Research Update:

Virginia Commonwealth University Series 2026A Revenue Bonds And 2026B Refunding Bonds Assigned 'AA-' Rating

June 25, 2026

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Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to **Virginia Commonwealth University**'s (VCU) $76.6 million series 2026A revenue bonds and $5.3 million series 2026B refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating on VCU's bonds outstanding.
- S&P Global Ratings also affirmed its 'A-1+' short-term rating on VCU's commercial paper (CP) general revenue pledge notes.
- The outlook, where applicable, is stable.

Rationale

Security

All bonds are secured by pledged revenues, which are all revenues available to the university that are not required by law to be devoted to some other purpose. We view this as an unlimited student fee pledge. Total debt at the end of June 30, 2025, equaled $492.6 million, including $289.6 million of revenue bonds and notes payable, $106.5 million of financing leases and installment purchases, $85.2 million of direct-purchase debt, and $11.3 million of foundation debt.

The series 2026A bond proceeds will be used for various capital projects, including a parking garage and a student housing project. The series 2026B bond proceeds will go toward the refunding of the series 2014A bonds. Total pro forma debt is expected to be $568.7 million. The series 2026A bonds are expected to be fixed rate, interest only, with a bullet maturity of about $72.4 million at the end of fiscal 2036. We believe VCU will have market access to refinance the bullet if needed. Additional debt might be issued during the outlook period to complete the student housing project. VCU's current debt service schedule shows amortization of about $30 to $40 million in principal payments per year over the next five years, including leases. We believe the university has some capacity to absorb additional debt given the front-loaded nature of the current debt service schedule and the strength of the balance sheet but will evaluate the specifics at the time of issuance.

We base our 'A-1+' short-term rating on VCU's $75 million CP program on the university's self-liquidity. There was no balance outstanding on the program at fiscal year-end 2025. Pursuant to the issuing and paying agent agreement, the maximum amount of CP notes maturing within any five-business days is limited to $37.5 million. The 'A-1+' rating reflects VCU's ability to meet optional and mandatory tenders under a failed remarketing. As of Mar. 31, 2026, VCU had $222.1 million in same-day discounted assets, including $75 million of same-day liquidity support from Bank of America N.A., to cover any potential draws on its CP program, which provides sufficient coverage, in our opinion.

Credit highlights

We assessed VCU's enterprise risk profile as very strong, characterized by incremental enrollment growth, increased applications, and solid retention. We expect enrollment growth will continue to be spurred by both undergraduate and graduate students, as well as online programs. We assessed VCU's financial profile as very strong, with healthy financial resource ratios and improved operations driven largely by increasing state appropriations. The maximum annual debt service (MADS) burden is moderate when including financing lease payments. We believe these credit factors, combined, lead to anchor of 'aa-' and a final rating of 'AA-'.

The rating reflects our opinion of the university's:

- Healthy financial resource ratios for the rating;
- Solid success in fundraising; and
- Status as one of the three major research institutions in Virginia, with $568 million of sponsored research awarded in fiscal 2025. Sponsored funding includes foundation, state, government, institutional, and external sources.

Partially offsetting the strengths, in our view, are VCU's:

- Weaker demand metrics in areas such as selectivity, matriculation, and graduation rates compared with those of peers; and
- Debt service with large bullet maturities, although the university has a central bank that helps to manage debt service and cash flow needs internally.

VCU is a public, urban, R1 designated research university in Richmond, Virginia. It is composed of two main campuses in the city of Richmond: the Medical College of Virginia (MCV) Campus near the financial, governmental, and retail district in downtown Richmond; and the Monroe Park Campus, two miles west of downtown. The university's teaching hospital, MCV, is the largest medical center in Virginia, with more than 1,000 beds. In addition to the two primary campuses in Richmond, the university has a branch campus in Education City in Doha, Qatar, known as VCUarts Qatar, along with some other branch campuses associated with the VCU College of Health Professions in Alexandria, Virginia, and VCU School of Pharmacy in Falls Church, Virginia.

