

Discussion of  
**“Does Revenue-motivated Policing Alter Who Receives Traffic Citations? Evidence from Driver Race and Income in Indiana”**  
by Siân Mughan and Akheil Singla

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May 2023

## What does the paper do?

- ▶ Great paper measuring the impact that **revenue motivated policing** has on traffic ticket outcomes by race
  - ▶ **Context:** Indiana traffic ticket counts and court decisions on *failure to pay* suspensions (*ftp*) for ticketed non-payers
  - ▶ Revenue motivation for police is novel in related literature: **interaction** of revenue shortfall and *revenue retention of fees*
  - ▶ Tax shortfall variation: Circuit Breaker Credits (CBC) as a share of property tax liabilities
  - ▶ Revenue retention variation: whether the jurisdiction retains fees through their own court or remits to the state through a county court

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  - ▶ Tax shortfall variation: Circuit Breaker Credits (CBC) as a share of property tax liabilities
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  - ▶ **Method:** panel regressions of log ticket counts and *ftp* on interaction of CBC and municipal court indicator

## Why do we care?



The New York Times

U.S.

# *The Ferguson Police Department: The Justice Department Report, Annotated*

By RICHARD PÉREZ-PEÑA MARCH 4, 2015



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The Justice Department reports that its [investigation](#) into law enforcement in Ferguson, Mo., found that the police and courts meted out illegal and unduly harsh treatment, particularly to black people. One of the reports released Wednesday, "Investigation of the Ferguson Police Department," says the mistreatment is due to discrimination, and a primary focus on maximizing city revenue through citations, not to

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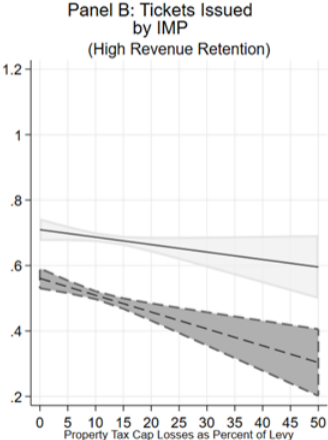
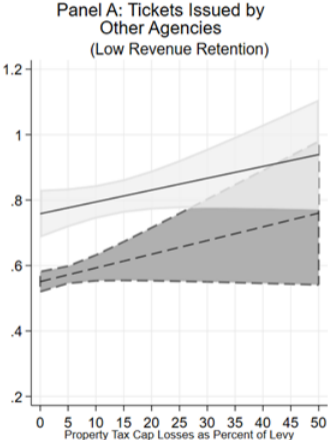
- ▶ Revenue motivated policing often listed as a cause of bad police/citizen relations
- ▶ Public, anecdotal connection between revenue motivated policing and targeting and harassment of Black residents

## What do we learn?

Four findings:

1. Revenue-motivated increases in ticketing only show up for municipalities that retain revenues
2. Wealthier drivers (more likely to repay) are more likely to receive tickets as CBC losses increase
3. The wealth impact of who gets ticketed is concentrated among White drivers
4. Judicial decision-making in when to issue *ftp* suspensions is also impacted by revenue motivation

# What do we learn?



White Drivers      Black Drivers

- 1 Comment #1: Circuit Breaker Credit variation
- 2 Comment #2: How should municipal financial distress manifest?
- 3 Miscellaneous comments and future ideas



## Comment #1: The Circuit Breaker Credit identifying variation

- ▶ The Circuit Breaker Credit is a tax credit that caps the property tax liability as a share of *assessed value*
  - ▶ Limits tax to 1% of homestead, 2% of other residential/agricultural, and 3% of other non-residential, with extra controls for low income people over 65 years old
- ▶ What levers cause higher Circuit Breaker Credits?
  1. Less commercial property
  2. More elderly
  3. Higher tax rates (including by overlapping authorities)
- ▶ Paper talks about cross-sectional variation in CBCs being large, but identification is **within agency** (due to fixed effects). What causes yoy fluctuations?
- ▶ A Marion County case study (admittedly unfairly chosen) indicates CBCs are quite persistent over time:

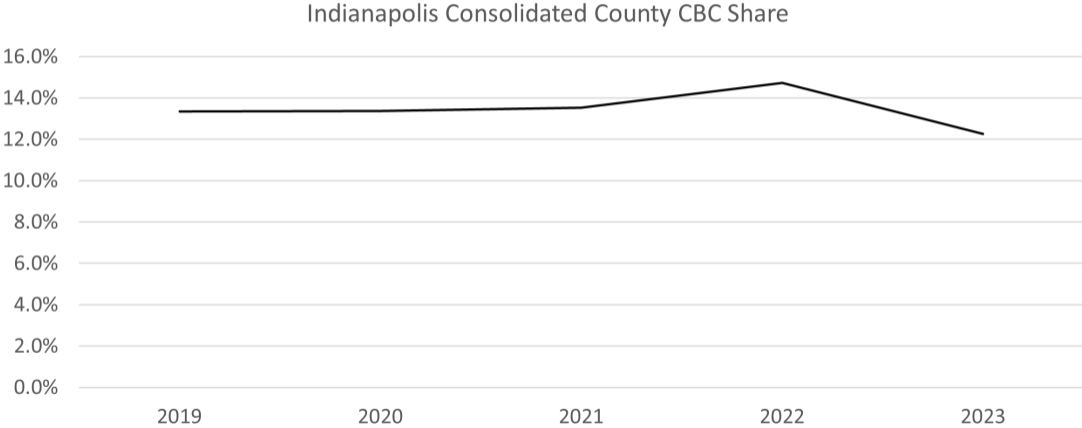
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Table: Indianapolis Consolidated County Property Tax Levy by Year

	2019	2020	2021	2022	2023
Levy	\$61,081,356	\$63,221,847	\$66,608,852	\$71,216,359	\$74,068,264
CB Credits	\$8,143,931	\$8,445,095	\$9,011,227	\$10,488,966	\$9,077,235
Post-CBC Levy	\$52,937,425	\$54,776,752	\$57,597,625	\$60,727,393	\$64,991,029
<b>CBC Share</b>	13.3%	13.4%	13.5%	14.7%	12.3%

Data from annual Marion County Circuit Breaker Reports, Indiana DLGF

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- ▶ Indiana Department of Local Government Finance (DLGF) has some important oversight capacity publishing estimates and checking budgets (Forms 3, **4B**, and 4)
- ▶ Example of 2023 Indianapolis Consolidated County shows differences between CBC expectations and reality could be illuminating:
  1. In June 2022, DLGF estimated max levy credits (including CBC) would be \$14.7 million
  2. In July 2022, DLGF presents “Estimated 2023 Maximum Levy” of \$60.4 million
  3. Actual CBC ( $\approx$ \$9 million) and actual levy ( $\approx$ \$65 million) were announced in April 2023

CBC measure: 12%

*Unanticipated* CBC: -8%

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- CBC measure: 12%
- Unanticipated* CBC: -8%
- ▶ If CBC is partially anticipated and partially not, should that change the interpretation of the CBC variable coefficient? (timing of when police response is expected? what other options are available to raise revenue? measurement error in revenue need?)

## Comment #2: How should municipal financial distress manifest?

- ▶ The nature of revenue motivation in general is exceptionally hard to pin down: at what point does the desire for an additional dollar of spending change behavior?
- ▶ Common variation in public finance (close elections, financial metrics, total revenue changes, etc.) all have issues to quibble over

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- ▶ Are there any lessons from the finance literature? Many definitions of corporate financial distress:
  - ▶ Cash flow sensitivities (Fazzari et al. 1988)
  - ▶ Reliance on external finance (Kaplan and Zingales 1997)
  - ▶ Investment constraints (Whited and Wu 2006)
  - ▶ Age and size (Hadlock and Pierce 2010)
  - ▶ Negative surprises to operating cash flow (Faulkender and Peterson 2012)

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- ▶ One common refrain is that **corporate financial distress responses are not linear**. Why is the public sector response to a source of fiscal stress expected to be linear?
- ▶ An extra idea: Measure the correlation between CBC and bond yields (are investors pricing this measure of distress?)



## Miscellaneous Comments

- ▶ Insofar as police officers reside in cities, they could care about revenues and fiscal stability beyond how much is retained by the police directly. Is there variation on this margin to exploit?
- ▶ How does overlapping jurisdiction work for municipal courts with multiple in a county? (footnote 4)
- ▶ Population as a control has estimates that vary a lot across specifications. In the specifications without the interaction term, population has an elasticity less than 1, but with the interaction term, the elasticity is over 2

## Conclusions

- ▶ Really fantastically done paper with novel data and interesting takeaways
- ▶ Very important and understudied question with broad implications for how fee revenue is distributed and the importance of revenue motivated policing
- ▶ Suggests that the **revenue motivation is not necessarily what leads to bad racial equity outcomes!**

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- ▶ I can't wait to read future papers building on these results