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by

Joseph Abel Holloway

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**Nonprofit Online Journalism  
and the Quest for Sustainability**

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**Nonprofit Online Journalism  
and the Quest for Sustainability**

**by**

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**Report**

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## **Dedication**

To my family, friends and teachers who have never ceased to be valued sources of encouragement and support.

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## **Abstract**

### **Nonprofit Online Journalism and the Quest for Sustainability**

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The University of Texas at Austin, 2011

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The author gives an in-depth look into nonprofit journalism, particularly in the form of online media. The report is divided into four sections. The first section provides a general overview of the online nonprofit news landscape and a brief discussion of why news organizations are looking to it as a possible model for sustainable news in the future. The profiles of specific nonprofit online news organizations begin with section two and an examination of ProPublica. Section three looks at the Texas Tribune. Section four looks at the Austin Post.

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## Introduction

Jim Moroney, publisher of the *Dallas Morning News*, spoke on April 12, 2011 to a gathering of about 50 people on the campus of the University of Texas at Austin. He had flown from Dallas and came straight to UT's communication's building to give a speech on why the *Dallas Morning News*, one of the largest newspapers in the country with a weekday circulation of 263,810<sup>i</sup>, implemented a pay wall on the paper's website on March 8, 2011.

Of course, Moroney said "pay wall" isn't his preferred terminology.

"We call it 'subscriber content initiative,'" he said. "I hate the term pay wall. Who wants a pay wall? I wouldn't want a pay wall if it was a good thing."

Whatever the *Dallas Morning News* calls it, the fact remains, if a reader wants to access any original content on the paper's website (columns, local reporting, sports, pretty much everything that's not off of a newswire service like the Associated Press), they will now have to purchase a subscription package.

The short version of why readers have to pay for news that has, until recently, been free to obtain on the web is pretty simple: there just aren't enough pieces of the pie to go around.

"What the newspapers thought was that if they grew big audiences they would get big ad revenue," said Moroney. "That's what happened with traditional newspaper businesses until about 2000.

“It was a very simple formula. So the newspaper companies of America thought well let’s go out on the Internet with these huge audiences, because there are no geographic restrictions, and we’re going to make a whole lot more money online.”

The problem is, according to Moroney, the *Dallas Morning News* stands to make about \$14.2 million from it’s website on advertising revenue alone if it has 100 percent sell out of all ads and a \$10 cost per thousand, which is optimistic by his own admission. \$14.2 million seems like a lot of money, but it’s less than half of the \$35 million the *Dallas Morning News* spends on people and resources, which are paramount to the reporting Moroney called essential.

“It is the free press in this country that is doing an important job of watching out how your government is spending your money and how your elected officials are conducting themselves while in office,” he said. “Unfortunately history has taught us that power ultimately is a corrupting influence on so many people. If the newspaper business, not the newspaper, I’m not talking about the physical product, if we can’t support the scale of the newsrooms that these newspapers are employing across this country, we’re going to lose, I’m going to guess, half of the journalists today who are covering city, county and state government and they’re not going to be replaced.”

As the physical newspaper continues to lose popularity<sup>ii</sup>, for-profit news organizations are going to have to find new revenue streams in order to survive.

Traditional news groups don't last long without turning a profit, so it will be interesting to see how the *Dallas Morning News*' experiment with pay walls plays out.

But, what if trying to turn a profit was exactly why so many traditional news organizations are having to scale back or go out of business entirely? What if, in this age of the Internet, fast-paced mobile media and open communication, information is supposed to be free?

If that were the case, then an entirely different business model would be required, one that was able to function without subscriptions, shareholders, etc. Would such a model be sustainable for any great amount of time?

That's the question many new nonprofit news organizations are trying to answer, with varying approaches to the nonprofit model. This report provides an examination and evaluation of three different nonprofit news organizations that have launched since 2008, and are all primarily online publications (ProPublica, The Austin Post, The Texas Tribune). Each has a different focus and methodology, but all are nonprofits attempting to pioneer new ways of covering news and getting it to their readers.

## **ProPublica**

A reader scanning the homepages of any of the top 10 news websites on the Internet can easily find a number of stories on current world events. In 2011, the biggest headlines have pertained to the earthquake and subsequent tsunami disaster befalling Japan, uprisings in Libya and Egypt, and the United States' assassination of Osama bin Laden.

And rightly so.

The situation in Japan was shocking and tragic. The successful uprising against a dictatorial regime in Egypt was inspiring. The ongoing uprising and U.S. involvement in Libya is a continuing point of concern. The death of Osama bin Laden lifts a weight off the shoulders of every American, and is certainly one of the biggest news stories of the year.

There were also tax tips, articles on how to lose weight before swimsuit time, the latest from the NCAA Tournament and the latest obligatory article on Charlie Sheen's latest "torpedo of truth."

A reader scanning these homepages, looking for something a good deal more in depth, an investigative piece exposing government corruption or a hard look at Hurricane Katrina long after the disaster has left the front pages, would almost certainly be out of luck.

The reason is fairly simple.

Investigative stories are expensive, time-consuming, could lead to even more expensive legal ramifications if a story runs with flaws and often just don't pan out, even after a news organization has poured a good deal of money into them. Many news organizations simply don't (or at least think they don't) have the funds for such stories.

According to Robert W. McChesney, journalist and professor at the University of Illinois at Urbana-Champaign, "the corruption of journalism, the decline of investigative reporting, the degeneration of political reporting and international journalism, the absurd horserace coverage of campaigns, the collapse of local journalism, the increasing prevalence of celebrity and scandal are now roundly acknowledged by all but the owners of large media firms and their hired guns."<sup>iii</sup>

Add to that the fact there are simply fewer reporters and the ones who do have jobs are stretched thin just covering the news of the day. The Project for Excellence in Journalism at the Pew Research Center found 1,000 to 1,500 more newsroom jobs were lost in 2010 in its "State of the Media 2011."<sup>iv</sup> That's not as bad as the approximately 5,200 jobs lost in 2009 or the 5,900 jobs lost in 2008. But, in a newsroom environment that has lost 30 percent of its jobs since 2000, it's no surprise a decline in investigative reporting would follow as well.

