What Makes Iowa Newspapers Resilient?

Local ownership and control, and centrality of journalism in a diversified business, are among the most relevant dimensions to survival in times of financial distress

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Abstract

This study investigates why some dailies, weeklies, and news organizations in Iowa are more resilient than others, particularly in a time of financial distress brought on by the coronavirus pandemic. The findings are based on interviews with editors, publishers, and general managers of eight newspapers and digital publications in Iowa. The report also relies on data from the Iowa Newspaper Association. The study finds that 10 dimensions contribute most to resiliency: local ownership, centrality of journalism to the business, nonprofit status, nonprofit funding support, diversified business, commitment to community, the health of the local economy, little/no reduction of newsroom staff, historic reputation and civic institution status, and the lack of competing local media. The study considers additional factors that may help struggling newspapers, including employee stock ownership plan structures to maintain local ownership, and postal subsidies to reduce expenses for small newspapers that use the postal service almost exclusively for distribution.
I. Introduction

In February 1857, 28-year-old Charles Aldrich left western New York, where he had established a newspaper seven years earlier, and, in consultation with well-known New York Tribune editor Horace Greeley, followed Greeley’s famous advice to “Go west, young man!” After reading about an area with “one of the most fertile upland plains in America,” Aldrich headed to north central Iowa. The legislature had recently appointed Webster City as the seat of Hamilton County. Because it had no newspaper, Aldrich settled in the small hamlet of about 300 people, thinking his prospects to be good. He met with the town’s leaders, and they made a contract to pay him $500 and guarantee 500 subscribers. Aldrich agreed to continue the newspaper for at least one year. After traveling back east to arrange delivery for the press and type, he was able to begin publishing the Hamilton Freeman later that year. The newspaper was anti-slavery and thus allied with the relatively new Republican Party, which had been founded in 1854. Today, 163 years later, the Webster City Daily Freeman-Journal is still in print. A framed copy of the original Hamilton Freeman hangs in the current newspaper’s office.¹

Aldrich’s story illustrates the essential community relationship necessary for newspapers and other news organizations to survive. Aldrich recalled his 1857 agreement with the town: “It was usual in starting papers in these new places to require some such help to make up for the legitimate business which only came after the greater development of the country. In fact few of the pioneer publishers could have budged an inch without such aid.”²

In 1857, the promise of the growing frontier motivated Aldrich to take on the Herculean task of shipping a printing press to Eastern Iowa and then having a team of six oxen haul it the last 150 miles to Webster City because the railroad had not stretched that far west yet. Today, newspaper startups – even digital ones – are a rare occurrence, as the industry does not seem as promising in most cases. Newspapers are heralded for their democratic value but often pitied for their presumably bleak future. In Webster City, growth in the modern era topped out in 1980, when its population peaked. The newspaper in Webster City endures, but under less favorable conditions. Even in towns and cities where population is not declining, brick-and-mortar businesses are dwindling, and those that survive often have a multitude of different ways to advertise to customers. Likewise, citizens often have a multitude of channels to find information about their communities or just may be uninterested in reading the news.
The difficult environment for newspaper resiliency in the United States has been made even more perilous by effects of the COVID-19 pandemic, which created the worst national (and global) economy since the Great Depression of the 1930s. From March through August of this year, more than 155 newspapers and print news organizations experienced layoffs, furloughs, building sales, printing press closures, and closures due to the pandemic, a list that continued to be updated “almost daily,” according to the Poynter Institute.\(^3\) The *Columbia Journalism Review* argued the newspaper business was already weakened over “decades of decline” and that the coronavirus “greatly accelerated all our problems at once.”\(^4\)

Newspapers are essential to a functioning democracy, and newspapers do the majority of the fundamental work of local journalism in our society. Yet, the environment for the local journalism of newspapers has been challenging over the last few decades, and even more difficult during a global health and economic crisis.

This study’s main research question is: What makes some newspapers flourish and survive through economic downturns, including the extraordinary conditions of the COVID-19 pandemic? This report is a statewide case study that explores why some dailies, weeklies, and news organizations in Iowa are resilient, particularly in the time of financial distress brought on by the coronavirus pandemic.\(^5\)

The findings of this report are based on interviews with editors, publishers, and general managers of eight newspapers and digital publications in Iowa. The report also relies on newspaper location, ownership, and circulation data from the Iowa Newspaper Association’s *2019-2020 Iowa Newspaper Directory*.

The research identified several dimensions that make a difference in newspaper resiliency. These include:

**Local ownership:** Local owners are more responsive to the newspaper’s needs and have a stake in the newspaper’s own community.

**Centrality of journalism to business:** The criterion here is whether journalism is the core of the owner’s business or one of many investments, and valued only for its revenue capacity.

**Nonprofit status:** As many commercial news organizations struggle, nonprofits have experienced stability and growth.
**Nonprofit funding:** Is there an organization, such as a foundation, that provides regular funding so that the nonprofit news organization can spend more time on journalism and less on fundraising?

**Diversified business:** Complementary businesses under the same corporate umbrella can be helpful for revenue flow, particularly in periods when ad sales are down; but journalism must remain central to the business in a diversified corporation, not a lesser accessory to other businesses, as can be the case in investment or private equity firms.

**Commitment to community:** In addition to local ownership, the newspaper itself should be committed to the community through its journalism and activities.

**Health of local economy:** A healthy local base of advertisers is essential to for-profit news organizations.

**Little/no reduction of newsroom staff:** Newsroom reductions save on expenses, but significant reductions damage the core product of journalism.

**Historic reputation and civic institution status:** This would seem to account for a lot, but, in the examples of this study, reputation and institutional status alone are not enough to sustain subscribers and advertisers, and must be constantly nurtured.

**No competing local media:** Simply put, it’s easier to operate a newspaper without competition, which can include other local newspapers, radio stations, or television stations that do local news; all newspapers are subject to competition from digital powerhouses such as Google, Facebook, and Amazon, which captured more than 67% of digital advertising revenue in 2018.6
II. Background: Newspapers in the U.S.

Today, newspapers and journalism in the United States are encountering many of the fundamental problems that Aldrich experienced – the need for advertising support from a growing base of local businesses and for support from a strong core of subscribers. Lacking sufficient advertiser and subscriber support, newspapers across the country are failing in epidemic proportions. In 2020, journalism researchers at the University of North Carolina at Chapel Hill found that “more than one-fourth of country’s newspapers disappeared” during the past 15 years. Correspondingly, “half of newspaper readers and journalists have also vanished over the past 15 years,” while many surviving newspapers – now just 6,700, down from almost 9,000 15 years earlier – are “ghost” newspapers, devoid of much actual local news. The country has about 1,400 public broadcasting stations, 800 ethnic media, and 525 online news operations, which fill in some, but certainly not all, of the gaps left by the missing newspapers.

The past 15 years have been the most difficult of the modern era for U.S. newspapers. Meanwhile, digital and broadcast television news employment has increased, cable news has remained steady, and radio news has dropped somewhat. But nothing in the news industry has taken a hit more than newspapers.

Part of the diminishing size of newspaper newsrooms is accounted for by the shift of nearly 45% of daily circulation in the United States being controlled by “investment companies – private equity, hedge funds, financial companies whose interest is maximized profit.” That milestone of sorts was achieved with the July 2020 bankruptcy auction for McClatchy, the second largest newspaper group, which was acquired by Chatham Asset Management, an investment company that has holdings in gambling and racetrack businesses and a controlling interest in American Media Inc., the owner of the National Enquirer tabloid. Sara Fischer of Axios called the auction of McClatchy “the latest step in the gradual dismantling of an industry that used to be controlled by local families with civic roots and has now largely passed into the hands of bottom-line-focused private equity managers.”

But even newspapers controlled by local families with deep civic roots are not guaranteed to survive, as some newspapers in Iowa illustrate. Newspapers make most of their money on advertising and subscriptions. For most of the 20th century, subscriptions were inexpensive, and advertising was lucrative. In that
period, about 80% of revenue came from print advertising. Over the last 15 years, advertisers have moved their ad spending to digital (search and social media) and mobile media. Consequently, newspaper advertising revenue sharply declined, from a peak of $49.4 billion in 2005 to an estimated $14.3 billion in 2018. By 2018, digital advertising represented 35% of newspaper advertising revenue, but it was not enough to stanch the plummeting market for print advertising. Subscriptions are the other major source of newspaper revenue, but growth has been relatively flat, from $10.74 billion in 2005 to $10.99 billion in 2018.
Figuring out how journalism can be sustainable is a primary worry of newspapers across the country, Iowa included. This study will look at Iowa as a microcosm of what is happening in journalism nationwide today.

