



THE UNIVERSITY OF CHICAGO

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OF PUBLIC POLICY**
Center for Municipal Finance

The Public Finance of Police Misconduct Settlements

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Report #26-02

August 1, 2026

This report was prepared by the Center for Municipal Finance at the University of Chicago, at the request of the Civic Committee of the Commercial Club of Chicago. Rosa Dunn and Wyatt Hartwig are students in the Master of Public Policy program at the University of Chicago. Sophie Lara is a student in the Master of Science in Computational Analysis for Public Policy program at the University of Chicago. Justin Marlowe is a Research Professor and Director of the Center for Municipal Finance at the University of Chicago. For questions or comments, contact Justin Marlowe (jmarlowe@uchicago.edu). The views reported herein are those of the authors, and do not represent an official position of the University of Chicago, the Harris School of Public Policy, or the Commercial Club of Chicago.

Executive Summary

This report analyzes how the City of Chicago finances police misconduct settlements and judgments, and what those practices mean for fiscal stability, transparency, and accountability. It finds that these costs are recurring and significant, and that, like many large U.S. cities, Chicago relies on financing approaches that obscure their true budgetary impact and weaken incentives to control costs.

Chicago formally “self-insures” by including a budget line within the police department for settlements and legal costs. In practice, however, this mechanism does not function as a binding fiscal constraint. Actual settlement spending exceeds budgeted amounts in nearly every year, often by large margins, requiring the City to cover shortfalls through corporate fund reallocations or borrowing. This creates a de facto pay-as-you-go system in which predictable liabilities are financed after the fact rather than planned for in advance.

The scale and volatility of these costs are noteworthy. From 2012 through 2025, Chicago paid more than \$1.2 billion in police-related settlements (excluding fees), with annual payments averaging roughly \$70 million and reaching more than \$230 million in 2025 alone. Spending is highly skewed: a small number of high-value wrongful conviction cases account for a disproportionate share of total costs in any given year. This concentration introduces substantial fiscal risk and complicates budgeting.

Financing models in this space vary substantially across large U.S. cities. Some cities pay settlements from their general fund, others require police departments to absorb costs directly, and some use centralized risk management funds with departmental contributions. While all large cities tend to self-insure, the degree to which departments internalize the financial consequences of misconduct varies considerably. Chicago’s approach stands out for its persistent under-budgeting and reliance on backfills and debt issuance.

The report also highlights institutional and legal dynamics that influence settlement costs. In Chicago, recent increases are partly driven by high-value cases, supported by legal mechanisms such as Certificates of Innocence and expanded post-conviction review. These trends have increased both the size and frequency of large payouts, further amplifying financial exposure.

To address these challenges, the report recommends several reforms. First, Chicago should improve its actuarial forecasting and risk management to better anticipate misconduct costs. Second, it should strengthen data systems and transparency to clarify the true fiscal impact of settlements. Third, structural changes, such as requiring the police department to bear a greater share of costs or contribute to centralized risk pools, could enhance accountability. Finally, reducing reliance on borrowing and aligning budgets more closely with expected costs would improve financial sustainability.

Overall, the report concludes that police misconduct settlements are not merely a legal or operational issue, but a significant and underappreciated public finance challenge. More disciplined budgeting, clearer accountability structures, and better data are essential to managing these costs effectively.

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Introduction

Police misconduct settlements and judgments impose a recurring and material fiscal burden on large U.S. cities, yet the mechanisms used to finance these liabilities often obscure the true budgetary impact and weaken accountability. Chicago is a prime example of this dynamic. Although the City formally “self-insures” by budgeting for police-related tort and non-tort judgments within the Chicago Police Department’s appropriations, this line item has historically functioned as only a partial contribution rather than a real and binding fiscal constraint. In nearly every year, actual settlement and judgment payments have exceeded the budgeted amount, requiring citywide intervention through corporate fund backfills and, in some cases, borrowing. This approach effectively operates as a “pay-as-you-go” liability financing system: these somewhat predictable costs are not fully set aside in advance, and instead must be covered after the fact through reallocations or debt issuance.

The financial volatility of police settlement spending further complicates budget planning. Annual payments remain consistently high, with no year falling below tens of millions of dollars, and spending is highly skewed, with a small number of high-value cases accounting for a disproportionate share of total annual costs. Recent years illustrate both the scale and unpredictability: in 2025, police-related payments exceeded \$230 million, exhausting the annual liability budget allocation within the first few months of the year, while 2026’s appropriation remains unchanged. This represents a clear and persistent fiscal risk that can worsen deficits, force expensive borrowing, and limit the City’s ability to plan for other priorities.

This document reviews the prevailing system in Chicago for the financing of police misconduct settlements and judgments, as well as comparing Chicago’s approach to payment models used in other major cities. This, along with a more detailed analysis of the financial trends with Chicago’s payments, is used to make several recommendations.

Existing Practices

Chicago’s Practices

The Chicago Police Department (CPD) is one of the largest law enforcement bodies in the United States with 11,541 sworn officers as of November 2025.¹ It is also one of the best funded, with a FY 2026 budget likely to hit \$2 billion dollars when cost overruns are taken into account.² The two most common areas for cost overruns are in overtime spending and police settlements. Police settlements excluding legal fees averaged \$65 million per year from 2012–2024 and \$847 million in total over that time based on data from the city Comptroller.

¹Sworn CPD Member Overview, Office of the Inspector General, Chicago, accessed January 2, 2025, <https://igchicago.org/information-portal/data-dashboards/sworn-cpd-member-overview-2/#dashboard-tabs>.

²Grant McClintock, “Trends in Chicago Police Department Spending,” The Civic Federation, November 4, 2025, <https://www.civicfed.org/blog/trends-chicago-police-department-spending>.

In order to pay for these settlements and judgements, the city self insures to cover costs annually. Each year, the city budget contains a line item for CPD under public safety in the city's annual comprehensive financial report (ACFR) budgeting for CPD settlements, judgements, and legal fees incurred by the department. In this way, CPD pays settlements and judgments from its own budget each year. However, despite this technically being the case, CPD regularly overshoots this budget. 2020 was the only year from 2012–2024 in which CPD came in under budget for this line item in the ACFRs. When CPD overshoots this budget, the city is responsible for covering the additional amount, typically coming out of the corporate fund. When this happens, CPD is not required to and does not reduce funding to other budget items such as overtime to cover these costs.³ Police officers do not pay any amount directly in relation to settlements and judgements in Chicago. If CPD does not use all the funds budgeted annually for settlement payments, the department cannot use that money for other purposes.

Additionally, it is a common legal strategy to settle cases rather than go to trial in an effort to minimize excess legal costs in high risk cases. Still, the Chicago Law Department decides to take some cases to litigation each year. This is typically less than 40% of cases but the win percentages are quite high. When the city decides to litigate a case, they win roughly 92% of the time. When the city wins a litigated case, there is no payment made to the plaintiff; however, there are still legal costs associated with litigation. Some of this will be fixed costs the city would pay regardless of the marginal litigated case. The breakdown in excess legal costs is therefore more difficult to break down. The table below outlines the City's performance in litigation over the last six years.

Table 1 shows the number of cases and win percentage for the city from 2019 to 2024 as expressed in the annual Litigation Reports required by the 2019 Consent Decree.⁴

Table 1. City Litigation Performance, 2019–2024

Year	Total Cases	Litigated Cases	Litigated %	Win %
2019	184	74	40.28%	91.89%
2020	133	43	32.33%	95.35%
2021	212	81	38.21%	87.65%
2022	176	69	39.20%	88.41%
2023	135	55	40.74%	92.27%
2024	118	42	35.59%	97.62%
Mean Values	160	61	38.13%	92.20%

³Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," UCLA Law Review, June 4, 2016, <https://www.uclalawreview.org/how-governments-pay-lawsuits-budgets-and-police-reform/>, p. 1179.

⁴Chicago Police Department Litigation Reports for 2019–2024 can be found at: https://www.chicago.gov/city/en/depts/dol/supp_info/CPDAnnLitReports.html

The above is the overall summary of how Chicago ‘self-insures’ against settlements and judgements for CPD. Technically, money comes from the CPD budget; however, since CPD regularly overruns their budget and the City must cover the shortfall, Chicago effectively runs a pay-as-you-go system. Under this type system, money is not set aside each year for payment of a projected expense or liability and the entity responsible pays by either shifting money from other accounts or by borrowing to meet the shortfall. Chicago does both. For example, a former Chicago attorney stated that money was taken from a lead poisoning screening program to pay for CPD settlements and judgements.⁵ When the city does not take funds from another account, the city borrows to cover these costs. In 2011 Chicago borrowed \$100 million for this purpose. In 2014, the city borrowed \$198 million to pay for settlements and judgements.⁶ This amount was part of a wider \$450 million taxable municipal bond issuance at a 6.314% interest rate. This means that over the lifetime of that bond the city will pay approximately \$375,051,600 in interest and repay the principal amounting to a combined \$573,051,600. A proposed budget for 2026 suggested borrowing \$283 million in 2026 for settlements and judgements though it is unclear if that made it into the final budget passed by the Council on 20 December 2025.⁷

Summary of 10 Largest Local Police Departments

Methodology

To compare Chicago to its peer jurisdictions, key budget-related data was compiled for the ten largest city police departments in the nation, ranked by agency size below (Table 2). Sworn officer totals were extracted from FBI’s Crime Data Explorer, representing the sum of male and female officers from 2024 to 2025.⁸ Information on budgetary arrangements was found in Joanna C. Schwartz’s 2016 UCLA Law Review article, the first nationwide study that examined how municipalities budget for and pay settlements and judgments against law enforcement.⁹

When possible, annual payout data was found on local comptroller sites and averaged for the years 2020 to 2025. This process was followed for the three largest agencies, New York City, Chicago, and Los Angeles, which had the most readily available data. For the remaining agencies, data on average annual payments in lawsuits involving the law enforcement agency were found in Schwartz’s appendices. These numbers reflect fiscal years 2012 through 2014. Based on increases in average annual payouts for the three largest agencies as compared to Schwartz’s data, it can be assumed that current averages are higher than those reflected for the remaining agencies in Table 2.

For the three largest agencies, to calculate the percentage of city budget, average annual payout was divided by the approved or ‘modified’ budget totals across all departments

⁵Ibid., 1175.

⁶City of Chicago, SUPPLEMENT DATED MARCH 18, 2014 to OFFICIAL STATEMENT DATED MARCH 13, 2014, (Chicago: City of Chicago), March 13, 2014, <https://emma.msrb.org/EA590845-EA461808-EA857838.pdf>, p. 18.

⁷City of Chicago, “Issuance of general obligation bonds for capital projects and other purposes (2026–2027 General Obligation Borrowing Ordinance),” (Chicago: Office of the City Clerk), November 11, 2025.

⁸Tool can be found at <https://cde.ucr.cjis.gov/LATEST/webapp/#/pages/le/pe>.

⁹Joanna C. Schwartz, “How Governments Pay: Lawsuits, Budgets, and Police Reform,” p. 1144.

and funds in annual budgets or ACFR statements. To calculate the percentage of department budget, the average annual payout was divided by the final approved budget for the department.

For the remaining agencies, percentage of total jurisdiction's budget spent on law enforcement settlements and judgments, as recorded in Schwartz's data, was reported. For percentage of department budget, data was also pulled from Schwartz's data, though its meaning varies based on budgetary arrangement. For the cities that currently pay from general funds, i.e., Houston, Philadelphia, Dallas, and Detroit, it reflects the percentage of the agency's budget that would be spent on settlements and judgments if they were required to absorb litigation costs. For the cities that currently pay from the agency's budget, i.e., Las Vegas, it reflects the percentage of total agency budget spent on litigation payments. For the agencies that contribute to a central fund, i.e., Phoenix and San Antonio, it represents the percentage of the agency budget spent on contributions.

