



SOUTH SUBURBAN MAYORS & MANAGERS ASSOCIATION

Beecher
Blue Island
Burnham
Calumet City
Calumet Park
Chicago Heights
Country Club Hills
Crestwood
Crete
Dixmoor
Dolton
East Hazel Crest
Flossmoor
Ford Heights
Glenwood
Harvey
Hazel Crest
Homewood
Lansing
Lynwood
Markham
Matteson
Midlothian
Mokena
Monee
Oak Forest
Olympia Fields
Orland Hills
Orland Park
Park Forest
Peotone
Phoenix
Posen
Richton Park
Riverdale
Robbins
Sauk Village
South Chicago Heights
South Holland
Steger
Summit
Thornton
Tinley Park
University Park

The Honorable Bill Foster
United States Representative 11th Illinois District
1224 Longworth House Office Building
Washington, DC 20515

March 24, 2016

Re: The Consumer Financial Choice and Capital Markets Presentation Act (S 1802/HR 4216)


Dear Representative Foster,

The South Suburban Mayors and Managers Association respectfully urge you to support S 1802/HR 4216, which is currently pending before the House Committee on Financial Services. The legislation will enable municipalities in Illinois and across the nation to fund public infrastructure projects needed to create or enhance local economic development.

Local governments use short-term debt to finance various capital and public works projects. Money market funds are significant purchasers of municipal obligations. Without S 1802/HR 4216, many money market fund managers will no longer purchase such debt after October 2016 when their underlying net asset value (NAV) moves from a fixed sum to a floating value because of a rule recently adopted by the Securities and Exchange Commission (SEC). The historically largest purchasers of local government debt have indicated they will get out of the market if money market funds are not permitted to retain a fixed NAV. This will significantly reduce competition and, thus, increase the borrowing costs for local governments and their taxpayers. This will no doubt result in fewer economy-stimulating public works projects being built.

A second costly impact, if the SEC rule is allowed to stand, is that a floating NAV would eliminate money market funds as a viable cash management tool. Many local governments use money market funds for a variety of cash management and investment purposes. Certain users may be unwilling or unable to conduct their cash management through an investment vehicle that does not offer stable value. Removing the stable NAV of money market funds will be a significant change for a multi-trillion dollar industry in which the stable \$1.00 share price has been a core feature. This will undoubtedly reduce overall investor demand for money market funds and thus diminish, if not completely eliminate their capacity to invest in the short-term securities of local governments. This will have a devastating impact on the ability of local governments to manage their cash flow needs. The passage of S 1802/HR 4216 will stop this from happening.

Thank you in advance for considering our position. We ask that you support S 1802/HR 4216 when it is called for a vote in the House Committee on Financial Services.

Sincerely,


Edward W. Paesel
Executive Director