

September 27, 2017

The Honorable Gary Peters
United States Senate
Hart Senate Office Building
Suite 724
Washington, DC 20510

Re: *Support H.R. 2319 - the Consumer Financial Choice and Capital Markets Protection Act.*

Dear Senator Peters:

On behalf of the Michigan Municipal League and our 533 city & village members across the state, we thank you for your support of S. 1117, the Consumer Financial Choice and Capital Markets Protection Act of 2017.

As you know, municipalities rely on access to money market funds to finance the construction and maintenance of roads, public transportation systems, affordable housing, schools, airports and other important infrastructure projects. They also rely on money market funds to invest short-term cash because of their secure nature, simple accounting methodology and management, and liquidity. These features are necessary to protect public funds, access cash and pay bills when they are due.

The ability to access and invest in money market funds has been severely hampered by a Securities and Exchange Commission (SEC) rule that requires prime and tax-exempt money market funds offered to institutional investors to no longer use amortized cost accounting to operate on a stable net asset value (NAV) basis. Instead, beginning October 14, 2016, such funds were required to use a floating NAV. As a result, municipalities can no longer invest in prime money market funds that offer markets rates of return on short-term cash investments. In addition, tax-exempt funds, a key source of funding for municipalities, shrunk by more than 50 percent, thereby driving up the cost of borrowing for capital projects, infrastructure investments and economic development. It is reported that Michigan's municipal governments alone have lost more than \$2 billion in short-term capital as a result of the rule.

S. 1117 will help Michigan's municipalities protect their taxpayers and support their communities by expressly permitting all money market funds to operate on a stable NAV basis if they adhere to certain requirements and restrictions. It also addresses an artificial barrier to the utilization of money market funds by municipalities due to internal investment policies that require immediate liquidity and the preservation of principal.

We love where you live.



The Michigan Municipal League thanks you for your help in reducing the unnecessary added financial pressures placed on local governments as a result of the SEC rule.

Sincerely,

Chris Hackbarth
Director, State & Federal Affairs



We love where you live.