Table 2 (below) shows how the ten largest cities pay out settlements and judgments and average annual payout amounts.¹⁰

Table 2. Ten Largest U.S. City Police Departments: Settlement and Judgment Payouts

City	# Sworn Officers	How Settlements/ Judgments Are Paid	Average Annual Payouts	% of City Budget	% of Dept. Budget
New York ^a	33,307	City Pays	\$249,362,942	0.23%	4.19%
Chicago ^b	11,541	Police Dept. from Budget	\$84,437,019	0.63%	4.16%
Los Angeles ^c	8,820	City Pays	\$64,128,901	0.78%	5.06%
Houston ^d	5,276	City Pays	\$1,892,347	0.06%	0.28%
Philadelphia ^e	5,151	City Pays	\$14,895,736	0.42%	2.68%
Las Vegas ^f	3,212	Police Dept. Pays from Budget	\$2,296,197	0.05%	0.46%
Dallas ^g	3,112	City Pays	\$2,746,977	0.11%	0.64%
Detroit ^h	2,619	City Pays	\$3,463,961	0.13%	0.92%
Phoenix ⁱ	2,519	Police Dept. Contributes to Fund	\$3,306,192	0.59%	0.97%
San Antonio ^j	2,514	Police Dept. Contributes to Fund	\$1,535,107	0.07%	1.14%

^a Budget numbers represent final modified NYC budget as stated in ACFRs; payout information from Comptroller Claims Dashboard, 2020–2025.

^b Annual budget information from City Budgets, Office of the City Clerk; payouts from Comptroller data, 2020–2024.

^c Budget from City of Los Angeles Open Budget, 2020–2025; payouts from LA Controller Liability Claims Dashboard.

^{d–j} Data from Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," 2016.

¹⁰Cities typically have large payout cases that disproportionately affect the totals. Unfortunately, summary data for this is not readily available for most cities in the table and so was not added to the table. However, we will explore this effect in section 3 of the report for Chicago specifically.

Comparability

To satisfy settlements and judgments, governments either self-insure, purchase private insurance, or participate in public entity risk pools.¹¹ As a general rule, larger municipalities are more likely to self-insure.¹² This allows jurisdictions to save on insurance premiums and insulates them from private insurers' ability to demand policy or personnel changes.¹³ Additionally, there are structural issues with insuring large entities that may make insurance for these entities prohibitively expensive, though that is untested. Consistent with this, all ten cities listed in Figure 1 are self-insured. These jurisdictions can pay settlements and judgments from jurisdiction-wide litigation funds, the police department's budget, or from a jurisdiction-wide central risk management fund the department contributes to.¹⁴

Private insurance and public entity risk pools both require members to pay premiums into a central fund, which is used for payouts. Only public entity risk pools return dividends to members if litigation costs are lower than expected.¹⁵ This report will discuss self-insurance and other models in a later section.

The table above illustrates how Chicago compares to other large cities in the United States in terms of spending on settlements and judgments. Unfortunately, comparing payouts fairly across jurisdictions is exceedingly difficult due to a number of structural and technical factors. Structurally for example, Houston is a city of 2.3 million people, close to Chicago's 2.7 million. Despite this, Houston paid out a tenth of the money compared to its overall city budget and a fifteenth of the police department budget when compared to Chicago. This is primarily due to state law in Texas that shields the state from most citizen lawsuits, making payouts structurally less likely on legal grounds. We also see low numbers for Dallas and San Antonio. Another aspect would be that not all municipal departments are created equally. In Los Angeles the Police Department and the county sheriff's office are about the same in size, which is highly unusual. Of the major cities, most have municipal departments much larger than the peer county departments. This can distort payouts and budgetary reporting.

On technical grounds, it is important to note that police misconduct settlement data is not consistently reported across jurisdictions. John Rappaport, law professor at University of Chicago, indicates, "There's no rule or law about what cities have to collect."¹⁶ This can make it more difficult to compare cities' average payouts or the share of their budgets spent on settlements and judgments. Chicago and New York City are standouts here concerning reporting of payouts. In 2019, Chicago entered into a consent decree with the Department of Justice that requires heightened transparency (data availability) compared to other cities. Los Angeles also entered into a consent decree with the DOJ from 2001–

¹¹Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," p. 1162.

¹²John Rappaport, "An Insurance-Based Typology of Police Misconduct," *University of Chicago Legal Forum*, Vol. 2016, Article 9, <https://chicagounbound.uchicago.edu/uclf/vol2016/iss1/9>.

¹³Ibid.

¹⁴Ibid.

¹⁵Ibid., p. 1163.

¹⁶Professor Rappaport is quoted in: <https://www.themarshallproject.org/2021/02/22/police-misconduct-costs-cities-millions-every-year-but-that-s-where-the-accountability-ends>

2013. Additionally, the high total payouts in all three cities make it a more salient material budgetary issue compared to Houston for example.

Chicago Police Payment Spending: Financial Implications

Money Spent and Budget Variance

This section describes the scale and evolution of Chicago's police-related settlements and judgments payments, with an emphasis on financial implications. Police payouts are not a one-time shock but a recurring, foreseeable expense that has historically exceeded the amounts budgeted for this purpose, imposing a material cost on the City's finances.

Two data sources are used for this analysis. First, the City Comptroller publishes case-level payment request data yearly since 2009, which can be aggregated to estimate annual amounts paid in police-related cases.¹⁷ Second, the City's Annual Comprehensive Financial Reports (ACFRs) report a Police Department budget line item designated for "the payment of tort and non-tort judgments, outside counsel expenses, and expert costs."¹⁸ This line item represents the City's official budgetary expectation for police legal liability costs. Utilizing both Comptroller payments and the ACFR budget line item allows for the comparison of overall budget line with a more granular view of police-department specific cases.

An additional source of information regarding Chicago Police-related settlement payments comes from the CPD Litigation Report, a compliance and accountability product created under the federal Consent Decree published beginning in 2019.¹⁹ It includes only "reportable cases" as defined by Consent Decree Paragraph 548—a narrower universe limited to civil rights and pursuit-related cases handled by specified Department of Law divisions, and only when the case is "concluded" under the Consent Decree's definition (i.e., settled and dismissed by year-end, or litigated to final order with appeals exhausted).

By contrast, the Law Department's settlements and judgements reflect payments processed through the City Comptroller's financial systems, recording line-item payments by case, payment amounts, department involved, and primary cause of each case; this effectively reads as an operational record of payments paid/processed in a given year. This explains why in a given year, Litigation Report figures for police payouts are lower than the Comptroller data: see, for example, 2024, where Litigation Report records \$89,233,439 spent on these payments, while the Comptroller payments request data reports a figure of \$108,305,260 for the same year. With the more limited scope of the litigation reports both in terms of years covered and cases reported, subsequent analysis utilizes the fig-

¹⁷Chicago Law Department: Settlement and Judgement Payments requests: https://www.chicago.gov/city/en/depts/dol/supp_info/judgment-and-settlement-payments-requests.html. Begins in 2008.

¹⁸Chicago Department of Finance: Annual Comprehensive Financial reports: https://www.chicago.gov/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements.html. Statements available online beginning in 2003, but the budgeted line item in Table 1 is first reported in 2010.

¹⁹Annual Reports on CPD Litigation: https://www.chicago.gov/city/en/depts/dol/supp_info/CPDAnnLitReports.html

ures published in Settlements and Judgements Comptroller data.

Using these sources, Table 3 summarizes (1) annual payments for police-related cases, (2) annual total police-related costs when fees and costs are included, (3) all-department payments and total costs for citywide context, and (4) the ACFR budgeted amount and ACFR “amount paid” for the Police Department line item, where available. This table provides the baseline for the time series figures and for the budget variance analysis that follows.

While the Police department is liable for a significant percentage of total payouts across all city departments (see Figure 2), payments from other departments include those from Water Management, Streets and Sanitation, Transportation, and the Fire department, among others. Many of the liabilities against these departments stem from property damage. There are also non-tort claims against the Fire Department for non-discrimination, and claims against the City as a whole for violations of the Shakman consent decree, which refers to payouts associated with the City’s obligations under the aforementioned decree which governs patronage-related restrictions in City employment and personnel practices. Together, there have been 5,767 claims against all city departments from 2008 to 2025, as listed in the requests for payment to Comptroller data.

Table 3 (below) shows annual data for police-related payments and budget line items. Note that the ACFR budget line items first appear in 2010, and that 2025 ACFR is not yet available.

Table 3. Annual Police-Related Payments and Budget Line Items, 2008–2025

Year	Police Payments	Police Payments + Fees & Costs	All Dept. Payments	All Dept. Payments + Fees & Costs	Police Dept. Budget for Total Pay.	Police Total Payments (incl. Legal Expenses)
2008	\$78,597,627	\$81,657,670	\$129,537,180	\$136,440,365	N/A	N/A
2009	\$32,770,688	\$39,494,889	\$51,007,442	\$58,668,366	N/A	N/A
2010	\$39,833,907	\$48,778,083	\$158,163,090	\$179,786,455	\$15,336,450	\$30,587,246
2011	\$33,094,260	\$38,403,463	\$129,327,375	\$179,786,455	\$15,336,450	\$11,847,912
2012	\$38,659,969	\$45,296,351	\$390,279,109	\$423,724,734	\$14,844,350	\$56,723,628
2013	\$68,605,579	\$86,985,385	\$437,867,709	\$475,675,068	\$14,844,350	\$49,011,383
2014	\$51,307,177	\$60,908,384	\$257,044,796	\$285,229,689	\$19,844,350	\$34,879,849
2015	\$36,678,722	\$39,407,285	\$318,790,468	\$328,691,206	\$19,844,350	\$25,863,175
2016	\$40,710,655	\$47,025,889	\$164,741,969	\$178,930,790	\$19,844,350	\$81,287,651
2017	\$43,259,757	\$46,305,389	\$145,239,904	\$153,630,467	\$19,844,350	\$38,277,466
2018	\$92,659,775	\$97,905,390	\$388,591,247	\$425,043,023	\$19,844,350	\$103,480,696
2019	\$53,324,559	\$58,788,725	\$253,915,041	\$279,689,075	\$35,000,000	\$68,853,372
2020	\$50,905,170	\$55,867,993	\$166,317,246	\$176,549,183	\$82,558,000	\$60,381,980
2021	\$91,586,772	\$100,407,948	\$302,993,028	\$322,723,324	\$82,558,000	\$116,389,116
2022	\$104,934,786	\$111,049,193	\$338,980,683	\$352,891,556	\$82,558,000	\$126,391,938
2023	\$66,453,109	\$78,639,732	\$231,582,505	\$257,066,090	\$82,558,000	\$150,839,112
2024	\$108,305,260	\$112,796,144	\$434,705,287	\$459,720,930	\$82,558,000	\$164,331,303
2025	\$231,735,736	\$232,540,336	\$734,774,664	\$739,228,723	\$82,558,000*	N/A

* With 2025 ACFRs not yet published, there is no report for Police Department spending on payment-related costs; see the Mayor's 2026 Budget Recommendations for the prior year's budget.

Across the period examined, police settlements and judgments represent a large and persistent fiscal burden. From 2012 through 2025, police payments excluding fees averaged approximately \$70 million per year, totaling more than \$1.2 billion in payments alone. The minimum payment in this period is over \$32 million, and the most recent year, 2025, has seen Chicago's highest cost police-related payments at more than \$230 million. Adding fees and costs increases the City's burden further (Figure 1): payments including fees and costs have totalled more than \$1.3 billion in the same period.

Figure 1 (below) represents police payments (settlements and verdicts) and police payments total costs (including fees) by year between 2008 and 2025.

