Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **H.B. 650** DATE: **January 12, 1998**

STATUS: **As Reported by House Finance** SPONSOR: **Rep. Johnson**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Makes Fiscal Year 1999 GRF appropriations to the various line items within the Department of Education's budget; reduces Fiscal Year 1999 appropriations to most state agencies by three percent with several exceptions; transfers FY 1998 ending year balances to the School District Solvency Fund and the School Building Assistance Fund.**

State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Income Tax Reduction Fund			
Revenues	- 0 -	$200 million loss	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
School District Solvency Fund			
Revenues	-0-	$30 million gain	-0-
Expenditures	-0-	-0-	-0-
School Building Assistance			
Revenues	-0-	$170 million gain	-0-
Expenditures	-0-	-0-	-0-

- Makes Fiscal Year 1999 GRF appropriations totaling $5,240,678,942 to the Department of Education, a 6.83% increase over FY 1998 appropriations. This amount is also $106,533,350 greater than the FY 1999 GRF appropriation in Am. Sub. H.B. 215, in which the majority of the Department of Education's budget was merged in a single line item.

- Reduces General Revenue Fund appropriations for FY 1999 by three percent, except appropriations to the Department of Education, the Ohio School for the Blind, the Ohio School for the Deaf, the Office of Information, Learning and Technology, the School Facilities Commission, appropriations for specific purposes including debt service and property tax allocation appropriations, several particular line items, most appropriations to the Board of Regents, which are reduced one half of one percent, appropriations to the departments of Mental Retardation and Developmental Disabilities, Youth Services, and Rehabilitation and Correction, which are reduced by two percent, appropriations to the departments of Taxation and Mental

Health and various small agencies, which are reduced one percent, and appropriations to Medicaid, which the Director of Budget and Management may reduce up to one percent.

- Transfers the first $30 million of FY 1998 ending year balances that would otherwise go to the Income Tax Reduction Fund to the School District Solvency Fund and up to $170 million to Fund 021, School Building Assistance.

- Establishes an adequacy phase-in formula so that the poorest 229 districts in the state (according to their adjusted valuation per pupil) receive at least $210 per pupil in addition to a basic aid foundation level of $3,790 in FY 1999. The next poorest 209 districts receive varying amounts of adequacy aid per pupil such that the poorest of this next group of districts (the 211th district) receives nearly $210 per pupil (plus the FY 1999 foundation level of $3,790) and the 458th district receives only a few dollars in adequacy aid plus the $3,790 foundation level. Districts with adjusted valuations per pupil equal to or greater than the 458th district do not receive any adequacy aid under the bill.

- Adjusts funding for Disadvantaged Pupil Impact Aid (DPIA) for districts with ADC/TANF percentages between 20 and 30 percent, so that districts with higher ADC percentages receive more aid per pupil. Districts with ADC/TANF percentages greater than 30 percent receive a fixed amount per pupil ($1,488) in DPIA funding.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
School Districts			
Revenues	- 0 -	- $100 million increase -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Other Local Governments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

- An additional $106,533,350 over the FY 1999 appropriation, (the bulk of which was lump summed into one line item) is appropriated to the Department of Education. The additional amount is to be distributed to school districts.

Detailed Fiscal Analysis

FY 1999 Appropriations to the Department of Education

The bill makes GRF appropriations totaling $5,240,678,942 to the Department of Education in FY 1999. The FY 1999 appropriations represent a 6.95% increase over FY 1998 GRF levels for the department. The GRF appropriation for FY 1999 is also $106,533,350 greater than the FY 1999 GRF appropriation in Am. Sub. H.B. 215, in which the majority of the Department of Education's budget was merged in a single line item.

The bill adds two new line items to the Department's budget. The first is a GRF line item (200-510) called Adequacy Phase-in. The line item receives appropriations of $210,650,000 in FY

1999, and is to be used for the adequacy phase-in (described below). The second new line item is a State Special Revenue Fund Group account called School District Solvency Assistance Fund, and is to be used to make advancements to school districts to enable them to remain solvent.

The bill reduces to zero, appropriations to line item 200-500, School Finance Equity.

The attached spreadsheet shows fiscal year 1998 and fiscal year 1999 appropriations to the Department, the new FY 1999 amounts proposed in the bill, and percentage and dollar increases over FY 1998 appropriations for each line item.

