



City of Houston Testimony on Senate Bill 1117
House Committee on State Affairs
May 18, 2023

The City of Houston (Houston or City) appreciates the opportunity to testify in opposition to Senate Bill 1117, a bill that would allow video service providers that use streaming technology to avoid compensating local governments for use of their public right-of-way.

Video streaming uses cable, fiber, or other wireline facilities, which are located in the public right-of-way in municipalities, to deliver video programming services to the customer. Even video programming to wireless devices is transmitted through wireline facilities in the public right-of-way before being sent to the wireless device. By exempting an entity that uses the public right-of-way for its own benefit, SB 1117 is giving something of value to an association or private corporation, which is prohibited by Article XI, § 3 and Article III, §52a of the Texas Constitution.

Video streaming service providers and other communications providers need the use of the public right-of-way to make their business profitable. By allowing video streaming service providers free use of the right-of-way that is supported and funded by the public, SB 1117 is allowing taxpayers to subsidize private, for-profit companies.

SB 1117 provides one type of video service provider – those that use streaming technology – an advantage over other video service providers that use different technology by exempting video streaming service providers from paying franchise fees for use of the right-of-way. This legislation is anti-competitive.

Video service programming providers are not required to pass on franchise fees to customers, so any increase in prices to customers is the video service programming provider's choice and not because of franchise fees. Companies pay for easement leases, land leases, buildings, personnel and equipment as part of their cost of doing business. Franchise fees for use of the public right-of-way is another cost of doing business. As such, companies have or should have calculated it into their price. Video service programming providers can increase prices to customers, regardless of franchise fees. One cannot tell what, if any, part of the price of video service is attributable to franchise fees. Even if franchise fees were itemized as a separate fee on a bill, it would be very difficult to confirm that it is indeed for payment of franchise fees.