Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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Bill Number: HB502 **Patron:** McAuliff
Bill Title: Baccalaureate public institutions of higher education; fixed in-state tuition rates.

Bill Summary: Requires the governing board of each baccalaureate public institution of higher education in the Commonwealth to annually establish a fixed in-state tuition rate for each incoming first year or transfer undergraduate Virginia student and declares eligible for such rate (i) each incoming first year student enrolled in a four-year baccalaureate degree program for four academic years or any portion or term thereof and (ii) each incoming transfer student enrolled in a four-year baccalaureate degree program for the remainder of the academic years, or any portion or term thereof, during which he makes satisfactory progress toward completing such degree program, provided that any such first year or transfer student maintains continuous enrollment. The bill permits such governing boards to grant (a) an exception to the requirement for continuous enrollment on a case-by-case basis to students whose enrollment is substantially disrupted or (b) any other exception to the foregoing requirements that the governing board deems appropriate, including an exception for eligible students who are enrolled in baccalaureate degree programs that require five academic years to complete.

Budget Amendment Necessary: No **Items Impacted:** None
Explanation: This bill may result in a significant indeterminate fiscal and administrative impact to public institutions of higher education. Institutions would address this impact by adjusting tuition rates to support necessary revenues and expenses.

Fiscal Summary: This bill requires governing boards of baccalaureate public institutions of higher education to create fixed in-state tuition rates for incoming first year or transfer undergraduate students. Responding baccalaureate public institutions of higher education anticipate potentially significant fiscal and administrative impacts due to reduced financial flexibility, as well as potentially significant fiscal impacts to students.

Fixed in-state tuition rates for incoming students would make it difficult for institutions to adjust to unavoidable cost increases each year, such as state-mandated compensation and benefits adjustments, declining federal support, increases in unfunded mandates, inflation, and general operational cost increases. In order to account for uncertainty and financial risk, institutions would need to set rates at a level that both covers existing operations and accounts for future uncertainty; therefore, fixed tuition rates may lead to larger year-over-year tuition increases for incoming students, and the burden of unanticipated costs may be disproportionately borne by later student cohorts. As a result, this requirement may decrease affordability and access and create higher costs and debt for students. Further, students who extend beyond the expected graduation timeline face significant affordability risks once the fixed tuition period ends, as they may encounter a sharp increase in tuition.

Some institutions also expressed concern that a fixed tuition rate may have an indeterminate impact on institutional credit ratings due to its potential effect on perceived resource generation strength and risk, which could impact the university's ability to secure debt with favorable terms.

Other: None