Appropriation Reduction

The bill reduces any FY 1999 General Revenue Fund appropriations authorized in any act of the 122nd General Assembly by three percent with the following exceptions:

1. Appropriations to the following agencies:
   - The Department of Education
   - The Ohio School for the Blind
   - The Ohio School for the Deaf
   - The Office of Information, Learning, and Technology Services, and
   - School Facilities Commission

1. Appropriations for the following purposes:
   - Property tax allocation
   - Tangible tax exemption
   - Debt service
   - All state office building rent and office building appropriations made to the Department of Administrative Services
   - Pension systems' payments made by the Treasurer of State

1. The following line items:
   - 005-321 Operating Expenses – Judiciary
   - 110-506 Utility Bill Credits
   - 235-503 Ohio Instructional Grants
   - 235-504 War Orphans' Scholarships
   - 235-514 Central State Supplement
   - 235-530 Academic Scholarships
   - 235-531 Student Choice Grants
   - 235-549 Part-time Student Instructional Grants
   - 400-411 TANF Federal; Block Grant
   - 400-413 Day Care Match/Maintenance of Effort
   - 400-511 Disability Assistance
   - 400-528 Adoption Services
   - 911-401 Emergency Purposes/Contingencies

1. Appropriations to the Board of Regents are reduced by ½ of one percent, except for items included above.

2. Appropriations to the Department of Mental Retardation and Developmental Disabilities, the Department of Youth Services and the Department of Rehabilitation and Correction are reduced by two percent, except for items included above.

3. Appropriations to the Department of Taxation, the Department of Mental Health, the Ohio Veterans' Home, the Joint Committee on Agency Rule Review, the Department of Commerce, the Commission on Dispute Resolution and Conflict Management, the Ohio Elections Commission, the Environmental Review Appeals Commission, the Ohio Ethics Commission, the Ohio Expositions Commission, the Commission on Hispanic/Latino Affairs, the Office of the Inspector General, the Legal Rights Service, the Joint Legislative Ethics Committee, the Commission on Minority Health, the Ohioana Library Association, the State Personnel Board of Review, the State Board of Proprietary School Registration, the Rehabilitation Services Commission, the State and Local Government Commission of Ohio, the Veterans' Organizations, and the Women's Policy and Research Commission are reduced by one percent, except for items included above.

4. The Director of Budget and Management may reduce the appropriation for line item 400-525, Health Care/Medicaid, by an amount not to exceed one percent.

The bill states that the sum of all of the reductions is not to be less than $100 million. In order to achieve the $100 million total reduction, cuts must come from agency GRF appropriations or a cut to the state appropriation for Medicaid. In the as introduced version of H.B. 650, Medicaid is cut by 40/100ths of one per cent, but the bill permits Medicaid to be cut by as much as one percent. The current version of the bill increases the cut to the state appropriation to Medicaid to 44/100ths of one percent.

Reducing the state appropriation for Medicaid will also reduce Ohio's federal funds for Medicaid, since the federal funds match state appropriations. Every $1 reduction in state Medicaid appropriations causes a $1.39 reduction in Ohio's share of federal Medicaid funds, based on 1998 federal funds participation rates.

The bill states that the agency director of all agencies subject to a reduction may allocate the reductions among the agency's line items, subject to the approval of the Director of the Office of Budget and Management. The bill also specifies that when appropriations are reduced in a line item with set-asides, the set-asides may be reduced by a percentage up to the percentage the line item itself is reduced.

The attached spreadsheet shows General Revenue Fund appropriations in fiscal years 1997, 1998, and 1999, the proposed fiscal year 1999 appropriation, the amount of savings realized, the percentage to FY 1999 appropriations after the adjustment, and the percentage change from FY 1998 to FY 1999, after the adjustment.

Rehabilitation Services Commission

In Sub. H.B. 650, the GRF cut to the Rehabilitation Services Commission (RSC) is decreased from three (3) percent to one (1) percent. Of the $22,860,534 appropriated in FY 1999 in Am. Sub. H.B. 215, $21,658,000 was to be used as state match for federal funds. Any reduction in GRF will correspondingly reduce its federal funds. Therefore, this smaller percentage cut will lessen the loss of Federal funds.

Ohio Veterans' Home

In Sub. H.B. 650, the GRF cut to the Ohio Veterans' Home (OVH) is decreased from three (3) percent to one (1) percent.

