



September 23, 2016

The Honorable Jeb Hensarling  
U.S. House of Representatives  
2228 Rayburn HOB  
Washington, D.C. 20515-4305

Dear Representative Hensarling:

We are writing in reference to a Securities and Exchange Commission (SEC) rule – specifically, Rule 2a-7— that is wiping out billions of dollars of low-cost liquidity in the capital markets used to finance capital investments, public infrastructure and economic development. The rule in question prohibits “non-natural persons” from investing in prime and tax exempt money market funds, effective October 14, 2016. As institutional investors are prevented from accessing these funds, the cost of short-term debt issued by the State of Texas on behalf of hospitals, port authorities, municipalities and universities, including the University of Texas, Texas A&M, and Texas Tech University systems, has significantly increased.

The *Wall Street Journal*, among other critics, has stated that state and local governments are the “big losers” of the new SEC requirements. Brokers “are pulling their clients out of muni money markets,” which “make short-term loans to governments, and already the assets in these funds are down from \$246 billion to \$183 billion in the last 12 months.” The intent of the SEC was to make money-market funds safer in wake of the financial crisis, but the unintended effects have dwarfed any negligible benefit: the SEC’s floating net asset value (NAV) rule will present major tax and accounting complications to corporate finance professionals, resulting in investors continuing the recent trend of pulling cash out of money market funds and, consequently, public entities lacking access to low-cost private capital for infrastructure investment and other needs. As those entities are forced to rely on more expensive bank credit, taxpayers will be left footing the bill.

H.R. 4216 (the Consumer Financial Choice and Capital Markets Protection Act) is a bipartisan bill authored by Congressman Steve Stivers (R-OH) and Congresswoman Gwen Moore (D-WI). The companion bill, S. 1802 by Senator Pat Toomey (R-PA) and Senator Robert Menendez (D-NJ), received a hearing in Washington in May. These bills seek to preserve access to capital and promote public infrastructure for the State of Texas. Under them, the Investment Company Act of 1940 would be amended to expressly provide any open-end investment company with the choice to operate as a stable (rather than floating) NAV money market fund if it adheres to certain requirements and restrictions. The bills have no impact on the other changes to the regulation of money market funds adopted by the SEC in 2010 and 2014.

We request that the House Financial Services Committee give H.R. 4216 a hearing, especially since much of the SEC's analysis claiming an insignificant effect on the markets has proven to be woefully incorrect since the rule was adopted.

Sincerely,



Senator Don Huffines  
SD 16 (Dallas)



Representative Rodney Anderson  
HD 105 (Grand Prairie)



Representative Cindy Burkett  
HD 113 (Sunnyvale)



Representative Giovanni Capriglione  
HD 98 (Southlake)



Representative Jeff Leach  
HD 67 (Plano)



Representative Ron Simmons  
HD 65 (Carrollton)