There are 273 newspapers listed in the Iowa Newspaper Association’s 2019-2020 *Iowa Newspaper Directory*. The dailies and weeklies have a total circulation of 877,114, with a total readership of 1,754,228 (in a state with a population of about 3.155 million).

Of Iowa’s newspapers, 91 are locally owned, 87 are part of small state chains (ranging from two to 25 newspapers), eight are owned by small regional groups (ranging from two to 12 newspapers) that include newspapers in states bordering Iowa, and 87 are owned by national chains, including by Gannett, the largest newspaper publisher by circulation in the United States. (See Figure 1.)

Of the top 10 newspaper ownership chains as of 2019, four of the top five are national investment companies: Gannett (No. 1), MediaNews Group/Alden Global Capital (No. 2), Lee Enterprises/BH Media (No. 3), and CNHI (No. 5). Gannett, Lee, and CHNI all own newspapers in Iowa and have led the way in cutting staffs and other expenses at their newspapers, to boost the value of their corporate shares.

*Figure 1: Iowa Newspapers, by Owner Type*
About two-thirds (67%) of Iowa newspapers have in-state owners, whereas 33% have out-of-state owners. This study classifies Lee Enterprises as out-of-state. Although its headquarters are in Davenport, Iowa (the Iowa-Illinois Quad Cities region), only 13% of its daily papers are in Iowa. Thus, while based in Iowa, Lee has a business outlook that is predominantly focused externally. (See Figure 2.)

**Figure 2: Iowa Newspapers, by Location of Owner**

Since the Iowa Newspaper Association released its 2019-2020 directory, at least five of the 273 newspapers have closed. The first three came in a May 2020 announcement that the *Knoxville Journal-Express* and the *Pella Chronicle*, both in Marion County in southern Iowa, would be merged into the *Oskaloosa Herald* in neighboring Mahaska County, and the *Centerville Daily Iowegian* would be absorbed into the *Ottumwa Courier*, in adjacent Wapello County. (See Figure 3.) The five affected newspapers are all owned by Community Newspaper Holdings, Inc. (CNHI, LLC), a national chain of 97 small newspapers, headquartered in Montgomery, Alabama. The closings left Marion County as the first of Iowa’s 99 counties without a newspaper. Appanoose County lost its newspaper in Centerville, the county seat.19

The moves by CNHI, which is owned by the Retirement Systems of Alabama, demonstrates the dangers in having a newspaper owner that is not local and for which journalism is not central to its business model. The centerpiece investments of CNHI are in real estate, including the Robert Trent Jones Golf Trail and several resorts in Alabama. Newspapers are almost an afterthought in CNHI’s webpage listings, under “other investments” along with movie theaters.
and outlet stores. In 2018, CNHI announced it would be withdrawing from newspaper ownership, with “plans to sell or close its 114 papers.” The company was down to 97 newspapers by mid-2020. The closings of three papers in southern Iowa were part of that process.

A month after CHNI closed three newspapers, two more closed in southeast Iowa. Mid-America Publishing, a small chain based in Iowa, announced it would close the Keota Eagle in Keokuk County and merge it with the Sigourney News-Review, and close The Sun in New Sharon, in Mahaska County. (See Figure 3.)

Other leading Iowa newspaper owners include Gannett (owner of Iowa’s largest newspaper, the Des Moines Register, and several others), which was bought by GateHouse/New Media Investment Group in 2019 with a plan to be managed by private equity firm Fortress Investment Group for at least two years. New Media Investment Group announced that it anticipated “run-rate cost synergies across the combined company of $275–$300 million annually, unlocking meaningful shareholder value,” which essentially means that it anticipates cutting that much from the annual budget and passing those savings to investors, rather than reinvesting in the company. BH Media (part of Warren Buffett’s Berkshire Hathaway conglomerate) withdrew from the newspaper business and sold its remaining 31 papers to Lee Enterprises (based in Iowa and owner of several Iowa newspapers) in 2020. After the merger, Lee announced that it would be cutting expenses. “We expect to realize more than $100 million of cost synergies by the end of fiscal year 2021,” CFO Tim Millage said.

Figure 3: Newspaper Closings in Centerville, Knoxville, Pella, New Sharon, and Keota, 2020

Note: Red locations denote closed newspapers.
IV. Resiliency Profiles of Eight Iowa Newspapers

1. DES MOINES REGISTER

The *Des Moines Register* is Iowa’s largest newspaper and has been owned by Gannett since 1985. Once Iowa’s statewide newspaper of record, the *Register*, under Gannett’s ownership, has retreated to just covering Des Moines and its suburbs. In 1997 it had an editorial staff of 205; in mid-2020, it had 56 editorial employees.\(^\text{26}\) It has a paid circulation of 61,666 (107,625 on Sundays), and digital circulation of 2,850.\(^\text{27}\)

The circulation decline of the *Register* has been the most precipitous of the newspapers reviewed in this study, with an almost 77% decline since 2002, a drop which is not recovered through digital circulation. (See Table 1.) By comparison, the state’s second largest newspaper, the *Cedar Rapids Gazette* (with local ownership, as detailed below), dropped 44% in the same period and the *Waterloo Courier*, a Lee Enterprises newspaper, dropped 60.8%. The circulation declines, while still damaging, were lower for the smaller, locally owned *Iowa Falls Times-Citizen* and *Storm Lake Times*.

**Table 1: Iowa Newspaper Print Circulation, 2002-2018**

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<tr>
<td>Cedar Rapids Gazette</td>
<td>67,511</td>
<td>64,378</td>
<td>63,210</td>
<td>54,166</td>
<td>37,800</td>
<td>-44.00%</td>
<td>2,166</td>
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<td>Des Moines Register</td>
<td>266,419</td>
<td>192,956</td>
<td>151,448</td>
<td>124,295</td>
<td>61,666</td>
<td>-66.90%</td>
<td>2,850</td>
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<tr>
<td>Iowa Falls Times-Citizen</td>
<td>35,660</td>
<td>36,650</td>
<td>37,450</td>
<td>36,980</td>
<td>26,350</td>
<td>-26.20%</td>
<td>54</td>
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<tr>
<td>Storm Lake Times</td>
<td>31,504</td>
<td>31,234</td>
<td>31,500</td>
<td>32,797</td>
<td>28,868</td>
<td>-9.10%</td>
<td>131</td>
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<tr>
<td>Waterloo Courier</td>
<td>53,083</td>
<td>52,791</td>
<td>51,127</td>
<td>36,896</td>
<td>20,824</td>
<td>-60.80%</td>
<td>1,385</td>
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*Source: Iowa Newspaper Association annual reports*

The *Register* has long been a cultural institution in the state. It was distributed to Iowa’s 99 counties, with news bureaus scattered across the state. In the 1940s, the *Register* established the weekly Iowa Poll, the first statewide poll operated by a newspaper. In 1973, it established the *Register’s Annual Great Bicycle Ride Around Iowa* (RAGBRAI), a weeklong summer tradition that draws tens of thousands to bike from the western border of the state (at the Missouri River) to the eastern border (at the Mississippi River), celebrating small-town Iowa with a changing route each year. The event draws close to 10,000 participants each year. Historian William B. Friedricks wrote that “the *Register* brought citizens of the state together and in many ways helped define what it meant to be an Iowan.”\(^\text{28}\)
Although many people cite the 1985 purchase of the Register by Gannett as the beginning of the Register’s slide, the more precarious financial condition of the Register – which precipitated the sale to Gannett – dates to a host of purchases in the 1970s. Following the lead of other newspapers, the Register borrowed heavily and bought a hodgepodge of media properties, including a newspaper in Tennessee, two radio stations in Portland, Oregon, two more in Denver, a television station in Hawaii, and a newspaper in Wisconsin. In 1971, the Register had no debt. By the advent of the 1980s, “the company’s situation was deteriorating,” Friedricks noted. “Some properties were not performing up to expectations; costs kept climbing; circulation at the Register and the Tribune was falling; and the firm’s debt load was staggering.” The buyout of 1985 made the Cowles family and a small group of executives, who held special voting stock, extremely wealthy. By 1990, the Register had completely withdrawn from its statewide mission.

