

**Statement of
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"Adding COPS Funding to the Economic Stimulus Package Will Not Stimulate the Economy, Nor Will It Effectively Combat Crime"

Introduction

My name is David Muhlhausen. I am Senior Policy Analyst in the Center for Data Analysis at The Heritage Foundation. I thank Chairman Patrick J. Leahy, Ranking Member Arlen Specter, and the rest of the committee for the opportunity to testify today. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

While Congress is developing legislation intended to stimulate the economy, interest groups, including governors, big city mayors, and other local officials, are lining up for their share of what is rapidly becoming a political Christmas tree. Keeping with this theme, Congress is considering the proposal to add funding for the Office of Community Oriented Policing Services (COPS) to the economic stimulus package. Created by the passage of the "Violent Crime Control and Law Enforcement Act of 1994," COPS was expected to reduce crime by subsidizing the placement of 100,000 additional police officers on America's streets.

My testimony focuses on the following points:

- ? The COPS program encourages state and local governments to be fiscally irresponsible;
- ? Additional funding for COPS will do virtually nothing to stimulate the economy;
- ? The expansion of government reduces economic growth;
- ? Claims of a forthcoming violent crime epidemic are overstated;
- ? The COPS program has an extensive track record of poor performance; and
- ? COPS assigns functions to the federal government that fall within the expertise, jurisdiction, and constitutional responsibilities of state and local governments.

COPS Encourages Fiscally Irresponsible Behavior by Local Governments

The passage of the 1994 Crime Act and the creation of COPS marks an important shift in federal assistance for state and local law enforcement. Previously, federal assistance focused on helping state and local governments test innovative ideas, such as providing funding for demonstration programs. The 1994 Crime Act shifted federal assistance away from testing innovative ideas and towards subsidizing the routine operations of state and local law enforcement.¹ Unfortunately, COPS encourages state and local officials to shift accountability for local crime toward the federal government when they fail to devote adequate resources to fighting crime. This shift in responsibility is unfortunate because ordinary street crime is the primary responsibility of state and local government.

Boston illustrates how COPS encourages fiscal irresponsibility by local governments. Boston Mayor Thomas M. Menino has blamed his inability to properly staff the Boston Police Department on a lack of COPS funding. During the 1990s, Boston accepted millions of dollars in COPS grants to hire additional police officers. When accepting these grants, Boston promised to retain these officers and maintain the same staffing levels after the federal contributions expired. Instead of developing a plan to retain the officers, Mayor Menino decided to downsize officer staffing after the grants expired, in violation of the federal grant rules.² The number of Boston police officers declined from 2,252 in 1999 to 2,036 in 2004--a 9.6 percent decrease. Taking population growth into account, the number of police officers declined by 13.1 percent from 40.4 officers per 10,000 residents in 1999 to 35.1 officers per 10,000 residents in 2004.³

Commenting on Boston's failure to retain COPS-funded officers, a former official in the COPS office pointed out that Boston officials "knew they had to pick up the salaries after the three-year period" of federal funding.⁴ Responding to criticism that Boston failed to plan adequately for the phase-out of federal assistance, Mayor Menino's spokeswoman Jacque Goddard said, "The mayor knew all along the money would run out. We would have expected the federal government to offer additional grants that we would have applied for and received."⁵ Despite the fact that COPS requires recipients to "specify plans for obtaining necessary support and continuing the [funded] program...following the conclusion of Federal support,"⁶ Mayor Menino appears to have viewed COPS grants as an entitlement to perpetual federal funding for the officers funded under the original grants.

Unfortunately, when local elected officials fail to adequately staff the police departments under their supervision, the federal government is now used as a scapegoat.

More COPS Funding Will Not Stimulate the Economy.

The addition of funding for COPS in the economic stimulus legislation currently being crafted by Congress will do virtually nothing to stimulate the economy. After studying the COPS program for many years, I am not aware of any empirical studies that link COPS grants to increased economic growth.

