

December \_\_, 2016

The Honorable Kyrsten Sinema  
U.S. House of Representatives  
1530 Longworth H.O.B.  
Washington, DC 20515

**Re: H.R. 4216**

Dear Representative Sinema:

I am writing to request your support for H.R. 4216, the Consumer Financial Choice and Capital Markets Protection Act. This bipartisan legislation seeks to preserve access to capital and promote public infrastructure for the residents of Arizona.

As you know, state and local governments must continue to have capital markets funding options available that allow them to maximize support for the economic development needs of their citizens while ensuring the most resourceful use of scarce tax dollars. Fortunately, H.R. 4216 has been introduced to preserve money market funds as a viable, efficient and cost-effective source of such financing. These funds are the largest purchasers of short-term debt issued by municipalities, much of it to finance housing, health and education related projects.

That access has been put at risk by a Securities and Exchange Commission (SEC) rule that prohibits prime and tax-exempt money market funds operating on a stable net asset value (NAV) basis from being offered to investors other than “natural persons” (called “institutional” investors). As a result, businesses and other organizations that require stable value investments are shifting their short-term cash management needs out of money market funds and into other types of investments that do not support the capital access needs of communities.

Currently, all issuers of municipal debt are feeling the impact of the shrinkage in tax-exempt money market fund assets as a result of the SEC rule. Since the beginning of the year, assets in tax-exempt money market funds nationally have declined from approximately \$260 billion to under \$135 billion today as a direct result of the rule, which was required to be implemented on October 14, 2016.

The impact in Arizona has been equally dramatic. Over the same period, holdings of tax-exempt debt of Arizona issuers by money market funds have dropped by almost half a billion dollars. It is down from over \$2.09 billion to about \$1.68 billion. This has had the effect of increasing the cost of borrowing for all Arizona issuers, including those remaining in tax-exempt money market funds. The rate we pay on our debt held by tax-exempt money market funds has increased significantly, which requires that we reduce costs in other areas.

H.R. 4216 would preserve the stable net asset value (NAV) for all money market fund investors. It does so without changing the Dodd-Frank Act, or impacting other changes to the regulation of money market funds that were adopted by the SEC in 2010 and 2014.

I appreciate your leadership in advancing H.R. 4216, so that we can retain the indispensable capital markets financing options provided by money market funds for economic development in Arizona and throughout the country.

Sincerely,

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