According to the OVH, the moneys to be taken from the GRF could reduce or delay a proposed expansion of 52 beds in the Giffen Nursing Home. Although the beds were "created" in the 1980s with 65 percent federal dollars, there had never been enough money appropriated to allow the Home to open and staff the beds. Over 41 percent of this planned expansion will be funded from sources other than the GRF. The share of non-GRF funds going to the expansion will drop in large measure due to increased resident assessments and federal reimbursements. Without the expansion, OVH will lose additional non-GRF revenues.

The Veterans' Home would prefer the cut to come out of Fund 604. The Revised Code prevents these funds from being transferred to the GRF. Additional language would be needed to either transfer the funds from 604 to the GRF or to allow the OVH cut to come from Fund 604. If the cut were to come from Fund 604, the Home would not need to delay or scale back the proposed expansion.

Agencies with Total GRF Budgets Below $2.0 Million

In Sub. H.B. 650, all agencies with total FY 1999 GRF budgets of $2.0 million or below received cuts of one (1) percent rather than three (3) percent. There are 18 agencies affected by this action.

Transfer of FY 1998 Ending Year Balances

The bill authorizes the transfer of FY 1998 ending GRF balances that otherwise would have been transferred to the Income Tax Reduction Fund as follows:

A) the first $30 million to the School District Solvency Assistance Fund;
B) remaining surplus revenue in excess of the $30 million up to a total of $170 million to Fund 021, School Building Assistance.

The School District Solvency Fund was created in Am. Sub. H.B. 412 of the 122nd General Assembly. The fund is to be used to make advancements to school districts to enable them to remain solvent and to pay unforeseeable expenses of a temporary or emergency nature that they are unable to pay from existing resources.

Thus far in fiscal year 1998, (as of November 30, 1997) actual non-federal revenues have exceeded estimated revenues by $75 million. On the spending side, General Revenue Fund spending as of November 30, 1997 was $424.8 million under estimated disbursements, although the bulk of the underspending to date is probably due to timing inaccuracies. Much of the $424.8 million will probably be spent later than had been projected.

The Legislative Budget Office projects that by the end of fiscal year 1998, the ending GRF balance that otherwise would have been transferred to the Income Tax Reduction will total approximately $200 million. Thus, under the bill, $30 million would be transferred to the School District Solvency Assistance Fund and approximately $170 would be transferred to Fund 021, School Building Assistance. If the ending surplus is higher than $200 million, everything above $200 million would be transferred to the Income Tax Reduction Fund an used to cut income tax rates in tax year 1998.

Foundation Level

Under the bill, the foundation level for fiscal year 1999 is established at $3,790.

Adequacy Phase-In Payment

Each district with an adjusted valuation per pupil less than the district with the 458th lowest adjusted valuation per pupil will receive an adequacy aid phase-in payment under the bill. For FY 1999, the adjusted valuation of the district with the 458th lowest adjusted valuation per pupil in the state is $108,303. Thus, all districts with adjusted valuation less than $108,303 will receive an adequacy aid phase-in payment. Each district's adequacy aid per pupil payment is multiplied by the district's cost of doing business factor times the district's basic ADM.

Calculation of Adequacy-Aid Phase-In Payment

The calculation of the adequacy aid phase-in payment depends on the district's ranking in terms of its adjusted valuation per pupil. The calculation is as follows:

A) If a district's adjusted valuation /pupil is less than or equal to the school district with the 229th lowest valuation, the district receives $210 per pupil in adequacy aid. Thus, if a district has 1,000 pupils and its cost of doing business factor is 1.05, its adequacy phase-in payment would be $210 X 1,000 X 1.05 = $220,500.

B) If a district's adjusted valuation per pupil is greater than the district with the 229th lowest adjusted valuation per pupil in the state, but less than the district with the 458th lowest valuation in the state, the district receives a phase-in payment that is less than the $210/pupil that the districts above receive. The amount each district receives per pupil gradually decreases so that the district with the 458th lowest valuation only receives a small amount in adequacy aid.

The formula to calculate the per pupil amount districts with adjusted valuations per pupil greater than the 229th lowest district and less than the district with the 458th lowest valuation is as follows:

$210 – {$210 X [(the district's adjusted valuation per pupil – the 229th lowest adjusted valuation per pupil in the state) / (the 458th lowest adjusted valuation per pupil in the state – the 229th adjusted valuation per pupil in the state)]} or

$210 – {210 X [(the district's adjusted valuation per pupil – $67,740) / ($108,303 – 67,740)]}

The following table shows the phase-in payments per pupil hypothetical districts with varying adjusted valuations per pupil would receive.