However, there is one study that analyzed the effect of intergovernmental revenues and combined transportation and public safety expenditures on economic growth.⁷ The analysis examined economic growth in 50 states and the District of Columbia from 1978 to 1992. It found intergovernmental revenues and total expenditures for transportation and public safety to be negatively associated with economic growth on the state-level.⁸ While establishing legal institutions to protect property rights and enforce the rule of law and contracts are vital to supporting economic activity, our nation has already developed these institutions. Thus, the negative association should not be surprising. In contrast, increased spending on legal institutions in developing countries can theoretically play a crucial role in encouraging economic growth. In addition, the study found that increases in government expenditures are associated with lower economic growth. This finding should not be startling because a voluminous set of economic literature supports this negative relationship.

The Expansion of Government Reduces Economic Growth

Increased government spending is unlikely to lift our nation's economy out of the current recession.⁹ There are two major reasons for this negative relationship. First, government spending crowds out private spending, especially private investment spending that would have elevated productivity and promoted technical advancement.¹⁰ Second, the amount of government spending indirectly measures other government interferences into the operation of the private sector, such as regulations that pin

down economic growth and efficiency.¹¹ Numerous studies demonstrate that the increased size of government reduces economic growth.¹² The size of government is most commonly measured as the percentage of GDP consumed by government expenditures.

An analysis of 50 states and the District of Columbia from 1967 to 1992 found that the size of government, measured as total government expenditures as a percentage of total state personal income, is negatively associated with economic growth.¹³ A ten percent increase in government size leads to a 0.2 to 3.7 percent decrease in economic growth.¹⁴

Cross-country comparisons also demonstrate that the size of government is inversely related to economic growth. An analysis of 59 developing countries from 1960 to 1985 found that a 1 percent increase in government size, defined as government expenditures as a percent of gross domestic product (GDP), is associated with a 0.143 percent decrease in the rate of economic growth.¹⁵ Several other cross-country studies found similar results.¹⁶

Instead of increasing the size of government, Congress needs to consider how economic recoveries occur. The two major ways to respond to economic downturns are through changes in monetary and fiscal policies. Monetary policy has been vital for ending recessions since World War II.¹⁷ Fiscal actions, such as the economic stimulus legislation being drafted by Congress, are another way thought to encourage economic growth.

While Congress appears to be drafting a massive spending bill, policymakers should consider lowering taxes and eliminating wasteful programs instead of increasing spending that will likely do nothing but push our country deeper into debt. According to an analysis of the United States from 1955 to 2000 by Andre Mountford of the University of London and Harald Uhlig of Humboldt University, deficit-financed tax cuts appear to be the best fiscal policy for stimulating the economy.¹⁸ While Congress is considering adopting massive new spending programs to shock the economy, Mountford and Uhlig's research strongly indicates that the weak short-term gains from government spending shocks are unlikely to outweigh the long-term costs of spending shocks.¹⁹ While spending shocks may affect economic activity temporarily, these new spending programs can create fiscal and, in some cases, economic problems after these programs expire.

In another study by President-elect Barrack Obama's nominee for Chair of the Council of Economic Advisors, Professor Christina D. Romer and her coauthor, Professor David H. Romer, found that a tax increase of 1 percent of GDP decreases real GDP by about 3 percent.²⁰ Conversely, lowering taxes by 1 percent of GDP is associated with an increase in real GDP of 3 percent.

As the research mentioned in this testimony suggests, new government spending is unlikely to make a substantial and long-term contribution to an economic recovery. In particular, the possibility of increased COPS funding providing an economic stimulus is improbable. Government spending infused into the economy must first be taxed or borrowed out of the private sector. This transfer can only be efficient if the government spends the money more effectively than the private sector. Unfortunately, many government programs weaken the private sector by directing resources toward less productive uses and thus hinder economic growth.

Claims of a Forthcoming Violent Crime Epidemic are Overstated

According to some mayors, police chiefs, and criminologists, the United States is at the beginning of an epidemic of violence that will worsen if Congress does not increase funding to subsidize state and local

criminal justice programs.²¹ After the September 11, 2001, terrorist attacks, the Bush Administration and Congress decided to reprioritize federal resources away from subsidizing local police salaries and toward bolstering homeland security needs. This meant shifting funding away from wasteful and ineffective law enforcement grants, which did not address any clear national responsibility, and toward strengthening the capacity of state and local governments to respond to terrorist threats.

