



Opportunities for Leadership:

Meeting Community Information Needs 2011

Community Foundation of New Jersey

September 2011

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 **Knight Foundation**

How a Foundation Went from Arms-Length to Hands-On

Shining a Spotlight on New Jersey

In July 2008, New Jersey's largest newspaper, The Star-Ledger in Newark, announced that it was forcing the early retirement of more than 25 percent of its staff to avoid selling the paper. Many of the 150 staff members who accepted the buyouts were respected, experienced journalists. At the Statehouse in Trenton, the press corps had collapsed over the previous decade from 50 to just 20. As the Community Foundation of New Jersey's CEO Hans Dekker recalls, "They got rid of the education, environment and healthcare beats – issues that we cared about because they're important to the health of our communities."

The Community Foundation of New Jersey (CFNJ) board believed that the state's residents were lacking information about the state's most important public policy issues, and opportunities to engage on local decision-making. As then-foundation board member Ingrid Reed explained, "Communities really did not have access to information that would help them to understand the problems that they were facing and the solutions that they might craft. [We] needed some way for people to understand what was happening in Trenton and connect that to issues that affected their lives."

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*Ingrid Reed, Former Board Member
Community Foundation of New Jersey*

In response to this challenge, the foundation made a program-related loan in the fall of 2009 to a small team of journalists who were proposing to start NJ Spotlight, a new online investigative news service focused on state policy issues. The foundation ultimately established a partnership with the group, becoming the site's most significant investor and playing a founding role in the start-up and development of the enterprise. In the process, the community foundation shifted its role from that of a traditional grant-maker to a proactive partner and community leader addressing the community information and news challenges of the state of New Jersey.

Rolling Up Their Sleeves

The Community Foundation of New Jersey is located in Morristown, near Newark and the greater New York City metropolitan area. It is also little more than an hour's drive north of the state capital, Trenton, and the greater Philadelphia metro area.

This mid-sized foundation had managed several donor-advised funds directed toward an array of community issues, including education and youth, health and social services. In a typical year, the foundation awarded less than \$1 million in unrestricted grants. Its CEO Hans Dekker joined the Foundation in 2003 and described its role in the community as, “a bit behind the scenes. We like to think of ourselves as the mortar and the nonprofits that we fund as the bricks.” Before 2009, CFNJ had not made grants to any media projects.

“Our board was very passionate about this work. They realized that if we don’t fill this void, no one will.”

*Hans Dekker, CEO
The Community Foundation of New Jersey*

When The Star-Ledger announced its extensive staff cuts in 2008, the foundation recognized the move as symptomatic of the larger trend in mainstream media and predicted that few (if any) institutions could effectively step in and provide new

platforms for in-depth journalism. CFNJ board members supported a proposal to fund NJ Spotlight as a first step in addressing the rising news and information challenge in their community. They agreed. “Our board was very passionate about this work. They realized that if we don’t fill this void, no one will,” said Dekker.

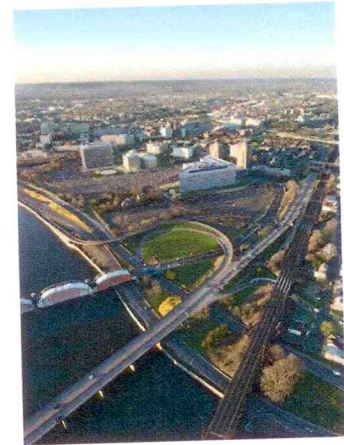
The foundation and the NJ Spotlight team moved quickly to apply for a Knight Community Information Challenge grant. The project won the award, and they began to put the pieces in place. Although this was a new venture, they had a few insights on how to do this. Board member Ingrid Reed had run the Eagleton Institute of Politics at Rutgers and was very knowledgeable about the media landscape in New Jersey and activities in the Statehouse. And Hans Dekker was known as a smart, patient and persistent leader who also understood the policy arena. With this expertise, the foundation adopted a more hands-on role – much like a venture capitalist, but in a community information context – and this has put the foundation on the path of philanthropic leadership.

Taking an Active Role in Community Information Leadership

When two respected reporters who had taken The Star-Ledger’s buyout, John Mooney and Dusty McNichol, approached Dekker with an interesting idea for a new online news service focused on state policy issues, opportunity turned into action. Dekker and the foundation board saw a chance to invest in an entrepreneurial venture – with all of the associated responsibility and risks. They were encouraged to take the leap in part by the potential to leverage the John S. and James L. Knight Foundation’s influence and funding through the Community Information Challenge.

NJ Spotlight founding editor John Mooney was not your typical nonprofit leader. He would be the first to say that he knew nothing about running a nonprofit before he launched NJ Spotlight. He knew a lot, however, about education in New Jersey. According to key people in the state, he was recognized as a credible, trustworthy reporter. “I got to know John when he was still at The Star-Ledger. He struck me as knowledgeable about education and not just looking for the sound bite; he’d ask questions indicating he knew more than the superficial issues,” says Mila Jasey, State Assembly member for the 27th District. Likewise, Mooney’s friend and NJ Spotlight colleague, Tom Johnson, had extensive experience reporting on energy and the environment in a state with some of the country’s most aggressive policy incentives to promote clean tech and solar businesses. Their credibility was essential to launching NJ Spotlight.

