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2.7 Percent Pay Raise Moves Forward; Tax Debt Privatization Moves Backward

Washington, D.C.—Action taken today by the House Appropriations Committee moved a 2.7 percent pay increase for federal employees a step forward while turning back plans to privatize the collection of tax debts. Both moves were welcomed by the leader of the National Treasury Employees Union (NTEU).

President Colleen M. Kelley said the Committee's approval of the 2007 Transportation-Treasury Appropriations bill which includes a 2.7 percent raise for civilian federal workers next year is welcome recognition of the important role fair pay has in agency recruitment and retention efforts.

The NTEU leader also cited as a positive step committee approval of an amendment to the appropriations bill offered by Rep. Steve Rothman (D-NJ) that would prevent the Internal Revenue Service (IRS) from hiring private sector debt collectors to pursue tax debts by prohibiting any funds under the appropriations bill from being used for the program. The Rothman amendment is the latest example of growing congressional concern about the IRS plan.

On the matter of pay, President Kelley said "It has long been recognized that federal employees lag behind their private-sector counterparts in pay and in the fight for the best and the brightest, this works against the federal government." However, "there is a growing understanding among members

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of Congress that the competition for skilled and talented employees will continue to accelerate in coming years, and fair pay is a critical component in that competition.”

The 2.7 percent raise for civilian federal workers would match the 2007 raise approved by the House for members of the military, thus continuing a long tradition of parity in civilian-military pay increases. Earlier this year, the administration proposed a raise of 2.2 percent for both groups of federal employees.

As to the Rothman amendment to the funding bill, its focus is concern about the costs of the IRS privatization plan. Rep. Rothman has previously noted that debt collectors would be paid between 21 and 24 percent of the money they collect, depending on the size of debt.

Along with an additional fee to be paid to debt collectors for each case resolved, the government would wind up paying nearly 25 cents for every dollar collected which is far less cost-effective than having IRS employees perform the work. The IRS itself has said that with only a modest increase in collection resources, agency employees would generate \$30 for the Treasury for every \$1 spent.

NTEU, which is strongly opposed to the IRS plan, is concerned about cost as well but also has turned the spotlight on the serious risks to the privacy and security of taxpayers’ personal and sensitive information inherent in the IRS privatization program.

“That egregious and well-publicized cases of data theft and loss are occurring with increasing frequency,” President Kelley said, “sharply underscores the clear risks in turning taxpayer information over to debt collection companies.”

As the largest independent union, NTEU represents some 150,000 federal workers in 30 agencies and departments.