

Fiscal Year 2025

Annual Report on Balloon Debt Requests by Tennessee Local Governments



Tenn. Code Ann. § 9-21-133

Tennessee State Funding Board Guidelines: *Comptroller Approval of Balloon Indebtedness*

Presented to the Members of the Tennessee State Funding Board

By: The Division of Local Government Finance

Date: July 21, 2025

STATUTORY REQUIREMENT

Tenn. Code Ann. § 9-21-133 requires that local governments obtain approval from the Comptroller's Office prior to issuing debt with a balloon structure and authorizes the State Funding Board to establish guidelines with respect to approvals and exemptions.

A balloon structure defers repayment of principal to later dates in the maturity schedule. Under state law, **balloon indebtedness** is defined as debt with a structure that:

- matures 31 or more years from the original date of issuance;
- postpones paying principal more than three years after the debt is issued;
- borrows money to pay interest beyond the construction period, or three years from issuance, whichever is later; or
- has a principal and interest repayment schedule that is not substantially level or declining.

The Comptroller's Division of Local Government Finance reviews plans of balloon indebtedness and approves plans when the repayment structure of the balloon debt is in the public's interest. Local governments must follow the requirements outlined in the State Funding Board Guidelines: *Comptroller Approval of Balloon Indebtedness* when requesting approval for balloon indebtedness plans.

TYPES OF DEBT

Requests to issue a balloon structure can be divided into two types of debt: refunding bonds and new money bonds.

Refunding bonds are generally issued with a balloon structure for the following reasons:

- The original debt being refinanced was issued with a balloon structure that already fits in with the local government's overall debt management.
- Specific individual maturities that occur later in the repayment schedule are refunded.
- Debt that is exempt from approval (and would otherwise be defined as balloon indebtedness) is refunded with the same structure into a non-exempt debt instrument.
- Debt is advance refunded more than three years in advance of the call date.

New money bonds are issued for projects authorized in state law. Sometimes construction timelines or revenue projects may not allow for level debt service.

HISTORY AND PURPOSE

Tennessee’s General Assembly passed legislation in 2014 requiring approval of balloon debt issued by local governments. The legislation was aptly named the Anti Kicking the Can Act. Prior to the legislation some local governments deferred principal payments for multiple years and in the most egregious scenarios local governments waited until years 29 or 30 of the repayment schedule to make the first principal payment. This resulted in higher interest costs over the life of the debt and often an unmanageable debt burden once the deferred principal payments became due. Local officials have a fiduciary obligation to manage and issue debt in a fiscally responsible manner. Since its passage, the legislation has been effective in limiting the amount of debt issued with a balloon structure to only what has been determined to be in the public’s interest. The Anti Kicking the Can Act has encouraged responsibility in the management of public dollars and helped local officials better understand the impact of balloon indebtedness in their overall debt management.

FISCAL YEAR 2025

The Comptroller’s Division of Local Government Finance received and approved four requests to issue balloon indebtedness for fiscal year 2025. This represents a tie (FY 2022 and FY 2023) with the second lowest number of requests (FY 2024) since the balloon indebtedness took effect in fiscal year 2015. We attribute the continued decrease in requests to higher interest rates during the period, which caused a reduction in the number of refunding bonds being issued for savings.

The four requests for FY 2025 were one new money and three refunding bonds. See **Appendix A** for a list of balloon debt issues for the past three years.

