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# EXPLORING THE POLICY VALUE OF CABLE FRANCHISE AND PEG FEES

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*Duncan Stewart and Lee Shaker*

## ABSTRACT

Subscribers to cable television typically pay Franchise and Public–Educational–Governmental (PEG) Fees. Ostensibly, these monthly fees exist to compensate communities for the private use of public goods and to bolster the marketplace of ideas. Little empirical research, however, assesses the utility of these fees as policy mechanisms. In this article, we track the existence and dispensation of the fees in the 20 largest American cities by examining their recent annual budgets. This provides a foundation to consider the fees’ contributions in the context of ongoing legal challenges to their existence and the increase of digital television services beyond their purview.

Keywords: Telecommunication, PEG, franchise, democracy, local media

For decades, most cable subscribers in the United States have paid a pair of obscure, but not insubstantial, fees every month. Cable Franchise and Public–Educational–Governmental (PEG) Fees are regulated by both state and federal law, were historically negotiated city-by-city, and specified in the individual cable franchise agreements that give cable companies the legal right to offer paid television services within specific communities. According to current law, these fees are only attached to traditional cable pay television packages and are not levied upon satellite television subscriptions, broadband internet services, or “over-the-top” video products like Netflix (which may be subject to different taxes). Combined, the fees usually add 5–8 percent to each subscriber’s monthly bill. Conservatively, they yield many hundreds of millions of dollars in revenue for local governments nationwide each year. The particulars of these fees are often opaque to consumers and it may not be immediately apparent why they exist in lieu of a traditional sales tax.

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Franchise and PEG Fees were originally conceptualized as a form of compensation for the public provided by cable companies to defray the costs associated with the use of public resources.<sup>1</sup> PEG Fees, in particular, were defined to provide financial support for the creation and distribution of grassroots, diverse media content to bolster the marketplace of ideas.<sup>2</sup> After more than three decades, little is known about the way that fee proceeds are used by local governments though this fee regime still supersedes the application of regular sales taxes upon cable services in most communities nationwide. On one hand, revenue from these fees could be used to bolster local communities by repairing roads and funding key elements of local information landscapes like community media centers, coverage of governmental proceedings, and libraries.<sup>3</sup> On the other hand, cities may squander these resources on bureaucratic offices of information policy or channel them into general operating funds that offer little accountability or transparency. In either case, their existence imposes a range of costs upon municipalities, cable providers, and ultimately consumers as they are negotiated and disbursed.

In this article, we systematically track the existence and dispensation of Franchise and PEG Fees in each of the 20 largest cities in the United States during one recent year. By examining annual budgets from each of these cities, we document the collection and allocation of these fees in as much detail as possible given the available public records. Our research shows which cities are collecting which fees and how they are allocating these resources. In turn, our analysis provides an empirical foundation for assessing the fees' current and future utility in the context of ongoing legal challenges to their existence and the increase of digital television services that exist outside their purview. Results show that these fees provide substantial funding to cities and that a portion of it is channeled to activities that likely bolster the marketplace of ideas—but the bulk of related revenue flows into general operating budgets. Once fee revenue enters general operating budgets, it is difficult to document the activities it supports. In most cities, the majority of fee revenue does not appear to support communication-related policies or directly mitigate the costs borne by cities as a result of cable providers' infrastructure activities. Consequently, our analysis suggests that the fees largely function like unrestricted sales taxes and that PEG obligations, in particular, are not consistently met. Given these findings, we argue that

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1. Parker.

2. Ali, *Media Localism*.

3. Waldman.

regulators must find new ways to hold communities accountable or work to develop alternative mechanisms to pursue local information policy goals going forward. In the absence of such reform, the special costs imposed by the current fee regime are not justified by the results in many locales.

### Franchise and PEG Fees: An Overview

Building the infrastructure to provide cable television is a disruptive and costly process. Cities cannot allow cable providers to dig up city streets without requiring compensation to fund their repair and an orderly process to minimize public inconvenience. But at the same time, cable companies cannot justify the large investment that building a complete local cable system requires without clarity regarding the costs that they will incur to access potential customers. To balance these interests, cities and cable providers negotiate franchise agreements. For cities, franchise agreements ideally ensure universal access to cable for local households, enough revenue to cover public costs incurred as a result of the presence of a cable system (i.e., road repairs), and additional resources to improve the local marketplace of ideas. For cable companies, franchise agreements ideally limit both the amount of compensation to cities and the uncertainty associated with providing paid television services within a locale. Federal law does not require cable companies to serve every home within local communities nor does it require cities to open public land to paid television providers. Consequently, both sides have some leverage in the negotiation of local franchise agreements and, more specifically, the fees they contain.

The modern form of PEG and Franchise Fees can be traced to the Cable Communications Policy Act (CCPA) of 1984.<sup>4</sup> In the wake of several attempts by the Federal Communications Commission (FCC) to develop franchising regulations in the 1970s which were disputed on First Amendment grounds, Congress implemented the CCPA which established durable legislation to guide cable system ownership, rates, content, and franchising agreements.<sup>5</sup> Most germane to this research, the CCPA offered several specific guidelines for the Franchise and PEG Fees that local governments could include in franchise agreements. According to federal law, a Franchise Fee may be levied upon cable companies (which may, in

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4. Parker.

5. Ali, *Media Localism*.

turn, pass it on to subscribers) in exchange for the use of public rights of way (e.g., cable lines buried beneath local roads). The Franchise Fee is capped by federal law at a maximum of 5 percent of the gross income derived from the provision of paid television services. Federal law leaves the allocation of this income to the discretion of individual locales. In addition to the Franchise Fee, the CCPA also allows local authorities to specify a PEG Fee.<sup>6</sup>

Conventionally, the PEG Fee is set between 1 and 3 percent of the gross revenue from paid television services. Traditionally, federal law did not cap the PEG Fee, but it mandated that proceeds from the PEG Fee could only be used for public access broadcasting, educational media and broadcasting, government access television, and/or the capital costs of PEG facilities—though enforcement procedures to ensure adherence to this mandate were not specified.

