SDSU | Research Foundation

FY 2026-27 GENERAL FUND BUDGET



The proposed FY 2026-27 budget was approved by the SDSU Research Foundation Board of Directors on May 22, 2026, without any changes.

Photos courtesy of researchers Carrie House (top), Jess Ponting, Faramarz Valafar, Bryana Quintana, Annie Buckley, Laura-Isobel McCall, and Amy Quandt (bottom).

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

We are pleased to present the SDSU Research Foundation budget for FY 2026-27. This budget was developed with a focus on stability and sustainability as we continue to navigate a changing environment for federal research funding and work to protect the infrastructure that supports San Diego State University's capacity for important research and innovation.

As we look at the year ahead, we anticipate continued federal instability and potential negative effects from executive orders, funding cuts, and other federal actions. These ongoing challenges, including discussions regarding significant changes to the F&A cost recovery model, are expected to impact our research infrastructure into FY 2026-27 and beyond. Strategic foresight and planning will support our ability to maintain a healthy fiscal position during this time.

Key Indicators

In response to the current federal environment, our FY 2026-27 budget is informed by the following factors:

- **Sustained Proposal Activity**: Despite federal headwinds, SDSU researchers continue to actively submit proposals and pursue new funding opportunities, with the number of proposal submissions remaining comparable to the previous year.
- **Award Volume:** The prolonged government shutdown and the resulting delay in funding to federal agencies, combined with revised proposal review and approval processes and shifting government priorities, have significantly delayed the issuance of non-competing renewals and funding decisions on new awards.
- **Strategic Reductions**: By identifying opportunities for efficiencies early, including a hiring chill, we have managed reduction in administrative expenditures without compromising core service to our researchers.
- **Advocacy and Support**: SDSU, the CSU, the State of California, and partners at the state and national levels continue to successfully challenge adverse federal actions and to advocate for research funding. Simultaneously, SDSU continues to secure alternative funding from philanthropic sources, industry partners, and other non-federal entities.

F&A Cost Recovery

Facilities and Administrative (F&A) costs, also known as indirect costs, are essential reimbursements for the infrastructure and operational expenses necessary to conduct federally funded research. These include grant and contract administration, certain equipment and utilities, research facilities and laboratories, and other costs including those needed to comply with federal regulations. While universities, including SDSU, currently negotiate indirect cost recovery rates at 50% or higher, federal agencies attempted to implement rate caps of 15% throughout 2025. Although negotiated rates are currently protected at FY 2024 levels, we anticipate that the continued focus on proposed changes to the F&A model in FY 2026-27 and the continued delays in funding will reduce these cost

recoveries, which currently comprise about 65% of the SDSURF operating budget.

Staffing and Services

Although we continue to maintain a hiring chill similar to FY 2025-26, we are also focused on the retention and strategic development of our current staff. Our priority is to ensure that our team is equipped to support our researchers and the increasing complexity of innovative work being produced as we navigate ongoing changes in federal research funding.

Space and Innovation

We continue to see the benefits of our decision to reduce the Research Foundation's physical footprint. By making approximately 20,000 square feet of space in the Gateway Center available for other university needs, we have demonstrated our ability to grow the research enterprise while maximizing efficiency. We remain committed to creative and efficient space utilization and will look to maximize space utilization to diversify and increase rental revenues by pursuing new commercial lease opportunities.

Alternative Revenue Streams

In addition to reviewing space to create new commercial lease revenues, we are pursuing other creative means of generating new revenue streams to help offset the decreasing federal funding for research. We are currently working with another CSU campus on a contract to provide sponsored research services as part of a shared services model. In addition, the SDSU Technology Transfer office is expanding its services to other CSU campuses as well as targeted local non-profit entities with research who partner with SDSU. If successful, these pilots could be expanded to other campuses.

Conclusion

As San Diego State University continues to grow as a premier public research university, SDSU Research Foundation is proud to support and further its mission. While federal uncertainties require us to be resilient and to make hard choices, we are proud to support SDSU's dedication to excellence in research, education, and community service, and we remain inspired by our research community that consistently turns discovery into societal impact.

