stories of national significance. Many news sites focusing on local coverage have come to fruition in the last year, but ProPublica works on stories that have a national bend, marketing its work to traditional media outlets free of charge (Propublica.org/about). The

organization sees itself as a discussion starter, highlighting on its site that it engages in heavy communication campaigns to encourage traditional media and bloggers to carry the baton once they've started the race.

The most distinguishing characteristic of the ProPublica model is that donors bankroll the organization, not specific stories. Consequently, funding from donors is linked to a "broad subject," as the executive director for the Center for Investigative Reporting said in Helene Schilders' "Non-Profit Journalism: Is Philanthropy the Answer?" In the case of ProPublica, which has \$10 million in annual operating costs, the organization began with a donation from founder and board chairman Herb Sandler, according to a 2009 report from Emma Heald at editorsweblog.org. The organization's Web site says "The Sandler Foundation has made a major, multi-year commitment to fund ProPublica. Other philanthropic contributions have been received as well" (Propublica.org/about).

Huffington Post investigative fund model. The Huffington Post model refers to a model in which a for-profit major media organization, such as The Huffington Post has become on the Internet in its short lifetime, helps fund a separate, non-profit team of investigative reporters. In the case of The Huffington Post Investigative Fund, the organization will begin with a \$1.75 million budget, funded partially by The Huffington Post and The Atlantic Philanthropies, a charitable organization with international reach (Ruiz, 2009).

The greatest distinguishing feature of this model is that the non-profit organization and the media company that back it are separate legal entities, according to the project's senior adviser, Jay Rosen, a New York University associate professor. "It ... is really the launch of a new Internet-based news organization with a focus on original reporting. You might say the operating principle is: 'report once, run anywhere' because work the Fund produces will be

available for any publication or Web site to publish at the same time it is posted on The Huffington Post” (Rosen, 2009).

This model is relatively new, so little is known about how it will operate. Details have emerged since its announcement in late March 2009, such as the fact that Lawrence Roberts, formerly of The Washington Post, will head the team (Mitchell, 2009). Rosen wrote on his blog that the fund likely will pay an experienced staff of investigative reporters along with freelancers and that, because of the involvement of the American News Project, video will play an integral part in news presentation.

Bill Mitchell of The Poynter Institute reported that the investigative fund will essentially operate as a “syndication service” for free content in an April 2009 column. “That kind of no-favorites sharing of benefits is critical to preserving a nonprofit’s tax-exempt status because it demonstrates that the organization is not simply serving the interests of one of its backers” (Mitchell, 2009).

Spot.Us Model. The Spot.Us model is a community-funded model of journalism that gives community members the opportunity to both suggest and bankroll stories. The crux of the Spot.Us model is that everything is decentralized, from the donors right down to the reporters. As Douglas MacMillan put it in a December 2008 Business Week Online article: “readers who help underwrite the news become engaged in the process of reporting and storytelling in a meaningful way.” This idea is a far cry from traditional media, which is more akin to a sit-down dinner with no menu than the potluck family cookout that is the Spot.Us model. Traditional media operate as an independent fourth estate, weighing what readers need and want, whereas Spot.Us, inherently, can only give readers what they want.

The Spot.Us model distinguishes itself in two important ways: stories are generally local and money that readers donate is earmarked for specific stories. Other models, such as ProPublica, tend to focus on stories of great national interest and impact, such as a series on nurses with criminal records (Project for Excellence in Journalism, 2009). But Spot.Us, still in its infancy, markets most of its stories to the California Bay Area, according to its site. In previous models, donors would send money to an organization that ultimately decided where it would go. But in the Spot.Us model, readers pledge small increments — typically about \$20 — to help pay for a specific story to be done by a free lance journalists, according to the Web site’s FAQ. “I’m not Bill and Melinda Gates, but I can give \$10. This is the Obama model. This is the Howard Dean model,” said David Cohn, the site’s founder, in an August 2008 *New York Times* article.