Even with the passage of the CCPA and the practical motivation shared by cable companies and local authorities to negotiate workable franchise agreements, Franchise and PEG Fees have engendered intermittent legal debate. Shortly after the CCPA's passage, Saylor<sup>7</sup> and Krug<sup>8</sup> suggested that cable operators could be conceptualized as First Amendment speakers. From this perspective, Saylor, Krug, and others<sup>9</sup> argue that cable providers' speech rights are violated if the presence of either fee cannot be justified by a direct need for revenue that arises from the cable providers' activities. This line of logic rests upon *Minneapolis Star and Tribune Co. v. Minnesota Commissioner of Revenue*, a 1983 Supreme Court ruling that found a special tax on the *Minneapolis Star* unconstitutional because the city did not need the additional revenue as a result of costs incurred by the operation of the paper. Similar logic fuels recent reinterpretation of the PEG provisions of the CCPA.<sup>10</sup> Though still disputed, recent FCC rulings assert that PEG Fees in excess of the 5 percent Franchise Fee may only cover capital costs associated with PEG activities.<sup>11</sup> Support for programming or staff must now be deducted from the 5 percent Franchise Fee—substantially reducing resources available for PEG content. Generally speaking, the FCC's role in administering the Fees is limited to adjudicating disputes and the

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6. Goldfarb, "Public, Educational, and Governmental (PEG) Access."

7. Saylor.

8. Krug.

9. Geller, Ciamporcerio, and Lampert.

10. Goldfarb, "Public, Educational, and Governmental (PEG) Access."

11. Federal Communications Commission.

commission does not provide any oversight (or enforcement) regarding the allocation of the associated revenues.

In addition, since 2005 approximately 20 states have enacted legislation that shifts franchising authority to the state-level and further constrains Franchise and PEG Fees.<sup>12</sup>

Kentucky, for example, attempted to strip local communities of the ability to set fees in franchise agreements and substitute lower statewide Franchise (3 percent) and PEG (2.4 percent) rates—though the legislation was eventually found unconstitutional by the state supreme court.<sup>13</sup> Similarly, in San Francisco, annual PEG revenue decreased by nearly \$600,000 because California instituted a lower cap on the fee.<sup>14</sup> Telecommunications companies—and some consumer advocates—have worked hard to encourage the move toward statewide franchising in order to smooth the entry of new competitors into local markets (and lower costs), often overcoming strenuous opposition from local governments and community activists who fear the loss of resources.<sup>15</sup> Meanwhile, a recent lawsuit in Iowa filed on behalf of subscribers leveraged the *Minneapolis Star* ruling to challenge the legality of Franchise and PEG Fees and seek redress for fees that extended beyond the capital costs incurred by cities as a result of cable system activities.<sup>16</sup> In Portland, Oregon, a similar lawsuit alleged that the city misallocated \$14 million of Franchise and PEG Fee revenue,<sup>17</sup> though it was quickly dismissed.<sup>18</sup> To plaintiffs in these actions, the fees have dubious value. The most visible use of fee revenue is sometimes risible public access programming and citizens may struggle to discern other uses of fee funding. In some cases, cable providers' actions further obscure and diminish the value produced by the fees. For example, AT&T recently placed all PEG programming on a single channel accessible only through a special digital set-top box after navigating through multiple drop-down menus.<sup>19</sup>

Aside from the recent legal wrangling, both fees face an uncertain future as the public transitions from traditional cable television packages toward

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12. Goldfarb, "Public, Educational, and Governmental (PEG) Access."

13. Kentucky League of Cities; "Excise Tax—Multichannel Video Programming Services"; "Imposition of Tax on Gross Revenues."

14. Waldman.

15. Ali, *Media Localism*.

16. Saul.

17. Rogoway, "Lawsuit Claims Portland."

18. Rogoway, "Judge Tosses out Suit."

19. Waldman.

new services offered online. Subscribers to Netflix, Hulu, and other internet video services do not pay Franchise or PEG Fees and, consequently, revenue from the fees will naturally wither without new legislation if people substitute these services for cable. Yet, even as the media technologies that deliver television are changing, the public interests that motivated the Franchise and PEG Fees persist.

### Cable Fees, Communication Policy, and Local Media

In the context of cable television, the Franchise and PEG Fees are key expressions of the federal government's commitment to media localism and diversity.<sup>20</sup> Local media have long been thought to be a vital component of well-functioning democratic communities.<sup>21</sup>

Historically, theorists argued that by providing a common information base rooted in proximate events and issues, newspapers defined and oriented communities toward public matters of substance.<sup>22</sup> Subsequent shared conversation nurtured the cohesion and cooperation necessary for healthy civic and political participation.<sup>23</sup> From this intellectual foment, localism and diversity emerged early in the twentieth century as media policy tenets adopted by the FCC during the development of electronic media. Ideally, regulation following these principles would ensure that diverse information about local matters and organizations was made widely accessible even if citizens relied on radio and television outlets rather than newspapers. In fact, a growing body of recent research<sup>24</sup> lends empirical support to the FCC's embrace of localism and diversity. This work shows that use of and access to local news media correlates with higher local political knowledge, more civic engagement, and more local political participation—all outcomes that justify policy that stimulates production and consumption of local, diverse information.

More specifically, localism is an orientation toward crafting communication infrastructure around the needs of local communities to enrich a sense of local identity and strengthen participation in democratic institutions.<sup>25</sup>

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20. Napoli.

21. Janowitz.

22. De Tarde.

23. Janowitz.

24. Hayes and Lawless; Mondak; Schulhofer-Wohl and Garrido; Shaker.

25. Napoli.

The FCC's diversity tenet is intended to produce policy that increases opportunities for the voices of many different community members to be amplified and heard.<sup>26</sup> Throughout the twentieth century, the FCC sought to safeguard local, diverse media even as national and international media expanded. For example, the FCC long enforced ownership limits on broadcast (and by extension print) media outlets designed to encourage local control of media—though these caps have been weakened repeatedly over time.<sup>27</sup> The FCC's position in *Carter Mountain Transmission Corporation v. Federal Communications Commission* crystallizes its commitment to local content in regards to cable television. To protect local voices, the FCC was willing to fight to curb cable providers' First Amendment rights by mandating that they retransmit local channels and reserve space and resources for public access television.

The FCC's interest in public access television may especially be seen through the lens of a commitment to the diversity principle.<sup>28</sup> In practice, public access facilities stimulate the creation and distribution of content that often falls outside of commercial boundaries because of its production quality, topic matter, or potential audience.<sup>29</sup> Public access programming may at times be farcical, but it can also directly serve the democratic goals of the diversity principle.<sup>30</sup> A vein of qualitative research shows that, at least in some circumstances, PEG funding provides vital support for producing and disseminating both records of governmental activity and the voices of those otherwise not well represented in the public sphere.<sup>31</sup> For example, PEG facilities frequently ensure multilingual access to television programming that is otherwise lacking. "In Minnesota, the Saint Paul Neighborhood Network (SPNN) offered eight programs for the growing Somali population in the area" and throughout the United States, public access channels provided programming in "Greek, Czech, Hungarian, Albanian, German, French, Portuguese, Vietnamese, Chinese, Korean, Hmong, Farsi, Arabic, Hebrew, and Swahili."<sup>32</sup> At its best, this sort of public access content empowers and activates citizens who may otherwise not find a connection to established democratic institutions.