Sincerely,

Michèle G. Goetz
Associate Vice President and CEO

Schedule 1

	FY 2025-26 Original	FY 2025-26 Mid-Year	FY 2026-27 Proposed
SOURCE OF FUNDS			
Unrestricted Revenue:			
F&A Cost Reimbursement	30,303,000	32,222,000	27,389,000
Self-Support Programs Fees	3,500,000	3,500,000	3,700,000
Facilities Rents	7,446,000	7,546,000	7,716,000
TTO Revenue	120,000	120,000	120,000
Investments	3,700,000	3,700,000	3,975,000
Total Unrestricted Revenue	**45,069,000**	**47,088,000**	**42,900,000**
USE OF FUNDS			
Basic Support			
Administration & Operations	24,174,000	24,017,000	24,073,000
Roll forward of merit reserve from FY 24	(400,000)	(400,000)	-
Roll forward of savings from FY 25	(1,850,000)	(1,850,000)	(1,850,000)
Net Administration & Operations	21,924,000	21,767,000	22,223,000
Facilities Expenses	13,562,000	13,562,000	13,702,000
Total Basic Support	**35,486,000**	**35,329,000**	**35,925,000**
Net Remaining after Providing Basic Support	9,583,000	11,759,000	6,975,000
Allocations for Research Infrstructure and Support:			
Restricted Research Allocations	5,403,000	4,484,000	4,134,000
Project Facilities and Equipment Support	1,360,000	1,360,000	1,204,000
Research Support - Library	50,000	50,000	50,000
Research Advancement/TTO & Research Initiatives	1,840,000	1,840,000	1,840,000
Research Endowment Distribution	600,000	600,000	600,000
University Research Space	100,000	120,000	120,000
Systems Infrastructure	100,000	100,000	100,000
Washington D. C. Representation	165,000	165,000	165,000
Total Allocations for Enhanced Program Support	9,618,000	8,719,000	8,213,000
Total Basic Support and Allocations	**45,104,000**	**44,048,000**	**44,138,000**
SOURCE OF FUNDS PRIOR ALLOCATION	**45,069,000**	**47,088,000**	**42,900,000**
ADDITIONAL SOURCE OF FUNDS	-	-	**1,201,000**
TOTAL SOURCE OF FUNDS	**45,069,000**	**47,088,000**	**44,101,000**
USE OF FUNDS PRIOR TO ADDITIONAL ALLOCATIONS	**45,104,000**	**44,048,000**	**44,138,000**
FY 27 ALLOCATION FOR OPERATIONS	-	**1,850,000**	-
FY 27 ALLOCATION FOR RESEARCH SUPPORT & INFRASTRUCTUI	-	**1,201,000**	-
TOTAL USE OF FUNDS	**45,104,000**	**47,099,000**	**44,138,000**
Net Funds to (from) Reserves	**(35,000)**	**(11,000)**	**(37,000)**

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 2026-27

With the current administration's changes in federal policies since January 2025 and the related impacts to research funding, we focused the FY 2026-27 proposed budget on ensuring that we continue to serve SDSU and support SDSU researchers 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.
- Continue looking for new or creative opportunities to increase revenue sources.

We are taking the position that changes in federal research funding are a "moment in time" although it seems like an exceedingly long moment. The first few months of the new administration, beginning in February 2025, were focused on the elimination of programs that no longer met federal priorities. In the past year, the federal agencies have been slow to award new funds, but we are beginning to see some awarding activity. SDSU faculty continues to pivot to new opportunities where the current administration may focus research support/funding. Additionally, the federal administration continues to look for opportunities to limit F&A cost recovery and/or to change how F&A is calculated.

Facilities & Administration (F&A) Cost Reimbursement Impact

The FY 2026-27 budget assumes a decrease in F&A cost reimbursement of 15% or $4,833,000 compared to the FY 2025-26 mid-year projection and $2,914,000 or 9.6% from original. This reduction is a current estimate given our assumptions related to the overall federal environment and the current slow-down in federal awards.

One of the initial executive orders, issued in February 2025, was to limit F&A cost reimbursement on grants for all institutions of higher education to 15%. SDSU's current negotiated federal full on-campus research rate is 50.5%. After the executive order was issued, various federal agencies moved to implement the cap, including National Institutes

of Health (NIH), National Science Foundation (NSF), Department of Defense (DOD), and Department of Energy (DOE). Subsequent lawsuits restricted the government's ability to implement these caps and the final budget appropriations approved by Congress included blocking language prohibiting implementation of any limitations for the rest of this federal fiscal year which ends September 30, 2026. At this moment, we, and other universities, are able to collect F&A cost reimbursements at previously negotiated rates. However, the federal government continues to look for opportunities to limit F&A cost recovery and/or to change how F&A is calculated potentially through proposed changes to Uniform Guidance regulations proposed by the Office of Management & Budget (OMB).

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

SUMMARY OF PROPOSED BUDGET CHANGES

SOURCE OF FUNDS
Unrestricted Revenue:

- ✓ **F&A Cost Reimbursement:** Projected decrease in F&A Cost Reimbursement compared to mid-year budget of $4,833,000 or 15.0% and compared to the original budget of $2,914,000 or 9.6%. 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 on page 10.
- ✓ **Self-Support Program Fees:** Projected increase in Self-Support Programs Fees compared to mid-year and original budgets of $200,000.
- ✓ **Facilities Rental Income:** Projected increase by $170,000 or 2.3% and compared to original $270,000 or 3.6%.
- ✓ **Technology Transfer Office (TTO):** No change in TTO revenue from mid-year budget or original.
- ✓ **Investments Income:** Projected increase in Investments Income compared to mid-year and original budgets of $275,000 or 7.4%.

USE OF FUNDS

Basic Support:
Administration & Operations: Increase in Administration & Operations of $56,000 or .2% from mid-year budget and a decrease of $101,000 or .4% from original. The Administration and Operations budget is gross of the offset amounts, roll-forward from prior years savings, reflected in the FY 2025-26 mid-year and original budgets as well as the FY 2026-27 proposed budget. The increase in Administration & Operations is due to the set aside for potential cost of living (COLA) increases totaling $545,000. According to CSU requirements, auxiliaries including SDSURF are required to be comparable to SDSU for salary overall; as the CSU is anticipating a COLA increase in FY 2026-27 pending finalization of negotiations with its unions, SDSURF budgeted these funds as a placeholder pending the outcome of the union negotiations with the CSU. Without the set aside for COLA, the budget would have reflected a decrease of $489,000 or 2.7% from the mid-year budget and $646,000 or 2.1% from original.