Today, the Register is essentially a good metro (instead of statewide) newspaper, and its cultural significance has shrunk, although the newspaper can be purchased around the state. Even the seemingly inviolable RAGBRAI has been challenged by a splinter group that wants to start a competing cross-state bicycle tour – Iowa’s Ride. (The challenge was delayed in 2020 by the coronavirus pandemic.)

The reputation of the Register was also sullied in the Carson King case in 2019. King was a white 24-year-old Iowa man in a baseball cap who held up a sign – “Busch Light Supply Needs Replenished ~Venmo~ Carson-King-25” – on ESPN’s College GameDay telecast from Ames, Iowa, as the home team Iowa State faced Iowa on Sept. 14. The humorous sign caught the eye of the camera, and in a half-hour, he had received $400; in hours, the beer money fund had grown to thousands. King said he would donate the money to the children’s hospital at the University of Iowa. Venmo and Busch said they would match donations, and the contributions ultimately totaled $3 million. King became an instant celebrity. Iowa’s governor declared Sept. 28 “Carson King Day,” and the children’s hospital director hailed him as someone who “demonstrates the generosity and goodness of Iowans.”

On Sept. 24, the Register published a profile on King, and at the end of the story noted that he had made two racist tweets when he was 16 years old. Anheuser-Busch later announced that it would disassociate from King (it had produced a special Busch Light can with his image and the title of “Iowa Legend”). Critics lashed into the Register for what they thought was an unfair “cancel culture” story about King. A Change.org petition demanding the Register make a front-page apology gained more than 190,000 signatures. The debate became partisan, with the Republican governor of Iowa pledging
to still honor King on Carson King Day. The Register soon uncovered offensive
tweets from the reporter who wrote the King profile, and he was fired a few
days later.34

In 2020, the Register was subject to Gannett’s corporate COVID-19 response,
which including a total of $100 million to $125 million in expense reductions
in the second quarter, with “furloughs, significant pay reductions, reductions
in force, and cancellation of non-essential travel and spending.”35 Employees
making more than $38,000 were required to take a week off in each of the
months of April, May, and June.36

Included in the furloughs was the Register’s health reporter, Barbara
Rodriguez, who missed a week of reporting during the height of Iowa’s
response to the pandemic.

The furloughs were awkward to explain to readers.

Rodriguez left the Register in June 2020 to report for a new nonprofit called
The 19th, which reports on gender, politics, and policy.

In that same period of furloughs and post-Gannett-GateHouse merger cost-
cutting, the Iowa City Press-Citizen (a Gannett newspaper in the city that is
home to the University of Iowa) revealed that its editor had been laid off and
the newspaper would henceforth share an editor with the Ames Tribune (in the
city where Iowa State University is located), and the editor would be working in
Des Moines (where neither newspaper is located; Ames is 37 miles from
Des Moines, and Iowa City is 114 miles from Des Moines). Gannett’s moves in Iowa City and Ames put both subsidiary publications on the path to being ghost newspapers – they exist in title, but the corpus of the newsroom is mostly or completely missing.

The story of the *Des Moines Register* illustrates that the lack of local ownership hurts a newspaper’s resiliency and survival. The *Des Moines Register* has value in Gannett’s conglomerate as its “Iowa bureau” for the Gannett chain, particularly in its coverage of the Iowa caucuses every four years. As *Politico* noted in 2019, “if it weren’t for the global obsession with Iowa’s role in choosing leaders of the free world, the *Register* bullpen would be even emptier.” Yet, the end of the caucuses looms on the *Register’s* horizon, with National Democratic Chairman Tom Perez pushing to do away with caucuses by 2024, and perhaps Iowa’s leadoff spot in the presidential nominating process as well.

**2. WATERLOO COURIER**

The *Waterloo Courier* is one of 10 daily newspapers in Iowa owned by Lee Enterprises. Lee is the fourth-largest newspaper group in the United States and has the second-largest circulation in Iowa after Gannett. It covers the Waterloo-Cedar Falls metro area and surrounding cities in northeast Iowa. It has a paid circulation of 20,824 and digital circulation of 1,385.

Longtime editor Nancy Newhoff retired in July 2020, and Lee replaced her with Jaci Smith, the editor of Lee’s smaller *Mason City Globe Gazette*, as a new dual “North Iowa Editor” to oversee both newspapers’ editorial offices in a cost-saving move. (“I’m not forced out by any means. It’s only because the opportunity became available because I’m retiring that they’re doing it,” Newhoff said.) An existing *Courier* staff member was promoted to “Local News Editor.” There is a regional editor in Omaha to oversee a larger area of approximately four states. The *Courier* does not have a local publisher anymore; the last one was replaced with a general manager/VP of sales. The newsroom has approximately 11 employees. After attrition during the past few years, the newspaper has no regular beat reporter positions for agriculture, business, Cedar Falls city coverage (it’s the “twin city” of Waterloo), or education, including no one to regularly cover the University of Northern Iowa, a major presence in the community.

As the production of local news and the number of newsroom staff members have dropped, the print circulation has also declined. “We are down, but we are not hemorrhaging print. We have a really good, steady base. But it has definitely eroded from where it was,” Newhoff said. “We hold our own on Sunday, but during the week’s a little tougher.”
Like the Des Moines Register, the Waterloo Courier has retreated from a larger coverage area. “I would love to have somebody to be able to cover every one of the suburb towns around and have a correspondents pool to cover all of northeast Iowa for us, but we just can’t anymore. And so I had to make tough decisions to put my people where we were going to concentrate on news coverage,” Newhoff said. That meant the Courier would focus its news coverage mainly on Waterloo, the largest city in northeast Iowa.

Newhoff said the Courier’s reporting is respected in the community. “I think they trust us that … if it’s in the Courier that it’s accurate and we vetted it.” She said she is always open to criticism. “They let me know if they don’t like stuff. If we’ve done something wrong, they let me know.”

Nevertheless, Newhoff said she knows that the public senses the Courier isn’t the full-service city newspaper it used to be. “There’s a little bit of frustration with us. Anymore, we don’t have the kind of service we used to be able to give. If you have a complaint, you go into a phone in another state, because we don’t have the people to do that anymore. I get it. I can’t control that, and so I only have to concentrate on what I can control.”

Although much of the Courier’s future is dictated by Lee Enterprises’ more regional editorial structure, Newhoff said she has faith in the newspaper’s corporate owners. “They’re not just putting their heads in the sand. There is forward thinking; journalism is still at the core of it. However we do our storytelling in the future, journalism will not go away…I’m hopeful.”

In the current environment of private equity firms buying up newspaper chains and wringing every last bit of profit from them, there is some threat that Lee Enterprises may not be the long-term owner of the Courier and the company’s other 75 daily newspapers. In June, Alden Capital increased its stock ownership of Lee to 7.1%. “They may buy more and try to either get some control of the company or force a sale,” said Rick Edmonds of the Poynter Institute. Like Gannett, which was taken over by GateHouse/New Media Investment Group (but operating under the more established brand name of Gannett), Lee is vulnerable to a takeover from a hedge fund like Alden, and vulnerable to cuts even greater than those that Lee has already levied on its own newspapers.

Like Gannett, Lee responded to the COVID-19 pandemic with furloughs, compensation reductions, reductions in workforce, and canceling nonessential spending. Because Gannett and Lee are large companies, they didn’t apply for PPP funds.
At the *Courier*, everyone took furloughs. “We didn’t do it as drastic as Gannett. Everybody had to take two weeks,” a week at a time during the second quarter, Newhoff said. Gannett employees took three weeks.

On July 13, the *Sioux City Journal*, a Lee newspaper on the western side of the state and one that nearly matches the *Courier* in size (with a paid circulation of 20,678 and digital circulation of 424), announced that it would stop print publication on Mondays and Tuesdays, and release those editions online only. That implies that Lee would be willing to deploy a reduced print publication schedule for the *Courier* in the future.