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26. Einstein.

27. McChesney.

28. Linder.

29. Devine.

30. Kellner.

31. Chen et al.

32. Waldman.



The persistent, inexorable decline of traditional local media businesses is creating new challenges for the FCC's commitment to localism and diversity. Annual reports by the Pew Research Center show sustained, secular declines in daily local newspaper revenue continuing for the past two decades—a problem that is driving newspapers to lay off reporters, reduce the number of local stories covered, publish less frequently and, at times, close entirely.<sup>33</sup> In addition, growing corporate ownership of local television stations is often paired with cost-cutting measures that reduce newsroom staffing.<sup>34</sup> Commercial efforts leveraging new digital technologies to fill the market for local information—such as Patch.com—have largely failed so far. A smattering of nonprofit approaches—some driving new online operations, others oriented to support legacy print media—are being explored across the United States.<sup>35</sup> Some of these fledgling initiatives may prove successful, but they may not be easily replicated in different communities with idiosyncratic needs and cultures. Cultivating healthy local information environments in the twenty-first century is a vexing—and controversial—task that looms unresolved.<sup>36</sup>

In the midst of this upheaval, many PEG facilities operating at the convergence of technological change and shifting audience preferences are finding ways to stay relevant. Case studies of communities across the United States show “public access stations” reformulating themselves as “community media centers.”<sup>37</sup> In these facilities, the content produced—distributed online as well as through cable systems—is an outgrowth of more fundamental contributions: the training and empowering of citizens and the creation of a locus of community. In community media centers, the range of activity is broad: traditional television programs and segments are produced, but there is also an emphasis on teaching media literacy, offering skills training, and experimenting with new technology. In sum, such efforts connect “ethnically diverse and economically challenged groups to advanced digital equipment and skills” which are then used in “empowered forms of participation [by] local residents who use access resources to pursue wellbeing in different spheres of their lives, from community engagement and self-expression, to vocational and career development.”<sup>38</sup>

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33. Barthell.

34. McLean.

35. Ali and Damian.

36. Napoli and Friedland.

37. Ali, “The Last PEG.”

38. Fuentes-Bautista.

For example, in Portland, Oregon, Open Signal—formerly Portland Community Media—recently invested in incubating a community of virtual reality (VR) hobbyists which, in turn, fed into burgeoning VR activity at local advertising agencies like Wieden+Kennedy.<sup>39</sup> Though little research quantifies the effects of these activities, a recent survey-based study in Austin, Texas found that, in spite of the rise of YouTube and other online platforms, “PEG channels remain a highly relevant source of information” particularly for African American, Hispanic, and less-educated residents.<sup>40</sup> So, as other local media institutions break down, at least some PEG facilities—like public libraries—are evolving to serve community needs in the twenty-first century.

As the transition to digital media proceeds, regulatory mechanisms may bolster local information environments as they have in the past. For example, the recent expansion of low-power FM radio broadcasting is an attempt to use policy to stimulate the proliferation of grassroots voices.<sup>41</sup> Franchise and PEG Fees are an old policy mechanism that may have a new life in this environment. Wireline and wireless broadband internet services both rely upon the same public goods—land and spectrum—that provide the foundation for cable and broadcast media. The same logic that historically allowed FCC regulation of analog media in favor of localism and diversity can be used to justify modern policies that echo the Franchise and PEG Fees. But, before advocating for their extension to digital television offerings, the utility of each fee as a mechanism for encouraging the foment of diverse community media activity should be assessed. As Anderson<sup>42</sup> suggests, a policy’s success can best be determined by comparing its outcomes to the boundaries of the principles that justified its implementation. Localism and diversity cannot be said to be advanced by the Franchise and PEG Fees unless they are increasing the likelihood that the public is exposed to or engaged with PEG facilities.<sup>43</sup> This can only be the case if Franchise and PEG Fees are reliably used to fund community media centers and related activities. If revenue from these fees is simply supporting cities’ operating budgets, then it is not being used to stimulate the local marketplace of ideas and other tactics to do so should be investigated.

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39. Justen Harn, Personal communication, April 2017.

40. Chen et al., 278.

41. Dunbar-Hester.

42. Anderson.

43. Entman and Wildman; Levin.

## Research Questions

Ideally, citizens in communities across the United States could easily ascertain both how much they paid in Franchise and PEG Fees and how local authorities allocated the cumulative proceeds. With this information, members of the public, academics, and policy makers could determine if the fees were producing satisfactory outcomes. Generally speaking, however, both sides of the fee equation are opaque: it is difficult to determine either how much money is collected or how it is spent. In fact, beyond anecdote and the occasional case study of local public access facilities, there is virtually no foundation for an empirical assessment of Franchise and PEG Fees. In order to remedy this lacuna, the research questions that drive this research are:

**RQ1:** Are Franchise Fees being collected in the 20 largest cities in the United States? If so, how much revenue did they yield in each city? How is Franchise Fee revenue spent in each city?

**RQ2:** Are PEG Fees being collected in the 20 largest cities in the United States? If so, how much revenue did they yield in each city? How is PEG Fee revenue spent in each city? Is this spending consistent with federal mandates for PEG revenue?

## Method

Public accounting of both revenue and expenditure at the local level is an important starting point for assessing the existence and value of Franchise and PEG Fees. Accordingly, this research examines annual budgets from the 20 largest cities in the United States.<sup>44</sup> The largest American cities were examined for several reasons. First, these franchise agreements affect the largest number of subscribers. Second, the cumulative scale of funding in these large cities produces enough revenue to support more ambitious investments in local information activities than may be possible in smaller cities. Third, these cities are scattered across the country, providing a glimpse of conditions in different states, regions, and franchising

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44. These cities were selected according to city population, not metropolitan area, because cable franchise agreements are typically negotiated by individual cities.

environments. Finally, a practical consideration: budget information related to cable activities and pertinent news coverage is much more accessible for the largest cities than for smaller communities.

Analysis of municipal budgets is a challenging task. When possible, the most recent actual budget figures reported by each city are used in this analysis. Unfortunately, not all cities publish final retrospective accounting numbers so, for eight cities, estimated or projected budget numbers are used.<sup>45</sup> While actual budget results are preferable because they document real revenue and expenditure patterns, budget projections are useful in that they are (hopefully) reflective of prior budget outcomes. Each budget was thoroughly inspected to determine whether or not it reported the collection of PEG and Franchises Fees and, if so, the total revenue from those fees. Any evidence of disbursements to cable-related and/or PEG purposes in these budgets is also reported here. Finally, state laws, local franchise agreements, and relevant news coverage were all reviewed to further contextualize the information in each budget. Even without financial specifics, these secondary sources are valuable because they document the likelihood of missing information in city budgets that thwarts further assessment of the Franchise and PEG Fees. They also allow us to distinguish between cities that fail to report information about fees that exist and cities that simply do not levy either of the fees.