Due to budget constraints and the uncertain nature of federal funding, SDSURF instituted the following:

- ✓ Implemented a hiring chill. As a result, we eliminated 2 positions and put recruitment on indefinite hold for 7 positions and continues to review positions as turnover occurs.
- ✓ Eliminated all non-essential travel.
- ✓ Reduced operating costs where possible

Net Administration & Operations reflects the offset in the FY 2025-26 mid-year and original budgets of $400,000; these funds were set aside in FY 2023-24 for future salary increases. Additionally, the $1,850,000 in savings generated in FY 2024-25 was rolled forward to FY 2025-26; during the mid-year FY 2025-26 budget approval process, it was noted that these funds were not needed to balance the FY 2025-26 budget, therefore the SDSURF board, through the budget approval process, approved the rolled forward of the funds to the FY 2026-27 budget to offset the cost of Administration & Operations.

Facilities Expenses: Increase in Facilities Expenses compared to mid-year and original budgets of $140,000 or 1.0% due to increased insurance and utilities costs.

Allocations for Research Infrastructure and Support

Restricted Research Allocations also referred to as Research Support Funds (RSF) decreased by $350,000 from mid-year budget and $1,269,000 from original. Due to the federal research funding environment, these funds are again being allocated as Restricted Research Allocations and subject to SDSURF board approval for release of the funds. The RSF target allocation is calculated based upon the estimate of overall F&A recovery for FY 2025-26 but is dependent on our actual overall revenues for FY 2026-27. The budget for FY 2026-27 assumes a 75% distribution of the target formula for PIs, colleges, and the Division of Research and Innovation like the FY 2025-26 distribution. Only the cost-share commitments and PI retention agreement were budgeted to receive 100% of the calculated amounts. Additionally, the proposed budget of $4,134,000 reflects a set aside for a portion of rent for colleges with researchers housed in SDSURF space who rely on RSF distributions to cover a portion of rent expenses. Distributions are planned to be delayed with the exception of the rent and cost-share commitments. At the earliest date, the SDSURF Board of Directors will review as part of the mid-year budget review during the March 2027 board meeting and decide how to proceed.

Project Facilities & Equipment Support: Decrease in Project Facilities & Equipment Support of $156,000 or 11.5% from mid-year and original budgets.

Research Support -Library: No change at $50,000.

Research Advancement & TTO: No change at $1,840,000.

Research Endowment Distribution: No change at $600,000.

University Research Space: No change in University Research Space payment from mid-year budget and an increase from original budget of $20,000 or 20%.

Systems Infrastructure: No change at $100,000.

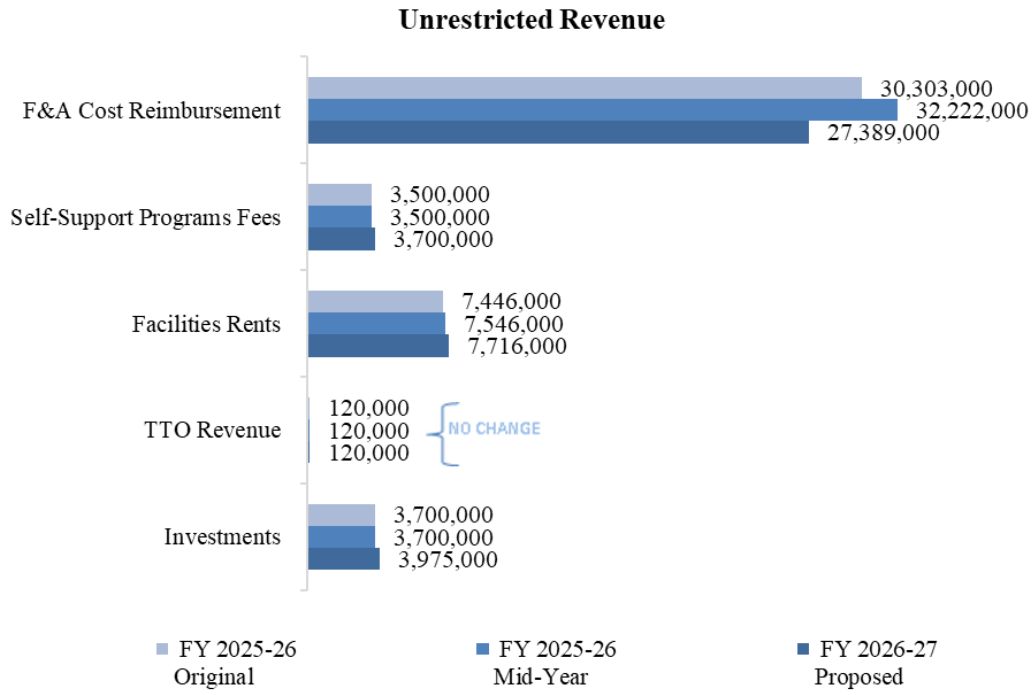
Washington D.C. Representation: No change at $165,000.

Reserves: Source of Funds is projected to be $44,101,000, which includes the roll forward of the $1,201,000 from FY 25-26 for Research Support Funds and rent commitments, while Use of Funds is projected to be $44,138,000, using $37,000 to Reserves.