Newhoff is bullish on selling online subscriptions for the *Courier*. “You got to get them some way, and online is your chance to get them. ... You got to grab the younger ones. They’re getting everything on their phone.”

Yet, like Gannett’s *Des Moines Register*, the *Waterloo Courier* struggles under an owner that doesn’t think locally, that has made significant cuts to newsroom staff (which has shrunk the geographic area of coverage), and that provokes questions about the level of commitment to the community. Historic reputation doesn’t count for much when readers and citizens don’t feel connected to the newspaper anymore, for whatever reason. Because both newspapers are owned by massive corporations, there is no opportunity for them to locally diversify their businesses to provide a safeguard against lean times. Major decisions and all revenue are claimed by those up the corporate ladder.

### 3. CEDAR RAPIDS GAZETTE

Where the *Des Moines Register* and *Waterloo Courier* have shrunk under their large chain owners, the *Cedar Rapids Gazette*, the state’s second-largest newspaper in its second-largest city, has comparatively flourished under a unique ownership structure, shrinking some, but less than the first two papers considered. (See Table 1.) The *Gazette* is owned by Folience, a Cedar Rapids-based ESOP-owned holding company that owns seven independently managed companies. An ESOP is an Employee Stock Ownership Plan. At the *Gazette*, the ESOP is companywide, and all the company’s employees get shares of Folience on an annual basis, in addition to a 401(k) plan. The *Gazette* has a paid circulation of 37,800 (42,892 on Sundays) and digital circulation of 2,166.44

Newspapers have long been managed for the benefit of the investors or shareholders, but in a newspaper ESOP, the journalists are the shareholders, which brings a different perspective to the company. Shares are paid out to
individual employees (i.e., repurchased by the company) on the employee’s retirement. In addition to earning shares annually in Folience, employees also have a 401(k) plan. Folience is headquartered in Cedar Rapids, as is the Gazette. Its main business is newspapers, although it has added two other manufacturing businesses in recent years to diversify.

Folience owns:

- The Cedar Rapids Gazette, which also owns its own printing facility, which prints other newspapers, including the Waterloo Courier, the Moline Dispatch-Argus, the Dubuque Telegraph Herald, and the Daily Iowan (the University of Iowa newspaper)
- Four other Iowa daily newspapers, in a unique ownership structure of their own (see the Southeast Iowa Union below)
- Life Line Emergency Vehicles, based in Sumner, Iowa (2017)
- Cimarron, a trailer company in Chickasha, Oklahoma (2018)

In 1986, Folience began embracing employee ownership, and, by 2012, the company was 100% employee-owned. It is one of three major ESOP print newspaper businesses in the United States. Two of them are in Iowa, and one is in neighboring Illinois.

- Folience (Cedar Rapids Gazette)
- Woodward (Dubuque Telegraph Herald) (ESOP since 1992)
- Paddock Publications (The Daily Herald, Arlington Heights, Illinois) (ESOP since 2018)

Gazette editor Zack Kucharski, who has been with the organization for 20 years, considers the ownership structure to be an advantage. “It gives us, certainly, local control, which is important to us. We are all employee owners, so part of our culture is we have licenses to act, and the expectation is we would act to implement change to make our companies the best that we can.” Folience also has an interest in the community doing well, Kucharski said. “A community partner relationship is important, and we’ve been fortunate to have that,” he said.

With the economic stability and local control of the ESOP program, Kucharski said he has been able to keep a higher level of newsroom staffing than other newspapers (with 39 newsroom employees in August 2020, compared to 53 at the Des Moines Register, although the Gazette has only about 61% of the Register’s circulation, its newsroom is proportionately larger, about 73.5% the size of the Register’s). During the pandemic, there were no furloughs or staff reductions (except for part-time sports stats clerks being reassigned).
The *Gazette* did accept PPP (Payroll Protection Program) funds (unlike Gannett and Lee, which were too big to apply), and those funds did help the Gazette avoid layoffs or cuts.

The *Gazette* is the only newspaper in Cedar Rapids. On the digital side, their only competitors for local news are free broadcast television news websites, Kucharski said. On the print side, the *Des Moines Register* might be considered a competitor, but Kucharski doesn’t see it that way. “We’ve been trying to take our own paths. I’m certainly aware of what the *Des Moines Register* is doing, but I think we’re trying to operate from a different playbook, and I don’t know that I consider them even competitors,” he said. “Just from a staffing standpoint, obviously with Gannett and GateHouse, they have a different corporate ownership structure than we do. We’ve been able to hold some of our staffing numbers in place, where they’re watching declines.” The *Gazette* has not raised subscription costs as much as the Register has, which might have helped the *Gazette* keep its circulation numbers more stable.

The *Gazette* has also been able to hold on to a late news deadline of 11 p.m., because it has its own printing operation, which helps it deliver the most up-to-date news to the print newspaper the next morning, compared with other newspapers that have shifted to earlier deadlines.

Like the *Waterloo Courier*, the *Gazette* uses independent contractors for home delivery in its metro area (the days of papergirls and paperboys are long past) and uses mail delivery much less often, only for the most outlying subscribers.

For Kucharski, success at the *Gazette* means good, community-based journalism, and expanding its audience. “You want to do high-quality journalism that helps challenge the communities, as well,” he said. But, as newspaper audiences get older, he is trying to bring in younger audiences, especially to its digital editions. “Younger and female would be specifically where we are trying to go.” Yet, the COVID-19 pandemic has stymied certain editorial efforts, particularly with the disappearance of coverage of live sports and events. “‘Things to do’ would have been an audience that you would think would be a younger audience. Well, that’s not available to you. So you have to make adjustments.”

With the newspaper in its 138th year, Kucharski thinks the *Gazette* holds a good position in Cedar Rapids. “I think we’ve enjoyed a solid reputation in the community as a community partner,” he said. COVID-19 brings a great test to the *Gazette*, but Kucharski said the newspaper had learned a lot about the value of community coverage during of the floods of 2008, which devastated Cedar Rapids.
4. THE SOUTHEAST IOWA UNION

The *Southeast Iowa Union* is a new regional daily newspaper, formed on Aug. 5, 2019, with the merging the newsrooms of the *Fairfield Daily Ledger*, the *Mt. Pleasant News*, and the *Washington Evening Journal*. Each of the three are daily newspapers located in a triangle of three adjacent counties in southeast Iowa.

The *Gazette* and Folience in Cedar Rapids have owned the three smaller newspapers, which are at the southern edge of the *Gazette’s* circulation area, since December 2016. The launching of the *Southeast Iowa Union* was part of a plan to retain a daily newspaper in the three counties, at a time when most companies save money by cutting publishing days from daily to two or three times per week. “We were trying to avoid that,” Matt Bryant, publisher of the *Southeast Iowa Union*, said. The *Southeast Iowa Union* retained newspaper offices in each of the three cities and kept all of the employees.

Zack Kucharski, the *Gazette* editor who was part of the team that launched the *Southeast Iowa Union*, said the adjacency of the three towns made the new newspaper structure possible. “Because of the geographic continuity there, I think it created a unique opportunity to kind of bring them together and still maintain a day of the week where they each have their own individual title.” (See Figure 3.)

The three counties and their county seats – Washington in Washington County, Fairfield in Jefferson County, and Mount Pleasant in Henry County – create a triangle one county south of Linn County, where Cedar Rapids is located. The adjacency of the three towns made the shared *Southeast Iowa Union* possible, and the close proximity to the *Cedar Rapids Gazette* and its circulation area made the health of these newspapers relevant to the *Gazette* and Folience. Because of the long-term view of Folience’s ESOP structure, and because of the local control that structure provides its editors and publishers, they were afforded the opportunity to try a newspaper structure with no prior model. The company’s commitment to community was important in the effort to save daily newspapers in the three counties; moreover, “we felt we could still make money with this model,” publisher Matt Bryant said.