The results are organized in three sections. First, we report whether Franchise and PEG Fees exist in each city. The fees are dependent on state law as well as each unique franchising agreement, so the absence of either fee in a budget (or in related documentation) can be the result of the city's choice not to levy either fee on cable carriers or a statewide prohibition against doing so. For cities that do administer fees, we then summarize the total reported fee revenue and the allocations made to fund cable-related activities. These allocations typically go to a department or office that is tasked with telecommunication matters such as the collection and disbursements of Franchise Fees, coordinating PEG programming, and negotiating new franchise agreements. Finally, we use the budgets and other related documentation to categorize and tally city spending in three cable-related areas as completely as possible: administrative, infrastructure, and PEG-related expenditures. Administrative expenditures include utility

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45. Budget cycles also differ across cities, so the specific numbers reported in this analysis are not all from the same year. See Appendix A for more detail on the data as well as on statewide legislation and local franchise agreements.

management and staff salaries for departments charged with the operation of cable television-related activities. Infrastructure expenditures are outlays for the cutting and repair of streets and other physical maintenance. PEG expenditures support the production of public, educational, and government programming through the acquisition of video equipment, the training of students and members of the public, the staffing of production teams, and even, in the case of San Diego, library improvement. Transfers to the general fund—explicitly listed or implicitly occurring—are not included in these categories. Rollover funds from prior or to subsequent fiscal years are also excluded from the tabulations.

## Results

Table 1 documents the collection of PEG and Franchise Fees. All 20 cities collected a Franchise Fee. There is also evidence that 16 of the 20 cities collected a PEG Fee—though nine cities that likely collect a PEG Fee do not report details of it in their budgets. Of the 20 cities, local franchise agreements and state laws suggest that only four cities do not levy a PEG Fee. There is evidence that all 20 cities support at least some form of government broadcasting—though of those 20, only 11 provide public access broadcasting opportunities. Government broadcasting even in communities like Phoenix which eschew PEG Fees indicates some cities use other resources to finance the operations of the government and perhaps even, in some cases, public access broadcasting. Additional detail regarding the PEG content made available in each city is beyond the scope of this analysis.

Table 2 documents cable-related revenues and expenditures to the extent possible using the cities' public budgets. On the left side of the table, Franchise and PEG Fee revenues are specified separately. Total reported cable-related disbursements are listed in the center, followed by a breakdown of the expenditures by purpose. Revenue derived from the fees that remains after all reported cable-related allocations is shown in the last column. This money may be absorbed by a city's general fund or saved for the allocation in future years toward PEG or other cable-related purposes.

Franchise Fee revenue is reported in every city except Indianapolis, but the precise amount collected is unclear in six cities. In several cities (El Paso, Jacksonville, New York City, San Antonio) cable franchise revenue is lumped together with telephone franchise revenue and Dallas reports franchise revenue from all utilities (cable, phone, gas, etc.) in the aggregate.

TABLE I Franchise and PEG Fees

City	Franchise Fee Collected	PEG Fee Collected	Public Access TV Available	Statewide Franchising
Austin	Yes	Yes	Yes	Yes
Charlotte	Yes	No	Yes	Yes
Chicago	Yes	Not specified	Yes	Yes
Columbus	Yes	No	No	Yes
Dallas	Yes	Not specified	No	Yes
Detroit	Yes	Yes	No	Yes
El Paso	Yes	Not specified	No	Yes
Fort Worth	Yes	Yes	No	Yes
Houston	Yes	Yes	Yes	Yes
Indianapolis	Yes	Yes	No	Yes
Jacksonville	Yes	No	No	Yes
Los Angeles	Yes	Yes	Yes	Yes
New York	Yes	Not specified	Yes	No
Philadelphia	Yes	Not specified	Yes	No
Phoenix	Yes	No	No	No
San Antonio	Yes	Not specified	Yes	Yes
San Diego	Yes	Not specified	No	Yes
San Francisco	Yes	Not specified	Yes	Yes
San Jose	Yes	Yes	Yes	Yes
Seattle	Yes	Not specified	Yes	No

Cities that do not specify a PEG Fee are distinct from those in which no fee exists in that relevant franchise agreements or state laws indicate that a PEG Fee exists—the budgets just fail to report information about it.

San Francisco reports a small sum related to cable television fines, but it is not reporting Franchise revenue clearly. Such accounting procedures prevent close scrutiny of the cable fees in these communities. Setting aside these vagaries, the budgets document hundreds of millions of dollars of cable fee-related revenue across these 20 cities in just one fiscal year. Viewed at either the subscriber or the city level, the fees are substantial. In Austin, Texas, there were 358,401 households in the city as of 2014.<sup>46</sup> If Austinites subscribed to cable at roughly the national average, 45 percent of households—or 161,280—would have active cable connections.<sup>47</sup>

46. United States Census Bureau.

47. Statista.

TABLE 2 Cable-Related City Finances

City	Franchise Fee Revenue	PEG Fee Revenue	Total Cable Allocations	Administrative Expenditures	Infrastructure Expenditures	PEG-Related Expenditures	Unaccounted Revenue
Austin	\$9,216,223	\$1,843,245	\$3,344,086	\$0	\$0	\$3,344,086	\$7,715,382
Charlotte	\$7,919,995	No fee	\$0	\$0	\$0	\$0	\$7,919,995
Chicago	\$29,200,000	Not reported	\$656,297	\$0	\$0	\$656,297	\$28,543,730
Columbus	\$9,600,000	No fee	\$1,055,233	\$0	\$0	\$1,055,233	\$8,544,767
Dallas	\$27,394,587 <sup>a</sup>	Not reported	\$2,567,235	\$343,806	\$701,988	\$1,521,441	\$24,827,352
Detroit	\$7,188,253	\$602,665	\$1,440,373	\$1,198,390	\$0	\$241,983	\$6,350,545
El Paso	\$9,682,169 <sup>#</sup>	Not reported	\$670,332	\$0	\$0	\$670,332	\$9,011,837
Fort Worth	\$6,766,484	\$1,200,000	\$332,200	\$0	\$0	\$332,200	\$7,634,284
Houston	\$23,400,000	\$4,675,400	\$4,706,738	\$2,411,738	\$0	\$2,295,000	\$23,368,662
Indianapolis	Not reported	\$503,075	\$503,075	\$0	\$0	\$503,075	\$0
Jacksonville	\$35,300,000 <sup>#</sup>	No fee	Not reported	Unknown	Unknown	Unknown	NA
Los Angeles	\$12,940,888	\$5,900,541	\$10,108,489	\$9,310,740	\$161,405	\$636,344	\$8,732,940
New York	\$167,270,000	Not reported	Not reported	Unknown	Unknown	Unknown	NA
Philadelphia	\$21,559,000	Not reported	Not reported	Unknown	Unknown	Unknown	NA

