

Standard & Poor’s Rating Matrix (all criteria are weighted equally and averaged)			
Category	Sub Category	Criterion	Ideal State
Government Framework	Fiscal Policy	Balanced Budget Requirement	Constitutional/statutory requirement for balanced budget when introduced and adopted. The budget is required to stay in balance during the year.
		Revenue Structure	The state has autonomy to raise taxes and other revenues (rate and base); in addition, there is no constitutional constraint or extraordinary legislative threshold for approval (a simple majority requirement for approval of new taxes, for example) and state policymakers have, in our view, a proven track record of implementing tax increases as one of the alternatives to address budget imbalances.
		Disbursement Autonomy	High degree of flexibility in adjusting disbursements; extends to nearly all program areas, including the ones with the highest impact on the budget.
		Voter Initiatives	Not a voter initiative state
		Legal framework for debt	High degree of legal flexibility to issue debt for a range of purposes. There is a strong legal priority for payment of debt.
		System Support	System Support
	Intergovernmental Funding	Intergovernmental Funding	Level of assistance to local governments is limited or highly flexible from a legal standpoint or by historic patterns; strong ability to downstream reductions or change revenue allocations.

Standard & Poor’s Rating Matrix cont. (all criteria are weighted equally and averaged)			
Category	Sub Category	Criterion	Ideal State
Financial Management	Financial Management Assessment	Financial Management Assessment	Standard & Poor's analyzes the impact of financial management policies and practices through the use of the Financial Management Assessment (FMA).
	Budget Management Framework	Budget Management Framework	Framework is formalized, strong, and proactive; adjustments are timely, with emphasis on structural balance.
Economy	Demographic Profile	Population Growth	Strong population growth relative to US
		Age Dependency Ratio	Relatively low dependent population (more than 5% below US levels)
	Economic Structure	Unemployment	More than 2% below US
		Employment composition/diversity of base	Employment mix in line with US; limited concentration; performance tends to be less cyclical than US
		GSP per capita	>100% US Gross Domestic Product
		GSP growth	Growth consistently above US
	Wealth & Income	Per Capita Personal Income	>100% of US
Economic Development	Economic Development	The state’s resources, employment opportunities, cost of living, cost of doing business, and tax structure result in an economic environment that supports entrepreneurship, as well as significant levels of private sector investment. The majority of urban centers in the state are economically vibrant and continue to attract in-migration and investment. In addition, the state is home to the headquarters of employers with global operations, as well as prominent higher education anchors which serve as catalysts to continuous investment over time. A majority of the state’s current employment is in economic sectors that are expected to perform at an above-average pace during periods of economic growth. Infrastructure is in place to support further growth and development.	

Standard & Poor’s Rating Matrix cont. (all criteria are weighted equally and averaged)				
Category	Sub Category	Criterion	Ideal State	
Budgetary Performance	Budget Reserves	Budget Reserves	There is a formal budget-based reserve relative to revenue or spending that is above 8%. In addition, there is a formal process or a demonstrated track record of restoring the reserve following depletion.	
	Liquidity	Liquidity	Strong cash monitoring capabilities including regular cash flow forecasting; broad authority to access liquidity from pooled funds which allows for highly predictable cash management; receipts and disbursements are aligned; broad authority to adjust disbursements; little or no reliance on external borrowing and if necessary is conducted with ease.	
	Tax & revenue structure	Diversity of revenue sources		State has contributions from at least two major sources that generally contribute more than 15%-30% each.
		Revenue adjustment history		Strong track record of revenue adjustments in our view; adjustments are timely.
		Revenue forecasting		here is a formal independent revenue forecast that guides budget development and the forecast is reviewed several times during fiscal year
		Service levels		Expenditures are predictable as measured by variance from budget expectations; high degree of flexibility to reduce services/expenditures in most program areas. This flexibility is measured in terms of the legal ability and our view of the political willingness to make adjustments.
	Structural budget performance	Structural budget performance		Surpluses are regularly recorded in periods of positive economic growth; surpluses are used to fund reserves and other non recurring items. In periods of economic decline, focus on addressing budget imbalance includes structural solutions (generally more than 50% of the gap) rather than all one time measures.

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Category	Sub Category	Criterion	Ideal State
Debt and Liability Profile	Debt burden	Debt per capita	Below \$500 (Low)
		Debt as percentage of personal income	Below 2% (Low)
		Debt service as a percentage of expenditures	Below 2% (Low)
		Debt to gross state product	Below 2% (Low)
		Debt amortization	80%-100% (Very Rapid)
	Pension liabilities	Pension funded ratio	90% or above
		Pension funding levels	Consistently funds annual required contributions (ARC).
		Unfunded state pension liabilities per capita	Below \$500
		Ratio of state pension liabilities to personal income	Below 2%
	Other post-employment benefits risks	Other post-employment benefits risks	Limited benefits provided or benefit consists of allowing some participation in the health plan (cost paid entirely by the retiree, implicit subsidy recorded), high level of discretion to change benefits, pay-go costs are not significantly different from the actuarial required contribution.