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Tennessee State Funding Board Guidelines
Comptroller Approval of Balloon Indebtedness

I. Background

Public Chapter 766, Acts of 2014 (the "Act") [1] requires the Comptroller of the Treasury to approve plans of balloon indebtedness and authorizes the State Funding Board to establish guidelines with respect to such approval.[2] The Act and the State Funding Board Guidelines took effect on July 1, 2014.

II. Definitions

A. "Director" shall mean the Director of the Division of Local Government Finance ("LGF"), Tennessee Comptroller of the Treasury.

B. "Description of Indebtedness" shall mean a sufficiently detailed description of the proposed debt issuance. It must include the following information:

1. the security for the proposed debt,
2. the project that will be financed with the debt[3],
3. all material terms of the proposed transaction,
4. citation(s) to all relevant statutory authority for the transaction, and
5. all proposed amortization schedules relating to the debt issuance.

C. "Repayment Plan" shall mean a proposed payment plan signed by the Chief Executive Officer ("CEO") or chair of the governing body or committee that acknowledges any risks associated with the transaction.

D. "Request for Blanket Exemption" shall mean a request for the State Funding Board to grant a blanket exemption for certain classes or issues of indebtedness from approval, as authorized by the Act. Bond counsel, financial advisors, or any other professionals working on the debt issuance must submit the request for exemption in writing, explaining in detail why the issuance of this type of balloon indebtedness is not counter to the public's interest.

[1] Enacted subsequent to Public Chapter 529, Acts of 2014 and is the prevailing "Anti-Kicking the Can Act."
[2] State Funding Board Guidelines are to be updated and supplemented on an as needed basis.
[3] Multiple series of debt proposed to be issued simultaneously and that will finance the same project will be reviewed in the aggregate and can be included in one plan.

E. "Request Letter" shall mean a letter signed by the CEO or chair of the governing body or committee that states in sufficient detail the public purpose for the proposed balloon indebtedness, the justification for a balloon indebtedness structure, and why the issuance of such debt is in the public's interest. Additionally, the request letter will quantify the costs and risks of a balloon indebtedness structure and quantify and demonstrate the specific benefits that are in the public's interest.

III. Request for Comptroller Approval of Plans of Balloon Indebtedness

Prior to the submission of a Plan of Balloon Indebtedness the local government must have amended its Debt Management Policy to permit the issuance of debt with a balloon indebtedness structure and included criteria to determine the appropriateness of delaying principal payments at a higher interest cost than a level principal or level debt service structure.

A. Submission Requirements:

1. Request Letter
2. Description of Indebtedness
3. Repayment Plan
4. Request for Blanket Exemption, if applicable
5. Contact Information, including e-mail addresses, for bond counsel, financial advisors, and any other professionals working on the proposed debt issuance
6. Any other relevant documents that substantiate the reasons for issuing balloon indebtedness, including an index to such documents

B. Requests for approval of plans of balloon indebtedness and any supplemental documentation requested by the LGF should be emailed to LGF@cot.tn.gov.

C. Within seven (7) business days of the receipt of plans of balloon indebtedness, the LGF will request any supplemental documentation needed to complete the review. The fifteen (15) business days within which the LGF will report on its approval or disapproval of such plans will not commence until the date of receipt of all supplemental documentation, as authorized by the Act.

D. The Director will send an approval or disapproval letter via e-mail to the CEO and/or the CFO with all noted professionals copied.

E. The CEO or CFO will inform the LGF of any material changes to an approved plan of balloon indebtedness before the debt is issued. The LGF will determine whether or not the changes are material enough that a new plan must be submitted for approval.

F. If a proposed issuance of refunding bonds is classified as balloon indebtedness, then a request for a report on a plan of refunding should accompany a request for approval of balloon indebtedness.

G. When determining if the issuance of debt constitutes balloon indebtedness, any new money debt issuance must be evaluated separately from any refunding debt issued at the same time.

Approved by the State Funding Board at its meeting held on June 18, 2014.

Amended by the State Funding Board at its meeting held June 27, 2023.