In rating a specific bond issue, Standard & Poor’s typically begins with an evaluation of the creditworthiness of the issuer and then evaluates, among other things:

- The terms and conditions of the debt security and, if relevant, its legal structure;
- The relative seniority of the issue with regard to the issuer’s other debt and priority of payment in the event of default; and
- The existence of external support or credit enhancements.

In rating a state, Standard & Poor’s uses an analyst-driven approach to assign a rating (see Fig. B). A primary analyst, often in conjunction with a team of specialists, is assigned to lead the evaluation of the state’s creditworthiness. Analysts typically obtain information from published reports, as well as from meetings and discussions with management. For U.S. states, this information generally includes audited financial statements, budget documents, other relevant financial documents, capital plans, economic data, an official statement if the review is tied to a specific bond issue, and other relevant information. The rating process is outlined in Fig. B.