Importantly, the foundation – and Dekker in particular – pushed the NJ Spotlight team to come up with a thoroughly vetted business plan, and the foundation funded the planning process before underwriting the website launch. The foundation’s support allowed Mooney to hire Lee Keough, who had served as a successful managing editor of a long-lived online magazine. They, in turn, hired Kevin Harold, an experienced magazine publishing executive who had managed business development and understood how to attract ongoing sources of earned revenue. “Having the right people with a level of trust, we were able to hit the ground running. Starting from scratch with a new reporter would have been really difficult,” says Mooney. This start-up idea had become a serious venture led by an online news dream team.



On May 5, 2010, NJ Spotlight launched its website with Mooney and Johnson reporting from Trenton. With a live product to show to other potential investors, the community foundation and NJ Spotlight started to attract additional funding and grow their audience. The William Penn Foundation and The Geraldine R. Dodge Foundation committed to supporting the enterprise. Kevin Harold started developing the site’s earned revenue streams, contacting corporate sponsors and advertisers. NJ Spotlight enlisted a host of media partners, including WHYY, Philly.com and even The Star-Ledger, which agreed to distribute Spotlight articles to their audiences. To reach the broader community offline, they also launched a revenue-generating series of in-person roundtables hosted in towns across the state on issues such as education and energy, enlisting well-known panelists representing different sides of the issues.

Since NJ Spotlight’s launch, CFNJ has learned that taking a leadership role in investing in information is a very different experience from more traditional grant making. It also turns out that, for CFNJ, investing significantly in NJ Spotlight didn’t mean exerting editorial control. Dekker confesses that the foundation didn’t have a clear understanding of this at first. “We had to learn about the firewall between editorial concerns and the business side. We view our job as setting the general direction on which policy issues should get covered. But we are disciplined about staying out of what gets covered day-to-day.” NJ Spotlight has also been transparent about its sources of funding and maintains that clarity with prospective funders.

How Foundation Leadership Supports Community Information

CFNJ believes its support of NJ Spotlight is consistent with the foundation’s overall strategy and mission. Just as Dekker described the foundation as the mortar for community nonprofits, he also says that journalism and civic engagement are “the mortar that holds up communities and democracy.” At the same time, this community information project reflects a distinct change in the way the foundation does business and a shift in the role of information in supporting the foundation’s leadership through the following activities:

- Catalyzing new sources of information through hands-on engagement
- Mobilizing resources of other place-based funders to support information

Catalyzing new sources of information through hands-on engagement

The foundation made a decision early on that this relationship would be more than just writing a check.

“This has not been an ‘arms-length,’ type of grant. We took an ownership stake in this project. If it breaks, it will be on our watch,” says Dekker.

Ingrid Reed joined NJ Spotlight’s board. The foundation’s financial investment was structured as a program-related loan. If it turns out that NJ Spotlight succeeds in attracting sustainable sources of funding, the foundation will get its money back. As Mooney says, “We all own it together, which is wonderful.”

Even as they committed to Mooney’s and his colleagues’ experiment, they knew it would be a challenge to successfully launch an alternative business model in a failing industry. “We wanted to think about this in a venture capital way – and to think about sustainability at the very beginning,” says Reed.

The need to achieve financial sustainability has been quite real. The CFNJ board set the expectation that their investment in seeding the start-up of NJ Spotlight would not last forever. Kevin Harold, NJ Spotlight’s publisher, who has 30 years of experience in the publishing industry, described the community foundation as a venture capitalist in the traditional model of business. “In a sense, they’re fronting the start-up money. Their motives are different, but the functionality is pretty much the same. I suspect it’s a much different role for the foundation,” says Harold. “It’s been a learning curve for both of us – in crafting a new business model.” The NJ Spotlight team reports quarterly to the foundation’s board, just as they would if they were at a for-profit newspaper with traditional investors. “They want to hear sustainability, period,” Hans Dekker says of his board.

Mobilizing resources of other place-based funders to support information

Because their investment involves a significant amount of the foundation’s resources, “we’ve attracted significant partners, and we would like it to succeed,” says Dekker. “We’re worried about sustainability in a way that we wouldn’t be with a smaller grant relationship.” CFNJ’s own commitment of seed funding, in combination with Dekker’s credibility as a respected executive director and collaborator, has made it easy for other funders to say yes. The first major outside support came from the Knight Community Information Challenge. The foundation has since attracted additional funding from The Geraldine R. Dodge Foundation, William Penn Foundation and a host of event sponsors and ad buyers. They were able to do so because, by addressing core issues at the policy level in the Statehouse, NJ Spotlight made its success highly relevant to every foundation leader. The community foundation and other philanthropic supporters could hardly argue that these issues are not of importance to their constituents as well. The NJ Spotlight staff and the foundation are placing bets that other foundations and corporations will start to put their support behind continued coverage of specific beats.