



NATIONAL ASSOCIATION OF
STATE TREASURERS

TESTIMONY OF

NANCY KOPP

STATE TREASURER, MARYLAND

ON BEHALF OF

THE NATIONAL ASSOCIATION OF STATE TREASURERS

BEFORE THE

UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING AND

URBAN AFFAIRS

HEARING REGARDING

PERSPECTIVES ON MONEY MARKET REFORMS

JUNE 21, 2012

President

Kate Marshall, Nev.

Executive Committee

Doug Ducey, Ariz.

Richard Ellis, Utah

Ron Estes, Kan.

Chip Flowers, Del.

Manju Ganeriwala, Va.

David H. Lillard, Jr., Tenn.

Kelly Schmidt, N.D.

Executive Director

Jonathan Lawniczak

Headquarters

2760 Research Park Dr.

PO Box 11910

Lexington, KY 40578-1910

P (859) 244-8175

F (859) 244-8053

Office of Federal Relations

444 N. Capitol St., NW, Ste. 401

Washington, DC 20001-1557

P (202) 624-8595

F (202) 624-8677

E-mail: nast@csg.org

www.nast.org

Secretariat

The Council of

State Governments

Introduction

Chairman Johnson, Ranking Member Shelby, and Members of the Committee, thank you for providing the National Association of State Treasurers (NAST) the opportunity to testify on the issue of money market mutual funds (MMFs). It is an honor and a privilege to be here today. I am Nancy Kopp, the Treasurer for the State of Maryland and chair of the NAST Legislative Committee.

NAST is a bi-partisan association that is comprised of all state treasurers, or state finance officials with comparable responsibilities, from the United States, its commonwealths, territories, and the District of Columbia.

I appreciate this timely hearing appropriately named “Perspectives on Money Market Reforms” as I can assure you State Treasurers have a unique perspective given their important role within the states of ensuring proper cash flow management.

The Importance of Money Market Funds to the States

MMFs are a vital cash management tool for state governments, their political subdivisions and their respective instrumentalities, all of which rely upon them to manage short-term investments that provide ready liquidity, preservation of capital, and diversification of credit. There are few options that have the multiple features of safety, return, liquidity and stable market history as MMFs and that is why so many states and local governments choose this product for their short- and mid-term investing and cash management needs. Additionally, states rely on MMFs to buy short term securities issued by states, local governments and authorities. MMFs are by far the

largest purchasers of these bonds, and if capitalization requirements and other restrictions put limits on their investment capital their demand for these bonds will decrease, and costs to issue these bonds – borne at the expense of taxpayers – would rise.

NAST Support for SEC Changes to Rule 2a-7 in 2010

Before the proposed SEC regulations are discussed, it is important to note that NAST is on record supporting the amendments to Rule 2a-7 adopted by the SEC in 2010. The regulation of MMFs was brought under scrutiny by regulators following the Reserve Primary Fund's NAV dropping below \$1.00, or "breaking the buck", during the global financial crisis of 2008. The SEC appropriately responded by amending Rule 2a-7 which strengthened MMFs by increasing liquidity and credit quality requirements, enhanced disclosures to require reporting of portfolio holdings monthly to the Commission, shortened portfolio maturities, and permitted a suspension of redemptions if a fund has broken the buck or is at imminent risk of breaking the buck.

NAST believes the Commission's amendments to Rule 2a-7 finalized on May 5, 2010 have made MMFs more transparent, less subject to interest rate risk, more creditworthy and less susceptible to redemption demand pressure during periods of stress in the financial markets.

However, we are concerned that some Commissioners and members of the staff, as well as other federal regulators and officials, have publicly indicated support for further amending Rule 2a-7 without taking into consideration the effectiveness of the 2010 amendments. Such potential changes to Rule 2a-7 that have been discussed recently include restrictions on the redemption of MMF shares by investors, requiring MMFs to adopt a floating daily net asset value (NAV), and/or mandating that MMFs hold levels of capital similar to banking institutions.