BUDGET DETAIL

SOURCE OF FUNDS DETAILED

The proposed total Unrestricted Revenue for FY 2026-27 budget reflects a decrease in total Source of Funds of $4,833,000 or 15.0% compared to the FY 2025-26 mid-year budget, and a decrease of $2,914,000 or 9.6% compared to the FY 2025-26 original.



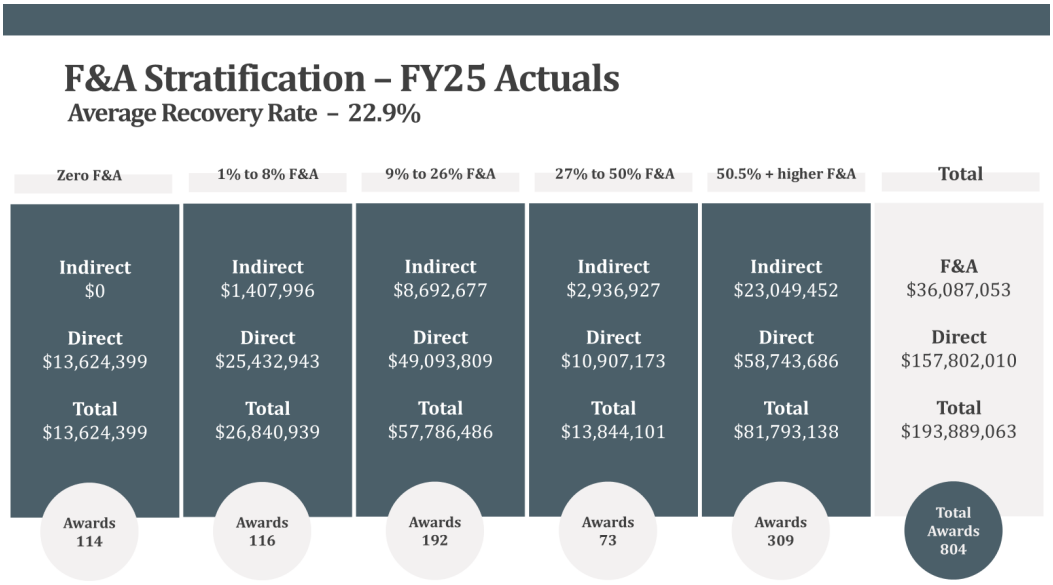
Total Unrestricted Revenue is projected to be $42,900,000 including the following categories:

F&A Cost Reimbursement, $27,389,000 revenue represents reimbursement for university and Research Foundation facilities and administrative (F&A) costs related to research. F&A is expected to decrease by $4,833,000 or 15.0% from FY 2025-26 mid-year budget and $2,914,000 or 9.6% from original.

Projected F&A Cost Reimbursement represents approximately 64% 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 22% 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 2024-25 by rate ranges.

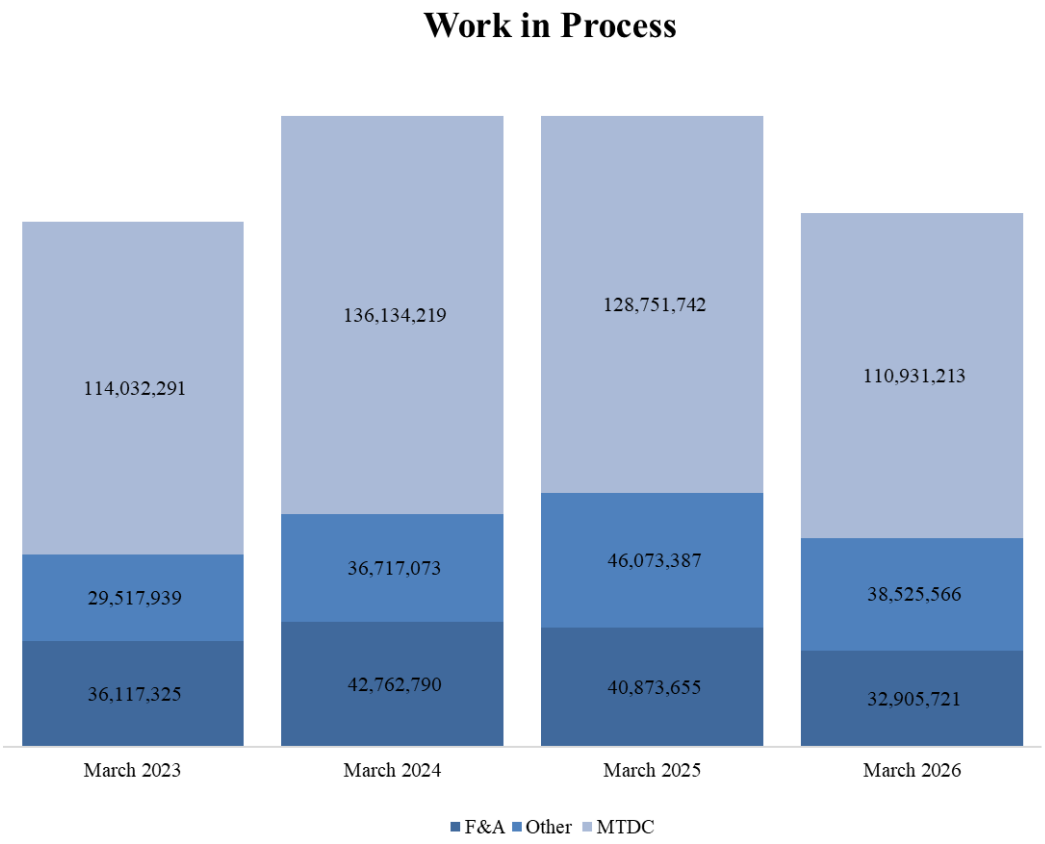
Estimating F&A cost recovery for the future involves projecting the