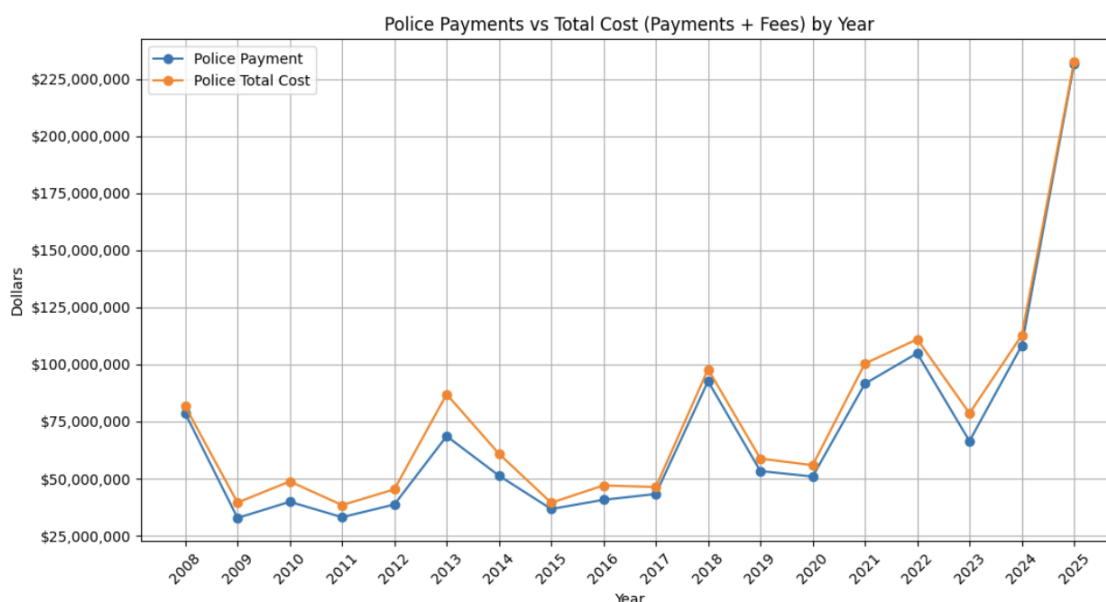


Figure 1. Police Payments and Total Costs, 2008–2025

Figure 1 presents two series from 2008 through 2024: (1) police payments for settlements and judgments and (2) police total cost, which includes fees and costs in addition to payments. The series demonstrates that police legal liability is not a low-level background expense. Even in comparatively low years, annual payments remain material at the scale of tens of millions of dollars; no year in the series falls below \$30 million in settlement and judgment payments. The overall pattern also shows substantial volatility, with multiple years spiking above surrounding years.

Of considerable importance is the large spike in spending observed in 2025: this year has reported the largest annual increase in spending, and reports the largest total spending amount, with more than \$231 million being paid out directly to settlements (excluding costs and fees) due to cases involving the police department. Notably, the city had exceeded its annual budget of \$82,558,000 allocated towards police payments while only four months in the year in April, 2025.²⁰ Despite this significant overspend of \$149,177,736

²⁰<https://news.wttw.com/2025/04/14/chicago-set-exhaust-annual-budget-police-misconduct-settlements>

in the fiscal year 2025, the appropriation for this expense in 2026 remains at \$82,558,000.²¹ This large spend is likely behind the City's decision to issue a bond for repayments of settlements totalling more than \$238 million in 2026 (see Section 3c: Borrowing). However, since these 2025 payments were already disbursed during 2025, borrowing in the next year would primarily serve as a backfill, replenishing the funds that were already distributed to cover the 2025 overrun.

Figure 2 (below) shows police payments (total costs) vs. all department payouts (total costs) by year between 2008 and 2025.

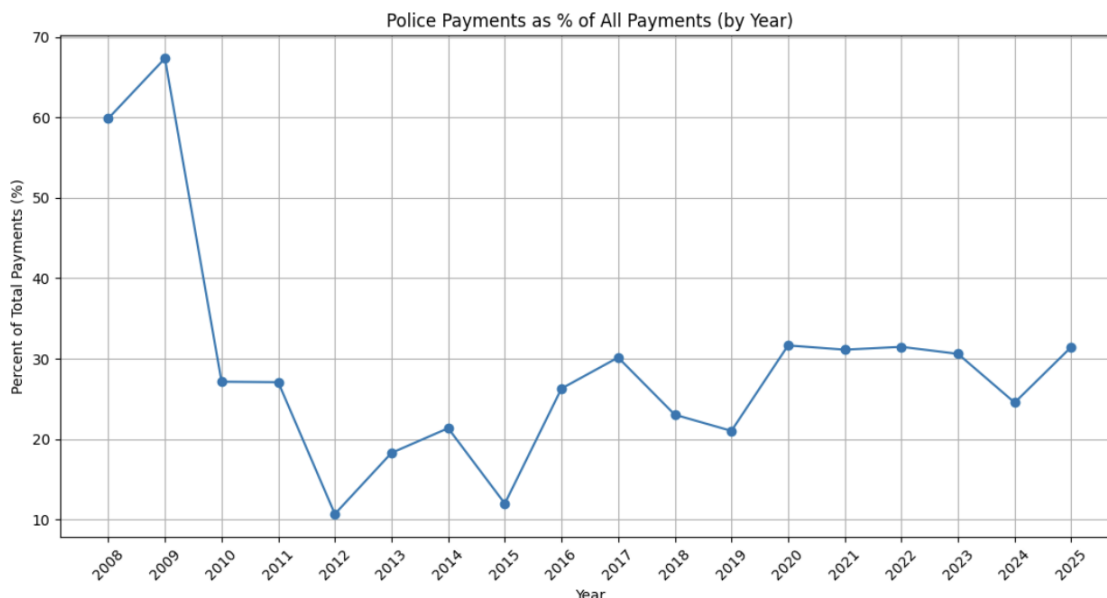


Figure 2. Police Payments vs. All Department Payouts (Total Costs), 2008–2025

Police-related payments also represent a meaningful share of total City settlement and judgment spending in most years (Figure 2), indicating that CPD is a central driver of Chicago's liability costs rather than a marginal contributor. As mentioned above, other city departments responsible for significant shares of cases and payments include Water Management, Streets and Sanitation, Transportation, and the Fire department, among others; the majority of the payments made on behalf of these departments list primary causes relating to property damage, or to non-tort spending. Note that police-related spending has generally declined as a percentage of the City's annual spending on cases across all City departments since 2009, where it peaked at 67%, to a low of 11% in 2012. The average year sees 26% of payments coming from police-related cases (Figure 2).

Figure 3 (below) depicts police payments (settlements and judgements) and ACFR budget appropriations by year between 2008 and 2025. Note that line-item ACFR data for this specific Police Department budget category are available beginning in 2010.

²¹See: the Annual Appropriation Ordinance: <https://www.chicago.gov/city/en/depts/obm/provdrs/budget/svcs/BudgetPublications.html>

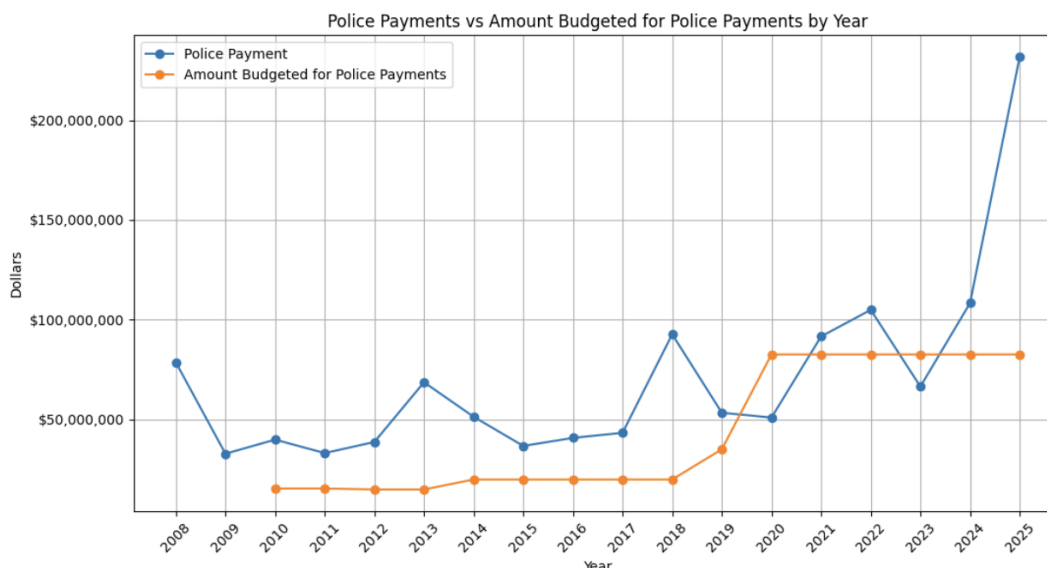


Figure 3. Police Payments vs. ACFR Budget Appropriations, 2008–2025

Figure 3 compares Comptroller-based police payment totals to the Police Department’s ACFR budget line item for tort and non-tort judgments and related legal expenses. This comparison indicates whether the adopted budget allocates sufficient funds within CPD to cover expected liability costs. A specific budget in City ACFR’s for Police Department payments first appears in 2010.

In every year bar 2020 and 2023, police payments themselves exceed the amount budgeted for this line item, not even accounting for associated fees, costs, and legal expenses (Figure 3). Including all additional expenses, only 2020 spending remains under budget (see Table 3), although this is likely an artifact of the Covid-19 pandemic. While the appropriated budget has increased dramatically since 2012, being raised from \$14,844,350 to \$82,558,000 through 2024, actual spending has consistently outpaced the budget growth.

The budget-to-actual gap is often substantial, indicating persistent under-budgeting rather than occasional and unpredictable shocks. The line item therefore does not function as a true “self-insurance” appropriation that reliably covers expected costs. Instead, it operates as a partial contribution, with the remainder of costs covered through corporate fund backfills and/or borrowing. This dynamic aligns with the broader assessment of Chicago’s liability financing approach: although CPD technically carries a dedicated budget line, the City effectively operates a pay-as-you-go system when actual costs exceed appropriations.

Figure 4 (below) shows budget-to-actual variance, calculated as $\frac{(\text{budget} - \text{actual})}{\text{budget}}$, by year between 2010 and 2025.

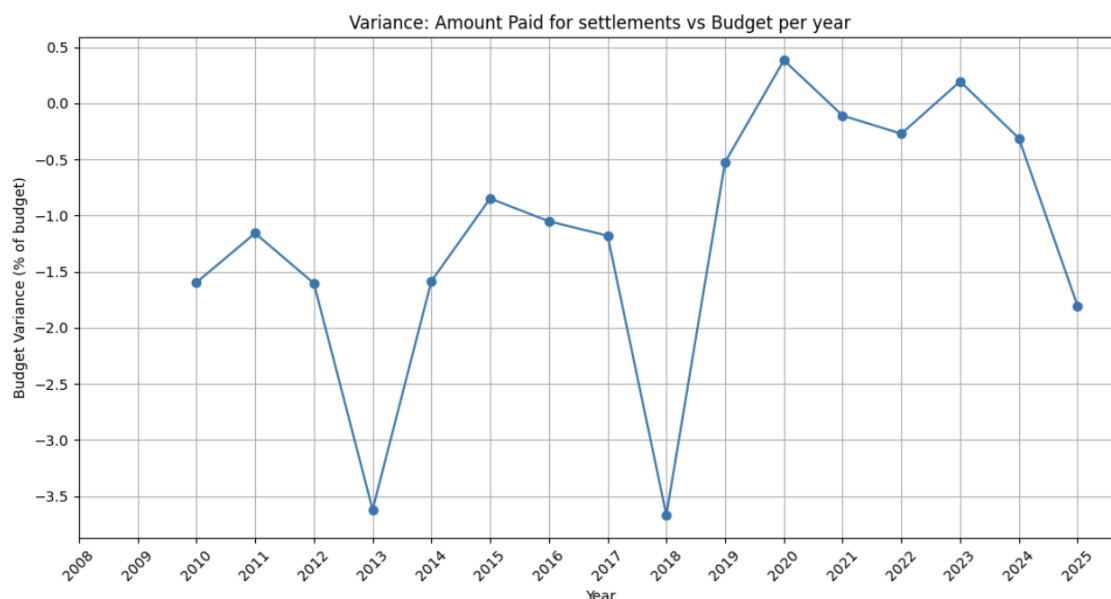


Figure 4. Budget-to-Actual Variance Ratio, 2010–2025

Budget-to-actual performance is quantified using a budget variance ratio defined as $(\text{ACFR budget} - \text{police payments}) / \text{ACFR budget}$. Positive values indicate that payments were below budget; negative values indicate an overrun. This ratio captures the extent to which the adopted budget fails to cover the police liability costs paid each year.