This model also allows journalists to find out how much readers truly value news. As news consumers increasingly turn to the Web for free content, determining whether they are still willing to pay for quality reporting is a cloudy subject. “But Spot.Us should give us a way to find out whether people are willing to put a direct monetary value on what journalism provides...I will feel that we, at least, will have learned what the marketplace will — and will not — support” (Cohn, 2008, p.65).

Potential Conflicts of Interest in the Non-profit Model

The Society of Professional Journalists’ Code of Ethics reserves a special section to suggest journalists “act independently.” The code says “journalists should be free of obligation to any interest other than the public’s right to know” and that journalists should, among other things, “avoid conflicts of interest, real or perceived... [and] deny favored treatment to advertisers and special interests and resist their pressure to influence news coverage.” While the code does not specifically mention non-profit organizations, it is applicable to a donor system.

“The non-profit model solves many of the current financial problems in journalism, but it introduces a new issue: potential conflicts of interest (Schilders, 2008). Each of the three models discussed here has a potential problem with conflicts of interest, though they vary slightly.

Conflicts in the ProPublica Model. In the ProPublica model, donors give money to the foundation, which pools its donations and disperses it to report stories it labels as significant. Frequently, though, those donations are large, and the organizations typically rise from wealthy donor’s commitment to a large sum of money. At ProPublica, that donor is Herb Sandler, who is also the organization’s chairman and has “donated millions of dollars to Democratic Party causes” (Schilder, 2008). As a result of those connections, Gilbert Cranberg wrote in the Spring 2008 edition of Nieman Reports that ProPublica “begins life with a question mark” (p.28). Jack Shafer, a media critic for Slate, even suggested that Sandler resign from the board and pledge 10 years of funding to preserve the organization’s integrity, (Guensburg, 2008).

Organizations like ProPublica try to keep interaction between board members and reporters to a minimum to keep even the notion of a conflict of interest from surfacing. Paul Steiger, who left *The Wall Street Journal* to head ProPublica, said there is a “firewall” between donors and the newsroom (Schilder, 2008). Steiger said there is an understanding between the Sandler and the organization that board members do not know in advance what the organization will cover and that they cannot contact reporters (Schilder, 2008). To that end, ProPublica writes on its About Us section of its Web site:

“From a philanthropic perspective it is also worth noting that our model assures an unusually high level of accountability for a non-profit. Our stories have to be sufficiently compelling to convince editors and producers to accord them space or time. As they do so consistently, donors will be able to be confident that professional standards are being met and maintained, and that important work is being undertaken.”

Though the potential for a conflict of interest does exist in this model, some critics suggest that it is no different than the current advertising-supported model most news organizations employ. In that model, journalists might find themselves at the mercy of a large advertiser threatening to pull funds if a story runs (Guensburg, 2008). Guensburg reports that, to maintain transparency, organizations like ProPublica need to publish lists of donors.

Conflicts in the Huffington Post Investigative Fund Model. In the Huffington Post Investigative Fund model, a major media organization creates a separate legal entity to work as a non-profit investigative unit, sharing content with other media organizations. The key in this model is that the non-profit arm cannot exclusively benefit the for-profit organization. A potential conflict of interest surfaces related to the for-profit “sister” of the non-profit organization (Mitchell, 2009). In fact, Mitchell (2009) reports, not having such a conflict of interests is integral to maintaining non-profit status in the eyes of the Internal Revenue Service.

In short, a news organization cannot simply create a non-profit arm to derive non-profit tax benefits and work only for that organization. The public must derive some benefit from the non-profit organization’s existence (Mitchell, 2009). Mitchell (2009) writes “That kind of no-favorites sharing of benefits is critical to preserving a nonprofit’s tax-exempt status because it demonstrates that the organization is not simply serving the interests of one of its backers.” He goes on to cite the scrutiny the IRS gave ProPublica when it first applied for non-profit status as an example of what a non-profit must do to keep its status: “Before the IRS approved the 501(c)3 application of ProPublica, [Marcus] Owens said, the agency expressed interest in whether particular publications would derive benefit from its work.”