(Continues)

City	Franchise Fee Revenue	PEG Fee Revenue	Total Cable Allocations	Administrative Expenditures	Infrastructure Expenditures	PEG-Related Expenditures	Unaccounted Revenue
Phoenix	\$9,500,000	No fee	\$4,138,000	\$1,948,000	\$2,190,000	Unknown	\$5,362,000
San Antonio	\$30,700,000#	Not reported	\$7,070,503	\$7,070,503	\$0	\$0	\$23,629,497
San Diego	\$18,600,000	Not reported	\$2,028,515	\$576,473	\$45,735	\$1,406,307	\$16,571,485
San Francisco	\$2,833,639@	Not reported	Not reported	Unknown	Unknown	Unknown	NA
San Jose	\$9,700,000	\$1,960,000	\$1,538,526	\$0	\$0	\$1,538,526	\$10,121,474
Seattle	\$8,764,264	Not reported	\$8,636,884	\$2,392,212	\$1,571,412	\$4,673,260	\$127,380

#Reported sum aggregates all Franchise Fees paid to the city by phone, cable, electricity, gas, and other providers.

@Reported sum includes some phone-specific fees in addition to cable-related fees.

^Likely to be only a portion of cable TV-related city revenue.



The city collected more than \$11 million in fees that year, mostly from the Franchise Fee which is capped at 5 percent of the gross cost of cable television. Dividing the amount collected for Franchise and PEG Fees by the approximate number of cable households suggests that, in 2016, the average Austin subscriber paid the city about \$5.71 per month in Franchise and PEG Fees.

Tracing the precise revenue driven by PEG Fees is even more difficult. Budget documentation suggests that 16 of the 20 cities levied a PEG Fee, but nine of these cities do not specify PEG revenues. For these cities—Chicago, Dallas, El Paso, New York, Philadelphia, San Antonio, San Diego, San Francisco, and Seattle—the absence of documented PEG Fee revenue does not mean that the fee does not exist or that PEG programming is not being produced. However, the absence of clearly stated PEG revenues does thwart outside oversight of their utilization. New York, for example, reports cable fees in the aggregate and, while support is clearly being channeled to PEG facilities and purposes, it is not possible to match revenues and allocations. On the whole, it is difficult to track PEG revenue through to support for PEG-related activities and there is some evidence that the funds are likely underutilized. There are exceptions: Austin's allocation for PEG-related activities exceeds its total reported revenue collected specifically from the PEG Fee and Seattle reports spending more than 50 percent of all cable-related revenue on PEG activities. Per federal law, cities are not required to spend all revenue in a given year, so it is possible that PEG revenue and allocations flow unevenly across fiscal years (Cable Act §611(b)).

Federal law does not restrict the use of revenue derived from the Franchise Fee, and it is not possible to precisely account for this money in most cities. After tracing all specific administrative, infrastructure, and PEG-related expenditures listed in these city budgets, every city that reports collecting a Franchise Fee has unallocated revenue remaining. Eight cities explicitly earmark cable fee revenue for administrative purposes related to telecommunications; the remaining cities do not specify the source of funding for offices or staff that deals with communication or cable. Only five cities report allocations for infrastructure spending and, generally, the relevant expenditures are for technological investments rather than road repairs. Seattle stands out for its transparency: after accounting for administration costs related to cable activities, infrastructure spending, and PEG outlays, just 1.5 percent of its total reported cable-derived revenue remains. On the whole, the use of most Franchise Fee funds is unexplained.

Without a mandate to report what purpose Franchise Fee revenue serves, cities appear to largely absorb such funds into general operating budgets.

In summary, cities can be loosely divided into three categories. First, there are ten cities (Austin, Charlotte, Columbus, Detroit, Fort Worth, Houston, Los Angeles, Phoenix, San Jose, and Seattle) that clearly report their cable-related revenues. These cities also report cable-related allocations in an intelligible fashion—except Charlotte, which does not levy a PEG Fee and consequently has no legal requirements that proscribe the allocation of its cable-related revenue. Even among these cities, with the exception of Seattle, the majority of cable-related revenue is apparently absorbed into general operation budgets. At the opposite end of the spectrum, San Francisco is not clearly reporting cable-related revenues or expenditures: its accounting is very opaque. The remaining nine cities—Chicago, Dallas, El Paso, Indianapolis, Jacksonville, New York, Philadelphia, San Antonio, and San Diego—report enough information to give some insight, but little clarity, into their cable-related budgeting. Many of these cities lump revenue driven by phone and cable service together. Several appear to report Franchise and PEG Fee revenue together. Most disclose only minimal information about related expenditures. Altogether, it appears that most cable-related revenue in these cities flows to general operating budgets—but it is difficult to tally precisely how much money this is.

## Discussion

Franchise and PEG Fees are vestiges of a fading technological and regulatory environment. Though originally positioned as compensation for the use of specific public resources and justified as the means to bolster the local marketplace of ideas, the fees function as sales taxes. Further, their negotiation—often as part of local franchise agreements—creates additional costs that are likely passed on to consumers. As such, they deserve scrutiny: do they effectively promote identifiable societal benefits? More specifically, do they promote local and diverse content within communities across the country? Do they do so equitably and consistently? Are they otherwise nurturing communication capacity within communities? Should they be maintained—or adapted—as separate, freestanding fees? As new technologies and an evolving, piecemeal regulatory regime reshape these fees, these questions should be considered as part of a larger process to develop a cohesive communication policy framework for the twenty-first century.

Despite chronically opaque accounting practices, our analysis of 20 municipal budgets makes it clear that cities are collecting many millions of dollars annually in Franchise Fee revenue. There is scant evidence that this revenue is used to defray costs associated with cable system construction with any regularity. Though it appears that some cities channel a percentage of Franchise Fee revenue toward PEG-related purposes, the bulk of the proceeds are absorbed by general operating budgets. Most cities superficially account for Franchise Fee revenues, but there is a difference between allocating funds to “cable costs” and distinguishing between “road repair” and “public information staff salaries.” This vague accounting is entirely legal but it obscures the benefits that citizens derive from Franchise Fees (such that they exist). On one hand, the Franchise Fee could be used to support municipal (or state) funding to bolster the local marketplace of ideas. New Jersey, in a possible model, recently drew funding from the resale of television licenses to create a new fund to support community news.<sup>48</sup> But, without additional regulatory intervention, the Franchise Fee as currently constituted simply provides fungible revenue to municipalities. Thus, the additional burdens created by the special negotiation of the Franchise Fee typically are not justified by special benefits derived from it in lieu of a straightforward sales tax.