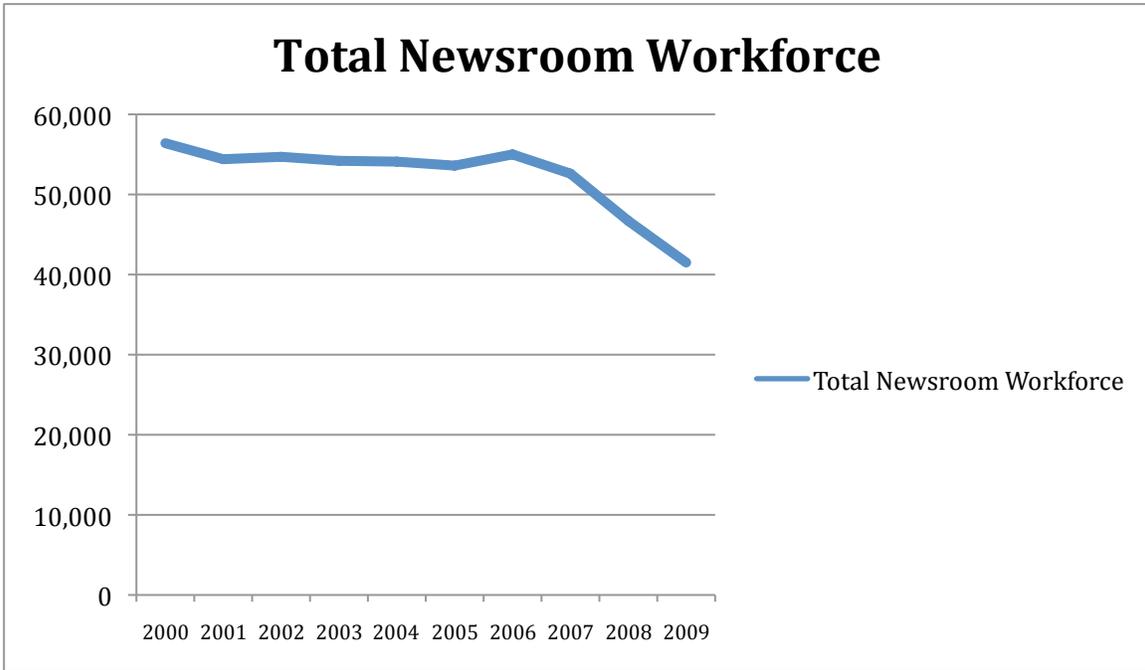


Figure 1: The decline of the newsroom workforce according to the Project for Excellence in Journalism's "State of the Media 2011."<sup>v</sup>

The nonprofit news organization ProPublica’s website describes the situation well:

“More than any other journalistic form, investigative journalism can require a great deal of time and labor to do well—and because the ‘prospecting’ necessary for such stories inevitably yields a substantial number of ‘dry holes,’ i.e. stories that seem promising at first, but ultimately prove either less interesting or important than first thought, or even simply untrue and thus unpublishable. Given these realities, many news organizations have increasingly come to see investigative journalism as a luxury that can be put aside in tough economic times.”<sup>vi</sup>

ProPublica was launched into this void of investigative journalism in January of 2008.

In the organization’s own words, ProPublica is “an independent, nonprofit newsroom that produces investigative journalism in the public interest.”

ProPublica’s 32-member team writes the organization’s stories, sometimes alone but often with one of its more than 50 partner news organizations, and disseminates them on its own website or allows the partner organization to publish them online or in print.

“Each story we publish is distributed in a manner designed to maximize its impact,” says the ProPublica website. “Many of our ‘deep dive’ stories are offered exclusively to a traditional news organization, free of charge, for publication or broadcast. We published 138 such stories in 2009 with 38 different partners.”

ProPublica was thought up and is financially backed by former chief executives of Golden West Financial Corporation Herbert and Marion Sandler. Some have heralded the group as the savior of investigative journalism; others have written it off for a perceived liberal spin.

“ProPublica churns out little more than left-wing hit pieces about Sarah Palin and blames the U.S. government for giving out too little foreign aid,” said one opinion piece by Cheryl Chumley, a 2008-09 Phillips Foundation Robert Novak journalism fellow. “ProPublica’s coverage thus far has had a distinctly liberal bent.”<sup>vii</sup>

Much of the skepticism leveled at ProPublica comes as a result of the financial backing given by the Sandlers. The couple’s net worth was estimated by Forbes to be about \$1.26 billion in 2006 and they have pledged to give \$10 million to fund ProPublica annually. But, it’s not the mere fact that they’re funding an investigative journalism organization that generates criticism as much as the other places they send their money.

In recent years, they've spent millions on politics. The Federal Election Commission database shows the two of them giving hundreds of thousands of dollars to Democratic Party campaigns. In 2004, Herbert Sandler gave the MoveOn.org Voter Fund \$2.5 million, again according to the FEC database. The Center for Responsive Politics Web site reports donations of \$8.5 million from Herbert and Marion to the 527 group Citizens for a Strong Senate, in the 2004 cycle. CSS was formed by "a group of strategists with close ties to former North Carolina Sen. John Edwards," writes the washingtonpost.com's Chris Cillizza. American Banker reported in 2005 that Herbert also gave \$1 million to the California stem cell

initiative and that the pair have also funded the progressive Center for American Progress.<sup>viii</sup>

Based on where the Sandlers are sending their political donations, one can easily surmise which side of the political fence they are on. The question then becomes whether or not a nonprofit news organization funded almost entirely by the liberal leaning couple can hope to maintain an impartial position when doing the investigative work it declares is its sole purpose.

