

**Congress of the United States**  
**Washington, DC 20515**

April 3, 2009

The Honorable Peter Orszag  
Director  
Office of Management and Budget  
1650 Pennsylvania Avenue, NW  
Washington, DC 20503

Dear Director Orszag:

This month the Department of Defense froze implementation of two pay-for-performance systems, the National Security Personnel System (NSPS) and the Defense Civilian Intelligence Personnel System (DCIPS), in order to conduct a thorough review of these systems. Further, Congress and the Federal Courts have voiced their dissatisfaction with the Department of Homeland Security's pay-for-performance system, known as MaxHR. Congress has restricted funding for MaxHR, while the courts found it legally deficient. As a result, DHS has halted its efforts to implement the system. We applaud these actions and urge you do the same with pay-for-performance systems across the Federal government.

We note that in a September 2008 report, the Government Accountability Office found that employees do not trust these systems to compensate them fairly. Many fear that the government has adopted these systems in an attempt to curtail the long-term growth of personnel costs. Employees have complained about discriminatory pay practices in Federal organizations that have moved to these types of systems. The discretion given to managers to set performance metrics and to pay employees accordingly means these systems lack transparency and accountability, and could pose a disparate impact on minorities.

We also question the policy justification for adopting such systems. Proponents of pay-for-performance have argued that such systems are necessary to compete with the private sector for talent. We note that the 1990 Federal Employees Pay Comparability Act provided personnel flexibilities to compete with the market while retaining the fairness and transparency of the merit-based civil service system. A well-designed performance management system can recognize and reward high performance without a linkage to compensation.

In addition, as agencies have developed unique pay-for-performance systems—in some cases multiple systems within a single agency—it has created a patchwork of personnel systems across the federal government. This hinders reciprocity between

federal agencies and establishes competing agency cultures, both of which undermine federal government performance.

We urge you to put on hold further advancement of any pay-for-performance measures in the federal government and conduct a government-wide review to determine the best way forward to improve performance management while preserving merit principles.

Sincerely,



Edolphus Towns  
Chairman  
Committee on Oversight  
and Government Reform



Stephen F. Lynch  
Chairman  
Subcommittee on Federal Workforce, Postal  
Service, and District of Columbia



Ike Skelton  
Chairman  
Committee on Armed Services



Solomon P. Ortiz  
Chairman  
Readiness Subcommittee



Bennie G. Thompson  
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Committee on Homeland Security



Christopher P. Carney  
Chairman  
Subcommittee on Management, Investigations  
and Oversight



Silvestre Reyes  
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Permanent Select Committee  
on Intelligence



Anna G. Eshoo  
Chairman  
Subcommittee on Intelligence Community  
Management