

State Funding Board Guidelines for Comptroller Approval of Balloon Indebtedness

1. 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 take effect on July 1, 2014.

2. Definitions

- a. “Director” shall mean the Director of the Office of State and Local Finance (“OSLF”), Tennessee Comptroller of the Treasury. The OSLF is located at Suite 1600, James K. Polk State Office Building, 505 Deaderick Street, Nashville, Tennessee 37243-1402. Contact number: (615) 741-5368.
- 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 debt³, (3) all material terms of the proposed transaction, (3) citation(s) to all relevant statutory authority for the transaction, and (4) 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 Chief Financial Officer (“CFO”) 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.
- e. “Request Letter” shall mean a letter signed by the CEO or CFO that states in sufficient detail the public purpose for the proposed balloon indebtedness and why the issuance of such debt is in the public’s interest.

3. Request for Comptroller Approval of Plans of Balloon Indebtedness

- a. Submission Requirements

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.

- i. Request Letter
 - ii. Description of Indebtedness
 - iii. Repayment Plan
 - iv. Request for Blanket Exemption, if applicable
 - v. Contact Information, including e-mail addresses, for bond counsel, financial advisors, and any other professionals working on the proposed debt issuance
 - vi. 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 OSLF should be hand-delivered or mailed to the Director.
- c. Within seven (7) business days of the receipt of plans of balloon indebtedness, the OSLF will request any supplemental documentation needed to complete the review. The fifteen (15) business days within which the OSLF 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. A hard copy of the approval or disapproval letter will also be sent to the CEO and/or the CFO.
- e. The CEO or CFO will inform the OSLF of any material changes to an approved plan of balloon indebtedness before the debt is issued. The OSLF 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.