Government Finance Officers Association
660 North Capitol Street, Suite 410
Washington, D.C. 20001
202.393.8467 *fax*: 202.393.0780

March 21, 2017

The Honorable Pat Toomey
United States Senate
248 Russell Senate Office Building
Washington, DC 20510

The Honorable Bob Menendez
United States Senate
528 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Keith Rothfus
U.S. House of Representatives
1205 Longworth House Office Building
Washington, D.C. 20515

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

Dear Senator Toomey, Senator Menendez, Representative Rothfus and Representative Moore:

The Government Finance Officers Association wishes to express their support for a re-introduction of legislation aimed at addressing 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 and impose liquidity fees and redemption gates on investors of these funds.

As we have written in the past and continue to maintain, our members rely on the hallmark stable NAV feature in a variety of ways. Many governments invest in money market funds because of their secure nature, simple accounting methodology and management, and liquidity – all features that are necessary for governments to protect public funds, access cash and pay bills when they are due. Changing the main feature of these funds to a floating NAV has created administrative and costly burdens to governments, large and small, in addition to having governments look to other, more expensive investments.

Another problem for state and local governments related to the changes to Rule 2a-7, is the impact it has on governments that issue debt, especially short term debt. Mutual funds are the largest purchasers of short term municipal bonds and due to the changing criteria in this rule the demand for these bonds has diminished. This puts added pressures on state and local governments as it has led to higher debt issuance costs for many state and local governments across the country. At a time when the country and policy makers in Washington are focused on the country's infrastructure, policies such as this actually hurt governments' ability to fund capital projects with municipal bonds, for the benefit of their citizens.

In addition, state and local governments as investors will continue to be adversely affected by the liquidity fees and redemption gates provisions of Rule 2a-7, which would be imposed during times of fiscal stress. The imposition of liquidity restrictions on MMMF investors have further pushed state and local MMMF investors away from MMMFs due to concerns about liquidity and potential losses that could result during times of fiscal stress. This puts government funds – taxpayers dollars – at risk.

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
Director, Federal Liaison Center

CC:
Chairman Mike Crapo
Ranking Member Sherrod Brown
Chairman Jeb Hensarling
Ranking Member Maxine Waters