The three local papers print as the *Southeast Iowa Union* on Monday, Tuesday, Wednesday, and Friday, with a mix of news from the cities on the front page. On Thursdays, they have 100% local news featured on the front page of each of the three newspapers’ cities. Other content, such as sports and obituaries, are the same across all three papers.
With the *Southeast Iowa Union*, Bryant was able to change the distribution of the newspaper so that it is delivered by U.S. mail the same day. The newspaper is printed overnight and back in the shop by 4 a.m. Three drivers fan out and go to about a dozen post offices to get into their delivery window for that day. Nearly all of the papers are distributed by mail, aside from some newsstand copies. Same-day delivery “was one of our big selling points” of making the switch to the *Southeast Iowa Union*, Bryant said. Prior to their union, each of the newspapers were afternoon delivery, with carriers delivering in each of the three towns, and the customers outside the towns received the paper in the mail the next day.

Still, the reception of the new newspaper uniting the three towns was “mixed” at first, Bryant said. “They basically said, you know, if they lived in Washington, ‘I don’t care about what’s going on in Fairfield and Mount Pleasant, it doesn’t matter.’ And, of course, if you hear from Fairfield, you hear the same thing,” he said.

Bryant wrote a signed editorial to readers on Aug. 16, 2019, less than two weeks after the newspaper launched, to make sure that they understood the reasons behind the change and to ask for their patience while the newspaper got its footing:

Washington is the second smallest town in Iowa, based on population, that still boasts a daily paper of at least five days per week. Mount Pleasant and Fairfield are the fifth and sixth smallest. The struggle is real.

It is our mission as newspaper people to give you what you deserve in a way that still allows us to publish a community paper and be successful in a business sense. The Union continues our history of delivering the news from your community every weekday, but you also get good stories from similar size communities, within about a 30-minute drive, as a bonus.

A story in the Aug 13 Union featured Vikan Luong who built an elaborate, 26 perch birdhouse. It was a good local story featuring the skills of a talented local person. Does it matter that he lives in Mount Pleasant? Would the story be any more or less interesting if he was from Fairfield or Washington?

Bryant also reminded readers of what many newspaper companies would have done:

The alternative? Reducing frequency in each community to one or two days per week. That means potentially getting the obituary two days after
Almost a year after the first issue, the readers are changing their opinions, Bryant said. “We’ve seen it gradually over time, we’ve had more and more people come in and say ‘Hey, I wasn’t sure about this at first, but now it’s really starting to grow on me,’” he said. Perhaps some of those readers were aware of what happened later in the counties to the west, where CNHI closed three newspapers completely in May 2020. (Ironically, Matt Bryant’s great-grandfather bought the now-closed Centerville Daily Iowegian in 1903, and the paper was in his family for 80 years. Bryant’s first job in the newspaper industry was delivering the Iowegian in his neighborhood when he was 5 years old.)

Bryant reported that circulation had declined somewhat at the three papers, “but no mass exodus.” The Southeast Iowa Union’s competition includes radio stations in each of the three local markets, and a free arts and entertainment magazine (Iowa Source) in Fairfield. Bryant said Facebook Live sportscasts run by amateurs could be competition; it’s not presently happening in his market, but he knows of it happening in other small Iowa markets.

“There is always a need for a local, credible news source, and I would like for us to be that local, credible news source, no matter what format it is. Right now, it’s print mostly, and we’re digital some. But if that moves to all digital, so be it, as long as we can figure out the revenue model on that,” Bryant said.

The loss of five newspapers in four other southeast Iowa counties in 2020 illustrates how other companies – those not local – might respond to economic challenges.

5. IOWAWATCH

IowaWatch is a nonprofit investigative news organization that shares its work as open source, available to all news organizations for free. IowaWatch stories are published on its IowaWatch.org website but also picked up by news organizations around the state. For example, the June 2020 story “Industry leaders expect COVID-19 to take some Iowa hospitals down” was published by the Des Moines Register, the Waterloo Courier, the Hawk Eye (in Burlington, Iowa), Iowa Public Radio’s website, and the Des Moines Business Record. Other states have picked up IowaWatch stories, as well.
IowaWatch was established in February 2010 and is currently led by Suzanne Behnke, executive director and editor (and main employee). Behnke was previously an editor and contributor at the *Des Moines Business Record* and has worked for the *Waterloo Courier* and the *Des Moines Register*.59

It is supported by foundation grants and individual donors. Behnke says there has been “some volatility” in the organization’s finances during its 10 years because foundation grants are not always a stable form of funding. Some of the major foundational support for IowaWatch has come from the Knight Foundation, the Miami Foundation, and the Logan Foundation.

As an investigative news organization, the production flow for IowaWatch is different from a daily newspaper. “I’ve always worked for a daily news operation, so there was always that constant pressure of a deadline,” Behnke said. “IowaWatch is very much more focused on, ‘We publish when the news story is ready.’” She said that the stories are thoroughly vetted.

The main audiences for IowaWatch’s stories are people interested in public affairs in Iowa. “Our primary areas or topics we have typically looked at have been health care, education, the environment. So, people who are really interested in those topics from a statewide perspective, we have content that we produced regularly over the course of the last 10 years that would be for them,” Behnke said.

During its history, IowaWatch had a second full-time staff person for three years (with grant support) and currently has support for two interns. Education is part of the purpose of the organization. “A huge piece of our mission is to train the next generation of journalists. So, internships are a key part of what donors’ dollars go toward,” Behnke said. IowaWatch has active relationships with 16 colleges and universities, including internships, visits by Behnke as a guest lecturer, or guiding investigative stories for college newspaper reporters.50 The relationship with college (and some high school) journalists has enabled IowaWatch to punch above its weight, publishing more stories by mentoring young journalists to produce quality work.

Behnke doesn’t see any direct competitors for IowaWatch and instead seeks collaboration with Iowa news outlets. “Newsrooms are a lot skinnier,” Behnke said. “IowaWatch really strategically looks at covering topics that other news outlets are not,” such as rural health care.

According to the Institute for Nonprofit News, there are more than 250 nonprofit news organizations in the U.S., and they employ 3,500 people, 2,300 of them journalists.51 The median staff size is 6.3 full-time employees;
IowaWatch comes in as one of the smaller nonprofit news organizations (nationally, 28% are in the 1- to 3-employee range), but after 10 years, it has shown it has staying power.

For Behnke, the measure of success for IowaWatch would be “financial stability” and “10 years from now, five years from now, how many of the interns who came out of our program are still working in journalism and producing great stories.” Still, its nonprofit status has enabled it to continue to do good journalism for more than a decade without having to produce financial returns for shareholders.

6. THE IOWA CAPITAL DISPATCH

The Iowa Capital Dispatch was launched in January 2020 by four top reporters from the Des Moines Register. A nonprofit, it is the 14th newsroom affiliated with States Newsroom (Statesnewsroom.com), the nation’s leading network of state-based nonprofit news outlets, headquartered in Chapel Hill, North Carolina. As with IowaWatch, IowaCapitalDispatch.com “is free to readers and other community journalism outlets, with no subscription fees or advertising.” 52 States Newsroom does the main fundraising for Iowa Capital Dispatch, but the ICD is able to accept individual donations. With States Newsroom, the Iowa Capital Dispatch has built-in organizational backing, which lets the ICD focus more on journalism. Although the ICD is relatively new, it has additional element of resiliency, thanks to the backing of States Newsroom, which by August 2020 supported 18 state newsrooms and more than 75 journalists. 53

Kathie Obradovich is editor-in-chief of the Iowa Capital Dispatch. She was the former politics editor and opinion editor at the Register, which makes her one of the best-known print journalists in the state. The three other reporters of the Iowa Capital Dispatch – Clark Kauffman, Perry Beeman, and Linh Ta – are also accomplished veterans of the Register. 54

What brought Obradovich from one of Iowa’s most notable newspaper jobs to launch an online journalism startup? It’s an answer that touches on many concerns about the current state of journalism. She gave three main reasons. First was the state of commercial journalism itself. “I had concerns about the future of the newspaper business model as it existed. In more than 30 years in the business, I have watched the decline of that model,” Obradovich said. Working for large newspaper chains such as Lee and Gannett, she has personally felt the effects of the model’s decline as well. “In my career, I have been laid off once, I have been furloughed a number of times, I have taken pay freezes. It didn’t feel like things were getting better in that model.”
Second, Obradovich sees nonprofits as providing vital coverage of statehouse news, which has been abandoned by struggling newspapers across the country. “I think the nonprofit model is needed to maintain journalism right now, to make sure that substantive reporting continues to happen while the newspaper industry figures itself out,” she said. “I was concerned, as the organizers of States Newsroom were concerned, about the lack of reporting in statehouses.”

