TML

TEXAS MUNICIPAL LEAGUE

President **Robert Cluck**, Mayor, Arlington
Executive Director **Bennett Sandlin**

January 21, 2011

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F. Street NE
Washington, D.C. 20549-1090

Dear Ms. Murphy:

Thank you very much for the opportunity to comment on the SEC's consideration of the President's Working Group on Money Market Fund Reform. The Texas Municipal League (TML) is a non-profit association of Texas cities organized in 1913. Its purpose is to serve the needs and represent the interests of Texas cities. More than 1,100 cities, with populations ranging from fewer than 100 to more than 2,000,000, are members of TML.

We are writing to express our support for those ideas expressed in the comments submitted on January 10, 2011, by the National League of Cities and U.S. Conference of Mayors, among others (please see attached). We agree that the shift away from a fixed net asset value (NAV) for money market mutual funds towards a floating NAV would harm Texas cities. Not only would a floating NAV make certain municipal bonds less attractive to investors, but the change would also restrict the types of investments Texas cities could make.

In Texas, the Public Funds Investment Act (PFIA) governs the way cities and other local governments may invest their money. The PFIA includes a section on investments in money market mutual funds, which provides that a local government may invest in a money market mutual fund only if the fund "includes in its investment objectives the maintenance of a stable net asset value of $1 for each share." TEX. GOV'T CODE § 2256.014(a)(4). Because of this state statute, Texas cities would not have the legal authority invest in a money market mutual fund with a floating NAV. We feel that the elimination of this reliable investment option at a time when many Texas cities face serious fiscal challenges would be misguided.

Again, we greatly appreciate the opportunity to comment. Please do not hesitate to contact me with any questions you may have.

Sincerely,

Bill Longley

Bill Longley
Legal Counsel

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

January 10, 2011

Ms. Elizabeth Murphy
Secretary
Securities and Exchange Commission
100 F St., N.E.
Washington, DC 20549-1090

Re: Request for Comment on the President's Working Group Report on Money Market Fund Reform (Release No. IC-29497; File No. 4-619)

Dear Ms. Murphy,

The organizations listed above are pleased to comment on the SEC's consideration of the President's Working Group on Financial Markets report, specifically on possible money market reforms, entitled Money Market Fund Reform Options. As we have stated in previous comments to the SEC, notably to proposed changes to SEC Rule 2a-7 in 2009, we support initiatives to strengthen money market funds and ensure that investors are investing in high-quality securities. However, as investors in money market mutual funds (MMMFs), we are concerned about any changes that would alter the nature of these products and eliminate or impede our ability to purchase these securities. In our additional role as issuers of municipal bonds, we are concerned that such changes would dampen investor demand for the securities we offer and deprive state and local governments of much-needed capital.

We are particularly concerned with the issue of whether the SEC should propose or adopt a rule that would change the fixed net asset value (NAV) – the hallmark of money market funds – to a floating net asset value. We believe that such a move would be harmful to state and local governments and the entire MMMF market. The fixed NAV is the fundamental feature of money market funds, and changing its structure likely would eliminate the market for these products by forcing state and local governments, along with many other institutional investors, to divest their MMMF holdings.

Shrinking the market for MMMFs, in turn, would have severe consequences for state and local finances. MMMFs are the largest investor in short-term municipal bonds, holding 65% of all outstanding short-term bonds equaling nearly $500 billion.[1] Changing the NAV from fixed to floating would make MMMFs far less attractive to investors, thereby limiting the availability for money market funds to purchase municipal securities. Losing this vital investing power could lead to higher debt issuance costs for many state and local governments across the country. Forcing money market funds to float their NAV could thus deprive state and local governments of much-needed capital.

As investors, many state and local governments look to MMMFs as part of their cash management practice. In the Government Finance Officer Association Best Practice, "Use of Various Types of Mutual Funds by Public Cash Managers," governments are encouraged to look to money market funds for short-term investments, with appropriate cautions. One of the critical reasons for this recommendation is the fixed NAV found in these products. In fact, many governments have specific policies that mandate stable values, and money market funds are to be used for their short-term investments due to the fixed NAV. 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, the organizations listed above expect that many, if not all, of their members would divest a significant percentage of their MMMFs and would have to look at competing products that, in turn, could be more susceptible to market conditions, more difficult to account for and manage, and may pose market risk.

Therefore, in considering the options presented in the President's Working Group on Financial Markets report, we recommend that the SEC and the Financial Stability Oversight Council (FSOC) be cognizant of the potential negative effects on state and local governments of any proposals that would fundamentally alter money market mutual funds, in particular those that would directly or indirectly force these funds to float their NAVs. If the Commission or the FSOC does plan to advance the idea of a floating NAV, we request that they provide a hearing and formal proposal of rules for comment and thorough discussion.

Thank you for the opportunity to comment on the SEC's consideration of the recommendations made in the President's Working Group on Financial Markets report on money market fund reform. 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.

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[1] Report of the Money Market Working Group, Investment Company Institute, March 2009, pages 18-19.

Sincerely,

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