

NEXT LEVEL RESEARCH

✦ **SDSU HAS REACHED RESEARCH 1 (R1) STATUS**



General Fund Budget

FY 2025-26

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

After three consecutive years of record-breaking growth, and the milestone achievement of a major goal within the university's strategic plan—designation by the Carnegie Classifications of Institutions of Higher Education as an R1 research institution—we are pleased to present SDSU Research Foundation's budget for FY 2025-26.

Developing a budget for FY 2025-26 has been challenging given the ongoing changes in federal policies that are having an immediate and significant impact on research funding. We are therefore proposing a budget that strategically reduces allocations and expenditures while also preserving the research support infrastructure. As we navigate a changing environment this year with a projected reduction in revenues, we remain committed to supporting the university and its research objectives.

The following factors helped inform our budget for the year ahead:

- A proposed cap of 15% on the standard indirect cost rate from multiple federal agencies, including the National Institutes of Health, National Science Foundation, and Department of Energy and termination of almost 50 active grants to date due to changing federal priorities, informs our projected 14.6% reduction of this source of funds.
- Self-Support Program Fees are projected to increase by 9.4% and Facilities Rental Income is projected to increase by 10.9% above the previous year.
- The amount in Work in Process (WIP) shows a reduction of \$1.88 million in F&A awarded over the same time last year.
- Through a hiring chill, the elimination of non-essential travel, cuts to previous allocations, savings from the current year, and unallocated cuts to Administration & Operations, expenditures are reduced by 9.7%.

F&A Cost Reimbursement

Federal indirect cost reimbursement rates, known as Facilities and Administration or F&A, are negotiated with federal agencies to support research infrastructure including grants administration, facilities, and equipment. Many universities currently negotiate indirect cost recovery rates at 50% or higher, based on actual institutional costs, including SDSU, however, the National Institutes of Health, National Science Foundation, and Department of Energy under the new federal administration seek to cap the standard indirect cost rate at 15%. It is likely other federal agencies will follow suit. While these restrictions are being challenged in the courts currently, our typical metrics and guides to project F&A Cost Reimbursement are less reliable and accurate due to the uncertainty of the outcome.

In addition, federal agencies have been charged with cutting programs that no longer align with the current administration's priorities. SDSU faculty have received termination notices for close to 50 active awards, typically effective immediately, resulting in a loss of funding for work in process. It is unclear how many more termination notices will be issued and what impact that will have on faculty research portfolios. With this, we have assumed a 15% reduction in F&A Cost Reimbursement, also known as Indirect, for FY 2025-26.

Staffing

SDSU Research Foundation's five-year staffing plan, starting in FY 2020-21, aimed for a 25% increase in staff based on a 35% projected growth in awards. Actual growth in awards was more than 60% over the past three years, though staffing did not grow in step even with accelerated hiring efforts last year. As part of a plan to reduce costs in the second half of FY 2024-25 and in FY 2025-26, we have implemented a "hiring chill" to carefully analyze the need to fill any open positions. We will balance necessary cost savings with the need to provide service and support to researchers.

Resources

For FY 2025-26 we are projecting to allocate \$9.61 million to SDSU for Enhanced Program Support, how those funds will be utilized will depend heavily on the federal funding outlook as the year progresses. Flexibility is needed in order to ensure we protect the research infrastructure in the short term, while we adapt our business model as needed to adjust to these changing times. We will continue to focus on strategic cost savings where possible, while also pursuing new revenue opportunities.

Following a year in which SDSU achieved R1 status, signifying its place among the top research universities in the United States, SDSU Research Foundation continues to be inspired by the important and innovative work of our research community. While uncertainties surrounding federal research funding inform our projections of a reduced budget, we are steadfast in our mission to support and further research at San Diego State University. We are proud to sustain our capacity for the research and innovation that reflects SDSU's dedication to excellence.

Sincerely,

Michèle G. Goetz
Associate Vice President and CEO

Schedule 1

General Fund Budget FY 2025-26

	FY 2024-25 Original	FY 2024-25 Mid-Year	FY 2025-26 Proposed
<u>SOURCE OF FUNDS</u>			
<i>Unrestricted Revenue:</i>			
F&A Cost Reimbursement	35,500,000	35,650,000	30,303,000
Self-Support Programs Fees	3,200,000	3,300,000	3,500,000
Facilities Rents	6,717,000	6,734,000	7,446,000
TTO Revenue	120,000	120,000	120,000
Investments	3,550,000	3,700,000	3,700,000
Total Unrestricted Revenue	49,087,000	49,504,000	45,069,000
<u>USE OF FUNDS</u>			
<i>Basic Support</i>			
Administration & Operations	25,112,000	24,771,000	24,174,000
Prior Allocation for Salaries/Merit	-	-	(400,000)
Unallocated cuts - FY26 and FY 25 Roll forward	-	-	(1,850,000)
Net Administration & Operations	25,112,000	24,771,000	21,924,000
Facilities Expenses	13,572,000	13,572,000	13,562,000
Total Basic Support	38,684,000	38,343,000	35,486,000
Net Remaining after Providing Basic Support	10,403,000	11,161,000	9,583,000
<i>Allocations for Enhanced Program Support:</i>			
Direct Support of Research:			
Restricted Research Allocations	5,300,000	5,403,000	5,403,000
SEED Grant Program	92,000	92,000	-
	5,392,000	5,495,000	5,403,000
Support of Research Infrastructure:			
Project Facilities and Equipment Support	1,375,000	1,475,000	1,360,000
F&A Consulting	50,000	50,000	-
Research Support - Library	50,000	50,000	50,000
Research Advancement/TTO & Research Initiatives	1,708,000	1,876,000	1,840,000
Research Endowment Distribution	600,000	600,000	600,000
University Research Space	100,000	100,000	100,000
Research Infrastructure	500,000	700,000	-
R1 Promotional Plan	-	50,000	-
	4,383,000	4,901,000	3,950,000
Investment in Enhanced Service Initiatives:			
Systems Infrastructure	300,000	500,000	100,000
Washington D. C. Representation	165,000	165,000	165,000
	465,000	665,000	265,000
Total Allocations for Enhanced Program Support	10,240,000	11,061,000	9,618,000
Total Basic Support and Allocations	48,924,000	49,404,000	45,104,000
TOTAL SOURCE OF FUNDS	49,087,000	49,504,000	45,069,000
TOTAL USE OF FUNDS	48,924,000	49,404,000	45,104,000
<i>Net Funds to (from) Reserves</i>	163,000	100,000	(35,000)

EXECUTIVE BUDGET SUMMARY

Overview

Incorporated in 1943, SDSU Research Foundation (SDSURF) is an auxiliary organization of San Diego State University, authorized by California's Education Code and governed by a board of directors composed of SDSU leaders/faculty, the student body president, and community members. The organization exists to serve SDSU. SDSURF's management team works closely with SDSU's vice presidents for research and innovation and business and financial affairs to manage resources, set policies, and guide the efforts of a dedicated staff who seek to facilitate the work of SDSU researchers.