The variance ratio is consistently negative across most years (Figure 4), confirming that police payments exceed appropriations almost every year once the ACFR line item becomes observable in the reviewed materials. Several years exhibit particularly severe overruns, where payments exceed the budgeted amount by multiples. In practical terms, these overruns must require intervention outside the Police Department’s adopted budget, reinforcing that the line item does not operate as a binding fiscal constraint. The repeated need for backfills highlights that the City’s approach is functionally pay-as-you-go: the fiscal system reacts after costs are incurred, rather than setting aside sufficient resources in advance.

Annual totals describe how much has been spent, but they do not reveal whether those costs are broadly distributed across many cases or concentrated in a small number of high-value payouts. This distinction is central to cost reduction strategy. If spending is broadly distributed, meaningful savings require reductions in the overall volume of claims or in typical settlement amounts. If spending is highly concentrated, preventing or mitigating a small number of catastrophic cases may yield disproportionate fiscal benefits.

Figure 5 (below) is a histogram which shows the count of cases with payments in each range, combined for the years 2008 to 2024.

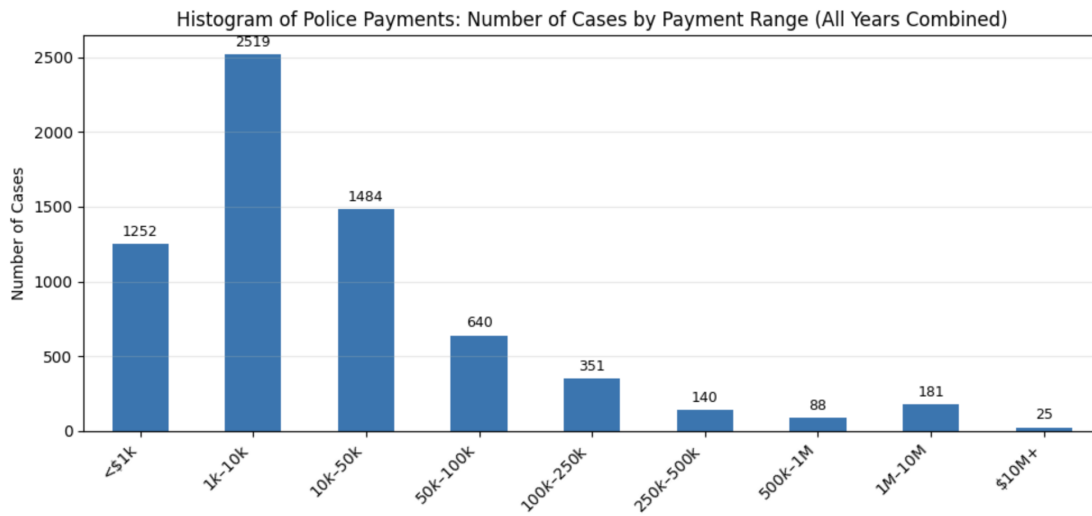


Figure 5. Count of Cases by Payment Amount Range, 2008–2024

Figure 6 (below) is a histogram which shows the dollar amount contributed by cases with payments in each range, combined for the years 2008 to 2024.

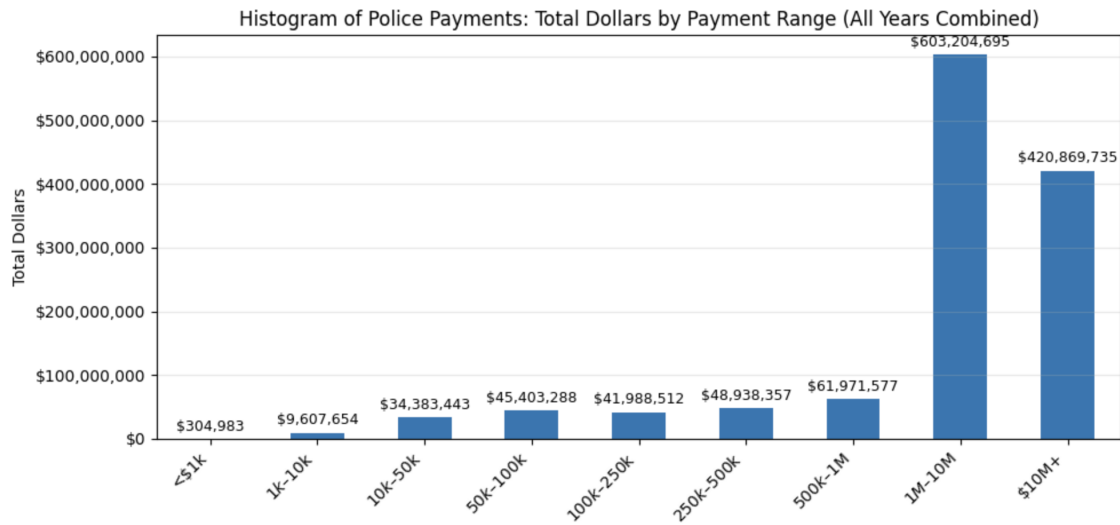


Figure 6. Dollar Amount Contributed by Cases in Each Payment Range, 2008–2024

Separating cases by payment amount, it is clear that most payments fall within relatively modest ranges over the years 2009–2024 (Figure 5). However, in terms of dollar amounts, high-value cases account for a disproportionately large share of the overall spending (Figure 6), indicating that a limited number of exceptional cases generate very large payouts and drive the overall spending.

Figure 7 (below) shows coefficient of variation (CV) of payments by year between 2008 and 2025, calculated as $CV = \frac{\text{standard dev. of police payments}}{\text{average police payment}}$.

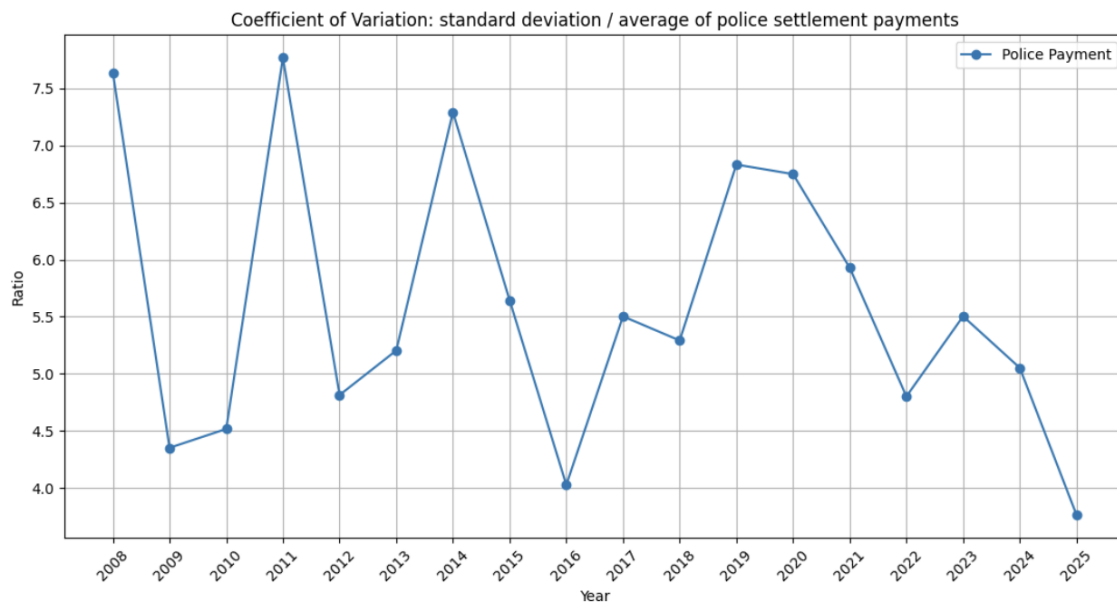


Figure 7. Coefficient of Variation (CV) of Police Payments, 2008–2025

Figure 8 (below) depicts the share of total annual payments accounted for by the top-ten cases each year, 2008–2025.

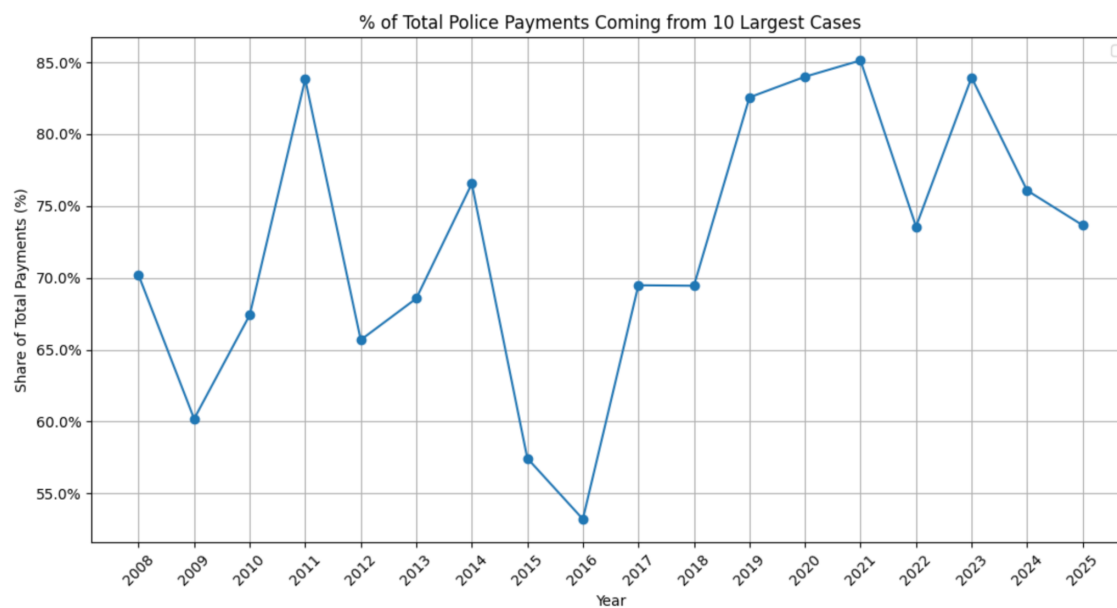


Figure 8. Share of Total Annual Payments by Top-10 Cases, 2008–2025

The concentration of high-payout cases driving spending is quantified using two complementary measures. In Figure 7, we see consistent measurement of the coefficient of variation ($CV = \text{standard deviation} / \text{mean}$) between 4 to 7.5+, indicating a very high influence of large-values on the distribution. Second, the Top-10 share measures the fraction of total annual payments attributable to the ten largest payments in a given year. This metric directly addresses whether a handful of cases dominate annual spending. Similarly, in Figure 8, we observe the share of total payments contributed by the top-10 largest cases: in no year do the ten largest cases account for less than half of the total payment amounts, and these ten largest cases in several years account for more than 80% of total payments. Together, these measures distinguish years in which elevated costs reflect broad-based higher spending from years driven primarily by a small number of exceptionally large payouts.

How cases are resolved is another key component of the financial implications of payment practices. General thinking suggests that cases resolved by verdict have different risk dynamics than settlements: trials are costly, outcomes are uncertain, and verdict payouts can be substantially higher compared to the settlement payment for the same case. Comparing average payments by resolution type within major primary causes provides insight into how the City's exposure varies by allegation category and by litigation pathway.

Figure 9 (below) shows average payment per case for settlements vs verdicts. Top: False arrest cases. Bottom left: Excessive force (severe). Bottom right: Excessive force (minor).

