

Haste Makes Waste at the State Legislature
By Glenn Grothman

The final week of the regular session in the legislature is the busiest and, therefore, the time of most irresponsibility. Most bills must pass that week or they die and cannot be reintroduced for another nine months. In one day, over 90 bills appeared on the Assembly Calendar. Clearly, few legislators are aware of most provisions in these bills. Procrastinating legislators push bills through committees without adequate scrutiny. I am now cynical enough to believe some lobbyists intentionally introduce bad bills at the end of session when people are not paying attention.

The topic for today is Senate Bill 504, dealing with bankruptcy law. Last year, Wisconsin bankruptcies hit an all time high at 28,225. This was as many as the whole country had in 1952. While some of this is due to the economy, the big nationwide jump in bankruptcy filings occurred in the 1990s when the economy was better. While some bankruptcies, due to health concerns and business failures are unavoidable, I am told the vast majority of bankruptcies are the result of simple irresponsibility – spending more on luxury items than one can afford.

A frustration for creditors who lose money is that some debtors escape bankruptcy and live quite well. One can have \$40,000 equity in a house or an unlimited amount in a pension plan and walk away from debts owed to other people. Also exempted is \$5,000 in personal property and a \$1,200 car. In some states – particularly in the South, you are allowed an unlimited exemption for a house. You hear of high flyers filing for bankruptcy with hundreds of thousands of dollars in debts yet living in a mansion worth hundreds of thousands in dollars that they are allowed to keep. Wisconsin has always been more responsible.

With two weeks to go in the legislative session, a few life insurance agents got a bill introduced to exempt an unlimited amount of cash value insurance or annuities from bankruptcy provided they were purchased at least two years before filing. In other words, one could put \$500,000 in a cash value annuity, ring up unlimited debts for two years, file for bankruptcy, and then keep the cash and have the debts wiped out. This is allowed in other states.

I assume these agents were looking out more for their commission than the businesses that would be left with nothing. I was fortunately able to get this amount reduced to \$150,000, but the bill did pass both the Senate and the Assembly. Unless Governor Doyle steps up to the plate and vetoes this mess, it will become law.

Some people find it hard to believe that people plan for a bankruptcy two years in advance. How naive. I'm told there are people who file for bankruptcy every seven years. They're planning their next one as they are filing for this one. No wonder we had 28,000 filings in this state last year. Bankruptcy lawyers may assist these people in gaming the system. In Madison in May, the State Bar Association is putting on a program called Bankruptcy for Upscale Creditors.

How could such a foolish bill – apparently cooked up by a few life insurance agents- work its way through a Republican legislature? Too many bills are bunched together at the end of session. Just as most legislators are too polite to question wasteful new spending proposals, most legislators are too polite to question other foolish laws as well. Too much trust is put in smooth talking lobbyists who don't tell you both sides of the story.

Let's hope Governor Doyle vetoes this mess the legislature gave him.

Please let me know what you think on this issue. Contact me here in Madison---please call 1-888-534-0058, or in any of the following ways:

Madison Address: P.O. Box 8952, Madison, WI 53708-8952

Home Number: (262) 338-8061

E-Mail: rep.grothman@legis.state.wi.us

WWW: <http://www.legis.state.wi.us/assembly/asm58/news/index.html>