Those who want to restore COPS funding bolster their argument with reports that crime rates are rising.²² In 2006, the Police Executive Research Forum (PERF) warned the nation that the violent crime rate, as reported by the Uniform Crime Reports (UCR), increased in 2005 compared to 2004.²³ PERF concluded that this one-year increase represented "the front end of a tipping point of an epidemic of violence not seen for years."²⁴ Then PERF called on Congress to increase funding for federal subsidies of the routine activities of local law enforcement. However, the forthcoming epidemic of violence appears to have stalled. The UCR indicates that in 2007 the violent crime rate decreased and is slightly below the level reported in 2005.

More recently, Professors James Alan Fox and Marc L. Swatt of Northwestern University assert that homicides involving young black males are "surging."²⁶ For example, Fox and Swatt note that from 2002 to 2007 the homicide rate for black males aged 14-17 increased by 31 percent.²⁷ To put this "surge" in proper perspective, policymakers need to understand that the years used in this comparison were selected for their dramatic effect. To obtain a balanced perspective on homicide rates of young males, we need to see the long-term trend. Chart 1 presents the trends in homicide victimization rates of white and black males by age group from 1976 to 2007.²⁸ The 2007 trend in black homicide victimizations is dramatically lower than the trend in 1993, while the trend for white males remained relatively flat. Further, the homicide victimization rate of 14- to 17-year-old black males spectacularly decreased by almost 60 percent from 1993 to 2007--a decrease from 47.0 homicides per 100,000 in 1993 to 19.0 homicides per 100,000 in 2007.

While the modest increase in 14- to 17-year-old black male homicide victimizations is tragic, the trend does not hold for older black males. From 2002 to 2007, the homicide victimization rates of black males aged 18-24 and 25 and older decreased by 2.5 percent and 1.4 percent, respectively.

Overall, America is a much safer place compared to fifteen years ago. A recent review of crime data reported by police departments by the Associated Press found that in 25 cities with populations of more than 350,000 residents experienced an overall drop of 2.7 percent in total slayings from 2007 to 2008.²⁹ Besides crime statistics reported by police departments, another barometer of crime trends is the National Crime Victimization Survey (NCVS). For the latest year of data, the "rates for every major violent and property crime measured by the NCVS in 2007 were at or near the lowest levels recorded since 1973, the first year that such data were available."³⁰ The overall victimization rate for violent crime in 2007 was 20.7 incidents per 1,000 persons compared to 21.1 incidents in 2005.³¹

Contrary to the claims of the proponents of more federal subsidies for state and local law enforcement, funding these programs would have little effect on crime rates, but they would contribute to the overfederalization of the criminal justice system.

COPS has an Extensive Track Record of Poor Performance

Research by both The Heritage Foundation and the U.S. Department of Justice found that the COPS program failed.³² According to COPS, the program reached an important milestone on May 12, 1999, "funding the 100,000th officer ahead of schedule and under budget."³³ While measuring the goal of

adding 100,000 additional officers is problematic, the best available evidence indicates that COPS fell short of this goal. Research indicates that COPS did not actually put 100,000 additional officers on the street.³⁴ A National Institute of Justice (NIJ) process evaluation of COPS concluded: "Whether the program will ever increase the number of officers on the street at a single point in time to 100,000 is not clear."³⁵

Most hiring grantees faced officer retention issues with their COPS-funded officer positions. According to an NIJ national survey of COPS grantees, 52 percent of hiring grantees were uncertain about their long-term plans for officer retention, 37 percent would achieve retention with funds cleared through the attrition of non-COPS-funded officers, 20 percent reported that retention would occur by cutting other positions, and 10 percent reported that the officers would not be retained. Of the medium and large police agencies that received hiring grants from 1994 to 1998, only 46 percent reported that all of their original COPS-funded officers were still employed in 1998.³⁶

Very Little Impact on Crime. Heritage Foundation evaluations have uniformly found that COPS grants had little to no impact on crime rates.³⁷ In 2001, Heritage's Center for Data Analysis (CDA) conducted the first analysis of the COPS program's effectiveness.³⁸ The CDA evaluation accounted for yearly state and local law enforcement expenditures, and other socioeconomic factors, in counties from 1995 to 1998. It found that COPS grants for the hiring of additional police officers and for technology had no statistically significant effect on reducing the rates of violent crime.