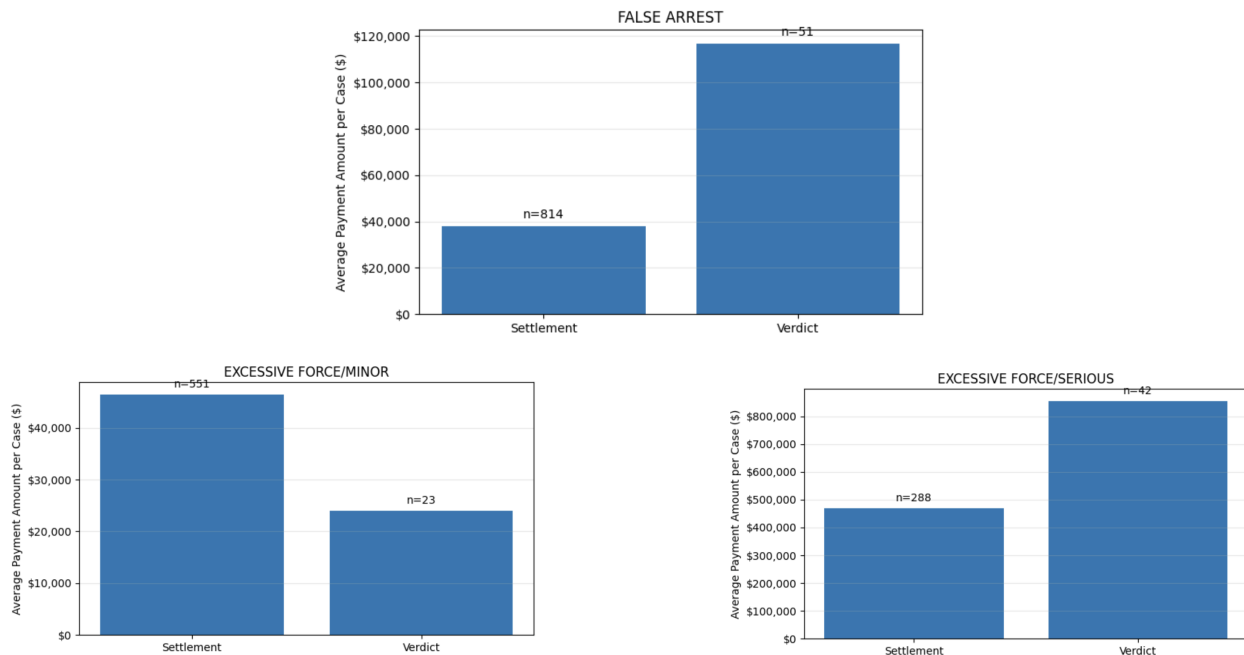


Figure 9. Average Payment Per Case: Settlements vs. Verdicts by Cause Type

In many categories, average verdict payouts exceed average settlement payouts (Figure 9), consistent with expectations that cases proceeding to trial may involve stronger evi-

dence, higher damages, and higher downside risk. However, these comparisons must be interpreted cautiously. Verdict counts are often small for many causes, and are particularly small for cases settled via judgment, meaning averages can be heavily influenced by a limited number of cases. Furthermore, there may be fundamental differences in the cases which go to trial and those which are resolved via settlement.

The CPD Litigation Report for 2024 shows that much of the 2024 spending on payments is attributable to a few high-profile false arrest settlements. This is replicated below in Figure 9, where 5/10 of the largest cases by payment amount in 2024 were due to cases involving reversed convictions. It is also important to understand the trends in 2025 given the substantial increase in payments occurring in this year (as seen in Figure 1). In 2025, 7/10 of the top-ten largest cases by settlement amount are related to reversed convictions, with the remaining three being classified as caused by pursuit/offender accident. Equally important is the observed trend in dollar spending for the ten largest cases: where in 2024, there are only 3 cases totaling more than \$10 million, 2025 sees nine cases above \$10 million, a clear contribution to the large increase in settlement payments observed in this year.

Figure 10 (below) shows top-ten highest payment cases in 2024 (top) and 2025 (bottom), by cause.

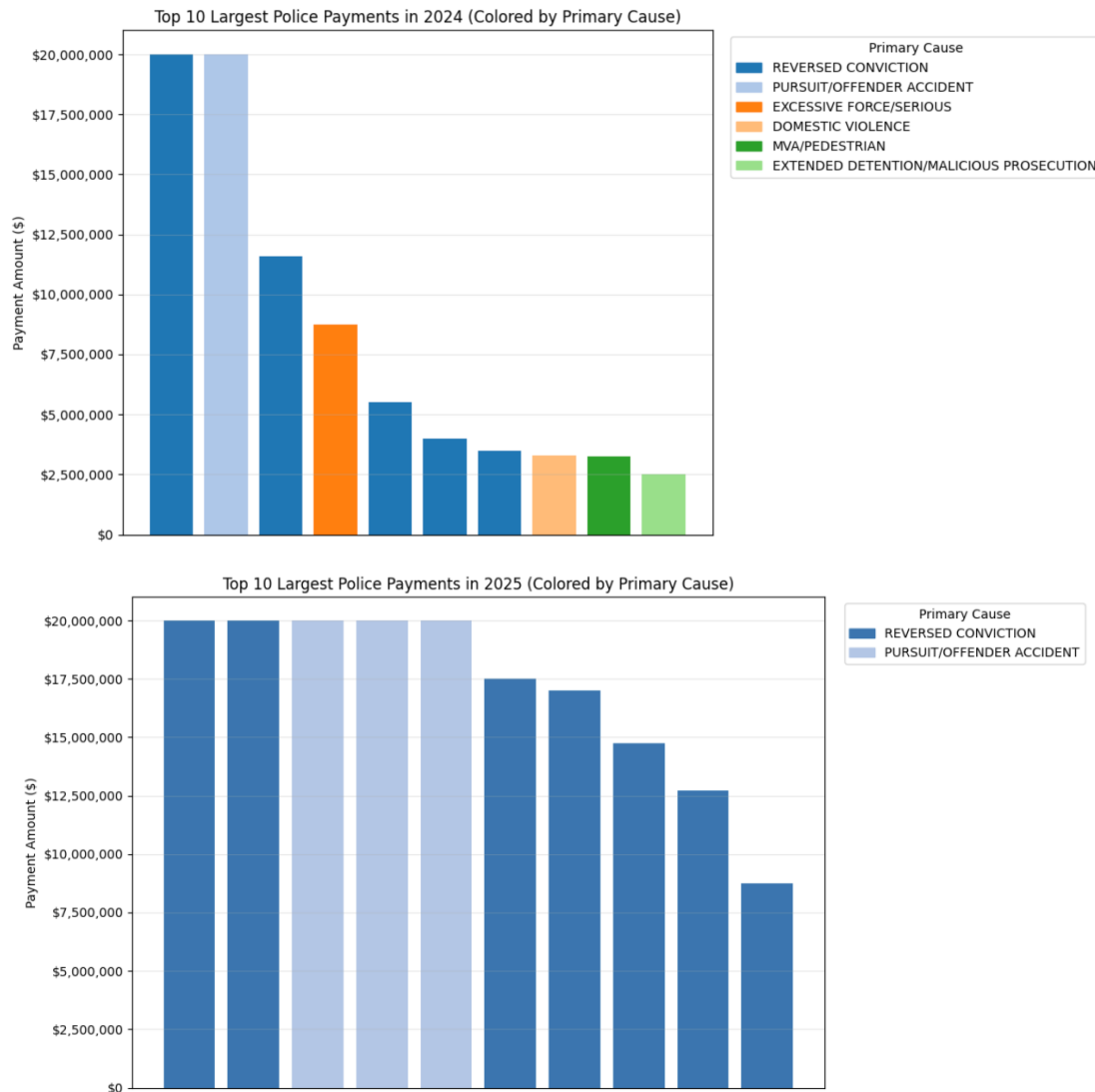


Figure 10. Top-Ten Highest Payment Cases by Cause: 2024 (top) and 2025 (bottom)

Institutional Changes

Two important possible sources of institutional change may be reflected in the settlement trends over time. As mentioned above, since 2019, the City has been releasing the CPD Litigation Report, a compliance and accountability product created under the federal Consent Decree published beginning in 2019.²² The Consent Decree, a court order that affects both the legal settlement of police misconduct cases and imposed structural reforms and oversight onto the Police Department, was a highly significant event for Chicago's policing. The decree was initiated after high-profile cases of misconduct such as the shooting of Laquan McDonald, and mandated that CPD must increase training, adopt new policies, accountability systems, and increase tracking and reporting.

²²Annual Reports on CPD Litigation: https://www.chicago.gov/city/en/depts/dol/supp_info/CPDAnnLitReports.html

While settlements and litigation for police misconduct are under the authority of the city's Legal department, the Consent Decree may have contributed to the rise in settlements observed since 2019, if indirectly. While number of settlement cases has not directly increased, by bringing more attention and increasing the number of records that CPD has held, cases may have been settled for larger amounts, although with the current data there is no way to assess the causal impact of the Consent Decree on payment amounts.

The second possible source of the increasing trend involves changes in the legal system. Given the high incidence of reversed conviction cases appearing as some of the largest cases by payment amount in the years 2024 and 2025, it is useful to understand how trends in reversed conviction payouts have evolved over time. Reversed conviction cases are especially relevant, not only in light of their large contributions to total payment amounts per year, but also due to the way in which these cases have been potentially influenced by legal trends.

Illinois's Certificate of Innocence (COI) process is a judicial mechanism that allows individuals whose convictions have been vacated or reversed to seek formal court finding that they were innocent of the charges for which they were imprisoned. The COI statute was enacted in 2008, and is codified in 735 ILCS 5/2-702.²³ Importantly, this certification provides individuals who were wrongly convicted a mechanism to pursue compensation claims, as after obtaining a COI, court claims can be pursued under the Illinois Statute 705 ILCS 5050/8(c).²⁴ While COIs are issued by courts, not prosecutors, it is a critical mechanism to understanding how reversed conviction claims are initiated and processed in the context of police misconduct settlement spending. However, it is important to note that data describing these police misconduct payments begin in 2008, the same year that the COI process was initiated, so it is not possible to compare payment amounts pre- and post-COI adoption.

While the COI process has been in place since 2008, other factors in the legal system may account for trends observed in reversed conviction payments. The State's Attorney Office's Conviction Integrity Unit (CIU) can specifically review claims of innocence and wrongful conviction. This functions as the pipeline by which reversed convictions / COIs can be initiated, resulting in more of these cases ending up in civil lawsuits or settlements with the City of Chicago. Given data constraints, it cannot be assessed whether the COI process or general legal process directly causes increases in the amounts the City is paying for reversed conviction cases. However, general time trends show that while the number of reversed conviction cases per year is highly volatile without any clear time trends (Figure 11), the city has paid significantly more since 2008 for these cases as each of these cases costs, on average, far more (Figure 12).

²³<https://www.ilga.gov/legislation/ilcs/documents/073500050K2-702.htm>

²⁴<https://www.ilga.gov/legislation/ilcs/documents/070505000K8.htm>

Figure 11 (below) illustrates the number of reversed conviction cases since 2008.

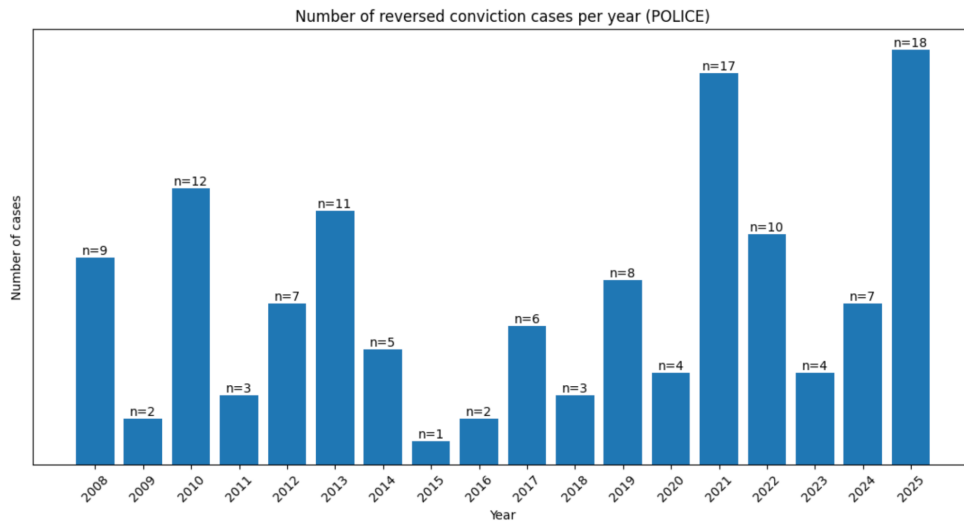


Figure 11. Number of Reversed Conviction Cases, 2008–2025

While most years until 2020 saw total yearly spending on reversed conviction cases less than or around the \$20 million dollar mark (Figure 12, top chart), recent years have seen a sharp increase in cost, with 2025 reporting more than \$140,000,000. This reflects an increased over the past few years in the average amount being paid per case; in 2008, reversed conviction cases averaged roughly \$2 million. By 2025, the average cost per case is more than 4x higher, at approximately \$8 million paid out per case.