Outlook

The stable outlook reflects our expectation that financial resource ratios will remain solid and consistent with the rating. We expect incremental growth in enrollment with operating results around breakeven to slightly positive on a full-accrual basis. We believe that VCU has capacity to absorb additional debt related to the student housing project although details will be evaluated at the time of issuance.

Downside scenario

We would consider a negative rating action within the two-year outlook period if enrollment decreases substantially, resulting in sizable operating deficits, or if financial resources deteriorate materially from current levels. We would view negatively substantial debt issuance without commensurate growth in resources.

Upside scenario

We would consider a positive rating action within the two-year outlook period if VCU's demand metrics improve to levels consistent with those of higher-rated peers. Positive full-accrual surpluses would be viewed favorably along with continued growth in financial resources.

Credit Opinion

Enterprise Risk Profile--Very Strong

Market position and demand

Total full-time equivalent (FTE) enrollment rose by 2.1% in fall 2025, with increases in both undergraduate and graduate enrollment. Undergraduate students account for approximately 76% of enrollment. VCU is not geographically diverse, as it draws about 86% of its students from Virginia. Management aims to increase enrollment to 30,000 by fall 2028, with a focus on more graduate, online, and adult/nontraditional students, along with transfer and international students. Although the university faces some headwinds with lower international student acceptances in fall 2026, it has been able to offset those challenges with more domestic, out of state students. International FTEs are still only a small portion of enrollment, at about 3.8% of total FTEs. VCU continues to position itself as a premier research institution. It is the only school in the country to offer a PhD in pharmaceutical engineering and the only school in Virginia to offer degrees in all the health sciences.

Applications continue to increase at a healthy rate and selectivity improved from previous years to just under 91% in fall 2025 for first-year students. Matriculation remains flat at 21.3%, indicative of the heavy competition and challenging demographics in the state. First-year retention rates have held steady at 85.3% while graduation rates are improving but remain weak relative to those of similarly rated peers, at 64.6% for the six-year graduation rate. With VCU's wide range of high-demand programs, especially within health sciences, we expect enrollment growth will continue although demand metrics could take longer to improve. Management is working to improve student success measures.

We view VCU's fundraising capabilities as a credit strength. To date, the university has already raised more than $1.3 billion since its last campaign, which raised $841.6 million. VCU announced a new campaign, Unlocking Potential, in September 2025 with a goal of raising $1.838 billion. The campaign will focus primarily on scholarships and professorships, with some funds directed toward research, unrestricted endowment, and capital. The campaign will run in conjunction with the VCU Health System, with 90% of the campaign goal for the university, all health science schools, and the Massey Cancer Center; and 10% specifically for the health system. For the past five years, VCU has raised about $228 million annually. The university's endowment per FTE was

$56,002 in fiscal 2025, which is higher than rating category medians and that of similarly rated peers.

Management and governance

A 16-member board of visitors governs VCU and supports the senior management team. Virginia's governor appoints board members, with confirmation from the General Assembly, for a maximum of two four-year terms. A member can serve the unexpired term of another plus two consecutive terms. They can also serve non-consecutive terms. The board of visitors generally directs the affairs and business of VCU; the board's duties and responsibilities include setting tuition and fees, developing an institutional plan, determining academic programs, establishing administrative policies, approving debt issuances, and granting degrees.

Management has remained relatively stable. The president's contract was renewed to 2030. There were some internal promotions and changing roles among senior leadership but generally the team remains very stable and consistent. The university continues to work through its strategic plan, Quest 2028. Major themes include academic excellence, student success, research and innovation, and thriving communities. Priorities in 2026 include enhancing transformative learning experiences for students, increasing research, furthering fundraising for the capital campaign, recruiting and retaining highly qualified professors, and continuing to enhance enrollment strategies. We view VCU as having solid financial policies on debt, investments, and working cash. The university does not budget for depreciation, which we do not view as best practice. However, in our opinion, the university budgets conservatively and proactively.