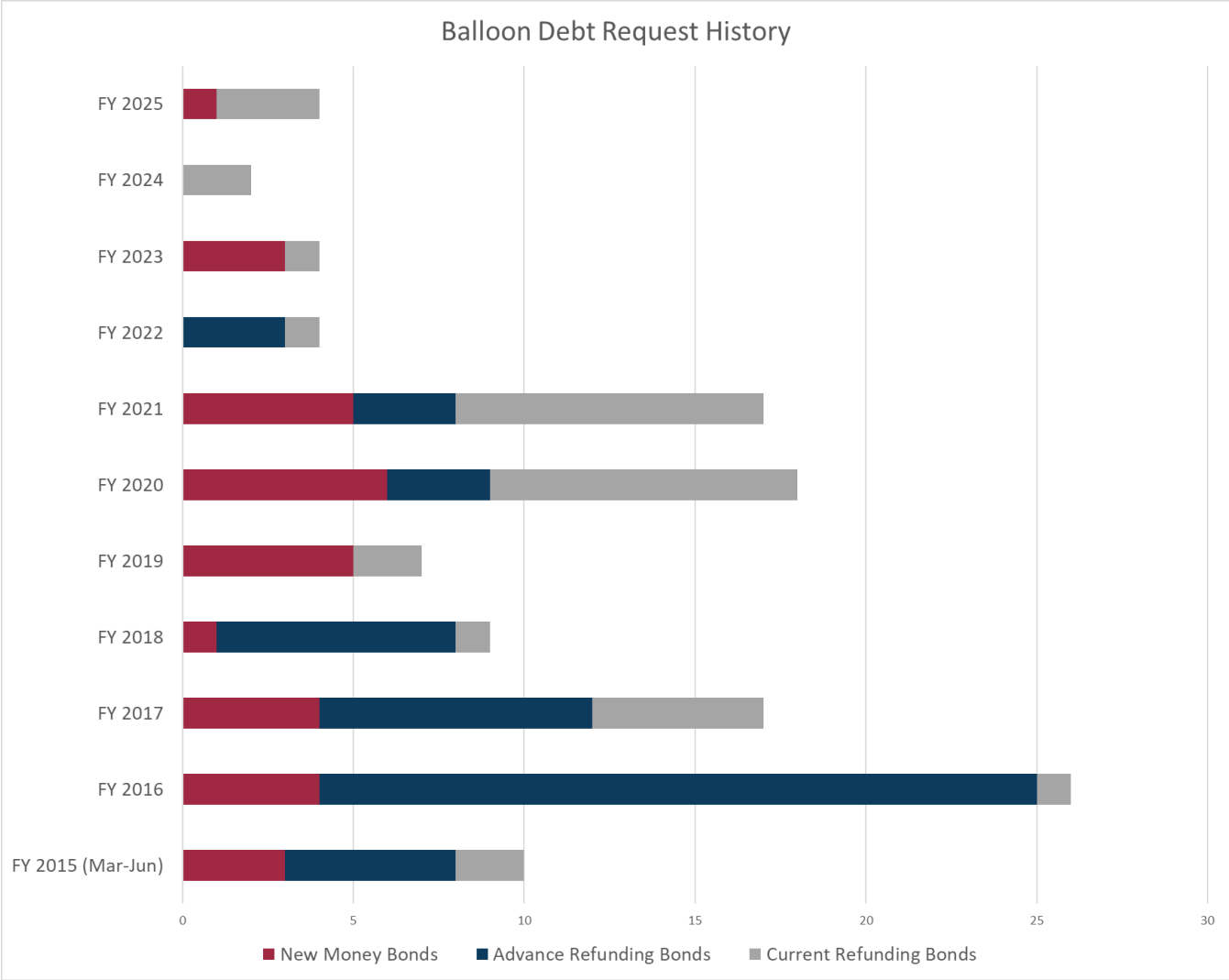
FISCAL YEAR 2015 THROUGH FISCAL YEAR 2025

Since our office first began approving balloon debt structures in 2015, we have received 118 requests, and only one of the requests was not approved. Several local governments and their financial advisors have reached out to our office prior to requesting approval and were able to make changes to the debt structure to avoid a balloon structure. We are not aware of an instance where a local government approved the issuance of balloon debt without first requesting approval from our office.

Summary of Requests (2015-2025)

	New Money Bonds	Advance Refunding Bonds	Current Refunding Bonds
Requests Received	32	50	36
% of Total Requests	27%	42%	31%
Requests Not Approved	1	0	0
Issued as Balloon Debt	26	47	32

The following chart depicts requests we have received by fiscal year and by type of debt. The majority of requests (86, or 73%) have been for refunding bonds. Over the past eleven years, we have received 32 requests to issue new money balloon debt, with 26 actual issues, and in all but one case, it was determined the balloon structure was in the public’s interest. **Appendix B** includes a listing of all new money bonds issued with a balloon structure.



Additional information on balloon indebtedness plans and approval requirements may be found at: tncot.cc/debt.