Strategic Budget Approach for FY 2025-26

With the current administration's changes in federal policies since January 2025 and the related impacts to research funding, we focused the FY 2025-26 proposed budget on ensuring that we continue to serve SDSU and support SDSU researchers; we remain committed to doing so with the following strategic efforts:

- Preserve the research support infrastructure so that, as priorities change at the federal level, SDSURF research infrastructure is prepared to be nimble, supportive, and react promptly.
- Reduce budget allocations/expenses, while maintaining service levels, where reasonable; a consistent theme throughout the budget will be the reduction in expenses and/or allocations due to budget constraints.
- Focus on supporting research while navigating the shifts in the federal research funding environment.

We are taking the position that changes in federal research funding are a "moment in time." The first few months of the new administration was focused on elimination of programs that no longer met federal priorities. We are hopeful that the environment will normalize as the federal government begins to publish its funding priorities. In the meantime, SDSU faculty may be able to pivot to new opportunities where the current administration may focus research support/funding.

Facilities & Administration (F&A) Cost Reimbursement Impact

The FY 2025-26 budget assumes a decrease in F&A cost reimbursement of 15% or \$5,347,000 compared to the FY 2024-25 mid-year projection. This reduction is a current estimate given the number of termination notices received, and our assumptions related to the overall federal environment. For context, each 1% reduction in overall F&A cost reimbursement, compared to mid-year 2024-25 budget, translates to a reduction of \$357,000 in F&A cost reimbursement.

One of the initial executive orders, issued in February 2025 by the new federal administration, was to limit F&A cost reimbursement on NIH grants for all universities to 15%. SDSU's current negotiated federal full research rate is 50.5%. After the executive order was issued, a lawsuit was filed and a temporary restraining order was issued which stopped this executive order from being implemented; subsequently, the court issued a preliminary injunction blocking the executive order once again from being implemented. At this moment, we, and all other universities, are able to collect F&A cost reimbursements at previously NIH negotiated rates. If the executive order related to NIH funding were to move forward, the reduction in F&A cost reimbursement would be approximately \$8.2 million annually. In the last few weeks, National Science Foundation and the Department of Energy have also announced 15% caps on F&A. If

the reduction in F&A were to translate to all grants, including from federal agencies other than the NIH, the reduction to our F&A cost reimbursement would be approximately \$16.1 million annually.

Given the ongoing changes at the federal level related to research funding, we will remain nimble and prepared to respond to the changing environment. Management will continue to closely monitor research volume and respond as needed to reduce costs while maintaining service levels and capacity.

SUMMARY OF PROPOSED BUDGET CHANGES

Summary Changes in Source of Funds

We are presenting a decrease in Source of Funds compared to FY 2024-25 mid-year budget of \$4,435,000 or 9.0% and from the original budget of \$4,018,000 or 8.2%.

SOURCE OF FUNDS

Unrestricted Revenue:

- **F&A Cost Reimbursement:** Projected decrease in F&A Cost Reimbursement compared to mid-year budget of \$5,347,000 or 15.0% and to original of \$5,197,000 or 14.6%. The overall reduction in F&A Cost Reimbursement is due to changes in research funding by the federal government and the related uncertainties. Further discussion can be found at page 10.
- **Self-Support Program Fees:** Projected increase in Self-Support Programs Fees compared to mid-year budget of \$200,000 or 6.1% and to original of \$300,000 or 9.4%.
- **Facilities Rental Income:** Projected increase by \$712,000 or 10.6% and compared to original of \$729,000 or 10.9%.
- **Technology Transfer Office (TTO):** No change in TTO revenue from mid-year budget or original.
- **Investments Income:** No change from mid-year budget and an increase of \$150,000 or 4.2% from original.

Summary Changes in Use of Funds

We are presenting a decrease in Use of Funds compared to FY 2024-25 mid-year budget of \$4,300,000 or 8.7% and from original of \$3,120,000 or 7.8%.

USE OF FUNDS

Basic Support:

- **Net Administration & Operations:** Decrease in Net Administration & Operations of \$2,847,000 or 11.5% from mid-year budget and \$3,188,000 or 12.7% from original. Due to budget constraints and the uncertain nature of federal funding, SDSURF is instituting the following:
 - Instituted a hiring chill and eliminated all non-essential travel.
 - Allocated the \$400,000 previously set aside in FY 2022-23 for future merits and/or salary adjustments as a source of funding.
 - Rolled forward savings compared to mid-year 2024-25 budget to funding for FY 2025-26 along with a set aside amount for additional unallocated cuts in FY 2025-26, totaling \$1,850,000.
- **Facilities Expenses:** Decrease in Facilities Expenses compared to mid-year and original budgets of \$10,000 due to budget constraints.

Allocations for Enhanced Program Support

Direct Support of Research:

- **Restricted Research Allocations:** No change in Research Support Funds from mid-year budget and an increase of \$103,000 from original. Research Support Funds are typically allocated via a formula based upon policy and funding availability. Given the volatility of the federal funding, these funds have been budgeted as restricted resources. Subject to discussion of the board and approval by the President, these funds may need to be allocated differently to support researchers during this challenging time, including the potential need for bridge funding, project closeout support and/or possible support to sustain SDSURF's operational infrastructure if F&A is reduced further by the federal government.
- **SEED Grant Program:** Eliminated in FY 2025-26 original due to budget constraints.

Support of Research Infrastructure:

- **Project Facilities & Equipment Support:** Decrease in Project Facilities & Equipment Support of \$115,000 or 7.8% from mid-year budget and \$15,000 or 1.1% from original due to budget constraints.
- **Research Support-Library:** Remains the same at \$50,000.
- **Research Advancement & TTO:** Decrease in Research Advancement & TTO from mid-year budget of \$36,000 or 1.9% and an increase of \$132,000 or 7.7% from original.
- **Research Endowment Distribution:** No change in Research Endowment Distributions at \$600,000.
- **University Research Space:** No change at \$100,000.
- **Research Infrastructure:** Decrease of \$700,000 or 100% from mid-year and \$500,000 or 100% from original. We were able to allocate resources in previous growth years to help fund a future research infrastructure fund. These funds were originally allocated, as funds were available, and were not considered an on-going annual allocation.
- **R1 Promotional Plan:** Decrease in RI Promotional Plan of \$50,000 or 100% from mid-year budget and no change from original since this was a one-time, not on-going, allocation.