Conflicts in the Spot.Us Model. The Spot.Us model perhaps flies in the face of all conventional wisdom related to paying for content. In this model, community members donate

money to be earmarked for a specific investigative story to be done. Once the organization raises enough money to complete the story, a freelance reporter is assigned to it and, ultimately, it is posted to the site. However, in the other two models, experts seemed to agree that linking funding to a “broad subject,” rather than specific stories, prevented potential conflicts (Schilders, 2008). The Spot.Us model does just that: it allows donors to target a story they want to be told.

In fact, this potential ethical conflict even popped up on the organization’s facebook discussion page. In response to the thread, Cohn, the organization’s creator, wrote “I believe there is no conflict of interest provided that indeed it is a ‘community’ that funds the reporting and not an individual. In some ways — I even think this has less ethical conflicts that advertising.” To ensure that the community, and not an individual, does in fact fund a story, Spot.Us limits the amount a single donor can give to a specific story to 20 percent of the total cost, according to an August 2008 *New York Times* article. Alexis Madrigal, a reporter for Wired.com who also does work for Spot.Us, agrees that there is little difference between the advertising model and donor-based model of Spot.Us:

“For Spot.Us, the ethical promise inheres in the transparency of the funding. In traditional reporting, my ethics supposedly remain uncompromised because of the opacity of the firewall between our advertising sales team and me. But that firewall is narrow; it doesn’t take much to peek around and see the inner workings of the machine staring back at me from a set of Shell ads deployed on my stories about climate change. ... But that doesn’t change the responsibility that I have to our readers to report from as close to the locus of truth as I can” (Madrigal, 2009, p. 13-14).

In the facebook thread about a potential conflict in the Spot.Us model, one user suggested that advocacy journalism is engrained in why newspapers started — to facilitate a marketplace of ideas. Cohn agreed, writing that “spot.us is not advocacy journalism — but we aren’t afraid of it. Some of the best journalism done today is advocacy journalism.”

Conclusion and New Directions

Investigative reporting at general interest newspapers is an endangered species, often the first to go in a newsroom with a shrinking budget. Edward Wasserman (2008) wrote that investigative reporting is just as susceptible to budget constraints as any other department because “it’s expensive, offers uncertain payback, ties up resources that could be used in more conventionally productive ways... invites litigation, and usually comes from the most endangered class in the newsroom, the senior reporters” (p. 7). But Daniel Brogan, in his 2008 article “Good Journalism Can Be Good Business,” suggests that there is still hope for media organizations to turn a profit: “There’s good money to be made in good journalism.”

The non-profit model for investigative reporting is a good one, but only for such a niche medium as investigative reporting or for topical reporting. For example, medical reporting or education reporting funds could be set up in a non-profit model, but seeking fundamental change in the general funding model of newspapers from advertising-based to donor-based is virtually unsupportable, according to the 2009 State of the News Media report. For example, a news operation the size of *The New York Times* would require a \$5 billion endowment and *The Washington Post* would require a \$2 million endowment, according to Heald (2009). In The State of the News Media 2009 report, researchers agreed that “The scale of the commercial media is too large and the potential losses too great” (p. 4).

The future of the non-profit model is not in full-scale, general interest media companies, but in niche and local markets based on the Web. The Spot.Us model is the best example of how non-profit organizations can fund good investigative reporting at a local level. The Spot.Us model does not work without the Web because, as the organizations founder put it in a 2008 *New York Times* article, it’s the “Obama model.” What he means to say is that it is the viral, grassroots model of the Web, the same one that helped Barack Obama win the 2008 election. In

the Spot.Us model, the organization only pursues tips that have a demonstrated demand, which is determined by how much donors were willing to pay for the story. The overhead required to make those determinations is significantly less in the Web-based model, much like we have seen in the rise of citizen journalists as barriers to entry crumbled with new software like WordPress and Blogspot.

Those barriers have crashed in the last ten years with the boom in information available publicly over the Internet, making it consistently easier for reporters to do investigative work. Brant Houston points to the Web as the fuel for the rise in investigative journalism centers when he wrote in the Spring 2008 edition of Nieman reports that “As much as anything else, the Web has been responsible for the rapid growth of these investigative journalism centers. With little funding, journalists operating these centers use new media technology to connect reporters with resources, including information and technological tools, and also post their stories.”

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