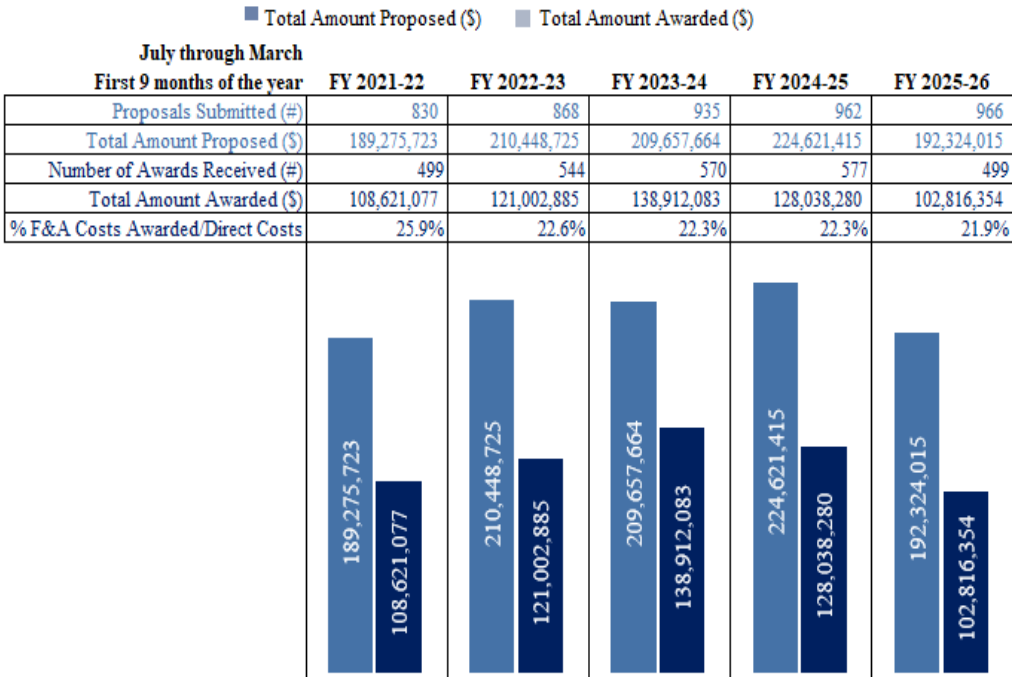
volume of proposals that will be submitted and awarded, the dollar amount of awards that will be expended during the budget period, and the F&Acost reimbursement percentage to be earned. Given the current nature of the federal funding environment, our typical metrics and guides for projecting F&A Cost 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 due to lower volume of awards during fiscal year 2025-26 and the uncertainty at the federal level. Work in Process is an important metric to see how much has been awarded but not yet spent in F&A.

The following chart analyzes Work in Process (WIP), which represents the amount of awarded costs, direct and F&A, but not yet spent. The WIP for F&A declined significantly from March 31, 2025, to March 31, 2026, by $7.9 million. The chart reflects WIP as of March 2023, 2024, 2025, and 2026:

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, 2026, and the number of awards decreased by 78, with total dollars down by $25,221,926 for the same period compared to last year. As of this date, the number of proposals submitted was 4 ahead of the same period last year.