Investment in Enhanced Service Initiatives:

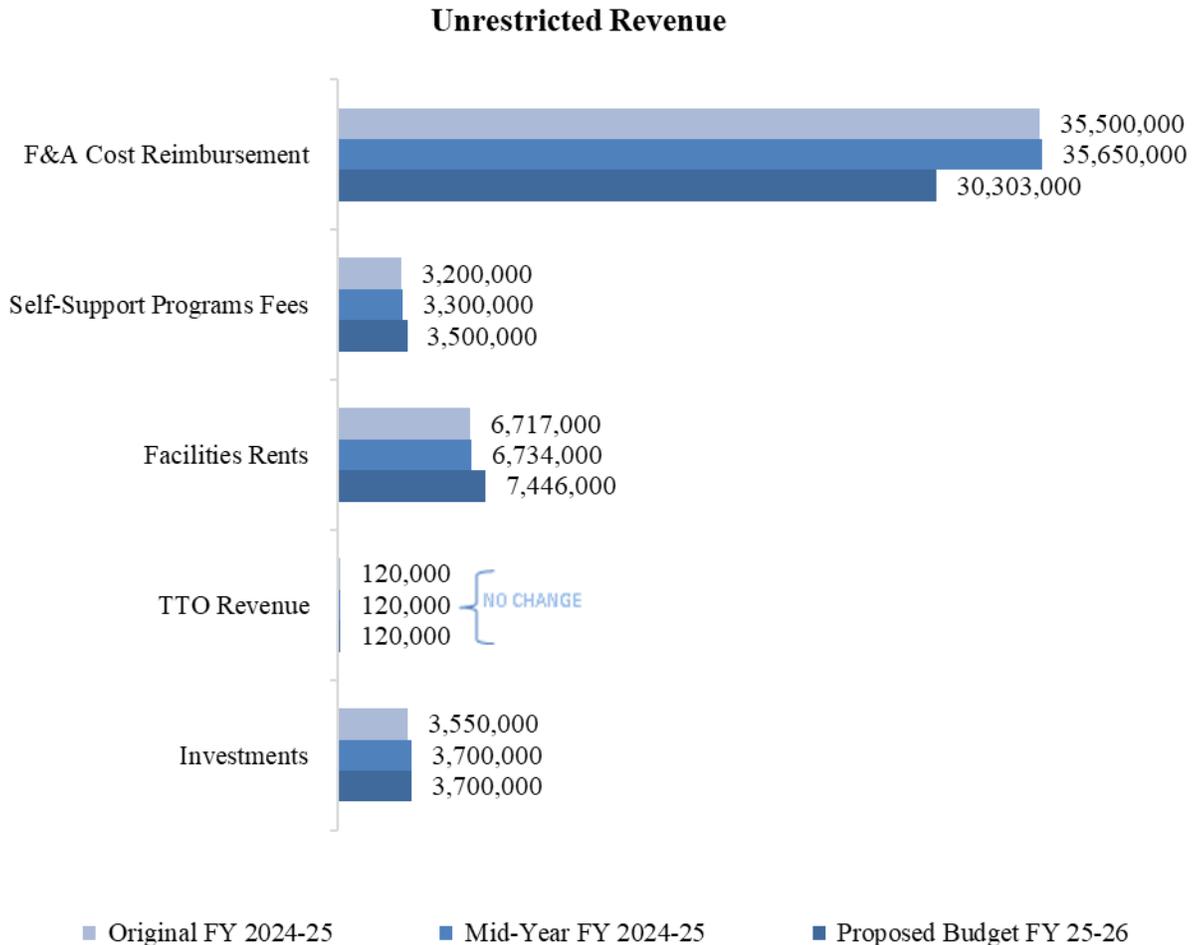
- **Systems Infrastructure:** Decrease of \$400,000 or 80% from mid-year budget and \$200,000 or 66.7% from original due to budget constraints.
- **Washington D.C. Representation:** Remains the same at \$165,000.

Reserves: Source of Funds is projected to be \$45,069,000, while Use of Funds is projected to be \$45,104,000, using \$35,000 to Reserves.

BUDGET DETAIL

SOURCE OF FUNDS DETAILED

The proposed total Unrestricted Revenue for FY 2025-26 budget reflects a decrease in total Source of Funds of \$4,435,000 or 9.0% compared to the FY 2024-25 mid-year budget, and a decrease of \$4,018,000 or 8.2% compared to the FY 2024-25 original.



Unrestricted Revenue:

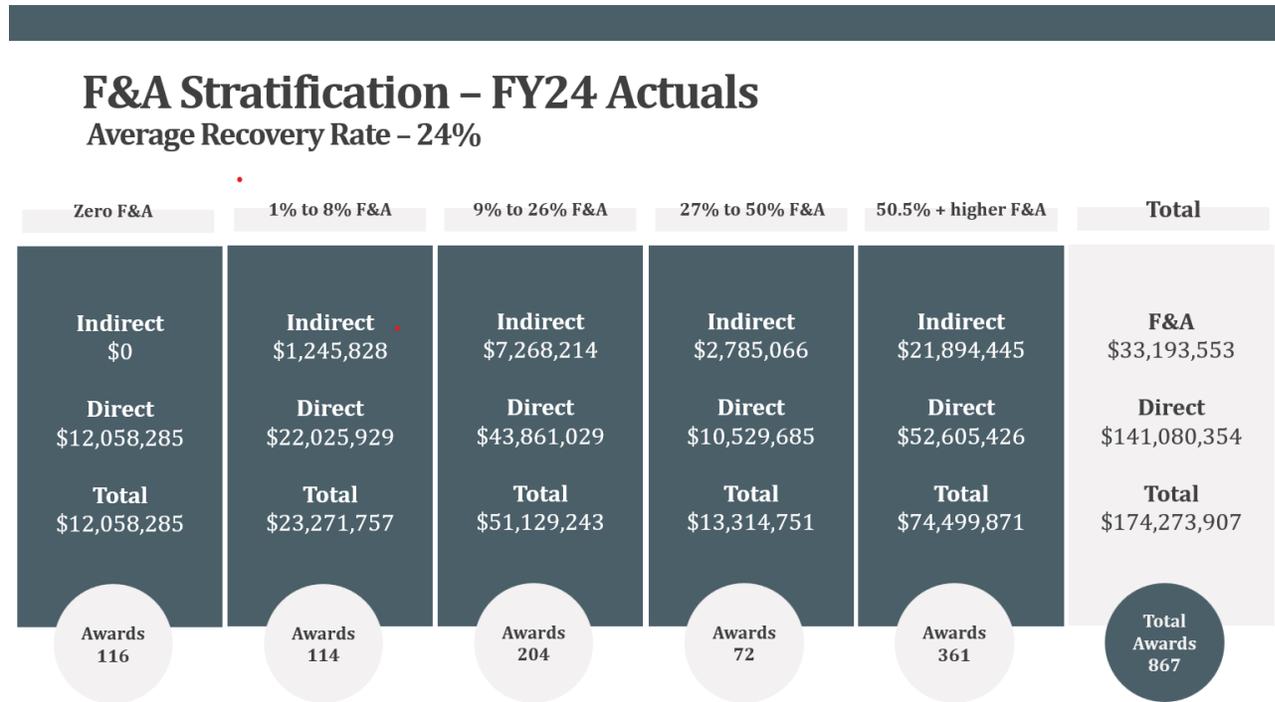
Total Unrestricted Revenue is projected to be \$45,069,000 including the following revenue categories:

- F&A Cost Reimbursement, \$30,303,000**, revenue represents reimbursement for university and Research Foundation facilities and administrative (F&A) costs related to research. F&A is expected to decrease by \$5,347,000 or 15.0% from FY 2024-25 mid-year budget and \$5,197,000 or 14.6% from original.