Figure 12 (below) shows the amount paid towards reversed conviction cases between 2008 and 2025. Top: total amount paid for reversed conviction cases per year. Bottom: average amount paid towards each reversed conviction case per year.

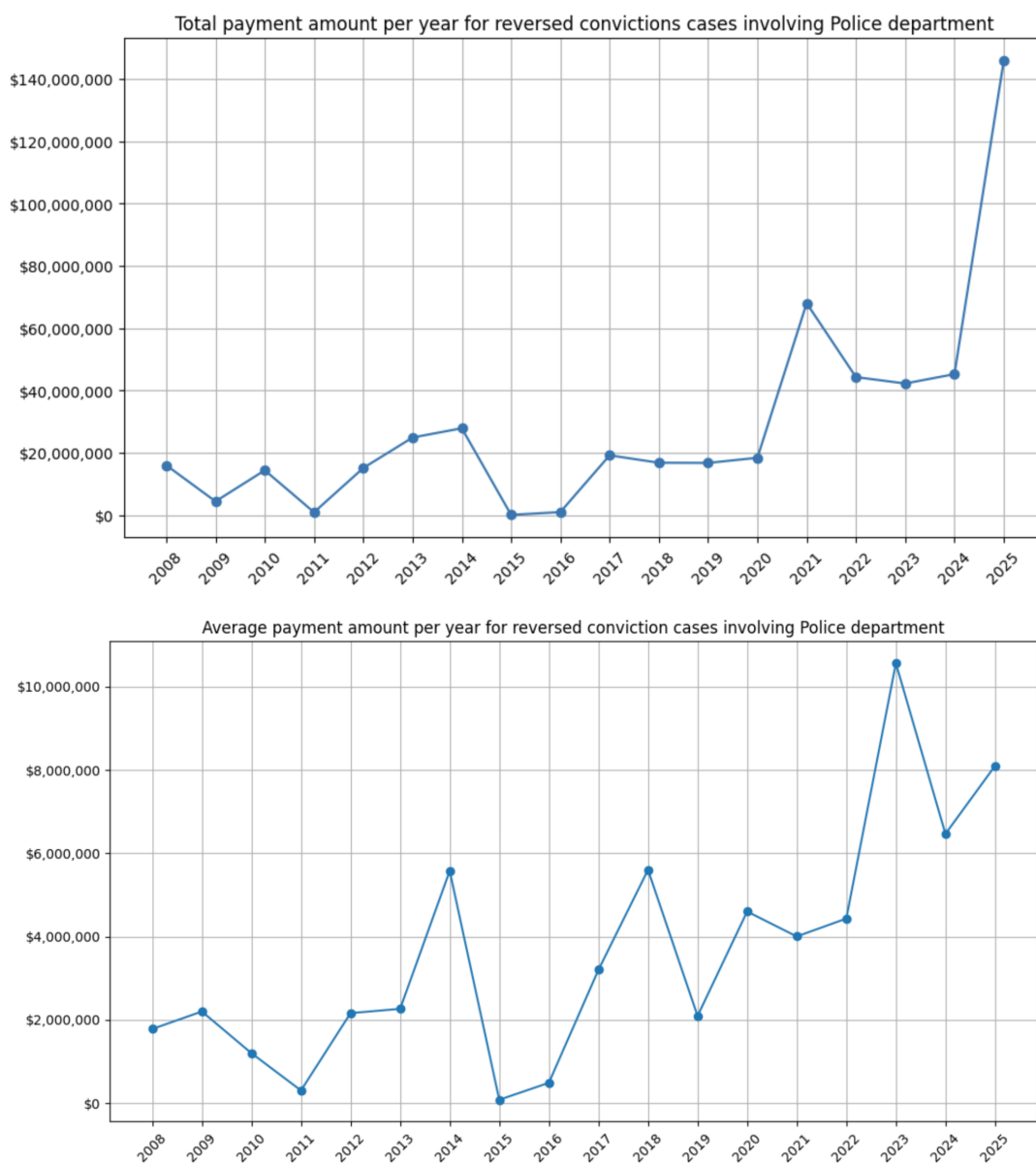


Figure 12. Reversed Conviction Case Costs, 2008–2025 (top: total; bottom: average per case)

Without data prior to 2008, we are unable to determine whether the introduction of Certificates of Innocence has altered the trends for number of reversed conviction cases or the average payments paid for each case. However, the effects of policies pursued at the State Attorney Office’s level can be proxied by gauging the trends in payment amounts under different Cook County State Attorneys. Anita Alvarez served as State’s Attorney from December 1st, 2008 to December 1st, 2016, when Kim Foxx was sworn in following her 2016 election victory over Alvarez. Foxx left the Office on December 1st, 2024. Compared with Alvarez’s tenure, Foxx’s administration adopted a more active posture toward conviction review and post-conviction relief, which coincides with observed trends in reversed conviction over these years.

Figure 13 (below) shows average yearly total payments (top) and average cost per reversed conviction cases (bottom) per year, excluding 2025.

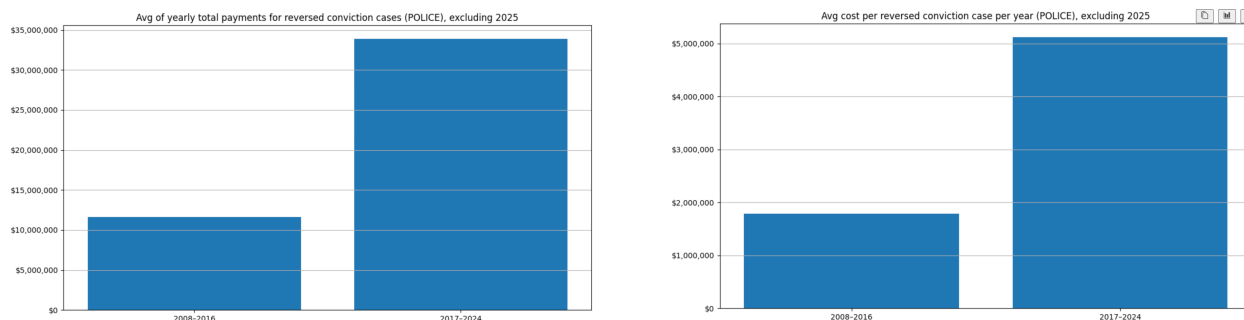


Figure 13. Average Yearly Reversed Conviction Payments by State’s Attorney Era (excluding 2025)

It is clear that in 2008–2016, the average yearly total towards reversed convictions is approximately \$11 million, while from 2017–2024 (Foxx’s tenure) these yearly payments average approach \$35 million (Figure 13). Similarly, the average cost per case is substantially higher: from 2008–2016, reversed conviction cases averaged less than \$2 million per payment, and more than \$15 million per case for the period 2017–2024.

While there are clear differences in payment trends for reversed conviction cases which coincide with different approaches at the State Attorney level, it cannot be concluded that the increased cost in reversed conviction payment is due to Kim Foxx’s policies on wrongful convictions alone. Time trends alone may account for a significant difference (e.g., that cases are simply more expensive overall in more recent years), and the data cannot demonstrate whether the COI system / State Attorney policies specifically have *caused* the increase in payments going towards reversed conviction cases or other types of cases. Nevertheless, there are clear and worrying trends for the fiscal liability of the City towards these cases which indicate that such payments may cost even more in the years to come.

In conclusion, evidence indicates that police-related settlements and judgments represent a recurring and material fiscal burden that has not been fully anticipated in adopted budgets. The Police Department’s dedicated ACFR line item has historically been insufficient relative to actual payments. The distribution of payments also appears highly skewed, indicating that a small number of high-value cases may drive a substantial share of annual spending. From a deficit reduction perspective, this combination—persistent under-budgeting plus a heavy-tailed payment distribution—creates a predictable but difficult-to-manage fiscal risk.

Borrowing

One consequence of Chicago’s persistent pattern of under-budgeting for police settlements and judgments is that the City is routinely forced to find cash after costs are incurred. When the Police Department’s ACFR line item is exceeded (which is observed in all years except 2020: see Figure 14), Chicago effectively shifts the financial burden to the Corporate Fund and other citywide resources rather than requiring CPD to absorb the

shortfall through internal tradeoffs. In years where available cash is insufficient or where political and operational constraints limit mid-year reallocations, borrowing becomes a straightforward way to close the gap. This approach converts an operating expense into long-term debt service, spreading liability costs across future budgets and increasing the ultimate price paid for past misconduct.

Figure 14 (below) shows the difference between amount budgeted for police payments and actual payments; negative values indicate that the actual costs have exceeded the budget in that year.

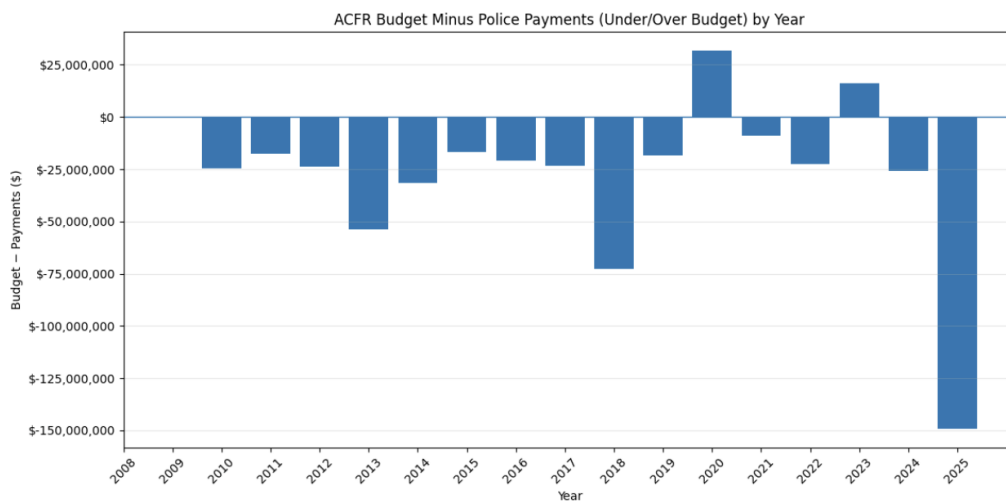


Figure 14. Budget-to-Actual Dollar Variance in Police Payments, 2010–2025

There is not readily available information for all bonds which have been issued by the City for the purpose of paying police-related funds; however, a few notable examples exist of bonds and proposed borrowings which illustrate how costly this borrowing can be. In 2014, the City borrowed \$198 million to pay for settlements and judgments, as part of a larger \$450 million taxable municipal bond issuance at a stated interest rate of 6.314%.²⁵ If paid to its 30-year maturity, the City would pay \$375,051,600 in interest for a combined total of \$573,051,600. This means that financing \$198 million in liability costs through this mechanism increases the effective cost by roughly 189% of principal resulting in a combined repayment of approximately 2.89 times the original amount. Even if only a portion of this borrowing was directly attributable to CPD liability spending, the implication remains the same: borrowing to cover recurring settlement overruns imposes a large and durable fiscal penalty.