Some, like Chumley, don't think it can.

"More investigative journalism: Who could be against it? Unfortunately, what used to be called 'muckraking' is likely to produce little more than left-wing ranting and conservative bashing," the Washington Examiner blogger said on the subject. "On the basis of what's been produced so far, ProPublica would be better known as ProLiberal."

Some aren't quite so abashed in vocalizing their concerns, but still have them.

"Philanthropists, especially those who earned the fortune they're giving away, tend not to distribute their money with a blind eye to the results. How happy will they be if ProPublica gores their sacred Democratic cows? Or takes the "wrong" position on their pet projects: health, the environment, and civil liberties?" *Slate* writer Jack Shafer said in a 2007 article profiling the Sandlers before the launch of ProPublica. "If I were a newspaper editor considering ProPublica copy for a future issue, the first thing I'd want is proof of a firewall preventing the Sandlers and other funders from picking—or nixing—the targets of its probes."

ProPublica editor-in-chief Paul Steiger has said he had the same worries before he took the job. The former *Wall Street Journal* managing editor spoke in an interview with Jeffery Brown on PBS' "Newshour" of an exchange he had with the Sandlers before his hiring.

"Coming into this, when I talked to Herb and Marion Sandler, one of my concerns was precisely this question of independence and nonpartisanship," he said. "My history has been doing 'down the middle' reporting. And so when I talked to Herb and Marion I said 'are you comfortable with that?' They said 'absolutely'. I said 'well suppose we did an expose of some of the left leaning organizations that you have supported or that are friendly to what you've supported in the past'. They said 'no problem'. And when we set up our organizational structure, the board of directors, on which I sit and which Herb is the chairman, does not know in advance what we're going to report on."<sup>ix</sup>

Steiger indicated that, because of the way ProPublica is set up, he has virtually the same amount of freedom to run the organization as he did when he was at the *Wall Street Journal*.

If Steiger was the only one extolling ProPublica's virtues, one might take his words with a grain of salt, but the nonprofit has turned out some solid investigative reporting. Specifically, writer Sheri Fink wrote an article on a New Orleans hospital isolated by floodwaters without power or running water after Hurricane Katrina. The story won the 2010 Pulitzer Prize for investigative reporting.

It took Fink over two years to report the story and she interviewed over 140 people. After it ran in *The New York Times*, it led to a new investigation into at least one patient's death.<sup>x</sup>

Online news outlets have not always been eligible to receive a Pulitzer, but the prize's regulations were broadened in 2008 to include online-only publications. Though Fink's story also ran in *The New York Times*, ProPublica is considered the first online news source to receive a Pulitzer.

ProPublica's Pulitzer win led to headlines like "Nonprofit's News Gathering Pays Off" in an article by the *Washington Post's* Howard Kurtz and "Pulitzer Prizes Confirm Rise of Online Journalism" in the *International Herald Tribune*.

"ProPublica's success is a positive indicator that a nonprofit online business model can sustain the cost of investigative journalism," says Robert Eisenhart in a post on [editorsweblog.org](http://editorsweblog.org), a part of the World Association of Newspapers website. "This should give hope to other organizations like *California Watch* and the *Texas Tribune* who also use a nonprofit model to sustain investigative journalism. While these organizations haven't received the same level of recognition as ProPublica, it gives credence to the potential in nonprofit journalism."<sup>xi</sup>

As such, it seems likely that, as it becomes increasingly difficult for traditional for-profit news organizations to produce, investigative journalism could find a home in online nonprofit newsrooms. It remains to be seen if such models are

sustainable without tremendous amounts of backing from deep-pocketed financiers (which will always raise questions in and of itself).

High profile nonprofits like ProPublica do great work and grab a lot of headlines doing so. Firsts are always notable and being the first online publication to win a Pulitzer will get a great deal of well deserved attention. However, it would be wrong to assume that, just because ProPublica is seemingly at the head of the nonprofit pack at the moment, that it will be so forever, or even be around at all.

ProPublica is doing great work to patch a hole in journalism where the investigative part used to be, but it's one expensive patch. With Herb and Marion Sandler throwing \$10 million annually at the nonprofit, ProPublica seems to be doing a great deal to fill the void temporarily, but little to figure out how to permanently seal it.

## **The Texas Tribune**

ProPublica and the Sandler aren't the only model of online nonprofit journalism. Many online nonprofit news organizations work with less money than ProPublica and see seeking sustainability as a primary goal.

The Texas Tribune, one of these organizations, was launched on Nov. 3, 2009. The Tribune's website describes the nonprofit as "a nonpartisan, nonprofit media organization that promotes civic engagement and discourse on public policy, politics, government, and other matters of statewide concern. Our vision is to serve the journalism community as a source of innovation and to build the next great public media brand in the United States."<sup>xii</sup>

The organization is still in its infancy, but many are looking to it as one of journalism's best shots at cracking the online nonprofit sustainability code.

At a glance, the Tribune seems a great deal like ProPublica: both are nonprofits. Both partner with more traditional news outlets to make their content more widely available. Both have young hotshot writers and experienced editors who are paid very well (according to the Austin Chronicle, some writers earn as much as \$90,000 and editor-in-chief Evan Smith earns \$315,000).<sup>xiii</sup>

The similarities don't end there. Both organizations came into existence as a reaction to the ever-shrinking presence of strong in-depth journalism in the present day mediascape.

“When I moved to Texas nearly 19 years ago, two things were the case that are not the case today. The first is there were two daily newspapers in Houston, San Antonio, Dallas and El Paso. Today, there are six markets in the country, none of them in Texas, with two daily newspapers. So we know that there are many fewer newspapers publishing today than there were even 20 years ago,” Smith said during his presentation on nonprofit journalism at the 11<sup>th</sup> Annual International Symposium on Online Journalism in 2010.<sup>xiv</sup>

Texas Tribune founder and chairman John Thornton said he wants the organization to pick up some of the slack left by those shrinking institutions.

