



COUNTY OF BERGEN

OFFICE OF THE COUNTY EXECUTIVE

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James J. Tedesco III

County Executive

June 2, 2017

The Honorable Josh Gottheimer, United States Congressman

United States House of Representatives

213 Cannon House Office Building

Washington, DC 20515

SENT VIA EMAIL to Christopher Tully (Chris.Tully@mail.house.gov)

Dear Congressman Gottheimer,

The New Jersey Association of County Administrators expressed its 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*. The County supports the Association in this endeavor. The Legislation changes the net asset value (NAV) accounting methodology for money market mutual funds (MMMF) from stable to floating and imposes liquidity fees and redemption gates on investors of these funds.

The Association relied 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 obligations. 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 across the country. Policies such as this, potentially hurt governments' ability to fund capital projects with municipal bonds for infrastructure improvements for the benefit of their citizens.

Moreover, 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 of 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 taxpayers' dollars at risk.

For these reasons, the County looks 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,

A handwritten signature in blue ink, appearing to read "James J. Tedesco, III". The signature is fluid and cursive, with a horizontal line at the end.

James J. Tedesco, III
Bergen County Executive

cc: Senator Robert Menendez
Senator Cory Booker
Congressman Bill Pascrell
Congressman Albio Sires