Projected F&A Cost Reimbursement represents approximately 67% of total unrestricted monies available. Although the federal negotiated F&A rate for research is 50.5% of modified total direct costs, many awards receive a lower rate, and certain categories of expense may be excluded when calculating the rate in accordance with federal rules. The actual recovery rate for FY 2025-26 is projected to be approximately 23% of all direct grant expenditures.

SDSURF historically has accepted all awards on behalf of the university that have been approved by the SDSU administration. The following chart reflects actual grant and contract earned F&A cost reimbursement for FY 2023-24 by rate ranges.

F&A Stratification

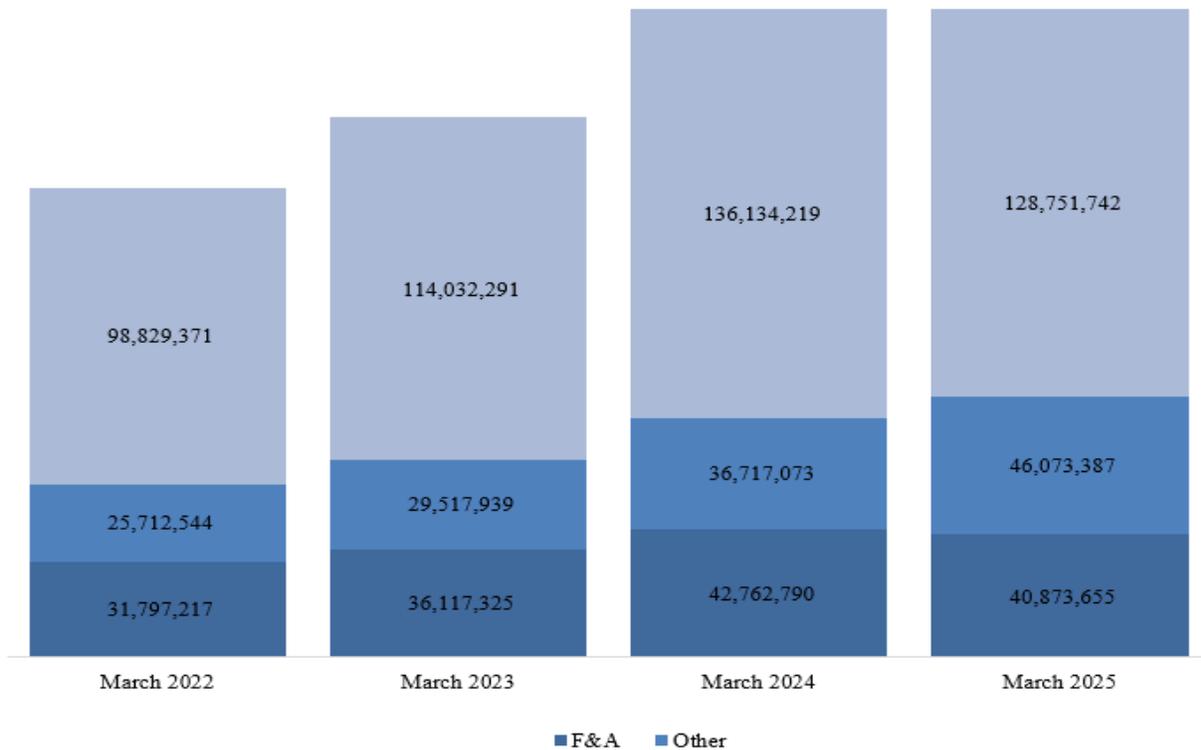


Estimating F&A cost recovery for the future involves projecting the volume of proposals that will be submitted and awarded, the dollar amount of awards that will be expended during the budget period, and the F&A cost reimbursement percentage to be earned. Given the current nature of the federal funding environment, our typical metrics and guides for projecting F&A Cost Reimbursement are not as reliable or accurate. We have assumed a 15% reduction in F&A Cost Reimbursement compared to mid-year budget as a current estimate. It is still important and meaningful to look at Work in Process (amount awarded but not expended) and proposals submitted and awarded.

Work in Process

The following chart analyzes Work in Process (WIP), which represents the amount of awarded costs, direct and F&A, but not yet spent. WIP remains relatively strong, totaling \$128.8 million on March 31, 2025, which was a decrease of \$7.3 million from March 31, 2024. The amount of F&A Cost Reimbursement was \$40.9 million on March 31, 2025, which was a decrease of \$1.9 million from March 31, 2024. The following chart reflects WIP as of March 2022, 2023, 2024 and 2025:

Work in Process

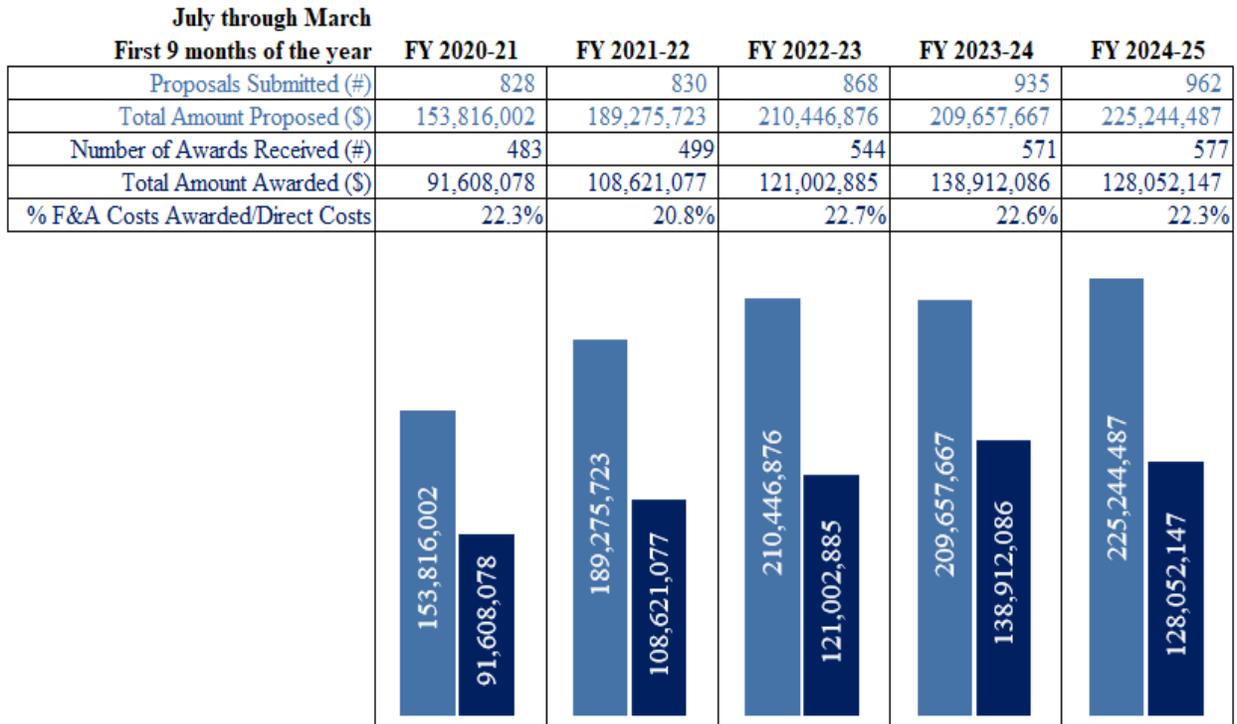


Proposals and Awards

The following chart provides a comparative analysis of proposals and awards for the first nine months of the fiscal year, covering activity through March 31, 2025, as well as spanning the past four fiscal years. As of this date, the number of proposals submitted was 27 ahead of the same period last year; however, the total dollar amount of proposals was down by \$5,425,000. Similarly, the number of awards received was 7 higher than prior year, while the total awards were down by \$10,859,000.

Proposals and Awards

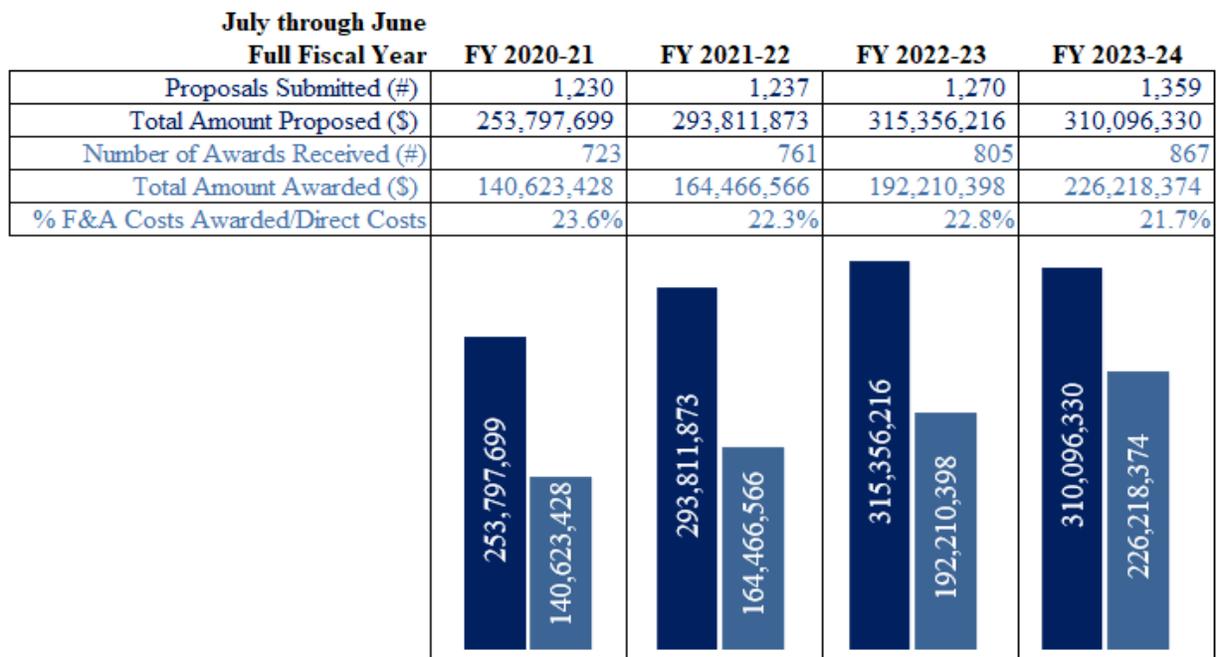
■ Total Amount Proposed (\$) ■ Total Amount Awarded (\$)



For reference, the following table reflects the annual total proposals and awards for the last full four fiscal years.

Total Annual Proposals and Awards

■ Total Amount Proposed (\$) ■ Total Amount Awarded (\$)

