

Comptroller's Office Seeks Comment on Proposed State Funding Board Guidelines for Comptroller Approval of Balloon Indebtedness

The Comptroller of the Treasury, through its Office of State and Local Finance, is seeking comment on proposed guidelines for Comptroller approval of balloon indebtedness issued by local governments.

The proposed guidelines can be viewed online at:

<http://www.comptroller.tn.gov/sl/PDF/BalloonDebtGuidelines.pdf>

The guidelines were presented at the State Funding Board meeting held on June 18. The Board approved the guidelines in substance and requested that the guidelines be subject to public comment through June 27. After all comments have been reviewed by the Comptroller, the Comptroller may declare the guidelines effective July 1; make revisions to the guidelines to be effective July 1; or defer the effective date of July 1 and present the revisions to the board at its next meeting for further review and consideration.

Pursuant to the provisions of Section 5 of Public Chapter 766, Acts of 2014 (effective July 1), a local government or local government instrumentality must first obtain from the Comptroller approval of the issuance of balloon indebtedness. A "local government" is defined as any incorporated city or town, metropolitan government, county, or utility district. "Balloon indebtedness" is defined (with certain exclusions) as debt that:

- (i) Has a final maturity date thirty-one (31) or more years after the date of issuance;
- (ii) Delays principal repayment for more than three (3) years after the date of issuance;
- (iii) Capitalizes interest beyond the later of the construction period or three (3) years from the date of issuance; or
- (iv) Does not have substantially level or declining debt service.

The State Funding Board is authorized to establish guidelines with respect to Comptroller approval of balloon indebtedness.

"It's important that governments be very transparent to the public when issuing debt, especially when principal repayment is deferred," Comptroller Justin P. Wilson said. "These guidelines will provide guidance to local governments regarding the information my office needs to properly review the proposed transaction. We hope to supplement and update these guidelines in the coming months as we implement this new law. Receiving feedback from the public is an important part of that process."

Comments on the proposed revisions to the form should be sent:

By e-mail to: IGpublic.Finance@cot.tn.gov or

By mail to: Tennessee State Funding Board
Attn: Ms. Betsy Knotts
17th Floor, James K. Polk Building
505 Deaderick Street
Nashville, TN 37243

Media contact: Blake Fontenay, Communications Director, (615) 253-2668 or blake.fontenay@tn.gov