

Testimony of  
**Mr. Jeffery Sedgwick**

Director  
Bureau of Justice Statistics  
September 19, 2006

Statement of  
Jeffrey Sedgwick  
Director  
Bureau of Justice Statistics  
Before the  
Committee on the Judiciary  
United States Senate  
Concerning  
The Cost of Crime: Understanding the Financial  
Impact of Criminal Activity  
June 27, 2006

Mr. Chairman, Senator Leahy, and Members of the Committee, I am Jeffrey Sedgwick, Director of the Bureau of Justice Statistics (BJS). BJS is the official statistical agency of the U.S. Department of Justice (DOJ), and a component of the Office of Justice Programs (OJP). Our primary mission is to collect, analyze, publish, and disseminate information on crime, criminal offenders, victims of crime, and the operation of justice systems at all levels of government. I am pleased to be here this morning to discuss the financial impact of crime on victims and the criminal justice system.

I would like to divide my comments into three parts: an overview of the National Crime Victimization Survey (NCVS) - one of the Nation's two leading measures of crime; the costs of crime to victims estimated by this source; and the cost of crime in terms of the level of criminal justice system expenditures.

What we know of the financial impact of crime on victims is largely based on the NCVS that was initiated in 1972 (as the National Crime Survey). Its purposes were to measure the "dark figure of unreported crime," obtain information on characteristics of crime victims and crime events, and provide estimates of year to year change. The NCVS Sample is a nationally representative, stratified, multistage sample drawn from the Decennial Census. It is a household (address)-based survey and one of the largest ongoing government surveys. The sample is interviewed every 6 months and contains 76,050 people and 42,000 households.

The NCVS measures crimes both reported and not reported to police. It is considered an "omnibus" crime survey that measures crimes of violence and theft for household members age 12 and older, provides national estimates with each household interviewed seven times at 6 month intervals (3 years). The survey has a 92 percent response rate (households). The crimes

measured by NCVS include rape, sexual assault, robbery, aggravated assault, simple assault, pocket picking/purse snatching, burglary, motor vehicle theft, and theft. The NCVS does not measure homicide.

In estimating the financial cost of crime to victims, the NCVS largely relies on four measures:

? Injury: What was the total amount of your medical expenses resulting from this incident (INCLUDING anything paid by insurance)?

? Theft: What was the value of the property that was taken?

? Damage: How much would it cost to repair or replace the damaged items(s)?

? Lost work: About how much pay did you or other family members lose?

Using these categories, we can derive estimates of the financial cost of crime to victims over time by looking at NCVS data from the past decade.

In 1994, for example, there were 10.86 million violent crimes that resulted in a gross loss to victims of \$2.26 billion and 31.01 million property crimes that resulted in a gross loss to victims of \$22.59 billion (or a combined total of \$24.85 billion in 2004 dollars).

By 2000, the number of violent crimes had fallen to 6.32 million with a resulting gross loss of \$1.67 billion while the number of property crimes had fallen to 19.30 million resulting in a gross loss of \$12.96 billion (or a combined total of \$14.63 billion in 2004 dollars).

In 2004, the number of violent crimes was 5.18 million with a resulting gross loss of \$1.14 billion, while property crimes totaled 18.65 million with a resulting gross loss of \$14.71 billion (or a combined total of \$15.85 billion).

It is important to remember that these NCVS data accurately track trends but yield significant underestimates of costs. For example, intangible, or non-monetary, costs include fear, pain, suffering, and lost quality of life. These are not currently estimated by the NCVS.

Even on tangible costs that involve monetary payments (such as medical costs, stolen or damaged property, wage losses, etc.) NCVS cost estimates are limited. Costs unreported by victims (e.g., "don't know amount") are assumed to equal \$0. Medical costs are limited to short-term costs (an average of 3 months due to the 6-month reference period for reporting victimizations in the survey). Other tangible costs not measured in NCVS include mental health care costs and the costs of economic/white collar crimes (such as fraud, theft of services, antitrust violations).

In the second half of 2004, the NCVS included a special supplement designed to estimate the incidence and prevalence of identity theft, a form of victimization not routinely estimated in the NCVS. Findings from that supplement indicated the estimated loss as a result of identity theft in the 6 months from July to December 2004 was about \$3.2 billion.

Equally important are the tangible and intangible costs of crime to non-victims including costs of security devices or services for the home, fear, behavior changes to avoid anticipated victimization, and so on. None of these costs are estimated by the NCVS.

In addition of the costs of crime to victims, there is the expenditure of the criminal justice system including policing, prosecution and adjudication, and correction. Based on the most recent figures (2003), the United States spent an estimated \$185 billion for police protection (\$83.1 billion), corrections (\$60.9 billion) and judicial and legal activities (\$41.6 billion). Expenditures for operating the Nation's justice system increased from almost \$69 billion (in 2003 dollars) in 1982 to \$185.5 billion in 2003. Of this total amount, local governments funded nearly half, with State governments funding another third.

One way to put these figures in context is to consider the per capita expenditure on administration of justice; that figure for 2003 was \$638 for every person in the United States population. This \$638 purchased police protection, prosecution and adjudication of criminal offenders, and incarceration of all those found guilty.

Another way to place the figure in context is by comparing it to spending for other government programs. Since state and local governments account for more than four fifths of all criminal justice expenditures, it is useful to examine their spending on criminal justice compared to all other state and local expenditures. There we find that total justice expenditures accounted for approximately 7.2 percent of all state and local expenditures in 2003.

Mr. Chairman, one historical trend from these two components of the cost of crime is evident. The number of victimizations has been declining as justice system expenditures have been increasing. Establishing any causal linkage between these two trends goes beyond both the charge of the Bureau of Justice Statistics and what inferences the data will bear. But the inverse correlation between the two trends points to the question: what level of expenditure on the justice system reduces the total burden of crime on American society?

DRAFT

Thank you for the opportunity to speak with you today. I would be pleased to answer any questions you may have.