In 2006, a second CDA evaluation of COPS grants using data from 1990 to 1999 for 58 large cities confirmed the earlier conclusion that the program has done little to reduce crime.³⁹ In addition, it found that the ineffectiveness of COPS grants awarded to large cities may be due to their misuse, with grants awarded to large cities used to supplant local police expenditures. Federal funds were substituted for local funding.

The 2006 CDA evaluation found COPS grants had a small effect on the crime rates in large cities, strongly indicating that increasing funding for the COPS program will do little to reduce crime.

The COPS grants were disbursed in three types: hiring grants, MORE grants, and innovative grants. The hiring grants paid for 75 percent of the salaries of newly hired officers over three years. Grantees were required to retain the new officers after the grants expired.

Although the hiring grants were associated with a slight decrease in robberies, the hiring grants failed to have a statistically measurable impact on murder, rape, assault, burglary, larceny, and auto theft rates. A 1 percent increase in hiring grants is associated with a 0.01 percent decrease in robbery rates, or a reduction of 0.06 robberies per 100,000 residents. The hiring grants' meager effect on robberies, and the lack of statistically significant findings for the six other crime categories, suggests that new funding for the hiring grants will do little to help large cities fight crime.

The Making Officer Redeployment Effective (MORE) grants provided funding for technology, officer overtime, and civilian staff salaries. The MORE grants were intended to redeploy veteran officers from administrative tasks to community policing.

The MORE grants appear to deter more crime than the hiring grants. Though MORE grants did not have a statistically significant relationship with murder, rape, larceny, and auto theft rates, the grants had a

small deterrent effect on robbery, assault, and burglary rates. A 1 percent increase in MORE grants was associated with:

- ? A 0.007 percent decrease in robberies.
- ? A 0.005 percent decrease in assaults.
- ? A 0.002 percent decrease in burglaries.

For the average large city, the deterrent effect of a 1 percent increase in MORE grant funding per capita resulted in:

- ? 0.005 fewer robberies per 100,000 residents.
- ? 0.03 fewer assaults per 100,000 residents.
- ? 0.017 fewer burglaries per 100,000 residents.

The MORE grants have changed since the 1990s. They were renamed "technology" grants, and they no longer require grantees to use the funding to redeploy officers from administrative tasks to community policing. Instead of the original competitive application process, the technology grants are awarded through congressional earmarks. Limiting the MORE grants to earmarks may negate the deterrent effect found in this evaluation.

The innovative grants provided funding for addressing specific problems, such as domestic violence, gangs, and youth firearms violence. The innovative grants have a statistically significant relationship with a reduction in the murder rate, but no statistically measurable effect on the other crime rates. A 1 percent increase in innovative grants per capita is associated with a 0.001 percent decrease in murders per capita, or 0.0002 fewer murders per 100,000 residents. By the end of the Clinton Administration, most of the innovative grants were discontinued.

Additional research concludes that COPS was ineffective at reducing crime. Professors John Worrall of the University of Texas at Dallas and Tomislav Kovandzic of the University of Alabama at Birmingham recently evaluated the impact of COPS grants in 189 large cities from 1990 to 2000.⁴⁰ The authors found that COPS hiring, MORE, and innovative grants had little to no effect on crime. Commenting on the significance of their finding for public policy, the authors concluded that "a strategy of throwing money at the crime problem, of simply hiring more police officers, does not seem to help reduce crime to a significant extent."⁴¹

Are COPS grants worth the cost? The value of the crimes prevented by COPS grants was estimated using prior research on the cost of crime to victims. Specifically, the dollar values of crimes prevented through COPS grants are estimated on a per capita basis. A 1996 National Institute of Justice (NIJ) study estimated the cost of crime to victims (victim-cost) based on personal expenses (for example, medical care and property losses), reduced productivity relating to work, home, and school, and quality of life losses.⁴² For the analysis, the NIJ figures are converted into 1995 dollars. For example, each murder prevented results in an estimated victim-cost savings of \$3.1 million. The victim-cost savings for each crime prevented are \$8,400 for robbery, \$25,300 for assault, \$1,500 for burglary, and \$3,900 for auto theft.