Financial Risk Profile--Very Strong

Financial performance

VCU generated a small full-accrual operating surplus in fiscal 2025 of $28.0 million or a 1.63% margin, spurred by a solid increase in state appropriations and gifts. Overall state support has grown by 38% over the past five years. Educational and general program funding from the state grew in fiscal 2025 to $315 million from $280 million in fiscal 2024. On a cash basis in fiscal 2026, expense growth could exceed revenue growth due to planned use of funds to support research and capital investments that will drive strategic initiatives. However, revenues are still expected to grow from fiscal 2025 levels due to increased enrollment, which will result in higher tuition and auxiliary revenue. Capital support from the state has also remained strong, with more than $232.5 million earmarked for the CoStar Center for Arts and Innovation. Pending signature from the Governor of Virginia, the Commonwealth has allocated $175.8 million for the Altria Research Facility, and $445.4 million for the VCU School of Dentistry. In fiscal 2027, VCU will seek to reallocate $5 million in operating budgets university-wide to respond to state-mandated and inflationary costs.

Sponsored research remains one of VCU's strengths, increasing to $568 million in fiscal 2025, up from $145 million in fiscal 2018. About 40% of the research funding is from federal funds; about half comes from the National Institute of Health. VCU has not seen a major loss of research grants over the past year. The indirect cost recovery rate of about 55.3% was most recently reaffirmed in summer 2024 for five years. The university is committed to research for the long term and about 60% is sponsored by the state and non-federal grants, which we believe provides an offset to potential federal pressures.

VCU's revenues are diverse. For fiscal 2025, student-dependent fees generated 37.4% of adjusted operating revenue, followed by commonwealth appropriations at 25.1%, and research grants at 15.1%. State appropriations are expected to continue to increase slightly because VCU is requesting additional funds to broaden access and support an increase in the healthcare workforce needed to keep up with demand.

Financial resources

VCU's financial resources remain solid for the rating. As of fiscal year-end 2025, cash and investments, including those held at the six component units (except the VCU Health System), totaled $2.2 billion, equal to 128.6% of adjusted operating expenses and 389.8% of pro forma debt. As of March 2026, VCU's endowment assets managed by VCU Investment Management Co. were allocated approximately 56% to public and private equity strategies, of which private equity accounts for 19.5%; 21% to credit and absolute return; 12% to real assets; and 11% to cash and equivalents. Overall holdings are very conservative, with no dedicated exposure to China or cryptocurrency strategies. Similar to other public universities, VCU's reliance on endowment for operations is limited because most goes toward scholarships and other restricted uses. On a weighted average basis, 15.4% of the long-term tier portfolio is liquid on a quarterly basis, which is sufficient given the university's debt portfolio.

Debt and contingent liabilities

Most of VCU's debt is fixed rate, with financing leases and direct-purchase debt. There are no onerous covenants associated with the direct-purchase debt and the chance of acceleration is fairly remote, in our view. The CP program is $75 million and, while there might be small draws on it, we believe there is sufficient liquidity to cover any acceleration or failed remarketing associated with the bank debt or CP. VCU also has the necessary procedures to access funds in a timely manner.

The current debt structure includes some front-loaded debt service payments as well as some bullets, including the $72.5 million bullet in fiscal 2036 for the series 2026A bonds. Pro forma MADS, including the bullet and leases, equaled $92.3 million and is a moderately high 5.4% of adjusted operating expenses. However, VCU has an established central bank, which enables the university to manage cash flows and set aside funds for future debt service to satisfy the bullet payments. With the student housing project expected to be self-sustaining, management plans to use the central bank to ensure revenues of the project will be used to support debt service. Based on VCU’s central bank amortization of the pro forma debt, MADS including leases is projected to be lower at about $59 million or 3.4% of adjusted operating expenses.

