

SENATE BILL REPORT

SB 5400

As Reported by Senate Committee On:
Labor & Commerce, February 14, 2025

Title: An act relating to supporting local news journalism.

Brief Description: Supporting local news journalism.

Sponsors: Senators Lias, Boehnke, Chapman, Cortes, Frame, Krishnadasan, Lovelett, Lovick, Orwall, Riccelli, Saldaña, Shewmake and Valdez.

Brief History:

Committee Activity: Labor & Commerce: 1/28/25, 2/14/25 [DPS-WM, DNP].

Brief Summary of First Substitute Bill

- Establishes the Washington Local News Sustainability Program (Program) in the Department of Commerce to make grants supporting the employment of news journalists covering civic affairs in underserved communities.
- Establishes a business and occupation tax surcharge of 1.22 percent on certain social media platforms and search engines, and requires revenues from the surcharge be used for the Program.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5400 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Saldaña, Chair; Conway, Vice Chair; King, Ranking Member; Alvarado, Ramos and Stanford.

Minority Report: Do not pass.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Signed by Senators MacEwen and Schoesler.

Staff: Jarrett Sacks (786-7448)

Background: Business & Occupation Tax. Washington's business and occupation tax (B&O) is imposed on gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. A business may have more than one B&O tax rate depending on the types of activities conducted. The B&O tax rate for services and activities not classified elsewhere is 1.5 percent, but for businesses earning more than \$1 million annually the B&O service rate is 1.75 percent.

Advanced Computing Business & Occupation Tax Surcharge. Advanced computing businesses with a worldwide gross revenue in excess of \$25 billion are subject to an additional 1.22 percent surcharge. An advanced computing business is one that designs or develops software or computer hardware, including modifications, or provides cloud computing services, operates an online marketplace, an online search engine, or an online social networking platform. The total surcharge an advanced computing business is subject to is capped at \$9 million per year.

Summary of Bill (First Substitute): Local News Journalism Corps Program. The Washington Local News Sustainability Program (Program) is established in the Department of Commerce (Commerce). Commerce must make grants to support the employment of news journalists covering civic affairs in underserved communities to deepen community understanding of complex community issues and policies.

Eligible applicants must:

- be an eligible news journalism provider; and
- employ at least three news journalists in Washington per quarter in the four quarters prior to receiving a grant.

If an eligible news journalism provider is not eligible for a grant solely due to employing only two news journalists, they may qualify if they have employed at least two news journalists per quarter in the eight quarters prior to receiving the grant. An eligible publisher of a newspaper may qualify for grants without meeting the journalism employment requirements.

The dollar amount for each grant must be in an amount proportional to the hours worked by journalists employed by the applicant. An applicant selected for funding must provide Commerce progress and final reports as requested by Commerce. Commerce may consult with civic affairs leaders and local news industry leaders in developing the Program.

Local Journalism Investment Surcharge and Account. Beginning April 1, 2026, a local journalism investment surcharge is imposed on covered platforms. The surcharge is equal to

the gross income of the business subject to the service and other activities B&O tax multiplied by 1.22 percent. The maximum of combined surcharge paid by a covered platform is capped at \$6 million annually.

A covered platform is a for-profit business in this state who had a gross income of \$5 million or more in the preceding calendar year and are a social media platform or search engine.

The Local Journalism Investment Account is created. All revenues from the local journalism investment surcharge must be deposited into the account to fund the Program.

Definitions. An eligible news journalism provider is an eligible publisher or eligible broadcaster that discloses its ownership to the public.

An eligible broadcaster is a person who:

- holds or operates under a broadcast license issued by the Federal Communications Commission;
- engages professionals to create, edit, and produce original content concerning local or regional matters of public interest through activities, including conducting interviews, observing current events, analyzing documents and other information, or fact checking through multiple news sources;
- updates their content on at least a weekly basis; and
- uses an editorial process for error correction and clarification, including a transparent process for reporting errors or complaints to the station.

An eligible publisher is a person that publishes a qualifying publication. A qualifying publication is a (1) newspaper, as defined in the B&O tax code, but includes publications issued once per month, or (2) website, application, or other digital service that:

- does not primarily display content created or owned by an eligible broadcaster;
- provides information to an audience in Washington;
- performs a public information function comparable to that traditionally served by newspapers and other periodical news publications;
- engages professionals to create, edit, and produce original content concerning local or regional matters of public interest through activities, including conducting interviews, observing current events, analyzing documents and other information, or fact checking through multiple news sources;
- updates 25 percent of its content on at least a weekly basis;
- has an editorial process for error correction and clarification, including a transparent process for reporting errors or complaints to the publication;
- has an international standard serial number assigned to an affiliated periodical or is controlled by a tax exempt non-profit organization;
- provides at least 25 percent of its editorial content consisting of information about current topics of local or regional public interest; and
- is not owned or controlled by a foreign power, a terrorist organization or affiliate, or

an entity convicted of committing terrorism or providing material support to terrorists.

