



August 31, 2016

The Honorable Patrick Murphy
U.S. House of Representatives
211 Cannon House Office Building
Washington, DC 20515

Dear Congressman Murphy:

On behalf of the Florida League of Cities, I am asking for your support for H.R. 4216, *The Consumer Financial Choice and Capital Markets Protection Act*. As a member of the House Financial Services Committee, we urge the committee to consider this legislation as soon as possible before the Securities and Exchange Commission (SEC) rules take effect on October 14, 2016.

The Florida League of Cities is opposed to the 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. Cities 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 potentially driving them to 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 diminish the demand 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.

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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 toward keeping 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.

We urge your support of H.R. 4216 and hope the House Financial Services Committee will consider this legislation soon. We look forward to working with you and support your efforts to help state and local governments on this money market mutual funds issue and other regulatory and financial matters of mutual interest.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Sittig". The signature is written in a cursive style with a long, sweeping tail that extends downwards.

Michael Sittig
Executive Director