

Government Finance Officers Association
National Association of Counties
U.S. Conference of Mayors
National League of Cities
International City/County Management Association
National Association of Health and Educational Facilities Finance Authorities
National Council of State Housing Agencies
American Public Power Association
Large Public Power Council

October 15, 2019

Dear Senator and Representative:

The organizations listed above, representing state and local governments, authorities, and other public entities, wish to express their support for S. 733 and H.R. 4492, the bipartisan *Consumer Financial Choice and Capital Markets Protection Act*, which was recently introduced in the House by Representatives Gwen Moore Moore (D-WI) and Steve Stivers (R-OH), and in the Senate by Senators Pat Toomey (R-PA), Bob Menendez (D-NJ) and Gary Peters (D-MI).

Our organizations have long opposed the Securities and Exchange Commission (SEC) modifications to SEC Rule 2a-7 of the Investment Company Act of 1940, which have created an unnecessary disruption to the public funding markets by changing the net-asset-value (NAV) accounting methodology for institutional prime and municipal money market mutual funds (MMMF) from stable to floating. 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. This is done 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 prime and municipal MMMFs creates additional risk for public funds by driving them to lower yielding government funds or potentially less suitable products. Such options may not meet liquidity standards required by their governments to meet cash management policies and statutes. H.R. 4492 and S. 733 would restore the ability of state and local governments to use prime and municipal stable NAV funds for their essential and critical investment needs.

In addition to the appropriate and historical 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. Due to the SEC's floating NAV rule, municipal money market funds have significantly curbed their appetite for these securities, thus decreasing demand and increasing costs to state and local governments that issue this type to fund state and local government operations and finance transportation projects, utilities, affordable housing, public schools and hospitals, and pollution mitigation, among other purposes.

In fact, as a result of implementation of the floating NAV rule in October 2016, municipal MMMFs assets fell by nearly 50 percent, thereby shrinking the funding pool available to municipal borrowers. 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 since implementation of the rule. Those short-term costs have increased even more for state and local governments that can no longer sell their debt to MMMFs and must borrow from other investors or replace the debt with bank loans.

State and local governments and other public entities have utilized prime and municipal MMMFs safely and effectively for more than 40 years 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 support S. 733 and H.R. 4492 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,

Emily Swenson Brock, Government Finance Officers Association, 202-393-8467

Eryn Hurley, National Association of Counties, 202-661-8805

Brian Egan, National League of Cities, 202-626-3107

Larry Jones, United States Conference of Mayors, 202-861-6709

Elizabeth Kellar, International City/County Management Association, 202-962-3611

Chuck Samuels, National Assn of Health & Educational Facilities Finance Authorities, 202-434-7311

Chuck Thompson, International Municipal Lawyers Association, 202-466-5424

Garth Rieman, National Council of State Housing Agencies, 202-624-7710

John Godfrey, American Public Power Association, 202-467-2929

John DiStasio, Large Public Power Council, 512-707-1010