ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

February 7, 2018

Dear Senators and Representatives:

The Association of School Business Officials International (ASBO) is an education association that, through its members and affiliates, represents approximately 30,000 school business professionals. ASBO International members are trusted stewards of taxpayers' investment in public K–12 education and represent every aspect of school support services, including school finance and operations, procurement, facilities management, human resources, and more.

We are writing to ask your support for S. 1117 and H.R. 2319, the "Consumer Financial Choice and Capital Markets Protection Act." This bipartisan legislation would preserve access to an important source of capital and promote low-cost financing for educational facilities and other public infrastructure investments. The House version of the bill was favorably reported by the Committee on Financial Services on January 18, 2018.

As the business leaders of school districts, ASBO members are responsible for managing school finances and facilities, and rely on access to money market funds (MMFs) for readily available, low-cost capital expenditure financing. Unfortunately, that access was diminished by a Securities and Exchange Commission (SEC) rule that took effect in October 2016. The SEC rule prohibits prime and tax-exempt MMFs that operate on a stable net asset value (NAV) basis from being offered to investors other than "natural persons."

In other words, institutions including school districts can no longer leverage tax-exempt stable value MMFs for capital financing. Consequently, organizations that require stable NAV investments, like schools, have had to shift their short-term cash management needs out from stable value MMFs and into other types of investments that do not support the capital access needs of school districts and other public infrastructure needs.

Tax-exempt MMFs are among the largest purchasers of variable rate notes issued by or on behalf of school districts and other educational institutions. They have a nominal long-term maturity, but the interest rate is adjusted on a daily or weekly basis. As a result, school districts across the country can undertake long-term infrastructure projects at very low short-term rates.

11401 North Shore Drive | Reston, VA 20190 | Phone: 866.682.2729 | Fax: 703.708.7060 | asbointl.org

However, since the SEC's floating NAV rule took effect, the funds that purchase the variable rate notes of these institutions have experienced a 50% decline. This unintended consequence has driven up the cost of borrowing, unpredictability, and investment risk for districts, squeezing school budgets in an already-tight fiscal environment and inadvertently undermining our members' capacity to provide a high-quality education for our nation's students.

Please support enactment of S. 1117 and H.R. 2319 so that we can preserve stable value MMFs as a viable, efficient, and cost-effective source of financing for school districts and other critical public infrastructure investments. Thank you for your time and consideration.

Sincerely,

John D. Musso

John D. Musso, CAE, RSBA
Executive Director
ASBO International

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