



TEXAS MUNICIPAL LEAGUE

President **C. J. Wax**, Mayor, Rockport
Executive Director **Bennett Sandlin**

September 7, 2016

The Honorable Jeb Hensarling
House Financial Services Committee
United States House of Representatives
2228 Rayburn HOB
Washington, DC 20515

Dear Chairman Hensarling:

I am writing on behalf of the Texas Municipal League (TML) to express our support for H.R. 4216, the "Consumer Financial Choice and Capital Markets Protection Act," and to ask the Financial Services Committee to act on this legislation. TML is a non-profit association of Texas cities organized in 1913 to serve the needs and represent the interests of Texas cities. More than 1,150 cities are members of TML.

We agree with the letter submitted by the National League of Cities (a member of the Coalition for Investor Choice) and other national municipal groups to Representative Gwen Moore on July 28 of this year. (A copy of that letter is enclosed.)

In Texas, the Public Funds Investment Act (PFIA) governs the way cities and other local governments invest their money. The PFIA includes a section on investments in money market mutual funds, which provides that a local government may invest in a money market mutual fund only if the fund "includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share." TEX. GOV'T CODE § 2256.014(a)(4).

Because of this state statute, Texas cities would not have the legal authority invest in a money market mutual fund with a floating net asset value. We feel that the elimination of this reliable investment option would be misguided.

Please let me know if we can be of any assistance throughout the process.

Sincerely,

Bennett Sandlin
Executive Director

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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,

Emily Swenson Brock, Government Finance Officers Association, 202-393-8467

Michael Belarmino, National Association of Counties, 202-942-4254

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

Larry Jones, United States Conference of Mayors, 202-861-6709

Elizabeth Kellar, International City/County Management Association, 202-962-3611

Chuck Samuels, National Assn of Health & Educational Facilities Finance Authorities, 202-434-7311

Chuck Thompson, International Municipal Lawyers Association, 202-466-5424

Garth Rieman, National Council of State Housing Agencies, 202-624-7710

John Godfrey, American Public Power Association, 202-467-2929

Noreen Roche-Carter, Large Public Power Council, 916-732-6509