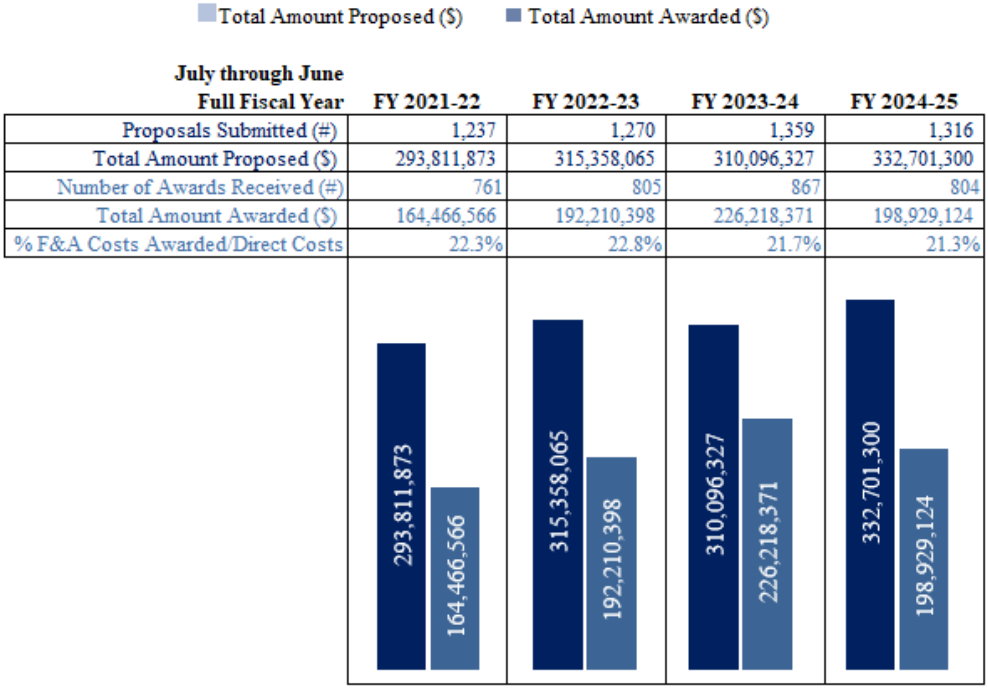
Proposals and Awards



July through March First 9 months of the year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Proposals Submitted (#)	830	868	935	962	966
Total Amount Proposed ($)	189,275,723	210,448,725	209,657,664	224,621,415	192,324,015
Number of Awards Received (#)	499	544	570	577	499
Total Amount Awarded ($)	108,621,077	121,002,885	138,912,083	128,038,280	102,816,354
% F&A Costs Awarded/Direct Costs	25.9%	22.6%	22.3%	22.3%	21.9%

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

Total Annual Proposals and Awards



July through June Full Fiscal Year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Proposals Submitted (#)	1,237	1,270	1,359	1,316
Total Amount Proposed ($)	293,811,873	315,358,065	310,096,327	332,701,300
Number of Awards Received (#)	761	805	867	804
Total Amount Awarded ($)	164,466,566	192,210,398	226,218,371	198,929,124
% F&A Costs Awarded/Direct Costs	22.3%	22.8%	21.7%	21.3%

- **Self-support Programs, $3,700,000,** include SDSURF's administrative fee for services to self-support units including KPBS, The Campanile Foundation (TCF), SDSU Global Campus, and other miscellaneous campus programs. Self-support fees are expected to increase by $200,000 or 5.7% compared to the FY 2025-26 mid-year and original budgets. This

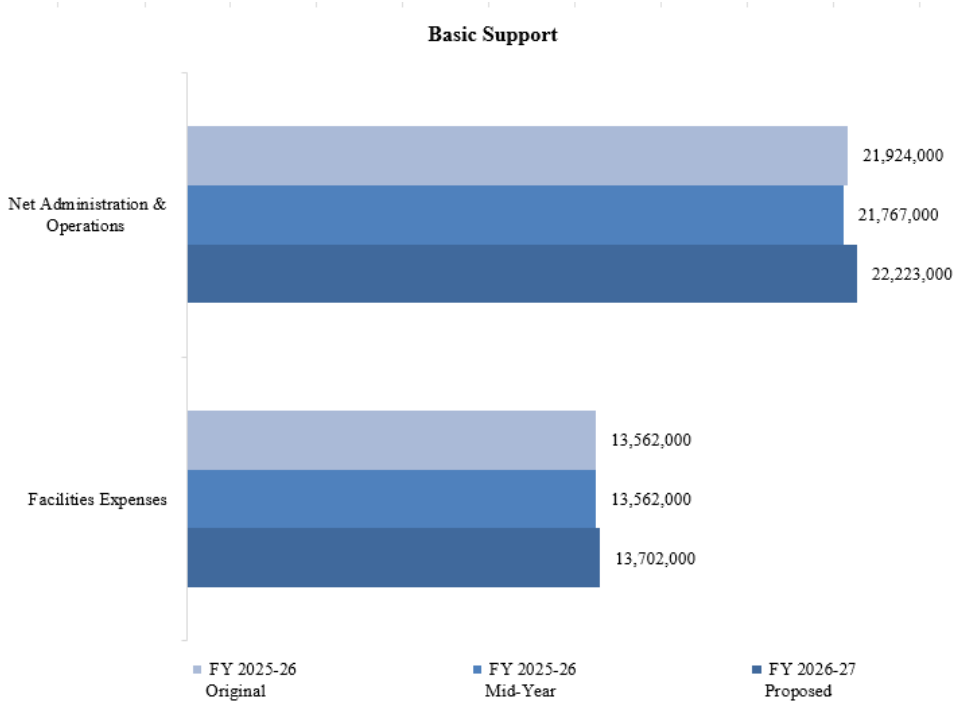
is primarily due to negotiated annual increases with KPBS and TCF.

- **Facilities Rents, $7,716,000,** 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 $170,000 or 2.3% from the FY 2025-26 mid-year and by $270,000 or 3.6% from original. The increase in rents is due to new leases entered into for FY 2026-27, agreed-upon scheduled rent increases, as well as additional earnings from several ground leases. With the goal to increase sources of revenue, SDSURF will work with campus administration to attempt to reduce or consolidate space where efficient to do so and increase opportunities for overall commercial rent/resources.
- **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, $3,975,000,** reflects an increase of $275,000 or 7.4% from mid-year and original budgets due to higher interest rates earned on short-term investments. As lower earning investments mature, we have been able to invest at slightly higher rates.

USE OF FUNDS DETAILED

Overall Use of Funds is projected to decrease by $2,961,000 or 6.3% from FY 2025-26 mid-year and $966,000 or 2.1% from original.