A news journalist is a natural person who:

- is employed for an average of at least 30 hours per week during a calendar quarter by the eligible news journalism provider; and
- is responsible for gathering, developing, preparing, directing the recording of, producing, collecting, photographing, recording, writing, editing, reporting, designing, presenting, or publishing original news or information that concerns local or regional matters of public interest.

A search engine is a a website, application, or internet based service that provides links to publicly accessible web pages or other relevant information in response to a user's query, but does not include services that allow users to query only the internal content of a specific site or service.

A social media platform is a website, application, or internet-based service that:

- allows users to register an account or profile for the purpose of interacting socially with other users through the service; and
- allows users to create, share, and view content through their account or profile.

Social media platforms are not services that predominantly or exclusively facilitate electronic mail or direct messaging services, online gaming, reviews of businesses or products, technical support, academic research, or other services that do not predominantly or exclusively facilitate social interaction.

EFFECT OF CHANGES MADE BY LABOR & COMMERCE COMMITTEE (First Substitute):

- Changes the name of the Program to the Washington Local News Sustainability Program.
- Removes the funding of the Program from the Workforce Education Investment Account and the workforce education investment surcharge.
- Creates a local journalism investment surcharge of 1.22 percent on the gross income of search engines and social media platforms with an annual gross income of more than \$5 million.
- Creates a Local Journalism Investment Account and requires the revenues from the surcharge be deposited into the account.
- Provides that expenditures from the account may only be used to fund the Program.
- Removes the requirement that applicants selected for funding must provide Commerce with information on the news coverage supported by the program at least once per biennium and instead requires progress and final reports be provided as requested by Commerce.
- Requires an eligible broadcaster update their content on at least a weekly basis, rather

- requiring an eligible broadcaster update 25 percent of their content on at least a weekly basis.
- Modifies the definition of qualifying publication to remove references to legal newspapers and instead references newspapers as they are defined in the B&O tax code but includes publications that are issued at least once per month.
 - Allows eligible publishers of newspapers to qualify for grants without meeting the journalist employment requirements established in the bill.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Journalism holds public bodies accountable and local coverage helps build communities. Shifting business models have made money to support journalism dry up and coverage is declining. The bill asks the large platforms that benefit from the content pay for the program. It is a win-win because more money for journalism creates more content. The decline of local news has negative impacts on communities, it leads to a decline in voter turnout and reduces civic engagement. The bill would be a lifeline to small local news organizations. The bill would increase the employment of new journalists.

Without news organizations, people turn to social media, which increases their susceptibility to misinformation. There is a serious crisis for newspapers of every size. The FTE requirement benefits large, well-established news organizations, but there is less benefit for smaller organizations that may rely on freelancers. It should allow the use of other sources and count freelancers. It should also have a tier system for grants. Some counties only have a single news outlet. Negotiating individually with large technology companies is not an option.

CON: The source of funding is an issue and the bill would divert money from students seeking higher education. The WEIA is meant for education not employment. The purpose of the fund is to provide resources in education for high demand programs. WEIA is already in the red and needs more money. The bill upsets the result of careful negotiations.

Persons Testifying: PRO: Senator Marko Liias, Prime Sponsor; Alan Fisco, The Seattle Times; Frank Blethen, The Seattle Times; Carl Zapora, Board Chair, My Neighborhood News Network; Dee Anne Finken, League of Women Voters of Washington; Ben Campbell, The Columbian; Keith Shipman, Washington State Association of Broadcasters; Andrew Villeneuve, Northwest Progressive Institute; Emmett O'Connell; Stace Gordon, Gig

Harbor Now; Pat Lantz, Gig Harbor Now; Ellen Hiatt, Washington Newspaper Publishers Association; Orson Bevins, Hispanavision Television; Teresa Wippel, My Neighborhood News Network; Keith Shipman, Washington State Association of Broadcasters.

CON: Bill Lyne, United Faculty of Washington State; Emily Wittman, Association of Washington Business; Kelly Fukai, Washington Technology Industry Association; Rose Feliciano, TechNet.

Persons Signed In To Testify But Not Testifying: PRO: Melissa Luck, KXLY-TV; Heidi Persson, Pacific Northwest Media Group ; Erik Hanberg, KNKX Public Radio; Jaime Mendez; Kathy Cummings, Gig Harbor Now.