“Broadly, for-profit publications don’t necessarily put the most resources into what is the hardest or the most important or the most relevant,” he said. “They do the best they can, but all of them have economic challenges. So I think we serve as a supplement to the for-profit outlets.”<sup>xv</sup>

At the 12<sup>th</sup> Annual International Symposium on Online Journalism in 2011, Thornton related a conversation he had with longtime journalist Dan Rather.

“I remember pitching this to Dan Rather very early and he got this kind of far off expression on his face. He said ‘my first job 50 years ago in journalism was to cover the state capitol in Texas for the No. 3 radio station in Houston,’” Thornton said. “Fifty years ago the No. 3 radio station in Houston had a full time reporter on the capitol beat. Today you couldn’t find a human being at the No. 3 radio station in

Houston, much less one covering the state capitol. So it's that sort of disintegration of focus on statewide issue that led us to the Tribune."

Another challenge the Tribune faces, which the ProPublica founders can relate to, is being accepted as an unbiased source of news while receiving the vast majority of its funding from a single, liberal-leaning backer, Thornton. In a 2009 *Washington Post* article by Howard Kurtz, Thornton describes himself as an "unreformed limousine liberal" who started the Tribune out of greed.<sup>xvi</sup>

According to data from the Center for Responsive Politics, Democrats Bill White, Chet Edwards, Jack McDonald, Patrick Leahy and Harry Read each got \$2,400 from Thornton for their political campaigns in 2009.<sup>xvii</sup>

"Thornton and his wife, Julie, have given more than \$194,000 to federal Democratic candidates and campaign committees since January 2008," according to the July 24, 2009 edition of the *Houston Chronicle's* "Texas Politics" blog. "When Texas Gov. George W. Bush, a Republican, was running for president in 2000, Thornton gave \$50,000 to the Democratic National Committee. At the state level, the Thorntons have donated more than \$96,000 since 2000 to Democratic causes, mostly in the past two years."<sup>xviii</sup>

As with the Slanders, the Thorntons political leanings have caused many to question the Texas Tribune's neutrality and, unlike ProPublica, the Tribune doesn't have any Pulitzers (yet) to point to in their defense. However, unlike the Slanders and before the Tribune even launched, Thornton said he would cease any and all

contributions to political campaigns in an effort to show his dedication to creating an unbiased product.

“It is absolutely true that I have retired from partisan politics,” Thornton said on his July 24, 2009 blog entry. “The members of the Journalism Tribe—particularly the young ones—tend to ostracize the partisans in their midst, to make them eat lunch at Burger King rather than the place all the cool kids go. And I have to tell you: the team Evan and Ross have hired can smell a partisan from 50 paces.

“If we—I, I guess—would have wanted to build just another partisan echo chamber, we would have built a very different team. And attracting a Smith or a Ramsey would have been *impossible*.”<sup>xix</sup>

But the fact that Thornton has halted his political donations isn’t the only, or even the most important, difference in how he has approached starting the Tribune. Instead of taking the “expensive patch” method the Sandler’s use, in putting \$10 million annually toward ProPublica, Thornton only put \$1 million toward the Tribune in its first year and insists it be run like a business in the hope of one day achieving sustainability without relying on major giving.

“We haven’t definitively proven sustainability for nonprofit news, but I think we’re gaining on it,” Thornton said. The Tribune is in “a number of different businesses that look just like for-profit businesses” and has between \$1.5 and \$2 million in “corporate sponsorship” inventory.

“We call them sponsors, you can call them advertisers,” Thornton said.  
“These are folks who make media-buy decisions just like they do on for-profit sites and they partner with us because this month we had 415,000 readers.”

Ideally, Thornton said the goal is to have about half of the Tribune’s \$3.3 million budget taken care of through corporate sponsorship and the rest made up of memberships (which range from \$50 to \$5000), events and premium content.

