COLORADO
COHFA
HEALTH
FACILITIES
AUTHORITY

April 12, 2018

Senator Michael Bennet
261 Russell Senate Office Building
Washington, DC 20510

Dear Senator Bennet:

On behalf of the Colorado Health Facilities Authority, I wish to express my support for H.R. 2319/S. 1117, The Consumer Financial Choice and Capital Markets Protection Act.

Our organization opposes the Securities and Exchange Commission (SEC) modifications to SEC Rule 2a-7 of the Investment Company Act of 1940 that changed the net asset value (NAV) accounting methodology for money market mutual funds (MMMF) from stable to floating. We rely on the hallmark stable NAV feature in a variety of ways.

First, many governments have specific state or local statutes and policies that require them to invest in financial products with a stable NAV. The policy reason for this is to ensure that public funds are appropriately safeguarded to best serve the entity. Second, MMMFs with a stable NAV are the most commonly used investment by state and local governments. Forcing governments to find alternative investments to MMMFs creates additional risk for public funds by driving them to potentially invest in other, less suitable or riskier products. Finally, non-MMMF options may not meet liquidity standards required by their governments to meet cash management policies and statutes. H.R. 2319/S. 1117 would enable state and local governments to continue to use stable NAV funds for their essential and critical investment needs.

In addition to the vital use of MMMFs as state and local government investments, it is important to note that MMMFs are the largest purchasers of short term municipal securities. Due to the new SEC rules, these funds have curbed their appetite for these securities, thus decreasing demand and increasing costs to state and local governments that issue this type of debt.

In fact, between January 2016 and July 2017, tax exempt MMMFs assets fell by nearly 50 percent, from $254 billion to $135 billion, thereby dramatically shrinking the funding pool available to municipal borrowers. More than 30 states lost at least $1 billion in funding from tax-exempt MMMFs. At the same time, municipalities fortunate enough to continue selling their debt to tax-exempt funds saw their borrowing costs increase by nearly double the Federal Reserve's rate increases over the same period. Those costs have increased even more for state and local governments that can no longer sell their debt to MMMFs, and have to borrow from other investors or replace the debt with bank loans.

Money market funds have been utilized effectively in the past to both manage liquidity and provide a reliable source of working capital to fund public services and finance continued infrastructure investment and economic development throughout all economic conditions. We ask that you enact H.R. 2319/S. 1117 so that state and local governments can continue to have unrestricted access to these safe and highly liquid capital markets tools.

Thank you again for considering this important legislation. We look forward to working with you and supporting your efforts to help state and local governments on this and other regulatory and financial matters of mutual interest.

Sincerely,

Corinne M. Johnson

Corinne M. Johnson, Executive Director

3033 East 1st Avenue, Suite 301 • Denver, Colorado 80206
303.321.2112 • FAX: 303.321.4493 • E-mail: info@cohfa.org