



News Release

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City of Rowlett Sues Disney, Hulu, Netflix Over Unpaid Franchise Fees Rowlett and 24 Texas Cities Allege Streaming Services Owe Millions in Unpaid Fees

ROWLETT, TEXAS— The City of Rowlett joined 24 other Texas cities today in filing a lawsuit accusing Disney DTC LLC, Hulu, LLC, and Netflix Inc., of failing to pay millions of dollars in municipal franchise fees as far back as 2007.

The lawsuit was filed in Dallas County on behalf of Rowlett and Abilene, Allen, Amarillo, Arlington, Austin, Beaumont, Carrollton, Dallas, Denton, Frisco, Fort Worth, Garland, Grand Prairie, Houston, Irving, Lewisville, McKinney, Mesquite, Nacogdoches, Pearland, Plano, Rowlett, Sugar Land, Tyler and Waco. It alleges that the streaming services have not paid annual franchise fees, which are required by the Texas Public Utility Regulatory Act (PURA) and used to fund basic city services.

“With this lawsuit, we hope to ensure streaming video companies’ compliance with their PURA obligations moving forward and also recoup unpaid franchise fees from the Disney, Hulu, and Netflix streaming services as follow-on relief,” said Rowlett Mayor Blake Margolis. “Franchise fees are an important source of city revenue. We have an obligation to our residents to ensure that these companies comply with state law and pay what is owed to the City of Rowlett.”

Under the PURA, a video service provider must pay a Texas municipality a 5% franchise fee, if a video service’s programming is delivered via wireline facilities located at least in part in the public right of way, such as utility poles over the streets or sidewalks or beneath the roads. Franchise fees help fund city services including public safety and road repairs.

“Disney, Hulu and Netflix have long withheld statutorily required payments to cities throughout Texas, depriving them of fees that help fund essential city services,” said McKool Smith principal Steven Wolens, who along with co-counsel represents the Texas cities in this lawsuit. “This case was filed on behalf of our municipal clients to ensure future compliance with PURA and recoup significant fees owed by some of the nation’s largest streaming services.”

Rowlett is seeking the reimbursement of annual franchise fees, as well as interest, since Disney, Hulu, and Netflix began streaming their platforms in Texas in 2007, 2011, and 2019, respectively.

Dallas-based McKool Smith is co-counsel on the lawsuit with Austin-based Ashcroft Sutton Reyes and St. Louis-based Korein Tillery. Additional cities are expected to join the lawsuit.

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