

**Testimony of Brittany Alston, Policy Analyst
At the Public Hearing on
Bill 22-0572, The Wage Garnishment Fairness Amendment Act of 2017
Committee on the Judiciary & Public Safety
June 21, 2018**

Chairman Allen and members and staff of the Judiciary Committee, thank you for the opportunity to submit written testimony. My name is Brittany Alston and I am the workforce development policy analyst with the DC Fiscal Policy Institute, a division of the Center on Budget and Policy Priorities. DCFPI promotes budget and policy choices to expand economic opportunity for DC residents and to reduce income inequality in the District of Columbia, through independent research and policy recommendations.

I would like to express my strong support for Bill 22-0572, the Wage Garnishment Fairness Amendment Act of 2017.

The Current Wage Garnishment Law Fails to Protect All District Workers

Garnishment is a procedure used by creditors to intercept a person's wages to collect on a debt. DC law limits how much can be garnished from a person's pay. Under current law, a creditor may garnish 25 percent of a worker's disposable income, or the amount by which a worker's weekly disposable income exceeds 30 times the federal minimum wage. **This law is outdated—unchanged since 1971—and fails to adequately protect low- and moderate-income workers.** Practical, common-sense updates to the law are necessary to allow DC workers to keep more of the money they earn, rather than keeping them stuck in a cycle of poverty.

In 2014, the ADP Research Institute (ADP) released a report entitled, *Wage Garnishment, The Untold Story*.¹ The ADP study revealed that in 2013, 7.2 percent of employees had their wages garnished.ⁱ Of those having garnishments, 3.4 percent were for child support, followed by 2.9 percent for other forms of garnishment--of which a major part was student loan and court-ordered consumer debt garnishment--1.5 percent for tax levies and 0.4 percent for bankruptcy.

According to the ADP study, the highest rates in most garnishment categories were reported among those earning between \$25,000 and \$40,000. Under current law, an extremely low-income household earning approximately \$33,000 or less², for a family of four, is subject to garnishment for up to \$8,000 or 23 percent of their income. These households face severe challenges in our expensive city: approximately 63 percent of extremely low-income households in the District spend at least half of

ⁱ In this study, the ADP Research Institute used aggregated, anonymous payroll data from 2013, 2012, and 2011. Though all the detailed analyses were based on data from 2013, 2011 and 2012 data were used to check the trend in garnishment. The dataset was comprised of approximately 13 million employees, ages 16 and older.

their income on housing – that’s 27,000 households living on the edge.³ Both DC’s lack of affordable housing and its high poverty rates disproportionately fall on residents and communities of color. Of extremely low-income, severely rent burdened households, 88 percent are headed by a person of color.ⁱⁱ For the extremely low-income family that is already spending 50 percent or more of their income on housing, the proposed bill provides relief and allows for a gradual garnishment. The gradual garnishment frees up some income that can be used to pay for the high costs of living in the District.

The National Consumer Law Center, the leading policy analysis and advocacy organization on consumer law matters, gives DC an “F” for its garnishment protection law because it fails to protect more of workers’ wages than the federal minimum wage, or less than half the poverty level for a family of four.⁴ The following bullet points describe how states were graded:

- “A” states protect all wages from garnishment (NC, SC, PA, TX)
- “B” states protect at least 90% of wages (IA, MO, NJ, NY)
- “C” states protect enough wages so paycheck doesn’t fall below poverty level (AK, FL, WI)
- “D” states just protect more than the federal minimum
- “F” states protect only the federal minimum

By changing the multiplier in the garnishment calculation from 30 to 40 times 150 percent of the DC minimum wage, the bill would allow people who work full time at the District minimum wage to keep all their earnings.

The Proposed Bill Will Bring Much Needed Change to Low and Moderate-Income Workers

It will tie our garnishment protections to the local rather than federal minimum wage.

A fundamental problem with the current law is that it is tied to the *federal* minimum wage—which has been set at \$7.25 since 2009. The proposed amendment would tie our garnishment protections to the DC minimum wage.ⁱⁱⁱ

It will require debt collectors to provide advance notice to individuals at risk of garnishment

Currently, there is no requirement in the District that creditors send notice to debtors before a garnishment begins. Many people learn that their wages are being garnished when they receive their paycheck and their money is missing. The bill will require debt collectors to provide advance notice to the individual at risk of a garnishment, allowing them to prepare financially or to seek to resolve the issue outside of garnishment.

It will help close the wealth gap and allow workers to earn a living wage.

Amending the law to allow low and moderate-income workers to keep more of the money they earn will help to close the wealth gap, enable DC workers to afford basic necessities in a city with one of the highest costs of living in the country, and help combat the collateral consequences of excessive garnishment. Without better protections, garnishment will continue to harm low and moderate-

ⁱⁱ The 27,000 figure does not include families and individuals who are currently homeless, or those who are “doubled-up,” sharing housing with another household because they cannot afford rent on their own.

income workers the most by making it difficult or impossible to pay for housing, utilities, food, medical expenses, and other basic needs.

The following graph compares the percent of income garnished currently as compared to the proposed bill.

Percent of Wages Garnished

Hourly Wage	Annual Wage	Current Law	Proposed Law
\$5	\$10,400	0%	0%
\$11	\$22,880	23%	0%
\$20	\$41,600	23%	2%
\$30	\$62,400	23%	9%
\$40	\$83,200	23%	13%
\$50	\$104,000	23%	16%
\$60	\$124,800	23%	17%

It will further the District’s progressive policies supporting lower income wage earners.

The D.C. Council’s recent passage of legislation raising the minimum wage—and the corresponding dialogue about the income gap problem, the high cost of living, and the importance of the ability to earn a living wage—creates a timely and important opportunity for garnishment reform. This amendment is a natural next step for the District and is necessary to prevent garnishment from undermining the core policies behind the city’s recent decision to raise the minimum wage.

In short, the Wage Garnishment Fairness Amendment Act of 2017 is another tool the District can use to protect low and middle wage workers. Thank you for the opportunity to submit written testimony and am happy to continue this conversation.

¹ ADP Research Institute, *Garnishment: The Untold Story* (2014), Garnishment Rates by Wages, p. 12, available at <https://www.adp.com/tools-and-resources/adp-research-institute/insights/~media/RI/pdf/Garnishment-whitepaper.ashx>

² Office of Policy Development and Research (PD&R) U.S. Department of Housing and Urban Development. HUD Income Limits (2016). <https://www.huduser.gov/portal/datasets/il.html#2016>

³ Zippel, Claire (2018), DC Fiscal Policy Institute. “Building the Foundation: A Blueprint for Creating Affordable Housing for DC’s Lowest-Income Residents”. <https://www.dcfpi.org/wp-content/uploads/2018/04/4.4.18-Housing-Need-Paper-blog.pdf>

⁴ National Consumer Law Center (2013). “No Fresh Start”. <https://www.nclc.org/images/pdf/pr-reports/report-no-fresh-start.pdf>