Appendix A
Summary of Balloon Indebtedness Requests
Fiscal Years 2023 – 2025

	Entity	Security	Amount	Approved	Issued	Project / Purpose
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FY 2025

New Money						
	Tennessee Energy Acquisition Corp	Revenue	\$ 1,589,000,000	Y		Gas Prepurchase Bonds
Advance Refunding						
	None					
Current Refunding						
	Knox-Chapman Utility District	Revenue	\$ 19,405,000	Y	Y	Savings
	Metro Nashville Davidson County	Revenue	400,000,000	Y	Y	Savings
	Tennessee Energy Acquisition Corp	Revenue	\$ 636,000,000	Y		Refund Gas Prepurchase Bonds

FY 2024

New Money						
	None					
Advance Refunding						
	None					
Current Refunding						
	Memphis	General Obligation	\$ 149,200,000	Y	Y	Savings
	Tennergy Corporation	Revenue	750,000,000	Y	Y	Refund Gas Prepurchase Bonds

FY 2023

New Money Bonds						
	Metropolitan Nashville Airport Authority	Revenue	\$ 735,345,000	Y	N	Airport improvements
	Metropolitan Nashville Sports Authority	Revenue	703,385,000	Y	Y	Titans Stadium construction
	Tennergy Corporation	Revenue	785,000,000	Y	Y	Prepurchase of natural gas
Advance Refunding Bonds						
	None					
Current Refunding Bonds						
	Tennessee Energy Acquisition Corp	Revenue	\$ 850,000,000	Y	Y	Refund Gas Prepurchase Bonds

Appendix B

New Money Bonds Issued with a Balloon Structure by Entity Type Fiscal Years 2015 – 2025

Issuer	Fiscal Year	Security	Amount	Project
Airport Authorities				
Memphis-Shelby County Airport Authority	2017	Revenue	\$ 110,000,000	Airport improvements
Memphis-Shelby County Airport Authority	2021	Revenue	150,000,000	Airport improvements
Metropolitan Nashville Airport Authority	2020	Revenue	1,000,000,000	Airport improvements
Counties				
Henry County	2018	General Obligation	\$ 8,885,000	School construction
Madison County	2020	Lease Agreement	19,579,215	School construction
Maury County	2015	General Obligation	47,000,000	School construction
Wilson County	2016	General Obligation	55,000,000	School construction
Wilson County	2017	General Obligation	21,500,000	School construction
Energy Acquisition Corporations				
Tennergy Corporation	2019	Revenue	\$ 1,000,000,000	Prepurchase of natural gas
Tennergy Corporation	2020	Revenue	750,000,000	Prepurchase of natural gas
Tennergy Corporation	2023	Revenue	785,000,000	Prepurchase of natural gas
Tennessee Energy Acquisition Corporation	2017	Revenue	850,000,000	Prepurchase of natural gas
Tennessee Energy Acquisition Corporation	2019	Revenue	900,000,000	Prepurchase of natural gas
Tennessee Energy Acquisition Corporation	2020	Revenue (Series A&B)	1,022,963,000	Prepurchase of natural gas
Municipalities				
Clarksville	2021	Revenue (Series A)	\$ 185,745,000	Utility system improvements
Crossville	2021	Revenue (Series C)	9,835,000	Utility system improvements
Greeneville	2017	General Obligation	2,210,000	Airport improvements (joint venture)
Jackson	2020	Lease Agreement	11,927,878	School construction
Lawrenceburg	2015	General Obligation	5,000,000	Road construction and equipment
Memphis	2021	Revenue (Capital Appreciation Bonds)	182,000,000	Parks, revitalization, 3.0 project
Pulaski	2021	General Obligation (PBA Loan)	12,000,000	Utility system improvements
Selmer	2016	General Obligation	3,650,000	Street and road construction
Sports Authorities				
Metropolitan Nashville Sports Authority	2023	Revenue	\$ 703,385,000	Titans Stadium construction
Metropolitan Nashville Sports Authority	2019	Revenue	225,000,000	Major League Soccer Stadium
Utility Districts				
Madison Suburban Utility District	2016	Revenue	\$ 9,250,000	Water lines
Mallory Valley UD	2020	Revenue	20,066,049	Water system improvements