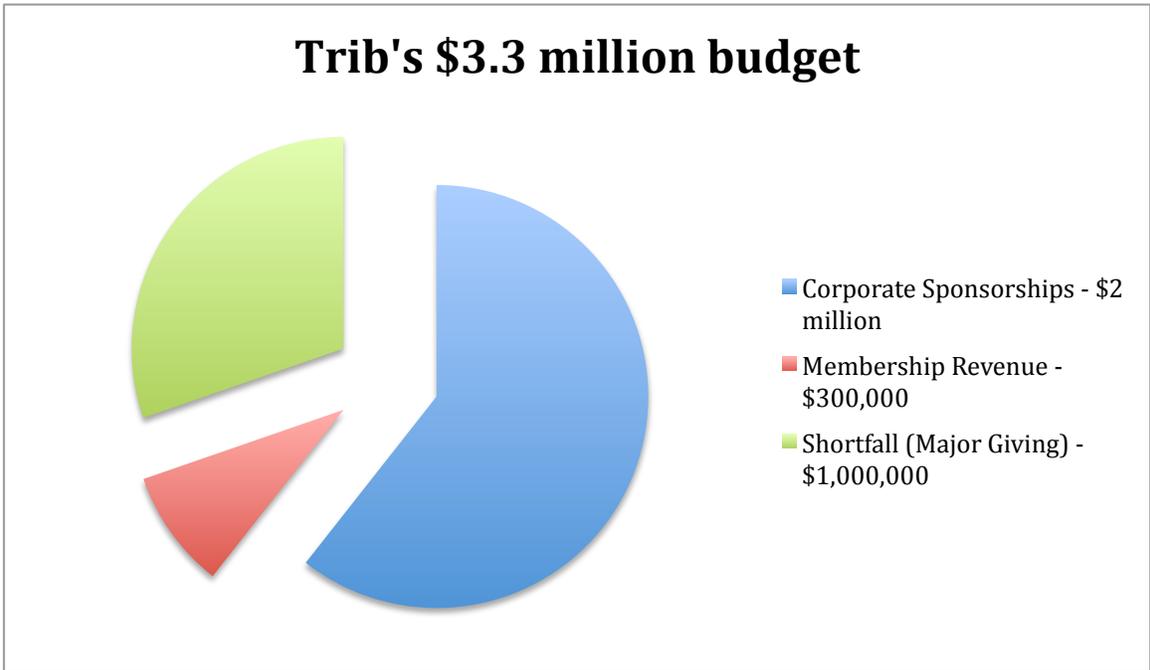


Figure 2: The Texas Tribune's 2011 Budget according to founder John Thornton

“Premium content, today, is about a \$300,000 business. Membership budget is about \$300,000. We currently have about 2,500 members,” Thornton said. “Add all that up this year, and the goal is to lose a half million dollars on the \$3.3 million budget. We lost a million dollars last year and then the goal would be to break even without major giving in 2012. It’s a stretch goal, and it’s not going to be easy, but that’s the idea.”

The highest level of membership costs \$5000. Thornton said anything above that is considered “major giving” and an unreliable source of revenue for the Tribune.

“We know that, over the long term, reliance on major giving is not where we want to be,” he said. “But, we ought to run this like a business and that’s something that Evan drills into his staff’s head every day.”<sup>xx</sup>

With that mentality, the Texas Tribune is forecast to break even by 2013 according to the organization’s own website.<sup>xxi</sup> If the Tribune continues to rely less and less on major giving (\$1 million in it’s first year, \$500,000 in it’s second), it’s not an unrealistic goal and that’s why many are looking to the Tribune as perhaps online nonprofit journalism’s best shot. It’s not swimming in the kind of money ProPublica is and the people running the show have no intentions of perpetually sinking money into it just to keep it afloat.

Were the Tribune does succeed in breaking even and have some extra revenue, Thornton said he has big plans for the organization’s future.

“The hope is that we can operate in the black with a cushion and continue to grow the organization and really build a big public media brand,” he said. “The possibilities are almost limitless. I’d love to have reporters on the ground all over the state. I’d love to have a bureau in the valley. We’re just not even touching what we could do with more resources.”<sup>xxii</sup>

Still, even if the Tribune does become a sustainable news organization, it’s not a model that Thornton said he thinks would be easily replicable.

“This is hard. And it’s not obvious to me that this model is replicable and sustainable broadly, kind of all over the place,” he said. “I wouldn’t want to try to run this place without Evan Smith, or anywhere else but Texas, because I think it is very difficult. But I think it’s certainly worth it. It’s certainly worth trying.”

In April of 2010, the Knight Foundation sponsored a roundtable meeting of nonprofit organizations called “Seeking Sustainability,” at the University of Texas. The roundtable featured people from the Texas Tribune and various other online nonprofit news organizations from around the country, such as the Voice of San Diego, the Chicago News Cooperative and Oakland Local. Afterward, the Knight Foundation published a report by Christopher Sopher on the event in which he said that the nonprofit news organizations present at the roundtable “are doing encouragingly well at executing their core journalistic and community information missions...However: financial, organizational and technological sustainability are serious challenges.”

One year later, it seems as if the Texas Tribune has taken on all of those challenges and looks to be in a favorable position to surmount them in the near future. Only time will tell. But, the financial backing from Thornton has ensured the Tribune won't have the early resource problems of many other nonprofit startups. Smith is a seasoned editor who has proven he can run an organization of the Tribune's magnitude. Thanks to those resources and leadership, the Tribune is on the cutting edge of technology as well. All the pieces are in place.

"The one thing Evan and I, when we were raising money for this at the outset, could definitely say was that we were going to put out a good product. We could definitely say it was going to be a nonpartisan effort, which it very much is. What we couldn't definitely say is would anybody care," he said. "When you throw a party, your concern is always that nobody's going to show up and what happened to us is kind of the neighbors called the cops so many people showed up.

"So it's been tremendously gratifying, the level of interest in the content these folks are doing and they've won a whole bunch of awards. I sort of choke up, I'm so proud of what they've done."

The Texas Tribune offers the most businesslike approach to nonprofit journalism to date. The organization's website says that it's looking to break even on a \$3 million budget by 2013<sup>xxiii</sup> and, after a talk with founder and chairman John Thornton, one is hard pressed not to take the claim as inevitable.

Speaking at the 12<sup>th</sup> Annual International Symposium on Online Journalism at the University of Texas in Austin on April 2, 2011, Thornton was even more optimistic than his website's stated goal.

"We lost a million dollars last year and then the goal would be to break even without major giving in 2012," he said. "It's a stretch goal, and it's not going to be easy, but that's the idea."

But not all signs point to the situation being as rosy as Thornton's optimism would indicate. According to an article by Christopher Calnan in the *Austin Business Journal* from March 11, 2011, the Tribune, "memberships have fallen short of expectations, but the organization attracted more donor money and website traffic than it had initially projected."<sup>xxiv</sup>

Falling short on membership expectations is ok if the Tribune makes up for it by receiving more donations than expected, but it's not how Thornton wants to run the nonprofit, "like a business."

## The Austin Post

The Austin Post is perhaps the most truly experimental online nonprofit news organization to pop up in the past few years. The similarities between it and a ProPublica and the Texas Tribune begin and end largely with the fact they're all nonprofits and provide some sort of news available freely to the public on the Internet.

The Post is the brainchild of Scott Brighton, president of the Austin-based software company Trilogy, and Joe Liemondt, the company's CEO.<sup>xxv</sup>

Brighton, who still has three newspapers delivered to his house every day, said he's always had a love of journalism and an interest in industries in a state of "chaotic flux," and that's what led him to the idea to start the Austin Post.