In March 2012 at the NAST Federal Affairs Conference, NAST passed its *Federal Securities Regulation of Money Market Mutual Funds Resolution* which is included as an attachment to this testimony. Specifically, there are three purported proposals from the SEC that cause us concern:

Changing From a Stable NAV to a Floating NAV Feature

State Treasurers recognize that a floating NAV would increase accounting work tremendously because it would require the daily booking of the mark-to-market value of each fund. Being able to currently book the value of the fund as a dollar in equals a dollar out without having to note the daily fluctuations of its worth, is invaluable. When many governments are hard pressed to hire teachers and public safety officers, it is difficult to see how states would be able to appropriate funds for more accountants to do this work, which in the end, would be of no value to the overarching issue as to whether it would prevent a run on these funds. If the stable NAV is changed to a floating NAV, we will have to look to other investment products to avoid unnecessary accounting burdens. It is important to note that a floating NAV would have negligible day-to-day changes, but the accounting for these changes is significant. In addition, many government jurisdictions are required by statute to invest only in products with a stable NAV like MMFs. If the SEC changes the NAV to a floating feature, these jurisdictions would be forced to find alternative investments that are not as attractive as MMFs for a variety of reasons discussed in this testimony

The Importance of Liquidity

Another important feature of these funds is their liquidity. Often state and local governments receive payments that can be placed in a fund, sometimes as briefly as one night, because the funds are needed in the morning. This feature allows state and local governments to place these monies in a safe environment while still earning interest for the taxpayers. Often payments come in later in the day and no other product offers the ability to make an investment later in the day, including bank deposits. It is this key cash management tool, which attracts so many governments – and other businesses – to these funds.

Placing Capital Requirements on Funds

The SEC is also looking at the possibility of placing capital requirements on MMFs to be held against a possible run on MMFs. Again, Treasurers are concerned that the additional costs of MMF operations could result in lower yields – or eliminate these funds altogether – and would push Treasurers into using other less attractive investment alternatives. It is also unlikely that placing capital requirements on these funds will actually prevent a run on these products, or otherwise truly benefit the market.

Placing Redemption Requirements on Funds

As discussed previously, Treasurers use MMFs to move money in and out on a daily basis in order to meet their cash management needs. Requirements that would limit the amount that could be withdrawn from a government's MMF account would be highly disruptive. If money is held back or delayed, State Treasurers would have to then create a system and use precious resources to track these holdbacks and have to plan for the future accordingly. If this becomes a

requirement, Treasurers will seek other investments to find more reliable forms of liquidity. Additionally, this could be especially problematic for smaller governments whose investments may not be large enough to buffer these requirements, and who need access to the full value of their account in order to make various payments, including payroll.

State and Local Governments Organizations Standing Together

On March 8, 2012, NAST joined 13 other organizations representing state and local governments in a joint letter to each of the SEC Commissioners expressing concern over potential regulations presently being considered. These organizations include the:

- American Public Power Association
- Council of Development Finance Agencies
- Council of Infrastructure Financing Authorities
- Government Finance Officers Association
- International City/County Management Association
- International Municipal Lawyers Association
- National Association of Counties
- National Association of Health and Educational Facilities Finance Authorities
- National Association of Local Housing Financing Agencies
- National Association of State Auditors, Comptrollers and Treasurers
- National Association of State Treasurers
- National Council of State Housing Agencies
- National League of Cities
- U.S. Conference of Mayors.

The letter was intended to make clear to the SEC how vital MMFs are for members of the listed organizations who utilize MMFs on a daily basis. The co-signers also supported the changes to SEC Rule 2a-7 in 2010 and would support initiatives that would strengthen MMFs and ensure investors are investing in high-quality securities. However, these state and local organizations all recognized that if the discussed SEC regulations were to require a floating NAV, it very well could preclude state and local governments' ability to invest in these securities. As the co-signing organizations include issuers of municipal securities, a further concern that the SEC regulations would "dampen investor demand for the bonds we offer and therefore increase costs for the state and local governments that need to raise capital for the vital infrastructure and services."

A letter to this Committee, outlining our concerns about possible changes to MMFs from the state and local government community, including NAST, is also included in this testimony.

Effect on the Municipal Securities Market

Money Market Mutual Funds are by far the largest purchaser of short term municipal debt. If investors no longer use MMFs, then these funds will not have the same purchasing power to buy our debt. That would create a negative situation for state and local governments – a decrease in demand for our debt means the cost of issuing that debt will increase, on top of the likely increase in fees that would occur if governments would no longer be able to use MMMFs for their investment and cash management purposes.

