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Ms. Elizabeth M. Murphy, Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Comment on the Proposed Rulemaking on Money Market Fund Reform File No. S7-03-13

Dear Ms. Murphy:

I appreciate the opportunity to provide comments on the proposed rulemaking of the U.S. Securities and Exchange Commission (the "SEC") on money market funds ("MMFs").[1] My office operates a $10 billion Local Government Investment Pool ("LGIP") and has invested significant amounts in MMFs. I have followed the discussion of the proposed rule closely to determine its impact on my operations as a state treasurer. I outline my concerns below.

I. Burden as a Purchaser of Money Market Funds

For more than 10 years, the state has used MMFs, both government and prime funds, as a source for managing liquidity in the state's LGIP. Historically, the state had used commercial paper as its primary funding and liquidity investment, but following the drop in short-term interest rates in 2001-02, we turned to MMFs because of their liquidity and low level of risk with a diversified portfolio. We understand there is no guarantee that MMFs cannot "break the buck." At times our investment in MMFs has exceeded $1.3 billion, or well over 10 percent of our holdings. More typically we carry a balance between $300 million and $600 million. Changes in the capital markets, primarily driven by low interest rates, have reduced the volume of legal investments that we may purchase. MMFs are the only consistently available product that meets our needs without risking negative returns.

Establishment of a variable NAV will increase accounting costs significantly for our LGIP as we will need to pass through insignificant gains or losses on a daily basis to more than 600 public bodies that participate in the state's LGIP. This in turn will increase the accounting burden on participants as they are forced to account for these "paper" gains or losses in their financial statements. These paper gains or losses confuse elected officials because the financial statements show transactions that are not

[1] 78 FR *36834-37030* (June 19, 2013).

necessarily recognized

The natural reaction is to then look to other investments to meet this need in the portfolio. The options are higher concentrations in commercial paper, which carries concentrated credit risk, an illiquid secondary market, and extremely low returns when transaction costs are included. Bank deposits are an additional option, but they are paying next to nothing and banks are not looking for large deposits at this time. And of course, US Treasury obligations are always an option, but if outflows from MMFs move to UST Bills the demand will drive rates lower, even causing negative returns when transaction costs are included. The result will be many public treasurers taking on additional market and credit risk in order to enhance returns. We have already seen this playing out in today's low interest rate environment. Any reforms that make MMFs less attractive as a short-term investment option will lead to additional risk taking by public treasurers.

II. Higher Funding Costs to Issuers of Short-term Municipal Securities

While the state of Utah does not currently issue any short-term notes or variable rate demand obligations, many counties, cities and school districts in the state rely on short-term notes for cash flow purposes. As borrowers, states and local governments benefit from MMFs, particularly municipal MMFs as purchasers of short-term debt issues.

Although bank loans and purchases of notes by banks and other institutional investors are usually an option, MMFs offer a reliable low-cost option for municipal borrowers. As a result, changes to MMF structure and regulation could impose significant costs and burdens on state and local governments and indirectly on our citizens.

Sincerely,

Richard K. Ellis
Utah State Treasurer