

POLICE BRUTALITY BONDS

How Wall Street Profits from
Our Abusive Policing System



CHICAGO 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.

CHICAGO’S POLICE BRUTALITY BONDS

Chicago is habitually relying on bond borrowing to fund its legal settlements and judgments, as well as other litigation costs. However, the city fails to track exactly *which* of its settlements and judgments are covered by bond money. Based on the data the City of Chicago does make available, **we estimate that the total dollar amount of the settlements and judgments related to cases against the Chicago Police Department (CPD) or CPD officers is less than or roughly equivalent to what Chicago is borrowing to pay for all of its settlements and judgments.** For example, according to records available on the city’s law department website, Chicago spent \$360 million on police-related settlements and judgments between 2010 and 2016. During this same period, the city used \$484.3 million in bond proceeds to pay for settlements and judgments. The larger figure includes legal costs beyond the settlement amounts. Essentially, this



means that it is fair to say that most of the city's police related settlement and judgments cost are covered by bond borrowing. Additionally:

- ▶ In 2017, Chicago borrowed another \$225 million, bringing the 2010-2017 total to \$709.3 million. We estimate that this borrowing will cost taxpayers more than \$1 billion in interest that the city will pay to investors over the life of these bonds.
- ▶ We estimate that since 2010, big banks and law firms have made approximately \$7.1 million in fees for underwriting the bonds authorized to pay for Chicago's lawsuits.
- ▶ In recent years, some of the banks that have profited from Chicago's growing number of lawsuits include Goldman, Sachs, Wells Fargo, and the Bank of Montreal (which is the parent company of Chicago's BMO Harris Bank).

After the LaQuan McDonald shooting, the Department of Justice investigated the CPD. The January 2017 DOJ report found that CPD's "unreasonable force and systemic deficiencies fall heaviest on the predominantly black and Latino neighborhoods... CPD has tolerated racially discriminatory conduct that not only undermines police legitimacy, but also contributes to the pattern of unreasonable force". The DOJ outlined a total of 99 recommendations to improve CPD practices.

The City of Chicago has made attempts at implementing some of the DOJ's recommendations, including by conducting a review of its use of force policy and providing refresher trainings for officers. Still, in 2017 the City paid \$46.3 million for police-related settlements, and settled or received judgments in other cases that will have to be paid in the coming months and years. For example, in October 2017, a jury ordered Chicago to pay a record breaking \$44.7 million to a man who is severely disabled after being shot in the head by an off-duty officer.

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/>