

The Center for Applied Energy Research will celebrate its 25th anniversary in 2002. A lot has happened in that time, and our longevity is very much the product of a sustained financial investment by the Commonwealth of Kentucky. The state contributed about \$3.8 million in the current and previous fiscal years (01/02 and 00/01) to CAER. The funds were expended to cover the Center's direct costs for programs of research, teaching and public service, as well as to cover the Center's indirect costs for administration, facilities and research infrastructure. The approximate split of state resources devoted to direct and indirect costs was about 50/50.

For many years, the CAER has pursued a strategy of using state funds to leverage extramural federal and industrial funding for projects of relevance to Kentucky. Our leverage target, excluding overhead expenses, is to achieve at least a dollar for dollar match of state research funds to extramural funding. Thus, over the past twelve years, a total of \$41.9 million in grants and contracts were awarded to the Center. We have met or exceeded our target in every year since 1991.

Unfortunately, at the time of writing (March 2002), the picture has altered considerably with respect to federal funding. While the Center's staff continues a steady proposal writing

effort, the opportunities for winning such proposals from the federal government have diminished dramatically. Major sources of funding at the U.S. Department of Energy, the Center's primary funding agency, have been shifted from basic and applied research to incentives and federal cost sharing for large industry-scale development projects. As a result, the CAER's revenues from federal grants is projected to decline by more than one-half in the current year, with a similar decline in the following. In FY 00/01, the Center's federal revenue stream was approximately \$2.0 million, but is expected to fall to \$0.8 million in the current year. CAER will put particular emphasis on expanding industrial collaborations, and accessing federal funds outside of the DoE such as the Department of Defense, National Science Foundation and EPA.

financial summary

	Fiscal Year 00/01		Fiscal Year 01/02 Proj.	
	\$ ' 000	Percent	\$ ' 000	Percent
INCOME BY SOURCE				
UK General Fund	3,801	55	3,885	70
State Grants	386	6	194	3
Federal Grants	2,023	29	820	15
Industrial Contracts	659	10	659	12
TOTAL	6,870	100	5,559	100
EXPENDITURES BY FUNCTION				
Environmental & Coal Technologies	1,243	18	1,074	19
Clean Fuels & Chemicals	1,436	21	1,154	21
Carbon Materials	922	13	571	10
Research Support (including EPSCoR)	1,647	24	1,240	22
Teaching & Instruction	123	2	146	3
Facilities and G&A	926	13	974	18
Equip & Capital Projects	573	8	400	7
TOTAL	6,870	100	5,559	100