

**THE IMPACT OF FEE BASED POLICE SERVICES ON
LAW ENFORCEMENT**

Article

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Traditionally, law enforcement funding is dependent on local governments and their tax based budgets. Property taxes, sales taxes, transient occupancy taxes and the like currently are the main source of revenue for local governments. Police departments usually garner the lion's share of most of the local government's budgets. On its face, this seems to be a practical and sensible way to fund services that are, in most cases, mandatory. Police departments, or at the minimum the police functions, are a necessity and normally the point in which most citizens actually see or engage with their government at any level.

The article will look at the question of why, if so vitally important, police departments frequently experience budget cuts and/or are prevented from modernizing and upgrading due to lack of funds? The short answer in today's economy is often a matter of priorities. As with most things in life, local governments too have other duties and responsibilities and everything falls into a matter of priorities. This article will discuss ways in which funding barriers may be overcome. In addition, this article will look at what can be seen as an over-reliance on local tax revenues and how this dependency may be eased by implementing cost recovery methods. This will include a look at the potential impact of charging and collecting fees from the person who receives the service, who will be referred to as the end-user. Other methods of cost sharing, outsourcing and for-profit ventures will be also be discussed.

As police departments in most local governments represent a significant portion, if not the majority of annual budgets, when poor economic situations arise, the police department's budget is often threatened proportionally. As local governments searched for ways to maintain funding, prior to 1976, they often just raised local property taxes. As a result, most property taxes increased significantly year by year.¹

The public, upset by the burden of property taxes, began what has been called the taxpayer's revolt. In California, the voters passed Proposition 13. Known as the Jarvis-Gann initiative, it was written to limit increases in property taxes and in fact reduced the level of property taxes. Since that time, local governments, absent a two-thirds majority vote of the community, have been unable to raise property taxes beyond the limits set forth in the initiative. The search was on for an alternative.

Communities began utilizing a system of taxation that became known as Community Service Districts or County Service Areas as a special tax for direct services to that community. These districts charged the individual property owner for providing many services from police protection to landscape maintenance and street sweeping.² This system of taxation became widespread and was soon seen by the taxpayers as a loophole in Proposition 13. In 1996, the Howard Jarvis Taxpayers Association, a group created as a result of the tax revolt era, proposed Proposition 218 as a means to restrict this method of taxation. The voters approved this initiative in 1996 and many local governments who had these special taxes lost millions in revenue for their cities.³

This created financial crisis for many communities. Many returned to the voters for approval, which required a two-thirds majority of the voting public, and were unable to gain the necessary votes. This instability in finances, created by these different initiatives and subsequent loss of revenue, has local governments looking to other sources for needed funding.

Utility taxes have become one source of those funds.⁴ This is a charge based on the utility user's bill. This also is being challenged by taxpayer groups and is recently under fire due to the energy and electric supply crisis in California. Several cities with this tax are recalculating the percentage to compensate for higher electric bills.⁵

So with concerns about the stability and quantities of taxes, many have looked at other sources of funding. Traditional approaches have been directly related to the cost of the item or service provided. State laws in California regulate fees, limiting them to the actual cost of service.⁶ Governments are not profit oriented. It would not seem appropriate to profit since most of government's activities are traditionally funded by the public-at-large in the first place. What has occurred over the years, more recently with the further development of community policing philosophies, local governments and the police are more actively providing non-traditional services. With each new service comes the need to fund the service or the personnel providing it.

Most departments have recently used fees to recover costs of vehicle impounds, drunk driving collision investigations costs, report duplication and other easily quantified expenses. As police departments have begun to use these cost recovery methods the idea should be taken further. As with most industries, governments also

calculate the costs of doing business. With the nature of government services, often times its simply adding up the time spent by the personnel handling to matter.

Recently a group of people met to discuss the issue of fee based police service. This group consisted of professionals from city government, police chiefs and commanders, city attorney's and city council members. Private industry was also represented, as were other civilian members of the community.⁷ The meeting was part of a research project focused on the potential future of the fee based police service. During the meeting, several ideas, trends and events were discussed. This group, in summary, believed charging for police services would be utilized in much broader forms in the future.

The results of the focus group meeting were portrayed in written scenarios. This group felt that within the next five years many non-essential services, beyond the emergency need for police action, would become part of a fee based cost recovery system of policing. Some of the ideas included a tiered rate for levels of service.

An example given as part of a scenario was that of a caller reporting a burglary for the purposes of documentation rather than for the purposes of catching the criminal. As we all know many crimes go unreported and undocumented due to the victims being unwilling, unable or uninterested in pursuing the matter. Many times it may be simply the lack of time or opportunity to meet with officers to allow an investigation. Others may feel that their loss is covered by insurance anyway. The group felt that there was a potential for insurance company interest in completing the investigation. Rather than just letting the case go, the insurance company could pay the department to

do a more detailed investigation. Or possibly, the future could hold a system where different insurance policies are issued based on the option for police investigations or no police investigation. Perhaps the amount of the deductible or the policy premium would be more or less depending on the amount of service or the extent of the investigation provided by the police. The money from the policy difference could then be used by the company to pay for police service.