Meanwhile, PEG Fees and facilities are withering in the face of sustained legal pressure applied at both the state and federal level. In smaller locales, more than 100 PEG facilities have closed in recent years.<sup>49</sup> In the communities studied here, there is evidence that a few cities (Seattle, Austin) value PEG-related activities enough to use Franchise Funds to support them. In most cities, however, PEG revenue is not clearly reported—which makes it impossible to evaluate whether legal obligations regarding the fee are being fulfilled. When revenue is reported, some cities (like Los Angeles) are failing to fully leverage PEG resources for public benefit. In some cases, new legal restrictions on PEG monies that only allow capital spending hamstring local governments’ efforts to best utilize the funds that are collected. On the whole, there is a trend toward less ambitious PEG approaches that reduce funding and continue to transmit government meetings, but no longer provide for public access programming or facilities. Though a comprehensive survey of public access content is beyond the scope of this article, it is clear that the elimination of public access programming is

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48. Rojas.

49. Goldfarb, “Updating the Statutory Framework.”

a blow to both localism and diversity in mass media. New digital technologies and platforms like YouTube give voice to individuals and offer real distribution advantages, but they do not inherently obviate the need for community-centered information sources or facilities. Such facilities can empower individuals and build community ties—even among underserved populations—in ways that are democratically meaningful. Put simply, reduced access to PEG facilities and content exacerbate problems arising from the decline of local commercial media.

Yet, the potential good offered by Franchise and PEG Fees is not enough alone to justify them or their extension to new digital services. As presently constituted, Franchise and PEG Fees act as sales taxes on certain television products. Educated, wealthy consumers who disproportionately rely on broadband to access pay-TV products like Netflix may be less likely to pay these fees today than other segments of the population—hardly a fair outcome. The bulk of fee proceeds are spent by cities without meaningful oversight and, according to our analysis, typically without connection to communication-related activities. If cities require funding to pay teachers or dredge harbors, the rationale for a special tax on cable television that requires onerous negotiation is not obvious. Rather, a host of other approaches to municipal taxation might be pursued. One might advocate for a sales tax applied to all communication products (similar to the approach Florida has adopted) as part of statewide franchising which would eliminate negotiation costs and likely benefit consumers. Perhaps an even better approach could be devised within the context of a graduated local (or state) income tax. Either way, the status quo is not ideal and cities' stewardship of existing cable fee revenue does not warrant facile extension of the fees to new digital products.

Even at their best, PEG channels were only a complement to local commercial media. As the business landscape shifts for local media, the policy mechanisms that governments rely upon to nurture a healthy civic information environment must evolve. It is possible that some sort of special communication-related fee could be a part of a regulatory approach to nurturing local, diverse voices. But there may be better tactics—for example, recent efforts to develop a unique tax-sheltered status for the *Philadelphia Inquirer* demonstrate a different way to provide public support for local media.<sup>50</sup> Scholars<sup>51</sup> outline many other tools that could be

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50. Meyer.

51. Ali, *Media Localism*.

used to bolster local, diverse media. Open, active conversations about the information needs of communities and the policies most likely to meet them continues to be necessary—even if some parties would prefer that they not take place.<sup>52</sup> Coherent policy goals and clear legal support for preferred mechanisms to achieve them from the federal level down would help remedy the fragmented, increasingly dysfunctional media regulatory regime that is developing today. With the continuing retreat of commercial interests from the local information landscape, leadership from the public sector is more vital today than at perhaps any other recent moment.

### *Limitations*

Several limitations constrain this research. First, the budgets that provide the foundation for our analysis often offer only partial information regarding cable-related revenues and allocations. The frequent lack of pertinent detail in these budgets makes it impossible to follow the fee money at a granular level—and it underscores a persistent obstacle for government watchdogs. To some degree, this limitation is more of an indictment of municipal budgeting practices than it is of the research tactics used here. That said, only 20 cities in a single budget year are analyzed here—the budgetary practices and findings could be different had other cities been examined or a longitudinal analysis attempted. Perhaps more importantly, this analysis does not delve into the PEG programming produced in different cities. To truly assess the benefits derived from the cable-related fees, more information about this programming is necessary. Though there is anecdotal evidence that PEG funds support laudable content, current empirical research does not document the prevalence of such programming (let alone the size of its audience or its impact). We do not address this gap in the literature, which leaves it as an opportunity for future researchers.

## Conclusion

Franchise and PEG Fees are at once obscure and substantial, well-intentioned, and punitive. From their initial codification in the 1984 CCPA, their ostensible purpose—to provide just compensation for the use of public goods by private corporations and bolster the local marketplace of ideas—was undermined by a lack of oversight and, in many cities,

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52. Napoli and Friedland.

execution. Legislators may not have foreseen the sharp rise in the cost of cable, but today these fees are responsible for an increasingly onerous burden on cable consumers (many of whom have limited resources). In addition, recent regulatory and legislative actions further undercut the likelihood that the fees will be consistently used to provide specific, tangible benefits to the public. PEG Fees—and by extension PEG facilities and content—are trending toward a gradual demise. Without useful PEG access, the conceptual tie between the fees and the FCC's interest in media localism and diversity is diminished. In the absence of this commitment, the fees are largely reduced to an inefficient method to fund pothole repairs.

For those concerned with democracy, the plight of Franchise and PEG Fees is disappointing. These fees are an example of rare public resources earmarked for local information environments. At their best, they support community media centers which function as hubs of placemaking and empower diverse citizens to engage in the marketplace of ideas. It is conceivable that fee-related resources could have been—or could still be—consistently used to meaningfully support public discourse in communities nationwide. But, given the gradual decline of cable and the increasing regulatory pressure on PEG Fees, it seems likely now that new mechanisms advancing localism and diversity must be identified and embraced for modern digital media. Looking ahead, perhaps more energy should be invested in providing the vision and oversight necessary to cultivate healthy local information communities. The information needs of communities and their citizens are critical in democratic societies and should not be subordinated to corporate interests or forsaken for regulatory expedience.