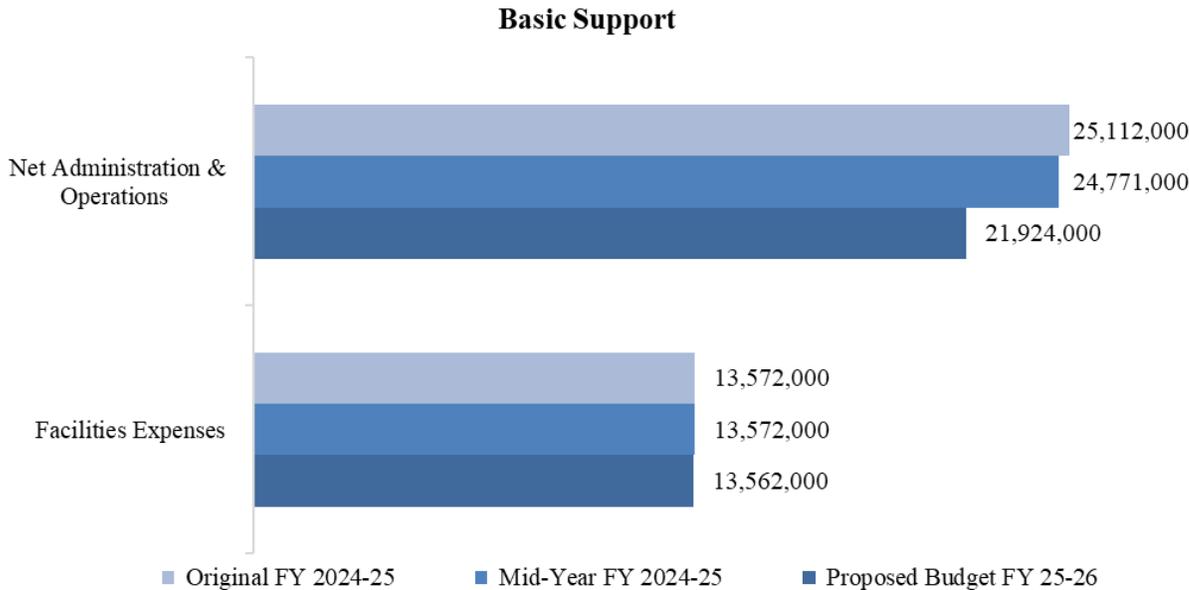


- **Self-support Programs, \$3,500,000**, include SDSURF's administrative fee for services to self-support units including KPBS, The Campanile Foundation, SDSU Global Campus, and other miscellaneous campus programs. Self-support fees are expected to increase by \$200,000 or 6.1% compared to the FY 2024-25 mid-year budget and by \$300,000 or 9.4% compared to original.
- **Facilities Rents, \$7,446,000**, include the rents from properties owned by SDSURF and are projected based upon current leases in place when the budget is developed. Rents are expected to increase by \$712,000 or 10.6% from the FY 2024-25 mid-year and by \$729,000 or 10.9% from original. The increase in rents is due to new leases entered into for FY 2025-26, agreed upon scheduled rent increases, as well as additional earnings from several ground leases.
- **Technology Transfer Office (TTO), \$120,000**, revenue includes royalties and legal reimbursements and reflects no change from original or mid-year budgets. The Research Foundation earns royalty income from the sale of each product or service licensed under specific copyright or patent agreements. Net royalties are allocated to the inventors, the university, and the Research Foundation.
- **Investment Income, \$3,700,000**, reflects no change from mid-year budget and an increase of \$150,000 or 4.2% compared to original. With the volatile nature of federal funding, we are budgeting conservatively due to the need to invest in "over-night" investments as opposed to short-term investments (up to 24 months maturity) which typically yield higher returns.

USE OF FUNDS DETAILED

Overall Use of Funds is projected to decrease by \$4,300,000 or 8.7% from FY 2024-25 mid-year and \$3,820,000 or 7.8% from original.

Basic Support, \$35,486,000, includes Net Administration & Operations and Facilities Expenses, is projected to decrease by \$2,857,000 or 7.5% from FY 2024-25 mid-year and \$3,198,000 or 8.3% from original.



- **Net Administration and Operations, \$21,924,000**, comprises the support functions necessary to provide an appropriate level of service to SDSURF customers (faculty and staff) and to accomplish various compliance requirements imposed by regulatory agencies. The decrease of \$2,847,000 or 11.5% over FY 2024-25 mid-year budget and \$3,188,000 or 12.7% over original, due to budget constraints, is summarized as follows:

◦ Administration & Operations (prior to reductions)	\$24,174,000
✓ Redirected funds previously set aside in 2022-23 for future merits and/or salary adjustment as a source of funding	(\$400,000)
✓ Unallocated cuts in FY 26 and FY 25 - Rolled forward savings generated in mid-year 2024-25 budget to funding for FY 2025-26, along with set aside amount for additional unallocated cuts in FY 2025-26	<u>(\$1,850,000)</u>
Net Administration and Operations	<u>\$21,924,000</u>

As part of the cost savings in FY 2024-25 and FY 2025-26 we have implemented a hiring chill, which means that the senior executive team is carefully analyzing any position that is open or becomes open to determine the short-term necessity to fill the position. We have deferred the hiring of five positions thus far in the FY 2024-25 budget to generate savings to help offset the FY 2025-26 unallocated cuts. We will continue to prudently balance the need for cost savings while considering the compelling

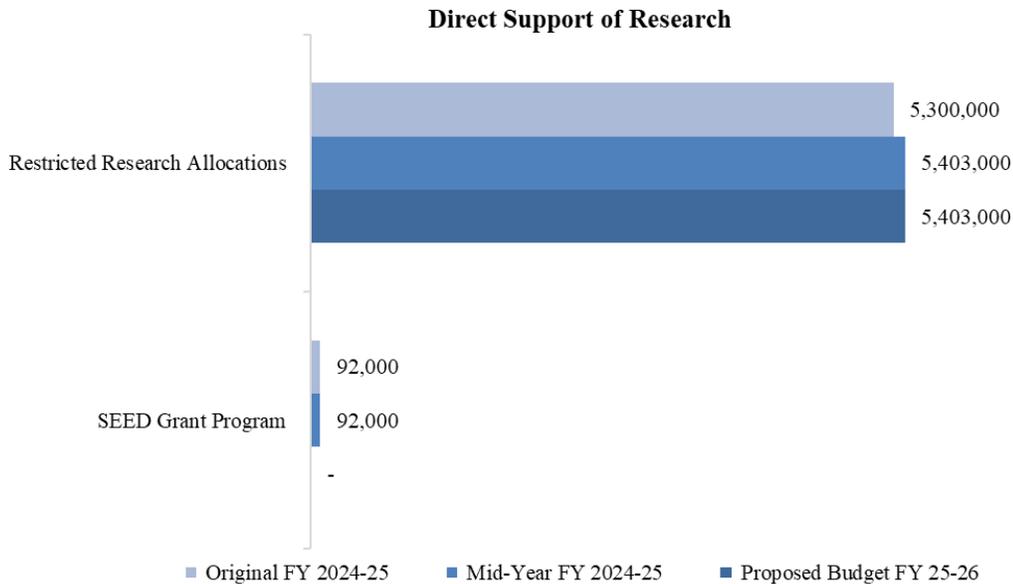
need to provide service and support researchers. Additionally, we have eliminated all non-essential travel from the FY 2025-26 budget.

- **Facilities Expenses, \$13,562,000**, is a decrease of \$10,000 from FY 2024-25 mid-year and original. Even though operating expenses increased in various categories from mid-year and original, we were able reduce other expenses and capital improvements to offset due to budget constraints.

Payments to SDSU: SDSURF’s mission is to support and further the research, education, and community service objectives of SDSU. As part of our mission, we continually strive to support the university through customer service, and various funding to enhance research. The anticipated funding to be provided to the university for FY 2025-26 both as cost-recovery payments and as direct allocations is projected as follows:

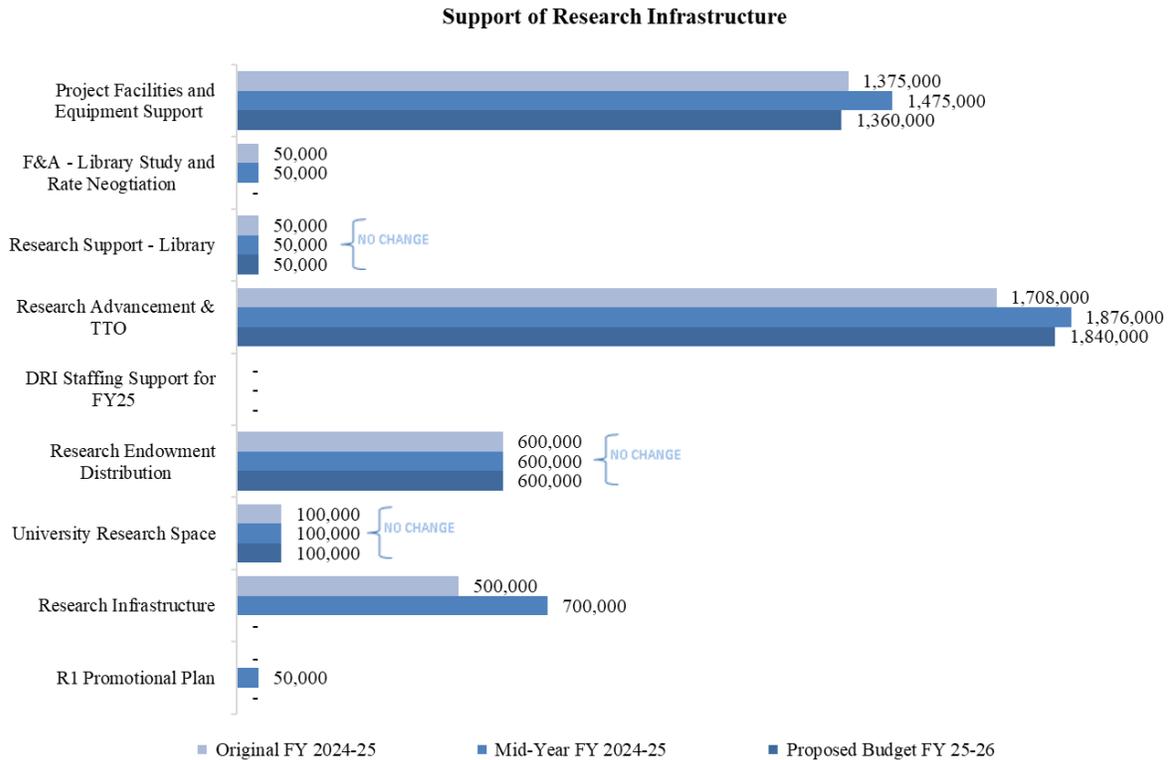
Expense/Allocation Category	FY 2025-26		
Gateway Utilities	60,000		
Gateway Rent	256,000		
University Police	182,000		
Logistical Services	145,000		
CSU Annual Audit Fee	75,000		
CSU Centrally Paid Indirect Costs	50,000		
University Research Space	100,000		
Phones	194,000		
Postage	35,000	1,097,000	Operations
Microsoft A3 Licensing	110,000		
Microsoft A5 Licensing	105,000		
Adobe Cloud	99,000		
Zoom	25,000		
Patch My PC	4,000		
Patch Manager Plus	20,000		
JAMF per Apple IOS Device	2,000		
JAMF per Apple MacOS Device	9,000		
ServiceNow	3,000		
Google Unlimited Storage	10,000		
Google Unlimited Storage	38,000	425,000	Information Technology
Research Support Funds	5,403,000		
Project Facilities and Equipment Support	20,000		
Research Advancement & TTO	1,840,000		
Research Support - Library	50,000		
Research Endowment Distribution	600,000		
Systems Infrastructure	100,000		
Washington D.C. Representation	165,000	8,178,000	Other Allocations & Support
CSU Bond Payments	2,052,000	2,052,000	SRB Debt Payment
Total Annual FY 2025-26 payments to SDSU		11,752,000	

- **Allocations for Enhanced Program Support, \$9,618,000**, reflects a decrease of \$1,443,000 or 13.9% over mid-year budget and \$622,000 or 6.1% compared to original.



- **Allocations for Direct Support of Research, \$5,403,000**, refers to those resources allocated to principal investigators (PIs) and university units in direct support of proposal development, ongoing research programs, or other research endeavors. Allocations for Direct Support of Research decreased by \$92,000 or 1.7% from mid-year and an increase of \$11,000 or .2% from original due to the following subcategories:
 - **Restricted Research Allocations (RSF), \$5,403,000**, reflects no change from mid-year budget and an increase of \$103,000 from original. Research Support Funds are typically allocated via a formula based upon policy and funding availability. For the current year, these funds have been allocated as a restricted line item. How these funds will be utilized will depend heavily on the federal funding outlook as the year progresses. Flexibility is needed in order to ensure we protect the research infrastructure. Subject to discussion of the board and approval by the President, these funds may be needed to support researchers during this challenging time with federal funding, outside of the typical allocation process, including the potential need for bridge funding, support for project closeouts, and/or to sustain the operational infrastructure of SDSURF, if F&A is reduced by the federal government.
 - **SEED Grant Program, \$0**: Support for the SEED Grant Program for FY 2025-26 has been cut due to budget constraints. These funds were used to support scholarly research, assist faculty to meet qualifications for retention, tenure, and promotion, allow faculty to bring advanced projects to conclusion, and facilitate development of a research program that may be competitive for extramural funding. SDSURF funding was a small part of a larger pool of funds.

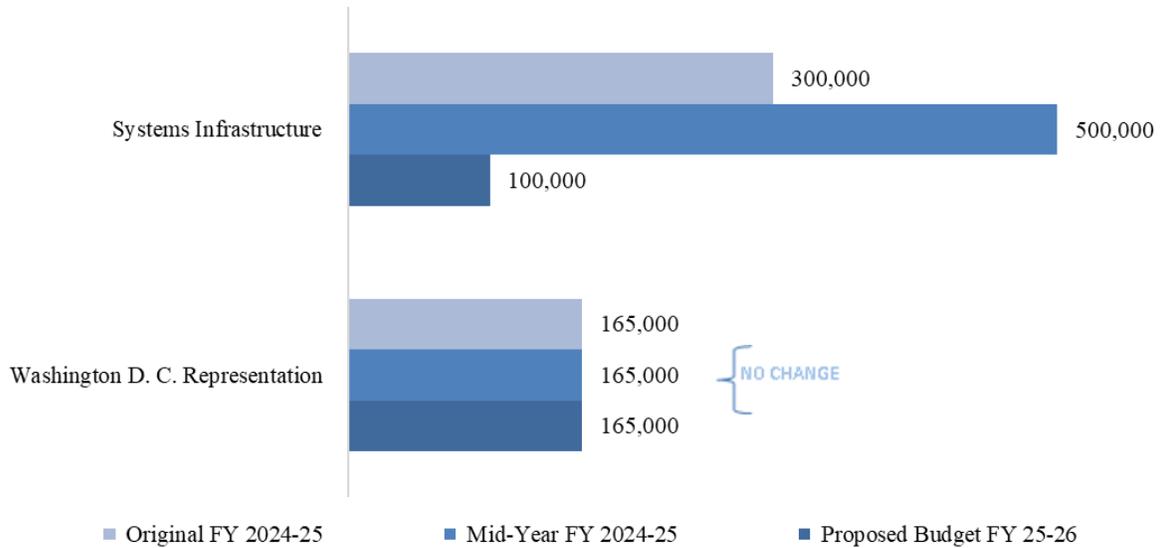
- **Allocations for Support of Research Infrastructure, \$3,986,000**, reflects a decrease of \$915,000 or 19.4% over the FY 2024-25 mid-year budget and \$433,000 or 9.9% over original. This category refers to allocations made in support of the infrastructure necessary to support and grow the research enterprise and includes the following subcategories:



- **Project Facilities and Equipment Support, \$1,360,000**, reflects a decrease of \$115,000 or 7.8% from the FY 2024-25 mid-year budget and \$15,000 or 1.1% from original due to budget constraints. These monies are used primarily for facilities and equipment support, such as outfitting space assigned to new projects, paying SDSU for software and cybersecurity services provided to projects, and rent for outside space for projects.
- **F&A Consulting, \$0**, reflects a decrease of \$50,000 or 100% from FY 2024-25 mid-year and original budgets. This prior allocation provided funds for consulting during the negotiation and rate development process as well as planning for the future. At present, we have not heard from the federal government to start the rate negotiations.