Finally, she had concerns about her own future at the Des Moines Register. “I really had concerns about the future of opinion news as the Des Moines Register. It’s had a long history, it’s been protected because of that,” she said. But the Register’s political opinion coverage has less prominence as the future of the caucuses are in doubt. With her new nonprofit journalism job, there is less worry, Obradovich said. “I can go through my day – this has become especially true during the COVID-19 – without worrying about being laid off.”

The Iowa Capital Dispatch was not affected by COVID-19. In fact, in some ways it gave the organization an even bigger story to cover as it launched in 2020. Obradovich said she has been “pleasantly surprised” by how quickly sources embraced the Iowa Capital Dispatch as it began its reporting. “All of the staff used to work for Register, so it brought that credibility to the job.” Obradovich said that the ICD competes for stories with existing outlets such as the Des Moines Register, Cedar Rapids Gazette, and Iowa Public Radio. But the ICD is also collaborative and shares its stories with other outlets. “We don’t feel like we are necessarily competing with them for dollars,” she added.

Success at the Iowa Capital Dispatch gets to the basics of the occupation. “The main thing is reporting meaningful, impactful stories that make a difference to people in the state,” Obradovich said. “To me, it’s about the mission of journalism.”

7. THE STORM LAKE TIMES

The Storm Lake Times is a family-owned newspaper, founded in 1990. John Cullen had offered to buy the city’s existing newspaper, the Storm Lake Pilot Tribune, which has been published since 1870. When its owners declined to sell, he started a competing newspaper, the Storm Lake Times, and brought on his younger brother, journalist Art Cullen, as editor. Art Cullen won a Pulitzer Prize for editorial writing in 2017.55
Storm Lake is in the northwest quadrant of Iowa, named after the lake on which the town was built, along its north shoreline. The town has a population of about 10,500, in a county of about 20,000. Politically, the area is conservative. Since 2003, the region has been represented in Congress by Steve King, the white supremacist who lost his primary challenge in 2020, ending his long stint in Washington. King was born in Storm Lake. The Storm Lake Times is notable for its long-standing opposition to Steve King.

The Storm Lake Times has a paid circulation of 2,868 and digital circulation of 131. About 400 of those are sold at retail locations, and the rest are mailed to subscribers. The competing Storm Lake Pilot-Tribune has a paid circulation of 1,481 and a digital circulation of 302. Art Cullen correctly notes that they lead their competitor by a 2:1 margin, a “measure of success” for his newspaper. The Pilot-Tribune is owned by Rust Communications of Cape Girardeau, Missouri, a private, family-held group that is the 18th-largest newspaper chain in the U.S.

The newspaper has been published twice a week since 1995, although earlier it was a weekly, with about 4,000 in circulation. That was a costly mistake, Cullen wrote, as was launching a free weekly “shopper” newspaper (a newspaper that contains only advertising) against an existing one. “We killed the shopper gladly and learned one big lesson from two big mistakes: Don’t do it for the money; do it for the reader.” He reported that it took two decades to pay off the $500,000 in debt from that experiment.

The Storm Lake Times is past those financial mistakes but now is being badgered by an incredibly poor advertising economy – the same one all newspapers are battling. “We already lost our classifieds. And we lost help wanted ads. And then we lost the car dealers. And we don’t have any furniture ads in the paper anymore – that was a mainstay,” Cullen explained. Even in a small town, the digital oligopoly of Google, Facebook, and Amazon suck up ad dollars, and Amazon’s massive e-commerce operations hurt local retailers – the newspaper’s source of potential advertisers.

His next worry is that two of Iowa’s largest grocers will pull out of newspaper advertising. “The retail environment has imploded. Amazon has taken over. Walmart runs an insert once a quarter. So, newspapers are essentially surviving on Hy-Vee and Fareway [grocery] ads. And Hy-Vee’s been trying to get out of the print market for years, and it’s going to. It’s just a certainty. And then Fareway will follow. And that will be the end of it. There will be no advertising. At the end of this pandemic, we are going to come out, and there won’t be any ads in the newspaper,” he said.
The answer to the local advertising dilemma is the newspaper industry’s other main source of revenue. “We have to go after paid circulation,” Cullen said. He added that they will need 1,000 more subscribers to make up the advertising decline. “But, as you can see from the trend line, it’s really tough, especially in a community that is at least half Latino,” he said.

Cullen has long been an advocate of immigration in Storm Lake and the rich diversity that immigrants bring, but he also knows that his city’s immigrants aren’t practiced newspaper readers. “Many of those adults have a maybe a third-grade education. They come from rural Mexico. A lot are illiterate in Spanish, much less English. So, their children and grandchildren are English speakers, and they are highly literate and bilingual. So, we’re hoping that they become newspaper readers.” Cullen says in every issue they work to engage local families with photos of children, including immigrant children, in schools and celebrating their accomplishments in music, the football field, and the soccer field. “That’s the old community journalism model. Pets and kids and weddings and engagements. And sports – prep sports. That’s the community journalism model. So that’s what we know how to do, and that’s what we think is our important function. And that’s what ties communities together is when they know each other and see their picture in the paper and realize that they’re being validated for their accomplishments,” he said.

Part of the resiliency of the Storm Lake Times is that its run by the Cullen family. It has eight employees, and half of them have the last name Cullen. The newspaper is run like a farm, where there can be long hours, and everyone pitches in (including paychecks to themselves that sit in desk drawers, never cashed). In his book, Cullen wrote that after many trials, the family came to a conclusion. “We all agreed: The newspaper is the family. If it goes down, the family goes down with it.”

At the start of the pandemic, the Storm Lake Times received funding through the PPP program. “It saved us,” Cullen said. “It’s otherwise very real we could have been closed by now. And if something doesn’t change in the next year or two, we will be closed. And so will the Storm Lake Pilot-Tribune quite frankly. If we can’t make it, they can’t make it.”

The newspaper received a Google Initiative Grant for $5,000. The newspaper also started a GoFundMe campaign in spring 2020, as the pandemic hit, that stalled out at $28,125 in contributions. Cullen was thankful, but, he added, “That represents one month of what we used to do in ad revenue.” He wrote about the Times’ tenuous state for The Guardian on April 6. “I believe we can make it. I’m not so sure about others,” he wrote.
Yet Cullen said it was difficult even before the pandemic hit. “We were losing money before, in the first quarter, at an unsustainable rate, before the pandemic,” he said.

The *Storm Lake Times* has so many positive dimensions for resiliency – local owners, centrality of journalism to their business, commitment to community, consistent newsroom staffing, and a well-deserved positive reputation. Yet, it doesn’t have a diversified business model that could aid the journalism side in hard times. Moreover, it has a competing newspaper in the same community, something that none of Iowa’s larger newspapers has to battle. There is a local radio station that covers community news, too. Perhaps most difficult is that the local economy isn’t healthy, as Cullen documented the various retailers who don’t buy newspaper ads anymore or who no longer exist.

What would be the loss to the community if the *Storm Lake Times* does not survive? Out of many options, Cullen selected three times when the Times took the lead and made a difference. “When the *Des Moines Register* and *Sioux City Journal* were endorsing Steve King, we were calling him out. We were the ones who were campaigning to get this lake dredged, and we did it. We spent $20 million over 20 years dredging this lake. Now it’s deeper, and the water’s clearer, and we removed a lot of sediment. ...The community built King’s Pointe Resort,” a waterpark on Storm Lake. “That was all the newspaper’s initiative,” Cullen said.

### 8. THE IOWA FALLS TIMES-CITIZEN

The *Iowa Falls Times-Citizen* is owned by a privately held media company in Iowa Falls that also owns another nearby newspaper, the *Ackley World Journal*; a shopper newspaper; a radio station (KIFG), a marketing company that sells ads for farm publications (Media Marketing); a press release distribution service (The Link); and a commercial printing plant. The Iowa Falls Citizen dates back to the 19th century and became the *Times-Citizen* with a merger in 1948.