"The economics of the newspaper are fascinating. Virtually all the revenue comes from advertising, and that revenue is basically going away," he said. "The online revenue that is replacing the offline revenue is replacing it at a fractional rate. What do you do?"

"One way is to focus on revenue - hang on and hope that online ad rates catch up to offline. Or put up a paywall, like *The Wall Street Journal*. Or ask people or companies to make donations, like the Texas Tribune."

Another way, which the Post has employed, is to scale down the editorial to a small team, and then leverage the burgeoning ranks of amateur journalists to fill in the rest.

“My belief was this could work,” Brighton said. “The aggregation of all the random blogs in Austin actually would produce a pretty compelling newspaper, and the small paid journalism team could cover all the breaking news that this model does not lend itself well to.”

But the Post didn’t always have even the small editorial team it now has. According to editor-in-chief Karie Meltzer, the original idea behind the Post was that it would be an open-sourced community news website, like a hyper-local Wikipedia meets the Huffington Post. The Post was meant to see if a low-budget open-sourced news nonprofit could compete with the web traffic like that of a daily newspaper website.

“That was their goal, ” said editor-in-chief Karie Meltzer. “They thought we have to do it user generated so we don’t have to pay any writers. And that was their original thinking but we’ve made a lot of changes.”

Among those changes, the addition of the small editorial staff Brighton spoke of. But it wasn’t a change that happened overnight.

“The Post, it originally launched as an all user-submitted community news website,” Meltzer said. “The theory was that anyone could go on, create a profile and write an article.”

Meltzer, who originally applied for an assistant editor position but was quickly promoted when the original editor-in-chief moved to Colorado before she’d even had her first day on the job, noticed that, because absolutely anybody could

post anything on the website, the Post wasn't getting the type of stories, or the web traffic, it had hoped it was going to when it first launched.

"I took over about eight months into the website and originally most of the content was reposted press releases, political rants, the occasional really good useful story, but most of it there was really no concise mission when you looked at the content," she said. "So when I came on board I wanted to bring a little more serious news to the site and try to get friends that I know in Austin who I consider thought leaders or intelligent people who pay attention to what's happening at the capitol or city hall, or even just music and the arts scene but something a little more in depth."

Under the new leadership, the Post got a little newsier. Meltzer convinced Brighton and Liemandt to let her hire a couple interns and web traffic increased, but it still wasn't at the level she or the guys at Trilogy were hoping for.

"After about a year of not getting the traffic we really wanted, I convinced the investors to let us hire five real journalists," Meltzer said. "They're definitely young right out of schools journalists, but they're real reporters and they would provide kind of the anchor content and we'd still allow the citizens to contribute."

Erick Pickhartz, one of the young journalists the Post has recently hired, said he's happy to be at the Post, but that he's still uncertain about it's future.

"I didn't realize I was going to be able to find something that allowed me to virtually do what I wanted and how I wanted to and get paid for it, and actually have

it show up somewhere in the public domain. I think me getting paid to do what a lot of people are doing for free these days is amazing,” he said. “At the same time, we don’t know exactly how long it’s going to last. We don’t necessarily have a full grasp of what readers like to read the most and what is most effective in our journalistic practices.

“It’s difficult, I would imagine in any venue or entity, but because we don’t have a whole lot of money it’s a little more difficult. We are a young enthusiastic group, but we don’t have the generations of experience other places might have.”

The addition of an actual staff of writers puts the Post a little more in the same vein as ProPublica and the Texas Tribune, but Meltzer is quick to point out some key differences.

“Their content is tailored just for insiders in Texas Politics,” she said, referring to the Tribune. “Every article has to do with Texas politics and government. It’s not general interest content. Most of their readers are legislators and staffers, political consultants, lobbyists, interest groups and judges, lawyers and that whole scene around the capitol. So you’re not going to find out anything about music or style.

“They have a very different mission and they don’t allow any citizen content. Their staffers do in depth investigative pieces and they write blog posts.”

For instance, Pickhartz predominantly covers sports, a topic unlikely to appear in the Tribune anytime soon, and points to stories on the general active lifestyle of Austinites as some of his favorite stories.

“It’s the simple ones, when I just happen to run into somebody,” he said. “For example, I was driving in my neighborhood and came across one of those guys with those huge tall bikes, so I just pulled over, ran after him, and asked him if I could ask him a few questions.

“It’s that type of thing that is quickly becoming my favorite. Just when I stumble across something and it’s unique, it fits Austin, and it’s also up my alley. And everybody’s always so nice about it. “

But the fact that the Post is general interest and not a niche publication like the Tribune isn’t the only difference in the two. Besides being at least partially open-sourced, the Austin Post operates on a tiny budget compared to the Tribune, and a downright miniscule one compared to ProPublica.

“Because it’s a nonprofit all of our funding comes from the software company Trilogy Enterprises,” Meltzer said. There is no advertising revenue, no membership revenue; there is only what Brighton, Liemandt and Trilogy provide.

Which isn’t much, at least compared to the Posts’ bigger nonprofit counterparts.

“The Texas Tribune has a huge budget,” said Meltzer. “I know that, when they first launched, I think the numbers came out that Evan Smith the editor in chief was making over \$300 grand. The reporters were making \$80 to \$100 grand.”

There are no such salaries at the Austin Post.

“Our site has a tiny budget,” said Meltzer. “Our yearly budget is less than Evan Smith’s salary. Before we took on writers it was about \$200,000 per year. That includes design work, my salary, marketing, and parties or events we do, the tech support, all that stuff. All that is less than Evan Smith’s salary.”

The addition of the new writers, five of them at \$500 per week, has pushed the Post’s budget up to around \$300,000, but even that’s nowhere near the Tribune’s budget.

Having less cash, Meltzer admits, does result in fewer resources and lower-quality journalism than one might expect from the Tribune.

