

POLICE BRUTALITY BONDS

**How Wall Street Profits from
Our Abusive Policing System**



CLEVELAND CASE STUDY

As the costs of police misconduct rise, cities and counties across the United States are going into debt to pay for it. Often this debt is in the form of bond borrowing. When cities or counties issue bonds to pay these costs, banks and other firms collect fees for the services they provide, and investors collect interest. The use of bonds to pay for settlements and judgments greatly increases the burden of policing costs on taxpayers, while producing a profit for banks and investors. Using bonds to pay for settlements or judgments can nearly double the costs of the original settlement, and all of this is paid for by taxpayers.

We call the bonds used to cover police related settlement and judgment costs “police brutality bonds”, because they quite literally allow banks and wealthy investors to profit from police violence. This is a transfer of wealth from communities -especially over-policed communities of color - to Wall Street and wealthy investors.

CLEVELAND’S POLICE BRUTALITY BONDS

- ▶ Since 2008, Cleveland has issued \$12.1 million in judgment obligation bonds (at interest rates of up to 6%) with help from banks like Wells Fargo.
- ▶ The city has also used bonds to borrow \$800,000 for body cameras for police.
- ▶ Cleveland is under a consent decree from the Department of Justice (DOJ) after a DOJ investigation found rampant use of excessive force and a lack of accountability, among other problems. The consent decree requires reforms that will also cost the financially strapped city tens of millions of dollars, if implemented.
- ▶ These bonds have provided investors with more than \$4.4 million in profits thus far. The city issued more than \$4 million in new bonds in 2016 to pay off earlier borrowing, providing yet another opportunity for banks and other firms to get a cut.

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- ▶ The city will be paying off these bonds until 2033, providing investors with an additional \$3.1 million in interest. That's a total of \$7.4 million for investors by the time the bonds are paid off.

The cost of police brutality in Cleveland, like in many other cities, is rising. Between 2004 and 2014 Cleveland shelled out \$10.5 million for police settlements. But in just the two years between 2015 and early 2017, Cleveland paid \$13.2 million—a huge increase in a short period of time. The police department is responsible for much more than its share of the city's legal costs: an *ABC Channel 5* investigation found that 73 percent of cases filed against the city between January 2013 and the end of 2017 were against the police department.

When Cleveland's consent agreement with the DOJ was announced in 2015, city officials estimated that meeting its requirements would cost about \$13.2 million in 2016, and a minimum of \$32 million more over the following four years. Cleveland City Council President Kevin Kelly said at the time that spending this money would “have profound implications on other services... This is a large chunk of our budget, and it will be all hands-on deck to figure out solutions to this”. Facing the costs of addressing their police department's problems, and hoping to plug a huge budget hole and restore services that had been “cut to the bone”, Cleveland residents voted in 2016 to impose a tax increase on themselves.

RECOMMENDATIONS:

Police violence should never be a source of profit for banks or investors, or a reason we do not have the resources we need to invest in the infrastructure and services that make our communities safer and more livable. We need to dismantle this system of policing and build a justice system that prioritizes the needs and well-being of all people. While we work toward that, here are our key recommendations:

1. If cities must borrow to pay for settlements and judgments, banks and investors should not be allowed to profit from that.
2. Police officers must be forced to take out individual liability insurance policies to cover the costs of settlements and judgments caused by their misconduct.
3. Governmental bodies at the local, state, and federal levels must account for and provide full transparency about which officers are behaving in ways that lead to settlements, how they are or are not being held accountable, who is paying for it and how, and who is profiting.

Please see ACRE's full report “**Police Brutality Bonds: How Wall Street Profits from Our Abusive Policing System**” available at <https://www.acrecampaigns.org/>