Finding Alternative Investments if MMFs are Not Viable

One question that must be answered is why State Treasurers utilize MMFs rather than bank deposits or investing directly in commercial paper. First, Treasurers, as financial stewards of their respective states, have been able to use the well regulated MMFs to improve return. Banks are paying very little on deposits and deposits are only insured up to \$250,000. First tier commercial paper that is not asset-backed pays slightly more than deposits, but less than MMFs. Commercial paper also has transaction costs, custodial fees, less flexibility, and importantly lacks the liquidity of MMFs as it does not have an active secondary market. Finally, one critical distinction to be made between MMFs and commercial paper is that MMFs allow for greater diversity of exposure and lower credit risk. The same cannot be said of commercial paper since it is an individual security with risk based on that security alone. If, for example, a State had purchased Lehman Brothers commercial paper in 2008 as an alternative to MMFs, it would have had to absorb the entire loss of that particular holding.

Treasurer Kopp, State Treasurer of Maryland, Utilization of PMMF's

As Treasurer of Maryland I would like to convey how important MMFs are to States that utilize MMF's by showing how MMFs are used in my state. The State of Maryland uses MMFs to achieve the most efficient liquidity while earning a modest return like most other governmental entities throughout the nation. The State of Maryland averages between \$250 and \$350 million in MMFs deposits on a daily basis for the operating fund depending on the fiscal year cycle. The State Debt and Lease programs average an additional \$100 million invested in MMFs. The Maryland Local Government Investment Pool (LGIP) averages between \$250 and \$350 million in MMF deposits on a daily basis depending on the total size of the pool which varies from \$2.5

billion to \$3.5 billion, again depending on fiscal year cycle and available competing options. The Maryland State Retirement System had \$1.569 billion of the \$36.2 billion invested in MMFs as of May 31, 2012. Through the years the State has relied on MMFs for a safe place to put unexpected deposits that arrive late in the day until a more appropriate investment can be purchased and for daily liquidity for unexpected outflows or to cover failed delivery of expected incoming funds.

In 2008, the State of Maryland had over \$230 million invested in The Reserve Primary Fund. As we monitored the economic conditions and the Reserve Prime Fund Portfolio, we determined that the risk of the Primary Fund was more than we desired. So we transferred our investment into the Reserve Government Fund. When the Reserve Primary Fund “broke the buck” on September 16, 2008 our funds were safely invested in the Government Fund. We had read the prospectus and knew that MMFs had the option to delay return of investments in dire economic circumstances. Therefore, we were prepared to wait for our investment to be returned. Our total Reserve Government Fund investment was returned January 21, 2009 with interest. We had invested in the fund that matched our risk tolerance.

The 2010 SEC reforms to MMFs were most welcome and thorough. Our research of MMF portfolios (we are always looking for better investment opportunities) has shown that since the implementation of the enhancements overall, MMFs are safer and the participants are more aware of the risks as well as the benefits of investing in these instruments. While recognizing the importance of preventing systemic and or idiosyncratic events, the stable NAV is critical to state and local government participation. As Washington State Treasurer James McIntire pointed out

in his letter to the SEC on November 15, 2011 "Many local communities and special districts lack the financial management and accounting resources to properly equip them to invest in floating NAV funds." During the Government Finance Officers Association's Conference in Chicago last week, the almost unanimous consensus was that if MMFs have floating NAVs most government entities will have to pull their money out. All are struggling with budget issues and do not have the resources to enhance personnel or systems to accurately account for a floating NAV. This will put further strains on their cash management. Furthermore, the banking system is not prepared to accept these additional deposits.

Conclusion

NAST believes that any of the suggested reforms mentioned above may further lead to a contraction in the availability of short-term financing and adversely affect the investment choices of public funds and the continued ability of State governments, their political subdivisions and their respective instrumentalities to obtain financing to support the implementation of a wide variety of public initiatives. In effect, these regulations will increase costs and will not have the intended effect of making MMFs more stable. Of course, additional costs will be paid by investors and issuers alike, including the states and their taxpayers.

Many State Treasurers also manage LGIPs, which are pooled investment funds operated for the benefit of state or local government units. By pooling assets from numerous state and local government entities, LGIPs offer economies of scale, liquidity, and diversification, thereby reducing costs for them and ultimately for taxpayers. While LGIPs are not governed by Commission and Rule 2a-7, the investment guidelines for LGIPs typically track the Rule 2a-7.

Therefore, any changes to MMF rules would also impact the governmental entities that invest in LGIPs.

As state government officials, State Treasurers have enormous respect for and appreciate the responsibilities facing government officials and regulators. No investor or government official wants to again go through an experience as challenging as the financial crisis in 2008. However, the rationale for changing MMF regulation should be informed by the effectiveness of the amendments to Rule 2a-7 adopted in 2010 as well as the impact such changes may have on state and local governments. We are also concerned about how the changes would impact the ability of states to manage LGIPs.