The university provides retirement benefits through two state-defined-benefit plans, the Virginia Retirement System's (VRS) state employee retirement plan and the Virginia Law Officers' Retirement System (the VaLORS plan), as well as two defined-contribution plans. We calculate Virginia's overall pension funded ratio aggregated across all related plans at 85.8% in fiscal 2025, which we believe is high compared with those of other states. We view VCU's pension and other postemployment benefit contributions relative to adjusted operating expense as manageable at present.

Virginia Commonwealth University, Virginia--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated public colleges & universities
	2026	2025	2024	2023	2022	2024
Enrollment and demand						
Full-time-equivalent enrollment	25,879	25,343	25,123	24,830	25,243	37,533
Undergraduates as a % of total enrollment	76.2	76.4	76.8	76.1	76.1	80.3
First-year acceptance rate (%)	91.0	92.6	93.1	91.0	92.8	74.5
First-year matriculation rate (%)	21.2	21.6	25.5	25.1	25.0	25.4
First-year retention rate (%)	85.3	85.1	85.4	84.0	83.3	86.1
Six-year graduation rate (%)	64.6	63.2	65.4	64.5	67.5	71.0
Financial performance						
Adjusted operating revenue ($000s)	N.A.	1,751,667	1,596,357	1,466,765	1,466,407	MNR
Adjusted operating expense ($000s)	N.A.	1,723,653	1,606,915	1,526,676	1,391,632	MNR
Net adjusted operating margin (%)	N.A.	1.6	(0.7)	(3.9)	5.4	1.5
Estimated operating gain/loss before depreciation ($000s)	N.A.	122,120	78,267	20,350	144,187	MNR
Tuition discount (%)	N.A.	42.2	40.0	30.5	27.9	29.2
Student dependence (%)	N.A.	37.4	39.8	41.7	40.5	36.0
State appropriations to revenue (%)	N.A.	25.1	23.6	22.8	20.2	19.1
Health care operations dependence (%)	N.A.	3.6	3.7	3.7	3.4	MNR
Research dependence (%)	N.A.	15.1	15.4	14.5	12.8	15.1
Financial resources						
Endowment market value ($000s)	N.A.	1,419,255	1,289,291	1,175,070	1,103,185	1,454,416
Related foundation market value ($000s)	N.A.	1,402,610	1,267,498	1,154,337	1,070,631	MNR
Cash and investments including foundation ($000s)	N.A.	2,216,960	2,009,718	1,850,268	1,752,234	2,961,293
Cash and investments including foundation to operations (%)	N.A.	128.6	125.1	121.2	125.9	123.4
Cash and investments including foundation to debt (%)	N.A.	450.0	376.7	326.1	328.2	323.7
Cash and investments including foundation to pro forma debt (%)	N.A.	389.8	N.A.	N.A.	N.A.	MNR
Debt						
Foundation debt ($000s)	N.A.	11,349	13,953	17,749	8,020	MNR
Total debt with foundation ($000s)	N.A.	492,664	527,355	567,356	533,956	1,012,913
Proposed debt ($000s)	N.A.	81,885	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	568,748	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	3.6	3.9	4.0	3.8	3.7
Pro forma MADS burden (%)	N.A.	3.4	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	13.0	12.9	13.3	15.4	13.4

Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated

Virginia Commonwealth University, Virginia--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated public colleges & universities
	2026	2025	2024	2023	2022	2024

depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.

Ratings List	
New Issue Ratings	
US$5,330,000 Virginia Commonwealth University, General Revenue Pledge Refunding Bonds, Series 2026B, dated: Date of delivery, due: June 30, 2033	
Long Term Rating	AA-/Stable
US$76,555,000 Virginia Commonwealth University, General Revenue Pledge Bonds, Series 2026A, dated: July 28, 2026, due: June 30, 2036	
Long Term Rating	AA-/Stable
Ratings Affirmed	
Education	
Virginia Commonwealth Univ, VA Unlimited Student Fees	AA-/Stable
Virginia Commonwealth University VA. Commercial Paper Program	A-1+

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.