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May 1, 2018

The Honorable Cory Gardner
United States Senator
354 Russell Senate Office Building
Washington, DC 20510

Dear Senator Gardner,

On behalf of the Colorado Municipal League, I wish to express our support for H.R. 2319/S. 1117, The Consumer Financial Choice and Capital Markets Protection Act, which will ensure that local governments in Colorado can continue to cost-efficiently fund capital and public works projects.

Our organization opposes the Securities and Exchange Commission (SEC) modifications to SEC Rule 2a-7 of the Investment Company Act of 1940 that changed the net asset value (NAV) accounting methodology for money market mutual funds (MMMF) from stable to floating.

We strongly believe it is incredibly important to support H.R. 2319/S. 1117 so that Colorado cities and towns can have the enhanced infrastructure to remain competitive and allow for continued economic development.

Our members rely on the hallmark stable NAV feature in a variety of ways. First, many governments have specific state or local statutes and policies that require them to invest in financial products with a stable NAV. The policy reason for this is to ensure that public funds are appropriately safeguarded to best serve the entity. Second, MMMFs with a stable NAV are the most commonly used investment by state and local governments. Forcing governments to find alternative investments to MMMFs creates additional risk for public funds by driving them to potentially invest in other, less suitable or riskier products. Finally, non-MMMF options may not meet liquidity standards required by their governments to meet cash management policies and statutes. H.R. 2319/S. 1117 would enable state and local governments to continue to use stable NAV funds for their essential and critical investment needs.

In addition to the vital use of MMMFs as state and local government investments, it is important to note that MMMFs are the largest purchasers of short term municipal securities. Without a stable NAV, MMMFs may no longer purchase municipal debt, which would lead to increasing the costs to build capital and public works projects in and around Colorado. Passage of S. 1117

will enable our members to continue cost-efficient funding of critical public infrastructure projects.

In fact, between January 2016 and July 2017, tax exempt MMMFs assets fell by nearly 50 percent, from \$254 billion to \$135 billion, thereby dramatically shrinking the funding pool available to municipal borrowers. In Colorado, implementation of the floating NAV rule caused total money market fund holdings of municipal paper to decline by 30 percent (from \$4.19 billion to \$2.95 billion) between January 1, 2016 and August 31, 2017.

At the same time, municipalities fortunate enough to continue selling their debt to tax-exempt funds saw their borrowing costs increase by nearly double the Federal Reserve's rate increases over the same period. Colorado's median coupon rates paid by municipalities increased by 90 basis points, which is 40 basis points higher than the Federal Reserve's interest rate increases over the same period. Annual financing costs on the remaining \$2.95 billion in money funds rose by \$26.6 million, which is \$11.8 million higher than had they simply matched the Fed increase. Annual financing costs on the \$1.24 billion which left money market funds altogether likely rose by an even greater percentage.

Money market funds have been utilized effectively in the past to both manage liquidity and provide a reliable source of working capital to fund public services and finance continued infrastructure investment and economic development throughout all economic conditions.

We ask that you enact H.R. 2319/S. 1117 so that state and local governments can continue to have unrestricted access to these safe and highly liquid capital markets tools.

Thank you again for considering this important legislation. We look forward to working with you and supporting your efforts to help state and local governments on this and other regulatory and financial matters of mutual interest.

Sincerely,

Sam Mamet
Executive Director