Basic Support, $35,925,000, includes Net Administration & Operations and Facilities Expenses, is projected to increase by $596,000 or 1.7% from FY 2025-26 mid-year and $439,000 or 1.2% from original.



Administration & Operations: Increase in Administration & Operations of $56,000 or .2% from mid-year budget and a decrease of $101,000 or .4% from original. The Administration and Operations budget is gross of the offset amounts, roll-forward from prior years savings, reflected in the FY 2025-26 mid-year and original budgets as well as the FY 2026-27 proposed budget. The increase in Administration & Operations is due to the set aside for potential cost of living (COLA) increases totaling $545,000. According to CSU requirements, auxiliaries including SDSURF are required to be comparable to SDSU for salary overall; as the CSU is anticipating a COLA increase in FY 2026-27 pending finalization of negotiations with its unions, SDSURF budgeted these funds as a placeholder pending the outcome of the union agreement with the CSU. Without the set aside for COLA, the budget would have been a decrease of $489,000 or 2.7% from the mid-year budget and $646,000 or 2.1% from original.

Due to budget constraints and the uncertain nature of federal funding, SDSURF instituted the following:

- ✓ Implemented a hiring chill and eliminated all non-essential travel and operating costs.
- ✓ Eliminated 2 positions and put recruitment on indefinite hold for 7 positions, saving $1,076,000 in the budget by these actions.

Net Administration & Operations reflects the offset in the FY 2025-26 mid-year and original budgets of $400,000; these funds were set aside in FY 2023-24 for future salary increases. Additionally, the $1,850,000 in savings generated in FY 2024-25 was rolled forward to FY 2025-26; during the mid-year FY 2025-26 budget approval process, it was noted that these funds were not anticipated to be needed to balance the FY 2025-26 budget, therefore the SDSURF board, through the budget approval process, approved the roll forward of the funds to the FY 2026-27 budget to offset to cost of Administration & Operations.

Facilities Expenses, $13,702,000, reflects an increase of $140,000 or 1% from FY 2025-26 mid-year and original budgets. Even though operating expenses increased in various categories from mid-year and original including insurance, we were able to reduce other expenses and capital improvements to offset due to budget constraints to keep the increase in the budget to a nominal amount.

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 2026-27 both as cost-recovery payments and as direct allocations is projected as follows:

Expense/Allocation Category	FY 2026-27		
Gateway Utilities	50,000		
Gateway Rent	269,000		
University Police	184,000		
Mailing Services	146,000		
CSU Annual Audit Fee	77,000		
CSU Centrally Paid Indirect Costs	75,000		
University Research Space	120,000		
Phones	139,000		
Postage	33,000	1,093,000	Operations
Microsoft A3 Licensing	104,000		
Microsoft A5 Licensing	62,000		
Adobe Cloud	47,000		
Zoom	18,000		
Internet2/CENIC	36,000		
JAMF per Apple IOS Device	2,000		
JAMF per Apple MacOS Device	8,000		
Oracle	56,000		
ServiceNow	3,000		
Virtru and ChatGPT	1,000	337,000	Information Technology
Research Support Funds	4,134,000		
Project Facilities and Equipment Support	112,000		
Research Advancement & TTO	1,840,000		
Research Support - Library	50,000		
Research Endowment Distribution	600,000		
Systems Infrastruture	100,000		
Washington D.C. Representation	165,000	7,001,000	Other Allocations & Support
CSU Bond Payments	2,062,000	2,062,000	SRB Debt Payment
Total Annual FY 2025-26 payments to SDSU		**10,493,000**	

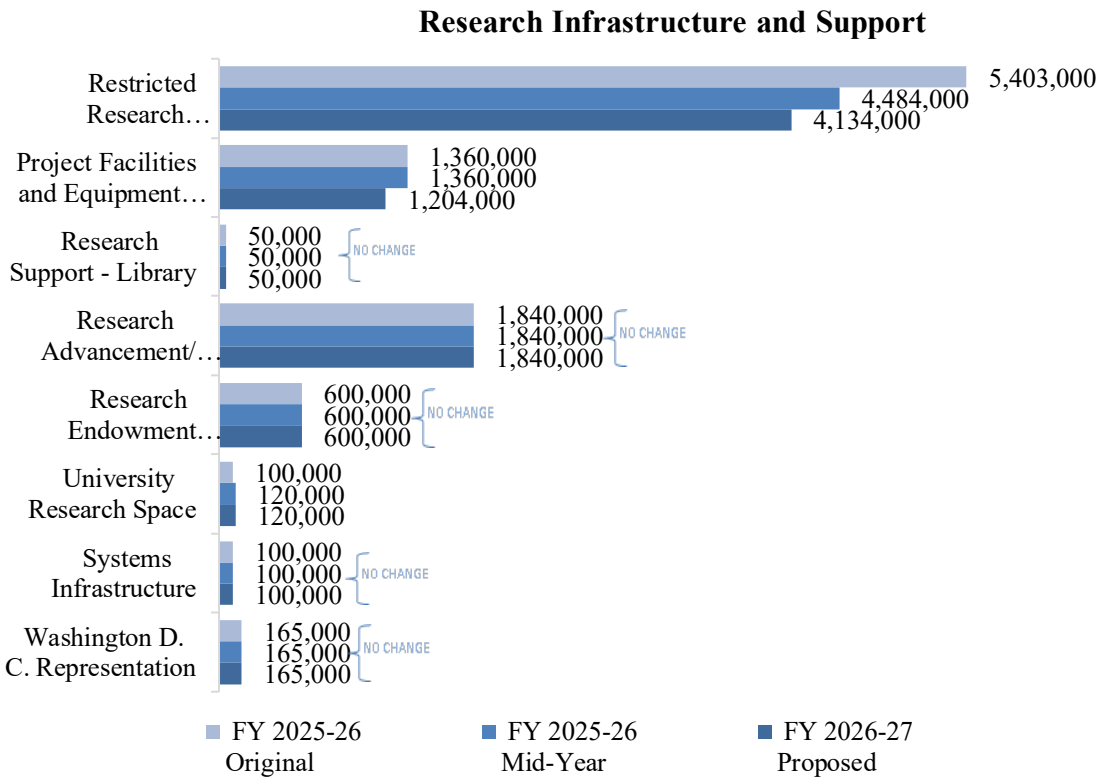
Allocations for Research Infrastructure and Support, $8,213,000, reflects a decrease of $506,000 or 5.8% compared to mid-year and $1,405,000 or 14.6% compared to original. These allocations refer to those resources allocated to principal investigators (PIs) and university units in direct support of proposal development, ongoing research programs, or other research endeavors.

