

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

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July 28, 2015

Honorable Cory Booker
United States Senator
Gateway One
11-43 Raymond Plaza
West Suite 2300
Newark, NJ 07102

RE: MONEY MARKET FUNDS

Dear Senator Booker:

On behalf of the board of directors of the New Jersey Association of Counties (NJAC), I would like the opportunity to meet with you in person to discuss NJAC's support of S.1802, which would establish the "Consumer Financial Choice and Capital Markets Protection Act of 2015." Senator Pat Toomey (*R-PA*) is the prime sponsor of this important and timely legislation, and we're hoping that you would consider joining senators Joe Manchin (*D-WV*), Mike Crapo (*D-ID*), and Robert Menendez as co-sponsors.

NJAC supports S.1802 as recent changes made by the Securities and Exchange Commission (SEC) to the structure of money market funds will substantially impair county governments' ability to manage cash reserves and obtain low-cost financing for critical infrastructure projects. NJAC is particularly concerned with the fact that SEC rule changes in 2014 forced money market funds to abandon their stable \$1.00 per-share price and instead "float" net asset values (NAV). NJAC is also concerned that the new rules impose penalties and early redemption fees for the pre-mature withdrawal of funds to meet liquidity needs. As you know, money market funds have proven to be a vital cash management tool for county governments, which until the SEC's untimely rule changes, relied on the stability of managing cash with a consistent principal value. Moreover, county governments counted on the convenience and simplicity that a stable NAV provided for accounting, recordkeeping, and the tax treatment of cash balances accordingly.

The dangers of a floating NAV are clear and will undoubtedly lead to increase costs for county governments across New Jersey and the nation. As you also know, money market funds hold more than half of the short-term debt that finances vital public projects such as roads, bridges, airports, water and sewage treatment facilities, hospitals, and low-income housing. Without such financing, local governments may be forced to limit projects, spend more on financing, or increase taxes. Moreover, a floating NAV will force county governments to use bank products that have historically paid lower yields or are much less secure. A floating NAV will also undermine local economies as money market funds hold more than one-third of the commercial paper that businesses use to finance payrolls and inventories. The flight of investors in the wake of a floating NAV will disrupt the supply of short-term credit that employers need to operate.

With this in mind, I look forward to the opportunity of meeting you in person to further discuss the long-term ramifications of a floating NAV and on how S.1802 would reinstitute stability and consistency in money market funds. NJAC is committed to advocating for legislation, regulations, and policy directives that empower county governments to operate more effectively and efficiently. As a non-partisan organization that represents the only true regional form of government in the State with a unified and proactive voice, NJAC is dedicated to advancing innovative programs and initiatives that enhance the level of service provided and save valuable taxpayer dollar. Thank you for your time and consideration, and please do not hesitate to contact me at (609) 394-3467 with any questions or concerns.

Very truly yours,

John G. Donnadio, Esq.
Executive Director

cc: Matthew Chase, Executive Director, National Association of Counties
Deborah Cox, Legislative Director, National Association of Counties