- **Research Support – Library, \$50,000**, reflects no change from FY 2024-25 mid-year budget and original budgets. This allocation recognizes the role the SDSU Library, and its faculty/staff, play in supporting SDSU’s research mission, and provides funds to support acquisition of research publications, software, and tools to support the research infrastructure.
 - **Research Advancement/TTO & Research Initiatives, \$1,840,000**, reflects a decrease of \$36,000 or 1.9% from FY 2024-25 mid-year budget and an increase of \$132,000 or 7.7% compared to original. The increase from the original budget was due to an error in underbudgeting.
 - **Research Endowment Distribution, \$600,000**, reflects no change from the FY 2024-25 mid-year and original budgets. SDSURF will continue to make a \$600,000 annual contribution to the Research Endowment Distribution Fund. The funds will support research by replacing the distribution of the research endowment previously held at The Campanile Foundation.
 - **University Research Space, \$100,000**, reflects no change from the FY 2024-25 mid-year budget and original budget. This line item is the result of a policy established by the CSU Chancellor's Office to provide a mechanism for the university to recover a part of space costs incurred in support of sponsored research programs.
 - **Research Infrastructure, \$0**, reflects a decrease of \$700,000 or 100% from FY 2024-25 mid-year budget and \$500,000 or 100% from original. These funds were previously allocated during growth years to enhance the research infrastructure at SDSU. These prior allocations were one-time allocations when funds were available and were not considered on-going annual allocations.
 - **R1 Promotional Plan, \$50,000**, reflects a decrease in RI Promotional Plan of \$50,000 or 100% from mid-year budget and no change from original since this was a one-time, not on-going, allocation.
- **Investment in Enhanced Service Initiatives, \$265,000**, reflects a decrease of \$400,000 or 60.2% from FY 2024-25 mid-year budget and \$200,000 or 43.0% from original due to budget constraints. This allocation is intended to support the overall research enterprise through large-scale initiatives to streamline processes, create efficiencies, and develop opportunities for new research endeavors, including the following subcategories:

Investment in Enhanced Service Initiatives



- **Systems Infrastructure, \$100,000**, reflects a decrease of \$400,000 or 80% from FY 2024-25 mid-year budget and \$200,000 or 66.7% from original. SDSURF strategically invests in systems and infrastructure to streamline operations, enhance services to PIs, and to support research activity. The allocation was reduced this year due to budget constraints.
- **Washington D.C. Representation, \$165,000**, reflects no change from the FY 2024-25 mid-year and original budgets.

Reserves: Source of Funds is projected to be \$45,069,000, while Use of Funds is projected to be \$45,104,000 using \$35,000 from reserves.

APPENDIX A RESERVES

The FY 2025-26 budget reflects using \$35,000 from Reserves.

Maintaining adequate reserves is critical to any business organization, especially for non-governmental organizations dependent on generating annual revenues to support their activities. Research Foundation revenues are projected before a fiscal year starts and are committed for program support (operating) costs, facilities (space) costs, and university support activities (allocations). Operating reserves are necessary to provide working capital to continue daily activities, to guard against a decrease in projected revenue or increase in projected expenditures, to cover potential unallowable costs for grants and contracts, and to cover over-expenditures of project activities. Given the current federal funding environment, reserves are critical for maintaining and supporting operations.

Reserves

	Actual Balance 12/31/2024	Goal for Reserve as of FY 2025-26	Additional Funds needed to meet Reserve goal
Discretionary Reserves			
Operating Cash Reserves	8,367,000	18,118,000	9,751,000
Real Estate Deficit	(2,435,000)	-	2,435,000
Total Discretionary Reserves	5,932,000	18,118,000	12,186,000
Designated Reserves			
Operating Contingency	925,000	1,000,000	75,000
Facilities	0	1,500,000	1,500,000
Utilities	500,000	500,000	-
Insurance	300,000	300,000	-
Total Designated Reserves	1,725,000	3,300,000	1,575,000
	7,657,000		13,761,000

- **Discretionary Reserves**

- **Operating Cash Reserves:** The goal of the Operating Cash Reserves is six months of operating expenses, represented in the Basic Support section of the budget. In general, maintaining six months of operating reserves is considered best practice and mirrors the reserve goals established by the Chancellor's Office of the CSU. Currently, SDSURF has \$7,657,000 in total operating reserves (Discretionary and Total Designated), calculated at approximately 2.5 months, which is below the 6-month target. Given the current federal funding environment, as outlined previously in this budget document, this budget projects using \$35,000 from reserves. Additionally, SDSURF has a \$15 million line of credit with a bank that can be called upon if needed.
- **Real Estate Deficit** relates to the unfunded obligation (funds spent into deficit position) related to various strategic land acquisitions, the redevelopment project, and the Fraternity Row construction defects lawsuit.

- **Designated Reserves**

- **Operating Contingency:** Historically, the operating contingency reserve pertains to potential disallowances on grants and contracts and to other general operating contingencies. Despite best efforts, audit disallowances are an expected part of administering grants and contracts. The goal for this reserve is \$1,000,000 and is underfunded by \$75,000. The size of the allowance requires a judgment decision based on the following:

- ✓ Volume of grant and contract activity
- ✓ Time between audits
- ✓ Continuity of experienced staff and adequacy of internal controls
- ✓ Administrative resources devoted to the administration of grants and contracts.

- **Facilities:** The Facilities reserve was established to help manage major repairs, maintenance, and upgrades on Research Foundation properties. The goal for the reserve was established at \$1,500,000. The reserve was used in FY 2023-24 as part of the Research Foundation Gateway Center refurbishment. This reserve will be replenished as funds are available.

- **Utilities:** The Utilities reserve was established to help manage unexpected, significant increases in the cost of utilities. With this reserve, the management team does not have to budget quite so conservatively for utilities as this reserve can be accessed if rates rise quickly or harsh weather causes a spike in utilities. The goal for the reserve was established at \$500,000 and is fully funded.

- **Insurance:** Each general liability insurance claim has a deductible of \$100,000. The primary source of funding for this reserve will be funds recovered from insurance relating to claims in prior budget periods. The goal for the reserve was established at \$300,000, which reflects three potential claims with a \$100,000 deductible for each claim and is fully funded.

- **Non-Discretionary Reserves**

These reserves are designated for specific purposes and not accessible for general operations.

	Actual Balance 12/31/2024
Non-discretionary	
Retiree Medical VEBA Trust	15,500,000
Employee Fringe Benefits	1,947,000
Workers' Compensation Insurance	4,549,000
Unemployment Insurance	1,796,000
Total Non-discretionary	<u><u>23,792,000</u></u>