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**APPENDIX:  
CABLE FINANCE DETAILS BY CITY**

*Austin 2013–2014 Actual Budget*

Revenues	Allocations	Totals	Balance
\$9,216,223 Franchise Fees (VOL 2, p. 255)	\$3,344,086 PEG related total expenditures (VOL 2, p. 263)	\$11,059,468 Revenue	\$7,715,382
\$1,843,245 PEG Fees (VOL 2, p. 263)		\$3,344,086 Expenditures	

All page numbers listed from FY 2015–2016 Austin City Budget. Figures reported are for actual 2013–14 receipts. Franchise Fees in Texas are set to 5% statewide. Reported revenue in the Austin budget also includes remittances from other local franchise holders who provide access to natural gas etc. The budget projects approximately 3% growth in receipts for 2015–16 over 2013–14. It specifically projects PEG revenue of \$1,900,000, which is described in the budget to be 1% of gross TV receipts. This figure is used to estimate actual PEG receipts in 2013–14 and to estimate the television-specific franchise fee. To do so, the 1% PEG Fee is multiplied by 5—as mandated by state law—to estimate actual Franchise Fee receipts.

*Charlotte 2014–2015 Actual Budget*

Revenues	Allocations	Totals	Balance
\$7,959,632 Franchise Fees (p. 115)	None reported.	\$7,959,632 Revenue	\$7,959,632

All page numbers listed from 2017 Charlotte Strategic Plan. Franchise Fee revenue is listed as a miscellaneous source of general revenue. By state law, North Carolina applies a 7% sales tax to video programming services (including satellite packages) and distributes the funds to local governments (ACM, 2011). There is no mandate to provide PEG funding and Charlotte's budget includes no references to PEG Fees.

*Chicago 2016 Budget Forecast*

Revenues	Allocations	Totals	Balance
\$29,200,000 Franchise Fees (p. 12)	\$656,297 Cable and telecommunication public stations (p. 115)	\$29,200,000 Revenue	\$28,543,730
		\$ 656,297 Expenditures	

All page numbers listed from 2016 Chicago Budget overview. State law requires no less than 1% of gross television revenue be provided for PEG functions, but the budget does not break PEG revenue out separately (ACM, 2011). Chicago does not make public a complete budget that shows actual revenues and expenditures. Rather, it offers a full budget forecast and an annual assessment of the city's financial health which uses actual data but with limited detail.

*Columbus 2016 Proposed Budget*

Revenues	Allocations	Totals	Balance
\$9,600,000 Franchise Fees (p. 16)	\$1,055,233 Gov. television channel (p. 215)	\$9,600,000 Revenue	\$8,544,767
		\$1,055,233 Expenditures	

All page numbers listed from FY 2015–2016 Columbus City Budget. Columbus does not report actual budget items by program. Ohio state law dictates that Franchise Fees are set to 5% and PEG Fees are banned after January 1, 2012 (Goldfarb, 2013).

*Dallas 2015–2016 Proposed Budget*

Revenues	Allocations	Totals	Balance
\$27,394,587* Franchise Fees (p. 560)	\$1,521,441 Public Information Office (p. 149)	\$ 27,394,587 Revenue	\$24,827,352
	\$343,806 Utility management (p. 181)	\$ 2,567,235 Expenditures	
	\$701,988 Street cut right of way manage- ment (p. 220)		

All page numbers listed from FY 2015–2016 Dallas City Budget. Dallas does not report actual budget figures for prior fiscal years. Dallas also aggregates fees from all providers that use the public right of way, including cable and electricity companies, in its budget. It reports applying a 5% fee upon television services, but does not specify a separate PEG Fee (which, according to state law, should be 1% in addition to the 5% Franchise Fee) (ACM, 2011). The Public Information Office provides PEG-related services.

*Detroit 2012–2013 Actual Budget*

Revenues	Allocations	Totals	Balance
\$7,188,253 Franchise Fees (p. C-74)	\$1,198,390 Media services and commu- nication (p. C-77)	\$7,790,918 Revenue	\$6,350,545
\$602,665 PEG Fees (p. C-74)	\$241,983 PEG expenses (p. C-77)	\$1,440,373 Expenditures	

All page numbers listed from FY 2015–2017 Detroit City Budget. Data reflects actual figures from 2012–2013, the most recent year made available. Michigan state law sets Franchise Fees to 5% of gross television receipts and PEG fees are capped at 2% (ACM, 2011).

*El Paso 2014 Actual Budget*

Revenues	Allocations	Totals	Balance
\$6,142,819 AT&T Fees (p. 88)	\$128,830 PEG admin (p. 261)	\$9,682,169 Revenue	\$9,011,837
\$3,539,350 Time Warner Fees (p. 88)	\$541,502 PEG non-governmental (p. 261)	\$670,332 Expenditures	

All page numbers listed from 2016 El Paso City Budget. Franchise Fee revenue includes some fees related to AT&T's landline phone services. PEG Fees not specified by budget.

*Fort Worth 2014 Actual Budget*

Revenues	Allocations	Totals	Balance
\$6,766,484 Franchise Fees (p. F-12)	\$332,200 Cable Office Fund (p. H-318)	\$7,966,484 Revenue	\$7,634,284
\$ 1,200,000 PEG Fees (p. H-317)		\$332,200 Expenditures	

All page numbers listed from FY2016 Fort Worth City Budget. The PEG revenue is a forecast; only actual expenditures are reported.

*Houston 2014–2015 Estimated Budget*

Revenues	Allocations	Totals	Balance
\$23,400,000 Franchise Fees (p. 11-7)	\$2,411,738 PEG administration and maintenance (p. x-88)	\$28,075,400 Revenue	\$23,367,662
\$4,675,400 PEG Fees (p. x-88)	\$2,295,000 PEG non-profit contract (p. x-88)	\$4,706,738 Expenditures	

All page numbers listed from FY 2015–2016 Houston City Budget. Figures reflect estimated actual results from 2014-15.

*Indianapolis 2014–2015 Actual Budget*

Revenues	Allocations	Totals	Balance
\$503,075 PEG Fee Revenue (p. 77)	\$340,265 Personal services (p. 77)	\$503,075 Revenue	\$0
	\$1,605 Material and services (p. 77)	\$503,075 Expenditures	

Revenues	Allocations	Totals	Balance
	\$127,174 Other services and charges (p. 77) \$32,556 Properties and equipment (p. 77) \$1,475 Internal charges (p. 77)		

All page numbers listed from FY 2015–2016 Indianapolis City Budget. Figures are actual results from 2014–2015. State law sets Franchise Fees at 5% or the “incumbent level” when the relevant legislation passed in 2006. Indianapolis’s budget makes no mention of Franchise Fees.

