Government Finance Officers Association
National Association of Counties
U.S. Conference of Mayors
National League of Cities
International City/County Management Association
National Association of Health and Educational Facilities Finance Authorities
International Municipal Lawyers Association
National Council of State Housing Agencies
American Public Power Association
Large Public Power Council

July 28, 2016

The Honorable Gwen Moore
U.S. House of Representatives
2245 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Moore:

The organizations listed above, representing state and local governments, authorities and other public entities, wish to express their support for H.R. 4216, *The Consumer Financial Choice and Capital Markets Protection Act*.

Our organizations have long opposed the Securities and Exchange Commission (SEC) modifications to SEC Rule 2a-7 of the Investment Company Act of 1940 that change the net-asset-value (NAV) accounting methodology for money market mutual funds (MMMF) from stable to floating. Our members rely on the hallmark stable NAV feature in a variety of ways. First, many governments have specific state or local statues 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 products. Finally, non- MMMF options may not meet liquidity standards required by their governments to meet cash management policies and statutes. H.R. 4216 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 are likely to curb their appetite for these securities, thus decreasing demand and increasing costs to state and local governments that issue this type of debt. In fact, at least 19 tax-exempt money market funds holding at least $17 billion in assets have closed, or announced they will close in 2016, and the pace of liquidations is expected to accelerate as the compliance date approaches. The closing of these funds as a result of the new SEC rules hurts state and local governments both as investors of these funds and as issuers of securities purchased by these funds.

While governments will also be adversely affected by the liquidity fees and redemption gates provisions, which would be imposed during times of fiscal stress, H.R. 4216 is an important first step to help governments from having their investment operations disrupted. We continue to call on Congress and the SEC to provide exemptions for state and local governments from these other provisions, so that they can have unrestricted access to their public funds.

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

Sincerely,

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Carolyn Coleman, National League of Cities, 202-626-3023
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