



August 31, 2016

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Hensarling,

On behalf of the Association of Metropolitan Water Agencies (AMWA), I am writing to request your support for H.R. 4216, the “Consumer Financial Choice and Capital Markets Protection Act,” and to urge the Financial Services Committee to act on this bipartisan legislation as quickly as possible.

AMWA represents the largest publicly owned drinking water systems in the United States, and our members provide more than 130 million Americans with clean and safe drinking water everyday. Our members rely on access to robust capital markets to address long-term water infrastructure needs, and these needs are substantial. The Environmental Protection Agency estimates the nation’s drinking water infrastructure requires roughly \$384.2 billion worth of repairs and upgrades over the next two decades just to maintain current levels of service, and other studies have placed this price tag significantly higher.

Money market funds facilitate access to low-cost capital by investing in short-term tax-exempt debt issued by or on behalf of drinking water utilities. That access has been put at risk by a Securities and Exchange Commission (SEC) rule that requires prime and tax-exempt money market funds offered to investors who are not “natural persons” to no longer use amortized cost accounting to operate on a stable net asset value (NAV) basis. Instead, beginning October 14, 2016, such funds will be required to use a floating NAV.

By requiring this accounting change, money market funds will be far less attractive to investors as a viable cash management tool, thereby limiting liquidity in the short-term municipal debt market. This is already having a significant negative impact on the cost of borrowing.

According to SEC data, at the end of last year tax-exempt money market funds held approximately \$26 billion in debt issued by or on behalf of water agencies and other municipal utilities. However, because of the SEC’s floating NAV rule, assets in those funds have plunged by 30 percent so far this year, with additional declines expected in the remaining weeks leading

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up to the implementation date. As a result, for those fortunate enough to obtain financing from money market funds, the cost of borrowing has skyrocketed from as low as one basis point at the end of last year to as high as 50 basis points today. Other issuers who are squeezed out of money market funds are confronted with even higher borrowing costs.

H.R. 4216 is bipartisan legislation that would permit money market funds that invest in the short-term debt of commercial entities and state and local governments, including publicly-owned drinking water systems, to continue to use amortized cost accounting for valuing fund assets. The effect would be to preserve stable value money market funds as a source of low-cost financing to address our nation's water infrastructure, as well as other important public infrastructure investment needs.

Again, AWMA urges quick action on H.R. 4216, and appreciates your leadership in working to advance this important legislation and the preservation of indispensable capital markets financing options provided by money market funds.

Sincerely,



Diane VanDe Hei

CEO

Association of Metropolitan Water Agencies