Because the full set of liability-related issuances could not be identified, the borrowing costs described here should be viewed as conservative and illustrative rather than comprehensive. Still, applying the 2014 financing profile to other known or proposed borrowing highlights the scale of potential long-run exposure. For 2026, the Council passed au-

²⁵<https://emma.msrb.org/EA590845-EA461808-EA857838.pdf>

thorization for borrowing up to \$283.3 million for settlements and judgments city wide.²⁶ CFO Jill Jaworski estimated interest costs of \$52 million over a five-year maturity for this borrowing, though this cannot be verified until the bonds are actually issued.²⁷

Nevertheless, these examples underscore a core fiscal implication: under-budgeting for predictable police liability costs does not eliminate the expense, in fact it shifts it into more expensive forms of financing. Borrowing may solve the immediate cash problem created by settlement overruns, but it increases the ultimate burden on future budgets and deepens the structural challenge Chicago faces in closing its deficit. Without comprehensive data on all bonds taken out for the specific purpose of repaying police-related settlements, it is not possible to fully estimate the amounts, including interest, in which the city is paying to finance these settlements. However, as seen in Figure 10, given that in many years the actual spend greatly exceeds the budget (by almost \$150 million in 2025 alone), there is high likelihood that at least some of this difference is being funded through borrowing.

Effect on Deficit

Police settlements and judgments influence Chicago's deficit through a straightforward budget mechanism: the costs are real financial obligations that must be paid regardless of whether they were accurately anticipated in the adopted budget. When annual settlement and judgment payments exceed the amount appropriated for the Police Department's liability line item, the shortfall does not disappear; it must be covered through citywide resources. As discussed above, in practice this typically means drawing from the Corporate Fund (or other general operating funds) through mid-year reallocations, which crowds out spending on other services or forces the City to rely more heavily on one-time fixes to balance the budget. If sufficient financial resources are unavailable, or if reallocations are not feasible, the City can borrow to cover settlement costs, converting an operating expense into long-term debt service. That approach resolves the immediate cash problem but raises the effective cost of liabilities through interest payments and further constrains future budgets, deepening the structural challenge of closing ongoing budget gaps.

Forecast documents provide a useful but imperfect lens on how these costs are discussed as part of the deficit. For example, the fiscal year 2020 budget forecast analysis explicitly identified claims, judgments, and legal fees as a category trending upward and difficult to budget, noting that the City's caseload includes high-profile police misconduct lawsuits. The analysis in 2020 estimated that settlements and judgements were responsible for around 13% of that year's deficit of \$838.2 million.²⁸ Despite costs of settlements, particularly police settlements increasing since 2020, in later years this is not identified as a deficit driver by the budget forecast analysis.²⁹ However, the absence of similarly explicit

²⁶<https://occprodstoragev1.blob.core.usgovcloudapi.net/matterattachmentspublic/4909119d-a76e-4318-85e3-0443c7f9a9e7.pdf>

²⁷<https://news.wttw.com/2025/11/17/chicago-set-borrow-2833m-resolve-police-misconduct-lawsuits>

²⁸See the City's Annual Budget Forecast for 2020: <https://www.chicago.gov/content/dam/city/depts/COFA/AnnualBudgetForecast/2020BudgetForecastAnalysisFinal.pdf>.

²⁹Annual Budget Forecast archive: https://www.chicago.gov/city/en/depts/cofa/supp_info/analyses_annual_budget_forecasts.html.

references does not imply that settlements ceased to affect the deficit. Instead, it likely reflects shifting narrative priorities as other pressures (such as pension ramp costs, labor expenses, revenue volatility, and more recently migrant-related expenditures) dominated the budget-gap discussion in recent years. In this context, police settlement overruns can continue to widen the deficit through corporate fund backfills and occasional borrowing even when they are not singled out as a headline driver in annual forecast narratives. Further analysis would be needed to more accurately estimate the true effect of police-related settlement spending on the City's deficit.

Other Models

Discussion of Features Intended to Lower Litigation Costs

Police Department Pays from Its Budget

Paying from the department's budget increases agency awareness of litigation costs for the city and imposes political consequences when the department must request general funds to cover budget overages.³⁰ In 2024, New York City Comptroller Brad Lander called for settlements, which are currently paid from the city's budget, to instead be paid from agency budgets to "incentivize agencies to implement reforms that would reduce claims payouts."³¹

Police Department Contributes to Central Risk Management Fund

Departments required to contribute to a central fund, also referred to as an internal service fund,³² are incentivized to reduce their annual premiums, which are most often informed by past claims exposure/litigation costs. Due to variation in budgetary arrangements, some departments are more insulated than others from the financial impacts of changes in premiums. Regardless, budgeting discussions can provide "information regulation" as they similarly increase agency awareness of litigation costs.

Predicts Financial Impact of Upcoming Litigation Costs

All government entities follow the Government Accounting Standards Bureau's (GASB) recommendations on liability recognition, at least in most areas. In statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, GASB outlines that governments should report a liability as incurred if it is probable (the future event or events are likely to occur) and its cost is estimable.³³ This is essentially the same guidance found in Generally Accepted Accounting Principal guidance for private entities. In theory, a city can track pending settlement and trials as well as their likely payouts in the same way a company may do so for loss prevention.³⁴ However, making this 'probable' determination may be more difficult for certain cases and in no city is it

³⁰Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," p. 1176–80.

³¹<https://comptroller.nyc.gov/newsroom/city-paid-1-45b-in-settlements-last-fiscal-year-nyc-comptroller-finds-in-fy-2023-claims-report/>

³²Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," p. 1184–7.

³³Government Accounting Standards Bureau. *Statement No. 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, November 1989, p. 19.

³⁴Austin Berg; Ed Bachrach, *The New Chicago Way: Lessons from Other Big Cities*, Southern Illinois University Press, January 16, 2019.

clear what the technical threshold for ‘probable’ is in this context. Additionally, one could imagine the ‘estimable’ bar may also prove difficult, especially in jury cases where payouts can vary dramatically. This makes judging both the real extent to which cities follow this guidance as well as their current success in doing so difficult without reaching out to actuarial departments in each city and or police department to understand their specific process.

Uses Hybrid Insurance Approach

The use of outside insurance and public entity risk pools is more common among smaller jurisdictions than larger ones, though it could help reduce liability exposure.³⁵ Insurers have access to claims information across jurisdictions to identify risk areas,³⁶ represent a non-political entity, and can pressure jurisdictions into implementing policy and personnel changes.³⁷ Additional empirical validation is needed on this subject.

While large cities tend to be self-insured, some hold excess insurance to cover high-value claims.³⁸ Phoenix and Indianapolis, as well as Las Vegas and San Diego, are among these cities. Deductibles for excess insurance vary, with Schwartz citing deductible amounts ranging from \$250,000 to more than \$1.5M per claim before insurance kicks in. Larger jurisdictions can also participate in public entity risk pools, or they could purchase individual liability insurance for their officers, as citizen groups in Minneapolis have recommended.³⁹

Feels Financial Effects of Litigation Cost Increases or Decreases

Not all departments required to pay settlements and judgments from their own budgets report facing tangible financial consequences of increases in litigation costs. The departments that do report facing these consequences tend to (1) not receive money from general funds in the case of budget overages and (2) can use litigation savings for other needs.

Cost Increases. These jurisdictions receive a budget for all expenditures, including litigation, so payouts “necessarily take away from other needs.”⁴⁰ Illinois State Police, for example, reports using money designated for other purposes (equipment, etc.) to make up differences between the amount allocated in the budget and the amount spent on lawsuits.

³⁵Andrea Cann Chandrasekher, “Empirically Validating the Police Liability Insurance Claim,” p. 233. Harvard Law Review article: <https://harvardlawreview.org/forum/vol-130/empirically-validating-police-liability-insurance/>.

³⁶Joanna C. Schwartz, “How Governments Pay: Lawsuits, Budgets, and Police Reform,” p. 1210.

³⁷John Rappaport, “How Private Insurers Regulate Public Police,” p. 1540. Harvard Law Review article: <https://harvardlawreview.org/print/vol-130/how-private-insurers-regulate-public-police/>.

³⁸Joanna C. Schwartz, “How Governments Pay: Lawsuits, Budgets, and Police Reform,” p. 1162.

³⁹Amendment found at: [https://ballotpedia.org/City_of_Minneapolis_Police_Personal_Insurance_Charter_Amendment_\(2016\)](https://ballotpedia.org/City_of_Minneapolis_Police_Personal_Insurance_Charter_Amendment_(2016)).

⁴⁰Joanna C. Schwartz, “How Governments Pay: Lawsuits, Budgets, and Police Reform,” p. 1181.

Cost Savings. Some departments that pay from their budgets can use savings for other department needs,⁴¹ and some are able to roll over leftover funds to the following year.⁴² In addition, as mentioned in Part 2, some public entity risk pools provide dividends for member jurisdictions that spend less than expected on lawsuits. Under this type of system, it may be possible for police departments or city officials to highlight uses of litigation savings for example increased overtime budget (allowing more patrols/staffing), upgraded equipment for the department, or approving additional training events.

Occasionally Requires Officers to Financially Contribute

Requiring any financial contributions from individual police officers towards settlements and judgments is extremely rare. Officers are almost always indemnified, paying 0.02% of \$735M awarded to plaintiffs in a six-year period.⁴³ In Schwartz's 2006–2011 study, it can be observed that each officer contribution occurred in the case of serious misconduct, including excessive force, falsifying records, or assault on- or off-duty.⁴⁴ Jurisdictions where these contributions occurred did not comment on why these officers, but not others, were required to contribute.⁴⁵

Sanctioning officers in the case of misconduct represents an additional financial pressure that could be applied.⁴⁶ In this case, officers could access individual liability insurance.⁴⁷ Note that it is not feasible for individual officers to satisfy entire settlements or judgments, as city governments play an essential role in financing these costs.⁴⁸

Feature Comparison Across Cities

Table 4 (below) summarizes selected U.S. cities and their use of features intended to lower liability exposure.

⁴¹Ibid., p. 1184.

⁴²Ibid., p. 1177.

⁴³Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," p. 1147.

⁴⁴Joanna C. Schwartz, "Police Indemnification," p. 978.

⁴⁵Ibid., p. 927.

⁴⁶Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," p. 1209.

⁴⁷Colorado law, passed in 2020, can be found at: <https://leg.colorado.gov/bills/sb20-217>.

⁴⁸Joanna C. Schwartz, "Police Indemnification," p. 952.

Table 4. Feature Comparison Across Selected U.S. Cities

City	Police dept. pays settlements from budget	Police dept. contributes to central risk fund	Follows GASB No. 10 for Police	Uses hybrid insurance approach	Faces financial consequences of cost increases	Officers occasionally required to contribute
Chicago	Yes	No	Yes	No	No	No
Phoenix	No	Yes	Yes	Yes	No	No
New York City	No	No	Yes	No	No	Yes
Indianapolis	No	Yes	No	Yes	No	No
Washington D.C.	Yes*	No	Yes	No	Yes	No
Kansas City	Yes	No	Yes	No	Yes	No
Sacramento	No	Yes	Yes	Yes	No	No
Cleveland	No	No	Yes	No	No	Yes

* Settlements and judgments of \$10,000 or less are paid out of the department's budget.

Impact of Models on Other Cities' Finances

Police Department Pays from Its Budget

Historically, cities that pay settlements and judgments from the police department's budget, like Chicago, still tend to exceed their allocated budget for payouts. When budget overages are paid from the city's general funds and jurisdictions do not face penalties for the overages, the efficacy of this budgetary arrangement is reduced.⁴⁹ Schwartz states, "Law enforcement agencies that pay settlements and judgments from their budgets but pass along excess litigation costs appear to be as insulated from the financial impact of lawsuits as those law enforcement agencies that pay no litigation costs at all."⁵⁰

Police Department Contributes to Central Risk Fund

Some jurisdictions report being impacted by changes in premiums, while others do not.⁵¹ In some cities, increases in premiums are accommodated by budget increases for the department. Others try to offset increases without compromising "core department needs." In sum, impact varies by jurisdiction and arrangement.

Predicts Financial Impact of Upcoming Litigation Costs

Predicting the impact of future events is an area that insurance companies have been advancing in for over a century. For insurance companies, the better their predictive models, the higher their savings and profit margins can be. That makes accurately predicting future and pending settlement and judgement amounts exceptionally important to robust fiscal management. When cities fail to accurately predict these amounts accurately, they are largely unable to budget for them. Improper or non-existent budgeting leads to increased stress on budgets. When these stressors occur alongside others, cities can be forced into situations such as large scale program cuts, raising taxes, and borrowing to

⁴⁹Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," p. 1177.