These changes would simply increase costs to taxpayers by both taking away a key investment and cash management tool used by thousands of governments, and possibly curtailing or eliminating the largest purchaser of short term municipal debt. Both of these scenarios would be the outcome of changing the stable NAV to a floating NAV, and one the National Association of State Treasurers would hope leaders in Washington, would try to avoid.

FEDERAL SECURITIES REGULATION OF MONEY MARKET MUTUAL FUNDS

WHEREAS, State governments, their political subdivisions and their respective instrumentalities rely upon money market mutual funds to manage short-term investments that provide ready liquidity, preservation of capital, and diversification of credit exposure; and

WHEREAS, State governments, their political subdivisions and their respective instrumentalities rely upon money market mutual funds to purchase municipal securities to provide financing to nonprofit and for profit private corporations for the purpose of funding actions by such private corporations that implement a wide variety of public policies (e.g. economic development, education, healthcare, housing, and transportation); and

WHEREAS, money market mutual funds regulatory structure were brought under scrutiny by regulators following the Reserve Primary Fund's net asset value dropping below \$1.00 or "breaking the buck" during the global financial crisis of 2008 as liquidity pressures and investor anxiety spread across the financial markets and led to large redemptions from money market mutual funds; and

WHEREAS, the Securities and Exchange Commission (the "Commission") acted in response by amending rule 2a-7 (Release No. IC-29132; File Nos. S7-11-09, S7-20-09) ("Final Rule") under the Investment Company Act of 1940, effective May 5, 2010 to include requirements that money market mutual funds hold 10% of assets in daily liquid securities, hold 30% of assets in weekly liquid securities, shorten weighted average maturity from 90 days to 60 days, create a weighted average life for securities of no more than 120 days, hold no less than 97% of assets in first tier securities, hold no more than 5% of assets in illiquid securities, disclose holdings monthly to the Commission and to a publicly available website; and

WHEREAS, Several Commissioners and members of the staff have publicly indicated support for further amending rule 2a-7 to include consideration of new regulations that would impose restrictions on the redemption of money market mutual fund shares by investors, require money market mutual funds to adopt a floating daily net asset value, or mandate that money market mutual funds hold high levels of capital similar to banking institutions; and

WHEREAS, many of the suggested reforms would adversely affect the investment capabilities of public funds and the continued ability of State governments, their political subdivisions and their respective instrumentalities to obtain financing to support the implementation of a wide variety of public initiatives and may further lead to a contraction in short-term financing capabilities; and

WHEREAS, State Treasurers manage State Pooled Investment Funds and Local Government Investment Pools and if required to comply with new requirements and incur additional costs of compliance such costs would be paid by the states or passed on to the local governments.

WHEREAS, certain State Treasurers who manage 2a7-like State Pooled Investment Funds and Local Government Investment Pools would be required to comply with new requirements and incur additional costs of compliance and such costs would be paid by the states or passed on to the local governments.

NOW, THEREFORE BE IT RESOLVED, by the National Association of State Treasurers:

1. NAST believes the Commission's amendments to rule 2a-7 finalized on May 5, 2010 have made money market mutual funds more transparent, less subject to interest rate risk, more creditworthy and less susceptible to redemption demand pressure during periods of stress in the financial markets and *supports* the Commission's preservation of a stable \$1.00 net asset value money market mutual fund; and
2. NAST *opposes* additional regulatory changes to money market mutual funds that would alter the structure of the product in such a way that would result in less liquidity, less diversification of holdings, increases in fund administration costs, decreases in net yield, or would prevent public investors from utilizing money market mutual funds with stable net asset values; and
3. NAST *opposes* additional regulatory changes to money market mutual funds that would destabilize financial markets, and lead to large outflows from money market mutual funds which in turn would increase the concentration of risk among fewer institutions as well as result in an increase in financing costs for issuers of municipal securities; and
4. NAST *opposes* additional regulations that would adversely affect the operation of 2a7-like State Pooled Investment Funds and Local Government Investment Pools by requiring a floating net asset value with the consequence for shareholders being the uncertainty of daily liquidation value or by promulgating other requirements resulting in additional compliance costs, those costs having to be paid by state governments or passed on to local governments and political subdivisions.