One of the most interesting scenarios involved the potential future of a police insurance policy purchased by an individual. This idea was compared to that of the health care industry's format. For example, basic police service could be like that of the basic service provided to a member of a Health Maintenance Organization, (HMO). A higher level of service would be like as a subscriber to supplemental insurance that provided a Preferred Provider Option, (PPO). The maximum coverage would be equivalent to those that pay for full medical coverage policies. Each of these medical policies have at its most basic level, things such as emergency treatment, physical exams, prescription drug plans, disease prevention and control. The major differences come in the selection of the doctor, the specialist or the types of treatment. In addition, the use of facilities such as hospitals and hospices, and whether you have a private room or share a room are all added features as one moves up the scale in coverage. Applying this type of system to police service was an intriguing idea for the group of professionals discussing the future of a fee for service policing.

As part of transitional and potential strategic plan for implementing changes towards a fee based system, the health care model was a consideration. The key issue in

attempting to apply that model was the ability to gain consensus on what a basic police coverage policy, paid by traditional tax dollars, would include. A significant amount of time and study would be needed to insure that traditional life and property protection issues are maintained.

Another aspect of a fee based system considered was the legal restrictions that limit fee collection to cost recovery. Would the public support changes in the laws to allow for a profit? Fee collection resulting in a profit could be supported as long as the fees collected are reasonable and any profits made were applied items that are a direct benefit to the public. No profit could be converted to individual gain and it was felt that a commission type system would leave open opportunities for unfair competition and/or potential corruption.

One area that this may prove possible would be in technological advances. Often times local governments have to wait for technology improvements due to the costs. If however the ability garner additional revenue from the technological advancement could pay for itself, then there would be no advantage to wait. For example, wireless technologies are changing rapidly. Soon direct connection via cable or telephone wires to internet providers may be obsolete. If a city installs a wireless system that provides the police officer to gain access to internet sources, the city could then provide that same access to its residents. By collecting a fee similar to that of the traditional cable and telephone line internet providers, the city would be able to pay for the upgraded system and provide enhanced services to the public.⁸

As a consideration of the internet technologies and the fast pace development of web cams, which is a camera that is attached to a computer and can send its digital video images to a world wide web site, could a monitoring service provide an opportunity for revenue? Similar to that of an alarm company monitoring for activation of a person's home alarm, if police provided this service, would this reduce the need for on site preventative patrols?

What is important to remember is that these ideas and the potential future of fee based police service is not merely to recover costs or to make profit for public use/benefit. It is also a potential method to increase customer; the public's, satisfaction with the type of service provided. In addition, it can be used as a tool for the enhancement of that service. As mentioned earlier, if the cost of implementing a new innovative idea or program can be recouped by charging for the service, everyone benefits.

Creating an environment to allow for such a system to fall into place will take some time. That is why we should start the process now. Many agencies have fees such as those mentioned at the beginning of this article. Educate the public on the value of these fees and systems. If your local police department does not have some of these fees, encourage them to begin. Hopefully as the public becomes more increasingly aware of such fees and services their level of awareness and acceptance to the system can be improved.

In order to further ideas such as the police insurance policy; begin meeting with insurance industry executives, police and local government officials and the general

public. Include those that are seen as potential obstacles to the continued exploration of the idea.

It will be important that while participating in a process to engage in a fee system, legislative action will be required. Educating the local, state and perhaps federal politicians on the system will be required. Having sufficient political support or clout so to speak, will be an important component of the process.

It will be important that those on the cutting edge in the development and education of the public in this process be people who are supportive of the public interest. If seen as just another mechanism for raising revenue it may be difficult to garner the support. Those on the forefront must ensure that a fee-based system insures that those in need of the basic law enforcement services receives them. The system must not be based on the end-user's ability to pay.

The future of fee based police services does appear to have a significant potential. It will impact the way in which police departments and concurrently, the local government, funds operations. A lasting benefit of this process may in fact provide a more stable revenue stream in the future. This stream may prove more resistive to economic swings due to a pay as you go philosophy. A budget that is supported by multiples source of income, rather than the traditional tax base system, appears to be possible if departments are willing to be creative.

Review and consider the future needs of your communities by engaging in regular dialog that will consider issues of technological advances, changing economic conditions and enhancing the quality of life in the community. Consider providing

services not traditionally thought of as part of a police department's role in the community. Invest and trust in the members of the community. The attitude that the police officer and/or the department knows what's best for the community should be avoided. Police Managers must consider what Sir Robert Peel once said, "The police are the public and the public are the police." That philosophy is the basis for community policing today as it was when Peel was credited with being the father of the modern police department. By working together with your communities for the mutual benefit of all those in the community you will earn the trust and support of those you serve. It is with that support and trust that change can be implemented.

ENDNOTES

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- ¹ Fox, Joel, Howard Jarvis Taxpayers Association, “Closing the Assessment Loophole in Proposition 13” Los Angeles Times, October 20, 1996.
- ² Northern, Mavis “What is the CSD and how is it Funded?”, The Chamber Connection, Chamber of Commerce, Cathedral City, Newsletter, July 1996.
- ³ Legislative Analyst’s Office, State of California “Understanding Proposition 213” Internet Article, www.lao.ca.gov/understanding_prop218_1296.html 12/96
- ⁴ City of Cathedral City, “Replacement of the Community Service District”, A Question and Answer Flyer on the CSD, 01/99.
- ⁵ Kleindeist, William, Mayor, City of Palm Springs, California, interviewed by author.
- ⁶ Government Code, State of California
- ⁷ Future Studies Project, Nominal Group Technique Cathedral City Police Department, March 2, 2001
- ⁸ Conner, Kevin, Captain and Information Services Manager, Cathedral City Police Department, Interviewed by author