The current owner bought the newspaper in 1983 and created Times Citizen Communications, which owns the newspaper and other businesses. John Goossen, the company’s general manager, said the multiple businesses under the same corporate umbrella make it more resilient. “It helps a lot to have the diversification, so if one entity isn’t doing well, the others are kind of there to help support it.” The *Times-Citizen*, the radio station, and the Media Marketing company are the main profit centers in the company.
Having seven different businesses in the larger company gives Times Citizen Communications some cushion, as well. “We are a little bit bigger than most small journalism organizations in the state or in the country,” said Tony Baranowski, director of local media for Times Citizen Communications.

The *Times-Citizen* publishes twice per week and has a paid circulation of 2,635 and digital circulation of 54. About 95% of the paper is distributed via mail.

The company received PPP funds during the pandemic, which helped the company avoid any cuts or furloughs. It also received a Google grant.

The *Times-Citizen* doesn’t have any print competition. The only other competitors are more distant: some radio stations in cities further afield. Owning the local radio station is a huge asset for selling the *Times-Citizen*. “Someone can have a campaign that utilizes radio, newspapers, the website, and the shopper. We try to do that as much as we can,” Goossen said.

Diversification contributes to the success of the company. Goossen also cites the local owner of the company, who “believes in Iowa Falls and believes the newspaper has a real role to play in the community.”

About 120 miles separate Iowa Falls and Storm Lake, and both are located in similar-sized counties. But the *Times-Citizen* is fortunate to be in a better business environment. With the pandemic, “Our revenue is definitely down,” Baranowski said. But major advertisers have stuck with the newspaper. “We’re really fortunate that we have a few partners – our car dealer is one, a local hospital is another, and our groceries – they’ve really stuck with us. And those are critical, critical major advertisers, that if they were to pull out or if they had pulled out, it would have really been tenuous.”

The *Times-Citizen* is in a county and city quite similar to the population and economic profile of the *Storm Lake Times*. But the *Times-Citizen* has three additional dimensions of resiliency: Its local owners have a diversified business, there is no competing local media (they own the radio station), and the local economy is healthier and more supportive.

To illustrate the support of the local economy in Iowa Falls, Baranowski related the story of how the newspaper’s business staff has had to invent new ways to connect advertisers to the community at the onset of the pandemic, when business as usual ended. When the coronavirus lockdown was in full force and many people were at home, the business staff had an idea. “We took the center spread and made it like a giant coloring book page. We asked local banks to sponsor the ad, and then we asked kids to send us photos of
themselves with the ad, to post those photos to social media, tag their local bank, and then hang the colored center spread up in their front windows. That was pretty successful. In fact, it was supposed to be a four-week run, and after two or three weeks, we went back to the banks and said, ‘Hey, let’s do this again, let’s keep it going,’ and to their credit, they were very supportive of the idea,” Baranowski said. The eight-week run “helped us generate some money that just otherwise would not have been there,” he added. But, the challenge for the Iowa Falls Times-Citizen continued with the pandemic, and as the summer’s end neared, Baranowski wondered how they would replace local sports program advertising on the radio station, which usually sells out for the entire season in August.
V. Most Relevant Dimensions for Resiliency

Across the eight news organizations, there are 10 dimensions that seem to contribute most to their resiliency. (See Table 2 for a summary.)

- **Local ownership.** Editors and publishers at the *Cedar Rapids Gazette, Southeast Iowa Union* (to a lesser extent), the *Iowa Falls Times-Citizen*, and the *Storm Lake Times* all cited their local ownership as a key to their economic survival and their good journalism. Local owners are more vested in the community and treat the newspaper like a necessary asset, not a fungible one.

  In newspapers such as the *Des Moines Register* and the *Waterloo Courier*, there may be good journalists on the ground in local markets, but the major business decisions are made from afar and demand certain strictures and economies of scale. You end up with “cookie-cutter journalism,” said *Iowa Capital Dispatch* editor-in-chief Katie Obradovich, who has worked for Gannett and Lee Enterprises.

- **Centrality of journalism to business.** This is quickly apparent in decisions on how to treat faltering newspapers. For CNHI, the answer was to close them and fold them into other papers (with the long-term goal of unloading all their newspaper properties). For the *Cedar Rapids Gazette* and Folience, the mission is primarily how to sustain the journalistic enterprise.

- **Nonprofit status.** Both organizations have a particular niche in the Iowa journalism ecosystem and are weathering the pandemic better than their for-profit counterparts. Although it’s not profiled in this report, Iowa Public Radio is a nonprofit with the broadest journalism mission in the state. It has been very successful in recent years in building its statewide reporting staff (although all of NPR has taken a hit in listenership during the pandemic).\(^{63}\)

- **Nonprofit funding support.** This has been a boon for the *Iowa Capital Dispatch*, which can rely on its States Newsroom affiliation to cover the bulk of its foundation grant funding. It has been more of a struggle – but still a victorious one, for 10 years – for IowaWatch, which is responsible for seeking its own foundation funds and donations.
• **Diversified business.** This has been a successful strategy for the *Iowa Falls Times-Citizen*, which dominates media in its territory with both a newspaper and a radio station, and which has other revenue-generating, marketing-related firms. The *Cedar Rapids Gazette* and *Southeast Iowa Union* have also benefited from the diversification of Folience, its ESOP owner. But this diversification does not extend to private equity, hedge funds, and asset management firms (such as CNHI), which view businesses – including newspapers – as interchangeable cash cows, and which lack another necessary dimension of resiliency, local ownership. ⁶⁴

• **Commitment to community.** This generally comes with local ownership and informs the editorial outlook of the news organization. But, even when owners are relatively close – Lee Enterprises is in Iowa, the same market as the *Waterloo Courier* and many of its papers – journalism decisions must be community-centered (and not corporate-centered, such as Lee’s decision to put the *Courier* under the leadership of a North Iowa editor) to make a positive difference in the quality of journalism.

• **Health of local economy.** This became clear in the comparison between the *Iowa Falls Times-Citizen* and the *Storm Lake Times*. The most important businesses in Iowa Falls, such as the banks, car dealership, the hospital, and the grocery stores, have acted like “partners” to the *Times-Citizen*, something that hasn’t been the same in Storm Lake. (Both newspapers have paywalls, to encourage local subscriptions.) The struggle for all the commercial newspapers is to change the revenue stream from the historical reliance on advertising to one that brings in more subscription revenue.

• **Little to no reduction of newsroom staff.** All of the eight news organizations in the sample have done great work reporting on the recent pandemic for both statewide and local audiences. Staffing cutbacks – including furloughs and layoffs – have done the most damage to the quality of journalism in the sample. For example, the *Courier* no longer has reporters on the agriculture, education, business, and Cedar Falls city beats, which represents uncounted missed opportunities to provide the coverage that readers had grown to expect. On the flip side of this, the commitment of the staff at family newspapers such as the *Storm Lake Times* (or the even smaller Dayton Leader, another Iowa newspaper that was not profiled here) is hard to quantify but certainly made the difference in the existence of those newspapers.

• **Historic reputation and civic institution status.** A news organization’s historic reputation has its limits, particularly given the Carson King episode
and RAGBRAI challenges experienced by the *Des Moines Register*. Every news organization’s reputation must constantly be sustained. Even at the *Storm Lake Times*, which was awarded a 2017 Pulitzer Prize for editorial writing and has substantially changed the lakeside community for the better in multiple ways, civic goodwill does not always translate into more advertising accounts or subscriptions. The dimension of reputation is a bit like the Biblical passage about how no one is a prophet in their own land. Art Cullen’s Pulitzer Prize was celebrated among the staff and friends – and got him a book contract – but earned his newspaper maybe three years of circulation stability, he said.

- **No competing local media.** It’s just easier to operate a newspaper without competition, which can include other local newspapers or radio stations and television stations that do local news; all newspapers are subject to competition from digital powerhouses such as Google, Facebook, and Amazon, which captured more than 67% of digital advertising revenue in 2018.65
VI. A Start: Two Solutions from the Iowa Newspaper Ecosystem

1. Alternate Ownership Structure: ESOPs
   Iowa is home to two of the three ESOP-owned newspapers in the country (in Cedar Rapids and Dubuque). All three (including Paddock Communication in suburban Chicago) are successful, locally owned, and have diversified holdings.