Approved this 19 Day of March, 2012, by the
National Association of State Treasurers



Hon. Kate Marshall
NAST President
Nevada State Treasurer

THE BOND BUYER

THE DAILY NEWSPAPER OF PUBLIC FINANCE

Treasurers: Proposed SEC Money Fund Regs Bad For Municipalities

Tuesday, May 29, 2012

By Kate Marshall, Manju Ganeriwala and Richard Ellis

As stewards of our states' coffers, state treasurers are tasked with managing and protecting the financial resources of our taxpayers.

In carrying out these responsibilities, like many individuals and families in this country, we rely heavily on money market mutual funds. We use money funds because they are an important investment tool as they provide ready liquidity, preservation of capital and diversification of credit exposure.

That is why state treasurers are so concerned about proposals in Washington that would sharply reduce the ability of money market funds to help manage our states' day-to-day finances, and could spell the end of this product.

In 2010, the Securities and Exchange Commission adopted regulations that enhanced the liquidity of money market funds while greatly reducing interest rate and credit risks. The National Association of State Treasurers applauded these changes as appropriate in the wake of lessons learned from the financial crisis.

However, recent reports indicate the SEC may issue additional proposals that would change the nature of money market funds by mandating that the funds adopt a daily floating net-asset value rather than the current stable \$1 per share value.

Money market funds are able to maintain this \$1 per share stable value by making a wide range of very low risk, short-term investments whose value is unlikely to decrease.

But under the SEC's proposal, money funds would be required to "float," or modify the price of the funds every day, so with a \$100 investment, on some days you may get a little bit less than \$100. While the variations would be small – less than half a penny per dollar – it would cause most investors who rely on getting every dollar back to stop using money funds.

Simply put, this proposal could have very negative consequences for already cash-strapped state governments.

The stable net-asset value is a fundamental feature of money market funds that lets us know that practically speaking, for each dollar we place in these funds we will get at least \$1 back when we withdraw public monies. This simple and direct valuation method has made money market funds a critical investment tool for state treasurers and U.S. investors for more than four decades.

A second SEC proposal would require holding back some of the taxpayers' funds invested in money market funds for 30 or more days before we could retrieve those funds. We move money in and out of money market funds on a daily basis. A required hold-back of invested funds reduces or eliminates the efficiency of these as an investment tool and would impose significant accounting and regulatory burdens while offering no further reduction in the risks of money market funds.

Many state treasurers also manage state pooled investment funds and local government investment pools, which resemble money market funds and function as safe and essential short-term investment of funds for

both state and local governments. If these funds are required to conform to new regulations, the additional costs of compliance will be borne by the states or passed on to local governments.

If adopted, these proposed changes may well shrink the money fund industry and the participants who rely on it due to the uncertainties of daily mark to market and full liquidity.

If so, an important part of the investing and financing market will disappear, with investors left to search for other, perhaps riskier alternatives and borrowers forced to obtain credit at more expensive rates.

We appreciate the continual efforts to learn from and work to avoid a repetition of all aspects of the 2008 financial crisis. But we have an obligation to speak out when regulation goes too far.

For these reasons, at its 2012 Legislative Conference in Washington, D.C., the NAST unanimously adopted a resolution opposing these additional changes and will continue to work with the SEC to support appropriate regulation of money market funds.

We fully supported the 2010 regulations that helped make these investment vehicles the highly regulated, low-risk products that they are today. Those reforms fostered transparency, mandated higher credit quality and enhanced liquidity, thereby ensuring funds can weather periods of extreme market turbulence. In so doing, the new regulations have already achieved the effect of minimizing pricing fluctuations due to changes in interest rates and credit quality.

The proposed changes by the SEC add nothing to this but an undue regulatory burden.

Kate Marshall is the treasurer of Nevada and president of the National Association of State Treasurers. Manju Ganeriwala is the treasurer of Virginia and senior vice president of NAST. Richard Ellis is the treasurer of Utah and secretary-treasurer of NAST.



© 2012 The Bond Buyer and SourceMedia, Inc. All Rights Reserved. SourceMedia is an Investcorp company. Use, duplication, or sale of this service, or data contained herein, except as described in the Subscription Agreement, is strictly prohibited.

