

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

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Honorable Timothy Geithner
Financial Stability Oversight Council
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: Proposed Money Market Fund Regulations – Docket ID: FSOC-2012-003

Dear Secretary Geithner:

The New Jersey Association of Counties (NJAC) wishes to note our concerns regarding proposed changes to the structure of money market funds, particularly our opposition to proposals that would force these funds to abandon their stable \$1.00 per-share price and instead "float" their net asset values (NAVs).

As you know, money market funds are a key component of our financial system and a valued tool for state and local institutions. Since the financial crisis of 2007-2009, policymakers have made great progress in making money market funds more resilient in times of market stress. A few regulators and commentators, however, continue to advocate changes that would undermine the economic and investor benefits of money market funds by eliminating the stable \$1.00 per-share price. In our view, forcing money market funds to float their NAVs would harm investors, state and local governmental institutions like ours, and the broader U.S. economy. We thus strongly support maintaining the ability of money market funds to offer a stable \$1.00 per-share value.

The benefits of the stable NAV for state and local governmental institutions are clear. Like most such institutions, we are required to keep our cash in accounts or products with stable principal value. We rely upon the convenience and simplicity that the stable NAV provides for accounting, recordkeeping, and tax treatment of cash balances. It would be impossible for investors to purchase and redeem millions of dollars in money market fund shares every day without the stable \$1.00 NAV.

The dangers of floating the NAV are equally clear. As we see it, the floating NAV would:

- **Increase 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 such as roads, bridges, airports, water and sewage treatment facilities, hospitals, and low-income housing. Without that financing, local governments may be forced to limit projects, spend more on financing, or increase taxes.

- **Undermine local economies.** Money market funds hold more than one-third of the commercial paper that businesses use to finance payrolls and inventories. The flight of investors in the face of floating NAV or other changes that undermine the character of money market funds could significantly disrupt the supply of short-term credit that employers need to operate.
- **Reduce yields or increase 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 be forced to shift to bank products that have historically paid lower yields or to other cash products that are less secure.
- **Impede key programs with 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.

To avoid these negative consequences, we believe that any further reforms for money market funds must preserve their fundamental features. As you yourself noted in 2011, any further changes to money market funds must be made “without depriving the economy of the broader benefits that those funds provide.” Forcing the adoption of floating NAVs for money market funds would not add resilience, and it would destroy many economic benefits. We therefore oppose proposals that would change the stable \$1.00 value of money market funds.

NJAC is committed to advocating for legislation, regulations, and policy directives that empower county governments to operate more effectively and efficiently. As a non-partisan organization that represents the only true regional form of government in the State with a unified and proactive voice, NJAC is dedicated to advancing innovative programs and initiatives that enhance the level of service provided and save valuable taxpayer dollars.

Sincerely,

John G. Donnadio, Esq.
Executive Director