



APPROVED RESOLUTION

Supporting Enactment of the Consumer Financial Choice and Capital Markets Protection Act (S. 1117/H.R. 2319)

Whereas: The State Financial Officers Foundation supports regulatory policies that foster economic growth and job creation through consumer and investor choice, and access to capital for states and local governments and main street businesses.

Whereas: Until recently, prime and tax-exempt money market funds had been utilized effectively to both manage liquidity for public sector investments and provide a reliable source of working capital to fund public services and finance infrastructure investment and economic development.

Whereas: Nearly \$1.2 trillion of private sector capital has left prime and tax-exempt money market funds as a result of a Securities and Exchange Commission (SEC) change to rule 2a-7 under the Investment Company Act that went into effect in October 2016. That rule change requires non-government money market funds available to “non-natural persons” to transact using a floating net asset value (NAV) instead of a stable NAV.

Whereas: The SEC’s action is limiting the ability of state financial officers to access the capital markets, undermining the investments they make to protect public funds, and putting unnecessary pressure on state and local government budgets as we seek to finance programs, services and public infrastructure for our citizens.

Whereas: The SEC’s action also had the effect of prioritizing the financing of Federal deficits over state and local government finances and public infrastructure investment by causing 30 states each to lose over \$1 billion of tax-exempt funding from money market funds, and \$1.2 trillion in private sector capital being diverted to funds that invest exclusively in U.S. Government debt.

Whereas: Bipartisan legislation has been introduced in the U.S. Senate and the House of Representatives to fix the unintended consequences of the SEC rule that has destroyed stable value money market funds as a source of low-cost variable rate borrowing for businesses and state and local governments. Implementation of the rule has significantly reduced the investment choices and returns of our management of short-term cash for operational expenses.

NOW, THEREFORE BE IT RESOLVED, that the State Financial Officers Foundation urges the President and the Congress of the United States to reverse the SEC's unnecessary regulatory impediment to the capital markets for state and local governments by enacting the Consumer Financial Choice and Capital Markets Protection Act (S. 1117/H.R. 2319).

Approved this 20th Day of April 2018



Derek Kreifels, SFOF President



Treasurer Ron Crane (ID), SFOF National Chair