**American Public Power Association
Council of Development Finance Agencies
Council of Infrastructure Financing Authorities
Government Finance Officers Association
International City/County Management Association
International Municipal Lawyers Association
National Association of Counties
National Association of Health and Educational Facilities Finance Authorities
National Association of Local Housing Financing Agencies
National Association of State Auditors, Comptrollers and Treasurers
National Association of State Treasurers
National Council of State Housing Agencies
National League of Cities
U.S. Conference of Mayors**

March 8, 2012

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: SEC Activities related to Money Market Mutual Funds

Dear Chairman Schapiro:

The organizations listed above representing state and local governments would like to bring to your attention the vital role money market mutual funds (MMMFs) play for our members. As we have stated in previous comments to the Securities and Exchange Commission, notably to proposed changes to SEC Rule 2a-7 in 2010, we support initiatives that would strengthen money market funds and ensure investors are investing in high-quality securities. However, we are alarmed by recent reports that the SEC may alter the nature of these products and eliminate or impede state and local governments' ability to invest in these securities. As issuers of municipal securities, we also are concerned that such changes would dampen investor demand for the bonds we offer and therefore increase costs for the state and local governments that need to raise capital for the vital infrastructure and services they provide to their citizens.

The possibility of changing the stable net asset value (NAV) – the hallmark of money market funds – to a floating net asset value greatly concerns us. Such a move would be very harmful to state and local governments and the entire MMMF market. The fixed NAV is the fundamental feature of money market funds. Forcing funds to float their value likely would eliminate the market for these products by forcing many investors, including state and local governments, to divest their MMMF holdings, and discouraging others from using these funds.

As investors, many state and local governments look to MMMFs as an integral part of their cash management practice. In the third quarter of 2011, state and local governments held \$86 billion in MMMFs. The Government Finance Officer Association's Best Practice "Using Mutual Funds for Cash Management Purposes" encourages governments to look to money market funds for short-term investments, with appropriate cautions. Many governments have specific policies or statutes that mandate investing in financial products with stable values, and

money market funds are the investments used to ensure compliance with these state and local laws and policies. MMMFs are a popular cash management tool because they are highly regulated, have minimal risk, and are easily booked. If the SEC were to adopt a floating NAV for MMMFs, we expect that most if not all of our organizations' members would divest a significant percentage of their investments in MMMFs and would be forced to look at competing products that could be more susceptible to market conditions, more difficult to account for and manage, and may pose market risk. That would contrast sharply with the SEC's goals, particularly since many of those competing products don't provide investors with the same transparency and comprehensive regulatory protections as MMMFs.

In addition to their important investment purpose, MMMFs also are related to the municipal bond market. Money market funds are the largest investor in short-term municipal bonds: with \$288 billion in assets, tax-exempt money market funds hold 57% of all outstanding short-term municipal debt. Changing the NAV from fixed to floating would make MMMFs far less attractive to investors, thereby limiting money market funds' ability to purchase municipal securities. Such a decrease in demand would lead to higher debt issuance costs for many state and local governments across the country.

Any effort by the SEC to fundamentally change the DNA of MMMFs would have an extremely disruptive effect on the investing market as well as the municipal bond market. This ultimately could cost state and local governments millions of dollars, as they would have to turn to more costly – and/or more risky – investments as well as face higher costs for issuing debt due to shrinking demand for the market.

We hope that you and other members of the Commission will carefully weigh the negative effects that fundamental changes to MMMFs would have on the various markets. We hope you will also consider the effects of the comprehensive amendments to Rule 2a-7 adopted in January 2010, because the enhanced liquidity and transparency fostered by these changes appear to have helped MMMFs weather recent periods of market turbulence without incident or systemic risk. It is difficult to understand why the SEC, having already completed comprehensive reforms of Rule 2a-7 that enhanced the value of MMMFs to investors and the economy, would now consider additional changes that would have such a disruptive effect for so many, including state and local governments.

If you have any questions about this letter, please contact Susan Gaffney, Director of the Government Finance Officers Association's Federal Liaison Center at 202-393-8468.

Sincerely,

American Public Power Association, Amy Hille
Council of Development Finance Agencies, Toby Rittner
Council of Infrastructure Financing Authorities, Rick Farrell
Government Finance Officers Association, Susan Gaffney
International City/County Management Association, Beth Kellar
International Municipal Lawyers Association, Chuck Thompson
National Association of Counties, Mike Belarmino
National Association of Health and Educational Facilities Finance Authorities, Chuck Samuels
National Association of Local Housing Financing Agencies, John Murphy
National Association of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou
National Association of State Treasurers, Jon Lawniczak
National Council of State Housing Agencies, Garth Rieman
National League of Cities, Lars Etzkorn
U.S. Conference of Mayors, Larry Jones