

of the consolidated financial statement audited by Deloitte & Touche LLP, Certified Public Accountants, and includes the statements of the University of Kentucky and the affiliated corporations. He reviewed some of the items in the report and noted that for the first time state appropriations were less than 30% of the total revenue realized. He said that this is a clean report with no deficiencies, and the Finance Committee recommends approval. He complimented the financial staff for this fine report. On motion made by Mr. Hardymon, seconded by Mr. Chellgren and carried, FCR 1 was approved. (See FCR 1 at the end of the Minutes.)

L. Report of Leases (FCR 2)

Mr. Hardymon said that FCR 2 is the Report of Leases that the Board must accept. He noted that these leases do not exceed \$30,000 in value and reviewed the specifics about each lease. He moved approval of FCR 2. His motion, seconded by Mr. Shoop, passed. (See FCR 2 at the end of the Minutes.)

M. University of Kentucky Capital Request 1998-2000 (FCR 3)

Mr. Hardymon said that FCR 3 recommends that the 1998-2000 Capital Request for the University System, the University Hospital, and the Community College System be approved for submission to the Council on Postsecondary Education.

President Wethington said that Mr. Carter would give a full report that summarizes the biennial Capital Request for 1998-2000. Normally, there would be a complete biennial budget request to the Board at this time that would be capital and operating. As a result of the recent changes in higher education in the Commonwealth, the operating budget portion of the Capital Request will not be coming before the Board since there will not be a request sent forward for the next two years. The Capital Request does proceed as usual. The document distributed to the Board does summarize and delineate the capital construction requests for the University for this next year. It has a separate portion for the University System, the University Hospital and the Community College System. He asked Mr. Carter to review the Capital Request and give the particulars of the priorities for the University for the next two years for projects requesting funding and those projects for which the University is requesting authority.

Mr. Carter began his report by stating that the Capital Request results from a comprehensive planning process that actually began in the fall, 1996. That year long planning actually results in not only this request but an administrative process in a six-year plan that is developed internally and then forwarded to the Capital Planning Advisory Committee in Frankfort. That Capital Planning Advisory Committee advises the legislature generally in terms of capital construction.