

# REBUILD LOCAL NEWS

## Testimony of Steven Waldman, Chair of the Rebuild Local News Coalition, on HB51

January 22, 2025,

Rebuild Local News is a nonprofit nonpartisan organization that develops and advocates for public policies that strengthen community news. The Rebuild Local News Coalition includes 40 national and state organizations that represent thousands of local news outlets, including many in Maryland.

This is an excellent piece of legislation. We support it and thank you for putting this forward.

Much attention has been paid to one of the causes of the local news collapse – how advertising revenue that used to go to local news has shifted online, especially to big firms like Google and Meta.

But there is another factor that has gotten less attention – the consolidation of ownership of newspapers by hedge funds and private equity firms. Roughly half of the daily circulation of newspapers in America is owned by a hedge fund or private equity firm, according to Penny Abernathy, the scholar who created the news desert maps for University of North Carolina and Northwestern University..

The track record has been clear: when newspapers are bought up by big chains that are controlled by financial firms. A recent study by Michael Ewens, Arpit Gupta, and Sabrina T. Howell found that newspapers acquired by private equity firms were more likely to cut the number of reporters and the amount of local coverage. “The composition of news shifts away from local governance, the number of reporters and editors falls, and participation in local elections declines,” they concluded.

The number of reporters fell from 6.2 to 3.8 at newspapers that were acquired by a private equity firm. By comparison, for other types of newspapers, the number of reporters fell far more modestly, from 7.3 to 6.1. The number of editors at these papers fell from 9.1 to 6.1, compared to a drop of just 5.7 to 5.4 at other papers.

The number of articles about local government at newspapers acquired by private equity firms fell from 5,700 to 2,500 after an acquisition, “a significant negative effect.” For those newspapers not owned by private equity firms, the drop was smaller, from 5,200 to 4,400. They even found that these changes in coverage led to lower voting turnout and a greater percentage of residents having no opinion about their member of Congress.

By contrast, the study showed that family-owned newspapers were more likely to maintain higher levels of local news coverage and reporting staff. An increasing number of local news organizations, both nonprofit and commercial, have been able to achieve financial sustainability when they don’t have the burden of debt payments or high EBITDA goals required by publicly-traded companies.

The Ewens, Gupta and Howell study did not consider Alden Global Capital to be a private equity firm. Alden has cut reporting staff more than other companies. So their inclusion could make the numbers even more alarming. Abernathy in 2018 found that newspapers owned by Alden cut staff at roughly twice the rate of the national average.

Another study by Benjamin LeBrun, Kaitlyn Todd and Andrew Piper looked at 130,000 articles at 31 corporate-owned local newspapers. They concluded that “corporate acquisition leads to a significant reduction in the amount of local news disseminated by affected publications.”

Of course, these are general tendencies. There are exceptions and nuances. For instance, there may be some instances in which a local newspaper is on the edge of closing and an acquisition by a private equity firm is, in the short term, the only way to keep the newsroom open. The Ewens-Gupta-Howell study found that while newspapers bought by private equity firms were more likely to cut the number of local stories, they were less likely to shut down the newspaper. The McClatchy newspaper chain, now owned by the private equity firm Chatham Capital, has

stated that it is maintaining or growing staffing levels. It could well be that the problem is not bigness per se but mergers involving particular types of entities (with particular ROI needs) and/or involving particular types of financing, especially in an economically declining sector..

In some communities, startups have come in to help fill the gap. Unfortunately, the contraction is going much faster than the growth, so more and more communities have insufficient credible local news.

There is overwhelming evidence that this harms communities. We see more polarization, less civic engagement, more corruption and more misinformation – as the vacuum created by the contraction in local news is filled by national media (often highly partisan) and social media.

So any strategy to save and rebuild local news should have the goal of, whenever possible, keeping local news in local hands.

The proposal by Delegates Lehman, Bagnall, Fair, Foley, Ruth, Solomon, and Terrasa is a common sense idea to help achieve that goal. It would give the community the chance to organize – a chance to keep that local news in local hands. And by community I mean foundations, local business people, employees, nonprofit organizations, public radio and even the government – anyone who cares about the health of their community.

We have now seen some great examples of this happening. In central Pennsylvania the local community foundation and the public radio station joined forces with the owner of the Lancaster newspaper to create a merger of the paper and radio station. In Denton, Texas, the local public radio station, KERA bought the Denton Record Chronicle.

Indeed, if this passes I would encourage the foundations and press organizations in the state to develop a plan for what happens if the warning provision is triggered. This terrific proposal will only have impact if communities pull together to safeguard local news

No, this by itself won't stop this problem. A hedge fund could still out-bid the community. But at least it won't be in the cloak of darkness – and at least the community will have a fighting chance.

*Steven Waldman is the President of Rebuild Local News and the Chair of the coalition. He is the co-founder and former President of Report for America, which has placed and subsidized more than 600 reporters in local newsrooms. He was the author of the landmark Federal Communications Commission report, Information Needs of Communities. He is a longtime journalist and book author.*