From 1995 to 1999, large cities spent an average of \$3.05 per capita in hiring grants, \$1.36 per capita in MORE grants, and \$0.62 per capita in innovative grants. The cost-benefit estimates indicate that COPS grants did not pay for themselves.⁴³ See Chart 2.

? On average, large cities spent \$3.05 per capita in hiring grants, which lead to a victim cost-savings of \$0.93 per capita--a net loss of \$2.12 per capita.

? On average, large cities spent \$1.36 per capita in MORE grants, which lead to a victim cost-savings of \$1.70 per capita--a net gain of \$0.34 per capita.

? On average, large cities spent \$0.62 per capita in innovative grants, which lead to a victim cost-savings of \$1.34 per capita--a net gain of \$0.72 per capita.

Thus, average total COPS grant spending of \$5.03 per capita in these cities produced \$3.97 in Overall, the innovative grants were allocated the smallest share of COPS funding, and appear to have produced the greatest monetary benefits. Though the benefits of the MORE grants are not as large as the innovative grant benefits, the MORE grants produce positive returns. The hiring grants, which were allocated the largest share of funding over the years and received the most public attention appear to be the least effective of the grants.

COPS grants used for supplanting local funds. The ineffectiveness of COPS grants awarded to large cities may be due to the misuse of the grants. The 2006 CDA evaluation found that COPS grants awarded to large cities were used to supplant local police expenditures. Supplanting occurs when federal funds are used to replace local funds, such as when federal funds intended for hiring additional police officers are instead used to pay the salaries of currently employed officers.

This finding is supported by multiple audits conducted by the Department of Justice. Its Office of the Inspector General (OIG) found that cities failed to hire the number of officers required, and did not comply with other grant conditions.⁴⁴ For example, instead of hiring 249 new officers, Newark, NJ, reduced its police force by 142 officers from fiscal years 1996 to 1997.⁴⁵ Other audits indicate that some police departments supplanted local funding by failing to hire the required number of additional officers. For example, OIG audits indicated that Atlanta, GA, El Paso, TX, and Sacramento, CA, used COPS grants to supplant local funding.⁴⁶ Atlanta used over \$5.1 million in hiring grants to pay the salaries of officers who otherwise would have received funding from local sources. After receiving grants to hire 231 additional police officers, El Paso failed to hire the number of officers required by the grant. Sacramento used over \$3.9 million in hiring grants to retain officers funded through earlier grants.

In Washington, D.C., the police department was awarded almost \$11 million in MORE grants to hire 56 civilians and redeploy 521 officers through technology purchases.⁴⁷ When the OIG asked for a list of officers redeployed from administrative duties to community policing as required by the grants, the list included only 53 officers. Of the 53, one officer was deceased, ten were retired, and thirteen no longer worked for the police department.

COPS appears to have done little to resolve the misuse of the grants. According to congressional testimony by the Justice Department Inspector General Glenn A. Fine, "in many cases, the response to our findings was a paper exercise and...the COPS program did not take sufficient action to either bring the grantee in compliance, to offset the funds, to recoup the funds or to waive the funds."⁴⁸ Fine testified that COPS did not pay enough attention to ensure adherence to the grant requirements, including the hiring of officers, retaining officers, and tracking the redeployment of officers.⁴⁹

Outside the Federal Government's Scope, Expertise, and Responsibility

Grants that subsidize the routine activities of local law enforcement assign to the federal government functions that fall within the expertise, jurisdiction, and constitutional responsibilities of state and local governments.⁵⁰ Additional grant funding would encourage state and local officials to become even more dependent on federal grant funding by shifting accountability for local crime away from state and local governments and toward the federal government.

Combating ordinary crime is the principal responsibility of the state and local governments. If Congress wants to aid in the fight against crime, it should limit itself to unique roles that only the federal government can play. The federal government should not become a crutch on which local law enforcement becomes dependent.

Conclusion

The inclusion of COPS funding in the economic stimulus package will be exceedingly unlikely to produce any stimulus for an economic recovery. Not only does the COPS program have an extensive track record of poor performance, but it encourages local government to be fiscally irresponsible.

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