   ESOPs deserve more attention as an option for newspapers. They aren’t good at reviving failing newspapers (and it would be unfair to saddle employees with a losing investment), but they have been used more often when private ownership is coming to a close with no next-generation successor. Instead of a typical buyout or merger, ESOPs can be an option in sustaining local, community-oriented ownership. The Milwaukee Journal and Milwaukee Sentinel had one of the earliest ESOPs, established at the owner’s death in 1937, with employees becoming majority owners in 1947. The plan continued for decades, until a merger with the E.W. Scripps company in 2015.66

   In the Columbia Journalism Review in 2019, Sen. Bernie Sanders endorsed the ESOP structure as a necessary option for newspaper properties: “We will also require that, before any future mergers can take place, employees must be given the opportunity to purchase media outlets through employee stock-ownership plans – an innovative business model that was first pioneered in the newspaper industry.”67

2. Postal Subsidies to Journalism
   Although much of the focus of journalism today is on its digital future (and some news organizations are already there), for most of the 270 newspapers in Iowa – and across the country – the print product is still the predominant format and the main generator of revenue.

   The mail is not a new mode of newspaper distribution, of course. One of the earliest major pieces of legislation approved by Congress was the Postal Act of 1792. Its passage helped to make newspapers a flourishing part of the fabric of life in the United States. The act settled two debates about newspapers and the mail. First, it ensured that every newspaper would be admitted into the mail system, so the government would not be the arbiter
of which newspapers were distributed via the postal service. Second, there was a vigorous argument over whether newspapers should be carried for free or should pay a reduced postal rate. Southerners worried that the larger Northern newspapers (many of them anti-slavery) would overwhelm the South if they were distributed for free, so the “reduced” postal rate won the day. Nevertheless, the important conclusion is that the federal government was so committed to the distribution of information that it was willing to have only a modest fee for newspapers delivered by mail.68

In recent years, the idea of lower postal rates to assist newspapers again has been floated as a way for the government to subsidize newspapers – a public good – without having to consider their content. The proposal by Robert McChesney and John Nichols in The Death and Life of American Journalism was for a postal subsidy to “all publications, commercial and nonprofit alike, regardless of content, as long as they have less than 25 percent advertising content.”69 That excellent proposal was in 2010. The economic condition of the newspaper industry is even more dire now, so the most useful policy proposal for today is to take the position of the “anti-restrictionists” of 1792 and suggest that newspapers should be freely distributed by the U.S. Postal Service.70

Three of the newspapers in this study that use the mail almost exclusively for their distribution said free U.S. mail distribution would have a positive impact on their operations.

Matt Bryant, publisher of the Southeast Iowa Union, said “It would definitely help but wouldn’t necessarily be a game changer.” He detailed what the impact might be. “Through the first six months of this year, second-class postage makes up about 4% of my total expense. So obviously this would put a little extra cash to the bottom line, but what would I do with it? I could leave it as a boost to profit. I could hire two more reporters that would theoretically add more value to the publication, thus driving subscription sales (not to mention employ two more people). I could hold or even possibly lower subscription rates, again in the hopes of gaining subscribers. So, again, my answer would be it could help a little, or it could possibly be leveraged to help a little more.”71

At the Iowa Falls Times-Citizen, Tony Baranowski said “no postage would definitely be a relief for us. … It would change the shape of our budget.” Still, he said that he would be leery of any benefit that would give the government the potential to use leverage over newspapers.
Art Cullen, editor of the *Storm Lake Times*, said, “It would be a huge help to us. It’s the easiest and most direct route to help subsidize the transition to digital. Eventually print goes away, and so does the subsidy, which should make it palatable. And it is the best way to maintain independence, as opposed to having government issue a levy for newspapers. It would be messy all around. The postal service subsidy would be a great first step.”

Table 2: Summary of Dimensions of Resilience in Iowa News Organizations

<table>
<thead>
<tr>
<th>News Organization</th>
<th>Local Owner</th>
<th>Centrality of Journalism to Business</th>
<th>Nonprofit</th>
<th>Nonprofit Funding Support Organization</th>
<th>Diversified Business</th>
<th>Commitment to Community</th>
<th>Health of Local Economy</th>
<th>Little/No Significant Reduction of Staff</th>
<th>Historic Reputation and Civic Institution Status</th>
<th>No Competing Local Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Des Moines Register</td>
<td>✓</td>
<td>NA</td>
<td>NA</td>
<td>At risk</td>
<td>✓</td>
<td>At risk</td>
<td>TV, R</td>
<td></td>
<td></td>
<td>TV, R</td>
</tr>
<tr>
<td>Waterloo Courier</td>
<td>✓</td>
<td>NA</td>
<td>NA</td>
<td>At risk</td>
<td>✓</td>
<td>At risk</td>
<td>TV, R</td>
<td></td>
<td></td>
<td>TV, R</td>
</tr>
<tr>
<td>Cedar Rapids Gazette</td>
<td>✓ ✓</td>
<td>NA</td>
<td>NA</td>
<td>✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>TV, R</td>
<td>TV, R</td>
</tr>
<tr>
<td>Southeast Iowa Union</td>
<td>✓ ✓</td>
<td>NA</td>
<td>NA</td>
<td>✓</td>
<td>✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>R</td>
<td></td>
</tr>
<tr>
<td>IowaWatch</td>
<td>✓ ✓</td>
<td>✓</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>✓ ✓</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Iowa Capital Dispatch</td>
<td>✓ ✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>✓ ✓</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Storm Lake Times</td>
<td>✓ ✓</td>
<td>NA</td>
<td>NA</td>
<td>✓</td>
<td>✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>N, R</td>
<td>N, R</td>
</tr>
<tr>
<td>Iowa Falls Times Citizen</td>
<td>✓ ✓</td>
<td>NA</td>
<td>NA</td>
<td>✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓</td>
<td>✓ ✓</td>
</tr>
</tbody>
</table>

Note: A check means the news organization fulfills that dimension. For competing local media in same market, N=newspaper, TV= television station(s), R= radio station(s)
About

THE AUTHOR

Christopher R. Martin is a professor of digital journalism at the University of Northern Iowa, and author of the award-winning *No Longer Newsworthy: How the Mainstream Media Abandoned the Working Class* (ILR/Cornell University Press).

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Endnotes


8 Ibid.


12 Joshua Benton, “Newspapers cost more than twice as much today as they did a decade ago (and that was a smart move by publishers),” NiemanLab, January 28, 2019, https://www.niemanlab.org/2019/01/newspapers-cost-more-than-twice-as-much-today-as-they-did-a-decade-ago-and-that-was-a-smart-move-by-publishers/.


14 Ibid.
I will use the listings from the INA’s 2019-2020 Directory in my calculations.


Iowa Newspaper Association, “2019-2020.”


Friedricks, 182.


40 Iowa Newspaper Association, “2019-2020.”


44 Iowa Newspaper Association, “2019-2020.”

Ibid.

Meyer, “Pandemic Deals.”


Disclosure: A project I directed at the University of Northern Iowa, Science in the Media, collaborated on environmental reporting projects from 2017 to 2019 with IowaWatch. See http://scienceinthemedia.org/reporting-scientific-stories/.


Iowa Newspaper Association, “2019-2020.”

Abernathy, 2018.

Cullen, Storm Lake, p. 80.

Cullen, Storm Lake, p. 82.

“We’re still working and we appreciate your support,” GoFundMe, https://www.gofundme.com/f/were-still-working-and-we-appreciate-your-support.

Art Cullen, “The newspaper industry was already faltering. Will coronavirus obliterate it?” Storm Lake Times, April 6, 2020, https://www.theguardian.com/commentisfree/2020/apr/06/the-newspaper-industry-was-already-faltering-will-coronavirus-obliterate-it.

Iowa Newspaper Association, “2019-2020.”


John, p. 35.

Bryant also added: “The real savings, which I realize we are not directly talking about here, would be third-class postage from mailing my shoppers. That consumes about 15% of my total expenses each month.” Baranowski also said his company’s advertising shopper generates their biggest postal expense.