“We definitely don’t have the same level of journalism because we don’t have the same funding to hire reporters who have Pulitzer prizes,” she said, but points to the organization’s recent hires as a step in the right direction.

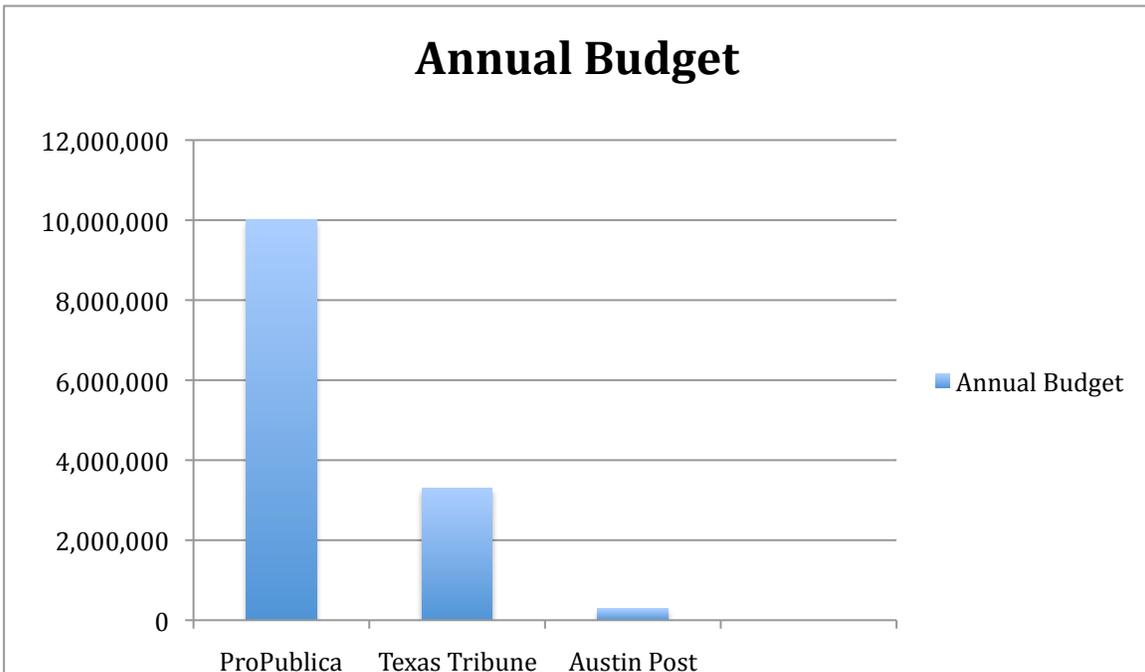


Figure 3: Comparative graph of organizations' annual budgets according to stated figures from ProPublica, Texas Tribune and Austin Post.

“I think that they are not afraid to go out and do reporting. They don’t try to write stories off twitter without leaving their computer,” she said. “Jackie Stone, the political reporter, has done some really interesting work at city hall. She’s there every week. She goes to every Austin ISD budget meeting. She does a really good job of whittling down complicated stuff.

“The Statesman might write it as a really long piece and she’ll do the top 10 things you need to know about the AISD budget. It doesn’t dumb it down, but it’s a little more of a web style.”

Meltzer also said style reporter Michele Savage-Mena and arts reporter Gabino Iglesias have turned out some very strong reporting.

“Our food and style reporter has done a really good job of finding deeper stories. She’ll do some fun light stories about fashion, but she’ll also do a story about how the drought is affecting local farmers,” she said. “And Gabino’s covering a side of the arts community that’s really not covered as much, like local horror authors and burlesque. It’s some really cool under the radar stuff.

“They’re really creative and I’m trying to get them to cover stuff that not many other people are covering because it’s kind of a saturated market.”

The way the Austin Post is set up also allows it to sidestep one of the pitfalls of being backed by private investors like Herb and Marion Sandler, John Thornton or, in the Post’s case, Brighton, Liemandt and Trilogy.

“That’s the thing about being user generated is lets say someone thought we had too much content that had a liberal bias, which happens in Austin when you’re user generated because, let’s face it, there are a lot more democrats than there are republicans here,” said Meltzer. “Well if a republican was angry about that, they could go write their own article and get all their friends to write articles so the content can get balanced out.”

Besides that fact though, Meltzer said that the investors at Trilogy are very detached from the goings-on at the Post anyway.

“Thankfully, my boss, I guess you could say is Scott Brighton at Trilogy, I don’t really know his political views and he doesn’t write for the site,” said Meltzer. “He’s never commented on one article other than maybe ‘oh I like that guy’s style.’ He has no interest in whether we have a political slant.”

So the Austin Post has been able to build a small following as a hyper-local online nonprofit news organization. Its 917 “likes” on Facebook aren’t quite as much as the Texas Tribune’s 14,012 or ProPublica’s 16,473, but neither is the Post’s annual budget. It’s scope is far smaller than ProPublica’s (national) or the Tribune’s (statewide) as well, so perhaps just under 1000 is appropriate.

“We’ll never have the spectacular growth that large money enables, such as what Texas Tribune was able to drive,” said Brighton. “But what funds TT for a quarter would fund us for 10 years. We have lots of runway to experiment, grow, and get better.”

The real question is whether or not the Austin Post could someday serve as a model of sustainable online nonprofit journalism. The answer to that question is, at the moment, no.

“If we broke from Trilogy, we’d have to get donations from people,” Meltzer said. “Or I’d have to take out a big loan and run it myself.”

The Post has no advertising revenue and no memberships to create cash flow. It relies entirely upon the whims of Brighton, Liemandt and Trilogy. While having content that is entirely user-generated is a novel idea that might be promising in terms of creating web traffic and eliminating, or at least balancing, biased reporting, it would also be entirely contradictory to moneymaking.