### *Jacksonville 2015–2016 Projected Budget*

Revenues	Allocations	Totals	Balance
\$35,300,000 Projected aggregate of state tax for all communication services (p. 135)	Unreported	N/A	N/A
		Expenditures unreported	

All page numbers listed from FY 2015–2016 Jacksonville City Budget. Actual budget totals not made available; projected revenue from October 1, 2015 – September 30, 2016 reported here. Florida taxes communication services at 5.22% in lieu of separate Franchise Fees and remits lump payments to localities annually. State legislation passed in 2007 legally terminated discrete PEG support as of July 1, 2012 (ACM, 2011; Goldfarb, 2013).

### *Los Angeles 2013–2014 Actual Budget*

Revenues	Allocations	Totals	Balance
\$12,400,572 Franchise Fee revenue (p. 269)	\$9,310,740 Administrative appropriations (p. 269)	\$18,841,429 Revenues	\$8,732,940
\$5,900,541 PEG Fee revenue (p. 269) \$540,316 Additional misc. revenue (p. 269)	\$475,534 LA Cityview PEG channel (p. 269) \$160,810 PEG capital costs (p. 269) \$161,405 Other infrastructure costs (p. 269)	\$10,108,489 Expenditures	

All page numbers listed from FY 2015–2016 Los Angeles City Budget. 2013–2014 figures represent the most recent actual budget totals.

*New York 2014–2015 Modified Budget*

Revenues	Allocations	Totals	Balance
\$167,270,000 Franchise Fees aggregated from all private telecom providers (p. 21R)	N/A	\$167,270,000 Revenue Expenditures unknown.	N/A

All page numbers listed from FY 2015–2016 New York City Budget. New York does not report actual past budget totals, only modified backward-looking estimates. The Department of Information Technology and Telecommunications oversees franchising relationships as well as PEG activities in addition to a host of broader responsibilities. In aggregate, the Department has an annual budget of approximately \$500 million and it does not specify allocations for specific programs or purposes. The budget contains no reference to PEG funding, though current franchise agreements with Verizon and Time Warner specify millions of dollars of funding for PEG purposes beyond the standard 5% Franchise Fee.

*Philadelphia 2014–2015 Actual Budget*

Revenues	Allocations	Totals	Balance
\$21,559,000 Franchise Fees (p. 13)	N/A	Expenditures unknown.	N/A

All page numbers listed from FY2016 Philadelphia Operating Budget. Figures shown are most recent reported actual budget data. No information is provided about cable-related expenditures or PEG Fees. Philadelphia franchise agreements with Comcast and Verizon do include provisions that specify financial PEG support (Reyes, 2015).

*Phoenix 2015–2016 Projected Budget*

Revenues	Allocations	Totals	Balance
\$9,500,000 Franchise Fees (p. 440)	\$1,948,000 Public information / Communications Office (p. 17, 469)	\$9,500,000 Revenue	\$3,069,651
	\$1,770,000 Street transportation (p. 469) \$420,000 Information technology (p. 469)	\$ Expenditures	

All page numbers listed from FY 2015–2016 Phoenix City Budget. Only actual revenues are provided, so proposed figures are presented here. The Communications Office coordinates government programming and receives the bulk of its funding from Franchise Fees. Granular allocations for PEG activities are not specified nor is there evidence of a discrete PEG Fee.

*San Antonio 2015–2016 Proposed Budget*

Revenues	Allocations	Totals	Balance
\$30,700,000 Franchise Fees (p. 113)	\$7,070,503 Government Information Office (p. 409)	\$30,700,000 Revenue	\$23,629,497

All page numbers listed from FY 2015–2016 San Antonio City Budget. Actual revenues not made available. Franchise revenue includes funds related to telephone services. No PEG-specific revenue or expenditures are included in the budget, though Texas state law allows for a PEG Fee. The Government and Public Affairs office reports producing more than 900 PEG-programs, but does not document programmatic costs.

*San Diego 2014–2015 Actual Budget*

Revenues	Allocations	Totals	Balance
\$18,600,000 Franchise Fees (p. 70)	\$576,473 Communication Office personnel (pp. 132–134) \$45,735 Communication Office capital costs (p. 133)	\$18,600,000 Revenue \$2,028,515 Expenditures	\$16,571,485
	\$1,406,307 City TV funding (p. 158)		

All page numbers listed from FY 2015–2016 San Diego City Budget. Actual totals from 2014–2015 are the most recent available. The budget references the existence of PEG-specific funding, but it does not specify the amount separately.

*San Francisco 2013–2014 Actual Budget*

Revenues	Allocations	Totals	Balance
\$2,833,639 Reported as licenses and fines (p. 257)	N/A	\$2,833,639 Revenue	N/A
		Expenditures unknown.	

All page numbers listed from FY 2015–2016 San Francisco Budget. Figures from 2013–2014 are the most recent actual data. According to California's Digital Infrastructure and Video Competition Act of 2006, Franchise Fees should be 5% of gross television revenue and PEG Fees can be as much as 3% in addition. San Francisco is not clearly reporting the balance of either Fee, nor does it specify how it funds SFGovTV, which it operates through the General Services Agency – Department of Technology.

*San Jose 2014–2015 Actual Budget*

<b>Revenues</b>	<b>Allocations</b>	<b>Totals</b>	<b>Balance</b>
\$9,700,000 Franchise Fees (p. VI-6)	\$1,538,526 PEG capital costs (p. IX-29)	\$11,660,000 Revenue	\$10,121,474
\$1,960,000 PEG Revenue (p. VI-6, VI-50)		\$1,538,526 Expenditures	

All page numbers listed from FY 2015–2016 San Jose City Budget. The Franchise Fee in San Jose is 5% derived solely from subscriptions exclusive of other cable revenue sources. Franchise revenue is aggregated with other utility-related income in the general revenue section of the budget. No specific expenditures are drawn from it.

*Seattle 2013–2014 Actual Budget*

<b>Revenues</b>	<b>Allocations</b>	<b>Totals</b>	<b>Balance</b>
\$8,764,264 Franchise Fees (p. 447)	\$3,149,916 Seattle Channel / Democracy Portal (p. 447)	\$8,764,264 Revenue	\$127,380
	\$1,333,344 Community Technology (p. 447) \$1,571,412 Technology Infrastructure (p. 447) \$745,236 Cable Communications (p. 447) \$1,646,976 Various administration costs (p. 447) \$190,000 transfer to library (p. 447)	\$8,636,884 Expenditures	

All page numbers listed from FY 2015–2016 Seattle Budget. Figures for 2013–2014 are the most recent actual data available. Seattle's budget does not specify separate PEG revenues. Recent franchise agreements (e.g. Comcast agreement effective January 1, 2016) in the city have rolled the Franchise and PEG Fees together into one charge that is less than the 5% Franchise Fee maximum set by the federal government.