Restricted Research Allocations also referred to as Research Support Funds (RSF) decreased by $350,000 from mid-year budget and $1,269,000 from original. Due to the federal research funding environment, these funds are again being allocated as Restricted Research Allocations and subject to SDSURF board approval for release of the funds. The SDSURF Board of Directors will review at its March 2027 board meeting and decide how to proceed. Following is the current calculation of estimated target allocation amounts included in the total budget proposal:

FY 2026-27 Projections for Original Budget - RSF

Cost-share commitment - Fuerte	183,000
Cost-share commitment- HealthLink	114,000
Cost-share commitment - CREATE	42,000
Retention agreement- Riley	82,000
PI Commitment - WIC	25,000
Distribution to College for Rent for FY 26	215,000
RSF at 75% distribution to Colleges/PI/DRI	3,473,000
Restricted Research Allocations	4,134,000

Similar to the ultimate decision in FY 2025-26 by the SDSURF board, the projection includes 100% funding for cost share commitments, the calculated rent set aside, and an estimate of 75% of the calculated target allocation amounts to the colleges/PIs/DRI. If the funding environment and the budget projection improve significantly, then the additional amount to potentially be added to the budget for 100% distribution would be $1,158,000. The RSF target allocation is calculated based upon the estimate of overall F&A recovery for FY 2025-26 but is dependent on our actual overall revenues for FY 2026-27.



Project Facilities and Equipment Support, $1,204,000, reflects a decrease of $156,000 or 11.5% from the FY 2025-26 mid-year and original budgets due to budget constraints including savings in various categories. 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 payments for outside space for projects.

Research Support – Library, $50,000, reflects no change from FY 2025-26 mid-year 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 no change from FY 2025-26 mid-year and original budgets and is provided to support the overall DRI personnel structure.

Research Endowment Distribution, $600,000, reflects no change from the FY 2025-26 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, $120,000, reflects no change from the FY 2025-26 mid-year budget and increase of $20,000 or 20% from 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 university space costs incurred in support of sponsored research programs.

Systems Infrastructure, $100,000, reflects no change from FY 2025-26 mid-year and original budgets. SDSURF strategically invests in systems and infrastructure to streamline operations, enhance services to PIs, and to support research activity. The allocation was reduced in FY 2025-26 due to budget constraints.

Washington D.C. Representation, $165,000, reflects no change from the FY 2025-26 mid-year and original budgets.

Reserves: Source of Funds is projected to be $44,101,000, while Use of Funds is projected to be $44,138,000 using $37,000 from reserves.

APPENDIX A
RESERVES

The FY 2026-27 budget reflects using $37,000 from Reserves.

Maintaining adequate reserves is critical for 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 12/31/2025	Goal for Reserve as of FY 2026-27	Additional Funds needed to meet Reserve goal
Discretionary Reserves			
Operating Cash Reserves	8,761,000	18,887,500	10,126,500
Real Estate Deficit	(1,193,000)	-	1,193,000
Total Discretionary Reserves	7,568,000	18,887,500	11,319,500
Designated Reserves			
Operating Contingency	1,000,000	1,000,000	-
Facilities	230,000	1,500,000	1,270,000
Utilities	500,000	500,000	-
Insurance	300,000	300,000	-
Total Designated Reserves	2,030,000	3,300,000	1,270,000
	9,598,000		12,589,500

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 $9,598,000 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 $37,000 from reserves. Additionally, SDSURF has a $15 million margin loan 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 and a prior redevelopment initiative.

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 currently fully funded. 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 building refurbishment. The reserve balance is now $230,000 and 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 12/31/2025
Non-discretionary	
Retiree Medical VEBA Trust	18,111,000
Employee Fringe Benefits	1,999,000
Workers' Compensation Insurance	5,355,000
Unemployment Insurance	2,075,000
Total Non-discretionary	27,540,000