

In the recent session of the State legislature which has just completed its deliberations, several bills were introduced to tone down the effect of garnishment of wages. The fight for this legislation was led by freshmen members of the assembly.

One bill that was not reported in my prepared statement—as you know, our legislature didn't adjourn until early Monday morning and in getting the material together one bill was omitted. This bill, introduced by Assemblyman Burton, of San Francisco, which had for its purpose the abolishing of garnishments and it never was reported out of the committee.

A bill, introduced by Assemblyman David Roberti, had for its purpose the prohibition against discharging an employee due to the garnishment of wages. This bill passed the assembly but was defeated on the floor of the Senate. Another bill, introduced by Assemblywoman Yvonne Brathwaite, passed the assembly by one vote but was killed in the senate finance committee. This latter bill originally provided for the exemption of one-half of "net earnings" or the first \$100, whichever is greater. A 50-percent exemption is our current law.

By amendment the term "net earnings" was deleted and the \$100 limitation was reduced to \$70. This bill would also have prohibited garnishment of wages before judgment.

I have talked with members of the legislature and have been advised that opposition to these bills came from collection agencies, small jewelry shops, and neighborhood furniture stores. There was no noticeable opposition from banks, doctors, small loan companies—one actually endorsed the amended bill which passed the assembly—or department stores.

The current failure came after an assembly interim judiciary committee studied the subject and concluded:

(A) revision of the law which will increase the debtor's protection by way of exemption and which will make that protection more modern and equal will be to benefit to both debtors and creditors. This conclusion reflects the underlying fact that neither debtor nor creditor benefits when the debtor is financially crippled. A more powerful exemption law will help keep the debtor from sinking further into a financial abyss and losing his job. At the same time it will protect the creditors to the extent that it allows the debtor to keep going and to avoid bankruptcy. Incidental credit grantors such as doctors, lawyers and small businessmen lose when a small loan company garnishes wages and causes the debtor to be fired or run for bankruptcy. A law with more exemption protection will encourage the commercial credit grantors to be more careful in choosing their credit risks. If the creditor will do this, he will reduce his bad debt losses. This induced care may result in some reduction of overall credit granted, but the reduction will probably be small and will be justified by the decrease in human misery caused by extreme credit problems. Finally, an exemption law can be tailored to encourage the debtor to find a program which will help him to find his way out of a bad financial situation and into a better one.

The Judiciary Committee report made no specific proposals.

In my prepared statement I also refer to the study made by George Brunn, which I understand the committee had full access to prior to my furnishing a copy so I would not make too much reference to that.

This comprehensive study by George Brunn was published in the California Law Review, December 1965, volume 53, No. 5, page 1214. The Brunn report included an analysis of court records in San Francisco. There is attached to this statement an analysis of civil court filings of the Los Angeles Municipal Court.