



December 1, 2016

The Honorable Paul Ryan  
Speaker of the House  
United States Capitol  
Washington, D.C. 20515

Dear Mr. Speaker:

As you work to complete the legislative activity of the 114<sup>th</sup> Congress, we ask that you include in that process the expeditious enactment of H.R. 4216, the Consumer Financial Choice and Capital Markets Protection Act. This bipartisan legislation, and its counterpart in the Senate (S. 1802, sponsored by Senator Pat Toomey) would address the significant unintended consequences of a Securities and Exchange Commission (SEC) rule which is undermining business and public infrastructure investment, and crimping state and local government finances.

As members of the State Financial Officers Foundation (SFOF), we are dedicated to developing, implementing and promoting conservative, fiscally responsible (“pro-growth”) public policies. Those policies include maintaining efficient, low cost financing provided by money market funds, and maintaining access to a convenient and safe tool for obtaining market returns on cash in the management of public money.

Unfortunately, both of those objectives have been severely undermined by an SEC rule adopted two years ago, which went into effect six weeks ago. It requires institutional prime and tax-exempt money market funds to be offered only with a floating net asset value (NAV). Under this rule, only funds investing solely in U.S. government securities or offered only to certain retail investors who are “natural persons” may continue to use a stable NAV. This rule has led to a run on prime and tax-exempt money market funds, causing more than \$1.2 trillion to no longer be available for business and public infrastructure investment. As a result, short-term interest rates have risen to their highest levels since the financial crisis, issuers of commercial paper have seen their cost of borrowing more than double, and issuers of municipal debt and their borrowers have all seen their cost of short-term financing rise from, in some cases, below five basis points last November to nearly 80 basis points today.

At the same time that the rule has caused our cost of short-term borrowing to rise dramatically, it has also driven down our investment income. As a result of the floating NAV rule, yields on prime money market funds are double that of government funds, but state and local governments are unable to benefit from those market rates of return on their short-term cash investments. This is reducing our projected revenue, making it more difficult to fund public services.

Even though the implementation date of the SEC rule has passed, the negative impacts persist as institutions continue to pull their investments out of prime and tax-exempt money market funds, leading to more fund liquidations and less private capital for our communities and businesses. Enactment of H.R. 4216 and S. 1802 is urgently needed to address this artificially created financial crisis caused by over-regulation and a failure by the SEC to conduct realistic cost-benefit analyses.

We look forward to working with you, alongside the new Administration, to advance conservative, pro-growth economic policies. Enactment of H.R. 4216 and S. 1802 would be a welcome step in that direction.

Sincerely,



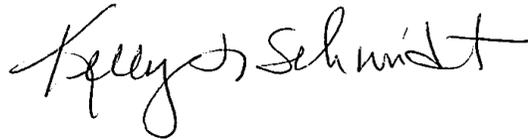
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State Financial Officers Foundation



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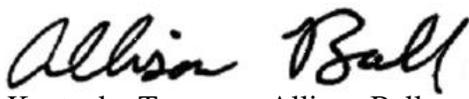
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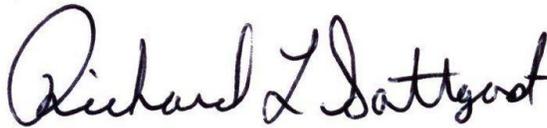
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