



## State of Tennessee

Justin Wilson, State Comptroller

For Immediate Release: Dec. 16, 2009

### **COMPTROLLER EXTENDS DEADLINE FOR COMMENT ON MODEL DEBT POLICY**

Comptroller Justin P. Wilson has extended the deadline for providing public input on a model debt management policy for local governments until Jan. 8, 2010. Wilson initially set mid-December as a tentative deadline for collecting comments, but decided to extend the timetable a few more weeks to give people more time to respond.

After collecting more input from citizens, Wilson plans to submit a proposed model debt policy to the State Funding Board for consideration. If the Funding Board adopts the model debt policy, local governments throughout Tennessee may be required to develop and adopt debt policies of their own that are consistent with the model.

Wilson expects the model debt policy to make it easier for citizens and members of local governing bodies to get details about debt transactions, including the relationships between the parties involved in the transactions.

Wilson also expects the model debt policy to have provisions prohibiting an individual or company from representing more than one party in a local government bond transaction. For example, a local government's financial advisor would be banned from also serving as the local government's bond underwriter or bidding on the debt.

And Wilson expects all fees, relationships and contracts between companies, their employees and independent contractors to be disclosed under the new policy.

"It is so important for citizens – and the local government officials who represent them – to be able to access detailed information about these bond transactions," Wilson said. "To make sure the public's interests are being properly represented, these transactions need to be more transparent to outsiders and potential conflicts of interest must be eliminated."

Wilson said he also expects the model debt policy to include some standards for the use of variable rate debt by local governments. And there will be provisions discouraging the

use of excessively high “balloon payments” in later years of loans.

“My concern is that some local governments may be getting into deals that seem good on the front end because the initial debt payments are low,” Wilson said. “However, the debt payments rise over time, which can create a heavy burden for local taxpayers – sometimes years after the people who approved the deals have moved on.”

Tennesseans can review a draft of the model debt policy at:

<http://www.tn.gov/comptroller/lf/pdf/20091030DraftModelDebtPolicy.pdf>

They can also make suggestions, offer comments or ask questions by e-mailing the Comptroller’s office at [comptroller.web@tn.gov](mailto:comptroller.web@tn.gov)

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