“Nonprofits don’t get to put up their own ads. They have a page where they thank their sponsors. But you wouldn’t have a giant ad from Frost bank,” Meltzer said. “It’d be kind of like on NPR where the NPR people say ‘support for NPR comes from’ but they don’t have an actual ad. You don’t get to have an actual commercial. Trilogy has said that if we got to where they thought we were good enough to ask for that then we would, but for now they want more traffic.”

The Post could likely drive web traffic to the point that advertising would be profitable for any other website that wasn’t user generated. But, there’s no reason why an advertiser would want to pay for an ad on an open-source website when they could simply write and submit an article extolling the virtues of whatever product they might be peddling.

Memberships, like the Tribune implements, would also likely prove futile as well as there's still not enough original reporting on the Austin Post to merit someone buying one.

Nonetheless, the Austin Post is a fascinating foray into the realm of online nonprofit journalism and one that could be more easily replicable in numerous cities than a high-investment effort like ProPublica or the Texas Tribune. In fact, a for-profit model of hyper-local online journalism, Patch.com, has been around since 2007 and, after a \$50 million investment from parent company AOL, has spread to over 800 towns in 18 states and the District of Columbia.<sup>xxvi</sup>

Unlike the Post, Patch isn't open-sourced, allowing for advertising dollars to flow in, but consists of local editors in towns across the country hiring small crews of freelance writers to cover issues that pertain to the local community. But it remains to be seen if this model is sustainable either, certainly not without \$50 million from AOL.

Objectively, the Post could be sustainable in that, if the operating costs remain low, it might be worth it for a company like Trilogy to keep it around, if only as a tax write-off.

"Right now for them it is a tax write off," Meltzer said. "It's not making them any revenue, but they make enough money from other avenues that they don't really need the Austin Post to make money."

That's not the type of sustainability one would generally think of, but it could be enough to keep an organization like the Post around for a good long while.

"That's what we're trying," said Brighton. "We keep our investment modest so there is no revenue pressure on the business, and we're allowing it to grow slowly and organically over time. It's working so far."

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<sup>i</sup> Audit Bureau of Circulations, *Consolidated Media Report for the Dallas Morning News*, <http://www.accessabc.com/pdfs/dallascmr.pdf>

<sup>ii</sup> Huffpost Media, *Newspaper Circulation Down 5 Percent*, [http://www.huffingtonpost.com/2010/10/25/newspaper-circulation-down\\_0\\_n\\_773362.html#s164307&title=1\\_Wall\\_Street](http://www.huffingtonpost.com/2010/10/25/newspaper-circulation-down_0_n_773362.html#s164307&title=1_Wall_Street)

<sup>iii</sup> Robert W. McChesney, "The crisis of journalism and the Internet," *News Online: Transformations and Continuities*, ed. Graham Meikle and Guy Redden (New York, NY: Palgrave Macmillan, 2011) 53-68

<sup>iv</sup> Pew Research Center, *The State of the News Media 2011*, <http://stateofthemediamedia.org/>

<sup>v</sup> Pew Research Center, *The State of the News Media 2011, News by the Numbers*, <http://stateofthemediamedia.org/2011/newspapers-essay/data-page-6/>

<sup>vi</sup> ProPublica.org, *About Us*, <http://www.ProPublica.org/about/>

<sup>vii</sup> Phoenix.edu, *ProPublica: Investigative Journalism or Liberal Spin?*, [http://www.phoenix.edu/about\\_us/media-center/fact-checker/ProPublica-Investigative-Journalism-or-Liberal-Spin.html](http://www.phoenix.edu/about_us/media-center/fact-checker/ProPublica-Investigative-Journalism-or-Liberal-Spin.html)

<sup>viii</sup> Jack Shafer, *What Do Herbert and Marion Sandler Want?*, <http://www.slate.com/id/2175942/>, Oct. 5, 2007

<sup>ix</sup> PBS.org, *Nonprofit Groups Financing Independent Journalism*, [http://www.pbs.org/newshour/bb/media/jan-june08/mediamodel\\_06-24.html](http://www.pbs.org/newshour/bb/media/jan-june08/mediamodel_06-24.html)

<sup>x</sup> ProPublica.org, *Pulitzer Prize in Investigative Reporting: Deadly Choices at Memorial*, <http://www.ProPublica.org/awards/item/pulitzer-prize-in-investigative-reporting-deadly-choices-at-memorial/>

<sup>xi</sup> Robert Eisenhart, *ProPublica scores big with Pulitzer Prize*, [http://www.editorsweblog.org/newsrooms\\_and\\_journalism/2010/04/ProPublica\\_scores\\_big\\_with\\_pulitzer\\_pri.php](http://www.editorsweblog.org/newsrooms_and_journalism/2010/04/ProPublica_scores_big_with_pulitzer_pri.php)

<sup>xii</sup> The Texas Tribune, *About Us*, <http://www.TexasTribune.org/about/>

<sup>xiii</sup> Kevin Brass, *The Austin Chronicle*, "Media Watch: 'A Sense of Purpose,'" <http://www.austinchronicle.com/news/2009-10-30/901866/>

<sup>xiv</sup> International Symposium on Online Journalism, *2010 Symposium Transcripts*, <http://online.journalism.utexas.edu/transcripts.php?year=2010>

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- <sup>xv</sup> John Thornton, interview, April 2, 2011
- <sup>xvi</sup> Washington Post, *Texas-size Test*, [http://www.washingtonpost.com/wp-dyn/content/article/2009/11/01/AR2009110102053\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2009/11/01/AR2009110102053_pf.html)
- <sup>xvii</sup> OpenSecrets.org,  
<http://www.opensecrets.org/usearch/index.php?q=John+Thornton&searchButt.x=0&searchButt.y=0&searchButt=Submit&cx=010677907462955562473%3Anlldkv0jvam&cof=FORID%3A11#885>
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