

POLICE BRUTALITY BONDS

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



LOS ANGELES 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.

LOS ANGELES’ POLICE BRUTALITY BONDS

We found:

- ▶ Los Angeles issued \$71.4 million in judgment obligation bonds (JOBs) in 2009 and 2010, and came close to issuing new JOBs in 2017.
- ▶ The bonds paid for settlements and judgments that included, but were not limited to, police related cases.
- ▶ Significant portions of the 2009 and 2010 were police brutality bonds.
- ▶ Banks and other private firms collected more than \$1 million in issuance fees on the 2009 and 2010 JOBs. The financial firms involved included Merrill Lynch (Bank of America) and De La Rosa and Co. By the time the bonds are paid off, taxpayers will have handed over more than \$18 million to investors.

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- ▶ Los Angeles had to cut corners to avoid issuing new judgment bonds in 2017.

The 2009 judgment bonds covered a \$20.5 million settlement related to the messy Rampart Police corruption scandal of the 1990s and 2000s. The Rampart Scandal, as it is commonly known, involved numerous officers in the city's anti-gang Rampart Division engaging in misconduct, including physical abuse of suspects, evidence tampering, and perjury. LAPD officer Rafael Perez had been arrested on cocaine charges. As part of a plea bargain, he agreed to help uncover corruption inside the LAPD, and the information he provided on misconduct within the department led to the overturning of over 100 criminal convictions. The city had to pay more than \$95 million in police misconduct settlements in connection with the Rampart Scandal, including the \$20.5 million that was covered by the 2009 police brutality bond.

The 2010 JOBs covered \$12.8 million in settlements for people injured or mistreated by LAPD in what the *Los Angeles Times* described as a “May Day melee”, when police used batons and rubber bullets to disperse crowds that had gathered to participate in a pro-immigrant march. The aggressive police response resulted in over 300 claims against the City. The 2010 JOBs also covered \$5 million to settle two cases involving negligent driving by an LAPD officer that resulted in personal injuries.

In 2017, Los Angeles faced a huge spike in settlements and judgments, including about \$8 million for several cases involving fatal police shootings. Concerned about a potential deficit of \$245 million, L.A.'s Chief Administrative Officer (CAO) recommended that the City of Los Angeles issue between \$50 million and \$70 million in Judgment Obligation Bonds to cover settlements and judgments. Los Angeles ultimately chose not to issue bonds, but it's worth asking what budget sacrifices the City of Los Angeles and its residents have had to make for the City to cover the costs of the settlements without borrowing.

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/>