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NYSAC

NEW YORK STATE ASSOCIATION OF COUNTIES

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President: Hon. Mary Pat Hancock, Genesee County | Executive Director: Stephen J. Acquario, Esq.

June 20, 2012

The Honorable Mary Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chairman Schapiro:

The mission of the New York State Association of Counties is to represent, educate, advocate for, and serve member counties and the thousands of elected and appointed county officials who serve the public. To that end, NYSAC has been monitoring the Securities and Exchange Commission's proposal that would drastically change the structure of money market funds, and limit the investment options for counties.

New York State's county governments are required to keep cash in accounts with a stable principal value. For over 40 years money market funds have filled this role in county governments' cash management plans by providing a safe and secure investment mechanism that offered historically higher yields than traditional bank savings accounts. Money market funds hold more than half of the short-term debt—about $85 billion—that state and local governments borrow to pay for public projects such as road and bridge construction, water and sewage treatment facilities, hospitals, and affordable housing. This source of financing allows counties to build, maintain, and improve vital infrastructure without requiring that taxpayers pay exorbitant interest rates for capital projects.

The historical stable share price of money market funds has created a useful investment option for individuals, institutional investors, and state and local governments. NYSAC believes that forcing money market funds to change their $1.00 per-share price and "float" their net asset value (NAV) could decrease the value, and therefore the investor demand for money market funds. As our colleagues at the New Jersey Association of Counties have correctly deduced, the proposed regulatory changes would negatively impact county governments and their residents by:

- *Increasing costs for local governments.* Money market funds hold more than half of the short-term debt that finances state and municipal governments for public projects.

Without the option of at financing, local governments may be forced to limit projects, spend more on financing, or increase taxes.

- *Reducing yields or increasing risks for public agencies.* Should money market funds be forced to adopt a floating NAV, many state agencies, cities, counties, public authorities, public universities and other public entities would shift to bank products that have historically paid lower yields or to other cash products that are less secure.

- *Impeding key programs within the federal government.* Money market funds hold one dollar out of every eight in short-term paper issued by the United States Treasury. Disrupting this financing could have a significant impact on federally funded projects and programs.

These scenarios could lead to a contraction in short-term public financing capability as investors, especially institutional investors, move to other, less-regulated products. One survey showed 77% of corporate users would move their money out of these funds if the stable NAV was removed. It would also increase short-term debt costs for states due to the reduction of placement options. This would be a heavy burden for county governments, particularly in the current economic climate.

Money market funds are already well-regulated by the SEC's Rule 2a-7, which ensures investors are investing in high-quality securities. The newly proposed changes would only serve to make money tighter and force county governments into riskier options to obtain financing for desperately needed public projects. For these reasons, NYSAC urges you to abandon any plans that would change the stable $1.00 per-share price of money market funds.

Thank you for your consideration.

Sincerely,

Stephen J. Acquario

Stephen J. Acquario
Executive Director