⁵⁰Ibid.

⁵¹Ibid., p. 1185–6.

cover these operational expenses.

Uses Hybrid Insurance Approach

The extent to which jurisdictions that rely on outside insurance or public entity risk pools feel the positive or negative effects of changes in premiums varies.⁵² Additional research should be conducted on this topic; Schwartz's study primarily examined larger, self-insured jurisdictions.

Feels Financial Effects of Litigation Cost Increases or Decreases

Cities that pay settlements and judgments out of their budget and report tangible financial effects of budget overages appear to be less likely to seek additional funds from the central government. Among the ten jurisdictions reported by Schwartz to face financial consequences, only one had recently requested additional funds from the government.⁵³ All ten viewed it as a "last-ditch effort to be avoided if at all possible."⁵⁴

Occasionally Requires Officers to Financially Contribute

Based on historical data, cities like New York and Cleveland have still tended to see high litigation costs. As previously noted, this feature has been used quite infrequently. During the period of 2006 to 2011, 35 NYPD officers were required to contribute a median payment of \$2,125 in 34 cases, and 2 Cleveland officers were required to contribute \$12,000 and \$25,000, respectively.⁵⁵ This feature, its potential deterrent effects on law enforcement behavior, and its financial effects need to be further researched.

Recommendations

Improve Actuarial Methods and Risk Management

A potential area for improvement on the technical side for Chicago is to improve their settlement and judgement prediction variances. As alluded to in Section 4, cities do state they actuarially recognize losses once these losses are considered 'probable,' in line with GASB Statement No. 10. As evidenced from the data exploration in Section 3, Chicago maintains the same budget for CPD settlements and judgements for multiple years in a row, consistently overshooting this budget and by a wide margin. This is an indication that the City's current loss recognition processes are inadequate to use for any meaningful budgetary purposes.⁵⁶ It is understandable that settlements and judgements have a naturally high level of variance in costs each year and this is part of the reason large jurisdictions opt to self-insure. However, if a jurisdiction chooses to self-insure they must have actuarial methods up to the task of actually predicting losses and planning for payments. While challenging, insurance companies do this every day, all over the country, in

⁵²Ibid., p. 1188.

⁵³Ibid., p. 1182.

⁵⁴Ibid., p. 1183.

⁵⁵Joanna C. Schwartz, "Police Indemnification," p. 912.

⁵⁶Evaluating the City's formal process for loss recognition was not possible as it is not publicly available. In order to gauge the quality of their process a team with requisite actuarial experience would need to reach out to the relevant departments' risk management divisions.

a variety of industries.

Insurance is inherently about prediction, in order for an insurance entity to be profitable, they must have reliable estimations for expected losses among their insured customers. It is no different for cities who self-insure. In recent years, prediction algorithms used by insurers have improved significantly due at least in part to improvements in statistical learning and data availability. The spread of machine learning (ML) techniques allows for increased accuracy of predictions and thus a better understanding of impending costs, which an entity can then plan for. For example, an academic article published in *Biomolecules & Biomedicine* applied a variety of ML techniques to predicting the cost overruns of hospital departments, a relatively novel approach at the moment. The study concluded that their best algorithm was able to achieve 82% accuracy in predictions on sample data from over half a million patient and departmental records. Once used to predict outcomes the model saw reductions in per capita medical costs of 6.28%, per capita drug expenditures by 12.18%, and per capita consumables by 14.1%.⁵⁷ While healthcare is a vastly different use case, this is primarily to illustrate the potential of utilising new techniques to improve predictions, create, and execute informed budgetary plans.

Improve Data Systems

To accomplish Recommendation 1, the City needs large quantities of quality data. Currently, CPD utilizes a number of reporting and tracking systems to record case information, officer evaluations, and internal administrative actions. Many of these represent legacy systems that can be difficult for officers to work with and increase bureaucratic overhead. Additionally, the systems are not integrated and often require manual imputation of data to communicate between them. For some systems, there is no method of communication available at all.

In a 2022 report, the Office of the Inspector General noted this deficiency. It recommended revamping CPD's risk management and data systems in their entirety, though it is unclear if this report impacted CPD's data or risk management policies. The report focused on data collection and management of litigation by CPD, describing it as "[limiting] the City's ability to effectively manage the risk of expense to the City and harm to its residents."⁵⁸ In response CPD noted that they are in the process of improving systems and communication with the Department of Law to better track cases and specific officers. While this is a potential first step, the report did not indicate confidence in CPD's current efforts (as of late 2022).

On August 31, 2025, the Chicago Financial Future Task Force (a commission established by mayoral executive order April 1, 2025) released budget recommendations in an interim report. Among many recommendations, the report suggested that updating legacy systems could provide cost savings over time.⁵⁹ The report did not give specific estimates

⁵⁷Yao Bu, Danqi Wang, et al., "Enhancing predictions of health insurance overspending risk through hospital departmental performance indicators," *Biomolecules & Biomedicine*, Vol. 25 No. 10, September 9, 2025.

⁵⁸Office of the Inspector General of Chicago, "Use of Litigation Data in Risk Management Strategies for CPD," (Chicago: City of Chicago), September 2022, p. 18.

⁵⁹Chicago Financial Futures Task Force, "Interim Report: Options for Chicago's Financial Future," City

and was a catch all for the entirety of city government. Still, budgetary savings in CPD could come both from streamlined operations as well as better case and officer tracking. The second of these two principally ties into Recommendation 1 in helping to feed data to risk mitigation systems. It may be time to revisit the OIG report and work on the upgrades recommended in the August financial report to CPD's legacy data systems from the ground up.

Internal Structural Reform

Many factors affect the number and size of police settlement and litigation payouts for any department in the country. In addressing the financial burden of these payouts, governance structures cannot be ignored. The underlying personnel management systems and culture are highly influential in all aspects of a department's performance. Many police departments have struggled with this at different points such as Los Angeles after the Rampart Scandal (1999) and New Orleans after a Department of Justice (DoJ) Investigation in 2012 found unconstitutional policing practices. Chicago famously entered into one of the most sweeping consent decrees in history as a result of the 2017 DoJ investigation brought on by the murder of Laquan McDonald.

Since entering into the consent decree, CPD has made progress in select areas. Currently, CPD operates the Tactical Review and Evaluation Division (TRED) which seeks to learn from negative policing encounters through investigation and then force-wide information dissemination. TRED evaluates non-level 1 (deadly force, these are investigated by a separate entity) use of force incidents for teachable moments to improve policing practices and develop training. It is a recent addition to CPD but has the potential to act as a focal point through which risk mitigation strategies can flow via the training pipeline. Other recent strategies include the Early Intervention System (EIS), which seeks to identify officers who need more support and training early on in their service. EIS is in its infancy, but is a data driven, predictive approach to identifying problematic behavioral patterns and addressing them early on.

In order for both TRED and EIS to work properly, CPD must invest in quality supervisor-officer relationships that build over time. Currently, CPD officers frequently move around within different patrol areas and within CPD's internal structure. Part of this is caused by complex staffing schedules that make team stability difficult and thus also limit the supervisor-officer bond. Additionally, CPD must modernize its data systems as outlined in Recommendation 2 in order to ensure officers actually use EIS and other administrative systems properly. If teams must dedicate large amounts of time to reporting on competing systems, this burden could become onerous and little used.

Governance reforms are some of the hardest, but often most-effective, for any entity. When considering how the city can finance police settlements, reducing the volume of claims is one of the most critical components. The City and CPD must address internal governance concerns in order to effectively address the growing number and cost of CPD-related payouts.

of Chicago, August 31, 2025, p. 47.

Evaluate Features Used in Other U.S. Cities

GFOA's best practices on enterprise risk management outline a program designed to identify potential events that may affect the government and minimize risks to property, services, and employees.⁶⁰ Its importance is contextualized by growing litigation costs in recent years. Key tenets include:

1. **Risk identification:** Understand sources, types, and likelihood of risks originating from environments including internal, legal, ethical, operational, political, social, and economic.
2. **Risk evaluation:** Frequency and severity of claims should be monitored and released through regular reports.
3. **Risk treatment:** Programs should use a combination of preventative and control measures, risk transfer (shift financial burden to another entity), and risk retention (financing in-house).
4. **Risk management implementation:** Make government officials aware of policies and procedures and provide them with decision-making guidelines.
5. **Risk program review:** Regularly review the efficiency and effectiveness of programs and revise as needed.

Chicago should explore the features employed by other cities to discourage budget overages and encourage reductions in litigation risk and costs (outlined in Section 4). These features and their applicability for larger jurisdictions need to be further studied. From existing research, however, it is clear that a police department paying settlements and judgments out of its own budget, as is the case in Chicago, does not alone incentivize lower litigation costs. When the additional funds required to satisfy liability claims are provided from the jurisdiction's general funds, the department is particularly insulated from financial consequences of these higher costs.

Contributions to a central risk fund⁶¹ or membership in a public entity risk pool, which can incentivize departments to lower premiums, should be explored. It is important to note that local opposition exists and may challenge implementation. Key parties to consider when evaluating the feasibility of intra-city risk pooling include labor organizations, particularly the Fraternal Order of Police and Union Local 2.

Given Chicago's self-insured status, the possibility of insuring more of its liabilities using excess insurance should also be explored. Outside insurers can motivate department changes aimed at reducing misconduct and resulting costs, though further study is needed to better understand the influence of insurers on large jurisdictions and the feasibility of excess insurance for a city as large as Chicago.

Useful cities to begin this more extensive evaluation would be Sacramento, Indianapolis, Phoenix, and San Antonio. Departments that feel tangible effects of budget overages

⁶⁰<https://www.gfoa.org/materials/enterprise-risk-management>.

⁶¹Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform," p. 1207. Premiums should be experience-rated.

appear to request additional funds less often, and it should be ascertained which financial consequences or benefits would best address Chicago's needs and fit with its budgeting practices.

Raise Budget / Avoid Borrowing

Chicago's budgeting practice for police settlements and judgments should be revised to align appropriations with the consistently higher levels of actual spending and to reduce the City's reliance on costly, deficit-worsening backfills and borrowing. Year after year, settlement and judgment payments have exceeded the amount budgeted for this purpose, taking a predictable, recurring expense into a mid-year fiscal shock that must be covered through the Corporate Fund or through debt issuance.

This approach does not reduce liability costs in any way; it shifts them into more expensive financing mechanisms. Borrowing to pay settlements, as illustrated by prior taxable bond issuances used for judgments and settlements such as the one issued in 2014, raises the ultimate cost of misconduct through interest payments and commits future budgets to debt service, limiting flexibility and contributing to long-run fiscal pressures. Raising the annual budget for police liability costs would treat these payments as the structural expenditure they are, and could also reduce the frequency of emergency funding, and disincentivize the use of high-interest borrowing as a routine solution.

Increase Transparency and Visibility

Currently, there is a lack of accessible data on how municipalities budget for and pay settlements and judgments against law enforcement agencies. Public databases that publish misconduct records, settlements and lawsuits, etc. do not focus on city budgeting processes or associated borrowing needs. Schwartz's 2016 study, the first of its kind, reports on budgeting practices of only ~1% of the jurisdictions in the United States.⁶²

Chicago should strengthen transparency and visibility around police settlement and judgment spending so that the full fiscal burden—and the drivers of that burden—are consistently visible to policymakers and the public. Although Chicago publishes more data than many peer cities, reporting is still fragmented across Comptroller payment files, ACFR budget line items, and litigation reports, making it difficult to reconcile totals, track how overruns are financed, and identify which categories of cases are driving the largest costs. Particularly unclear under the current system is how budget shortfalls are covered, e.g., through corporate funds or through debt. Without clear, transparent records of the amount/type of debt, it is difficult to understand the extent to which the City is truly paying for these liabilities, given that, for example, the interest paid back on bonds can add substantially to the total payments being made. Greater transparency improves fiscal planning and deficit forecasting while making the budget consequences of misconduct harder to absorb quietly through mid-year reallocations or borrowing.

⁶²Joanna C. Schwartz, "How Governments Pay: Lawsuits, Budgets, and Police Reform."