Recalculation of Adequacy Aid Per Pupil for Certain Districts

If the amount that a district receives for adequacy aid per pupil plus the FY 1999 foundation level ($3,790) is less than the amount per pupil in equity aid received in FY 1998 plus the FY 1998 foundation level ($3,663), then a district's adequacy aid per pupil would be recalculated as follows:

[$3,663 + (the district's FY 1998 equity aid payment/ADM) - $3,790

For example, if a district received $550/ADM in equity aid in FY 1998, it's adequacy amount ($210) per pupil plus the foundation level for FY 1999 would be less than the amount per pupil it received in FY 1998 in equity aid plus the foundation level. The foundation level plus the district's equity amount per pupil in FY 1998 would have been $3,663 + 550 = $4,213. The district's adequacy aid per pupil plus the FY 1999 foundation level is $3,790 + 210 = $4,000. Since this amount is less than the FY 1998 amount, the district's recalculated adequacy aid per pupil equals:

[$3,663 + (550) - $3,790] = $423

This amount is then multiplied by the district's cost of doing business factor.

Changes in Disadvantaged Pupil Impact Aid (DPIA) Formula

The current DPIA formula consists of four formulas, as follows:

a) a flat amount for each child whose family receives TANF assistance if the percentage of such students in the district is at least five percent but less than 10 percent;
b) a higher amount for each child depending on the district's TANF percentage, if the percentage of students whose families' receive TANF assistance is at least 10 percent but less than 20 percent;
c) a still higher amount for each child depending on the district's TANF percentage, of the percentage of students whose families' receive TANF assistance is at least 20 percent but less than 30 percent;
d) a flat amount for each child whose family receives TANF assistance if the percentage of such students in the district is greater than 30 percent.

The actual formulas in permanent law are as follows:

ADC/TANF Percentage	Payment per ADC/TANF Pupil
At Least 5%, but less than 10%	$198
At least 10%, but less than 20%	($101.50 X per cent figure) minus $817.00
At least 20%, but less than 30%	($7.50 x per cent figure) plus $1,063.00)
At least 30%	$1,288

The results of these formulas were increased by 4 percent in FY 1998, and by an additional 5 percent in FY 1999.

Increasing Aid for District's with TANF Percentages Greater than Thirty Percent

The formula for districts with ADC/TANF percentages between 20 and 30 percent is the formula for a straight line, with districts with higher ADC/TANF percentages receiving increased aid per ADC pupil. The bill extends the formula for the line for districts between 20 and 30 percent ADC/TANF to districts between 20 and 40 percent ADC. Thus, instead of receiving a flat amount for each ADC/TANF student, districts with these percentages of ADC/TANF students will receive an increasing amount of aid per ADC/TANF pupil. The following table and attached graph show the amount of aid districts with ADC/TANF percentages greater than 30 percent receive under the current DPIA formula, and the amount districts would receive under the proposed change in the formula.

ADC/TANF Percentage	Amount District Receives per ADC Pupil under Current Formula – FY 1999	Amount District Receives per ADC Pupil under Extended Formula - FY 1999	$ Difference
28	$ 1,390	$ 1,390	$ -
29	$ 1,398	$ 1,398	$ -
30	$ 1,393	$ 1,406.5	$ 13.4
31	$ 1,393	$ 1,414.7	$ 21.6
32	$ 1,393	$ 1,422.9	$ 29.8
33	$ 1,393	$ 1,431.1	$ 38.0
34	$ 1,393	$ 1,439.3	$ 46.2
35	$ 1,393	$ 1,447.4	$ 54.3
36	$ 1,393	$ 1,455.6	$ 62.5
37	$ 1,393	$ 1,463.8	$ 70.7
38	$ 1,393	$ 1,472.0	$ 78.9
39	$ 1,393	$ 1,480.2	$ 87.1
40	$ 1,393	$ 1,488.4	$ 94.9
41	$ 1,393	$ 1,488.4	$ 94.9
42	$ 1,393	$ 1,488.4	$ 94.9
43	$ 1,393	$ 1,488.4	$ 94.9
44	$ 1,393	$ 1,488.4	$ 94.9

Requirement for Districts over 30 Percent ADC

The bill requires every school district with a three-year average of resident welfare recipient students over 30 percent to set aside a portion of DPIA funds to reduce class size in primary grade classrooms to no more than fifteen students in as many classrooms as the amount of added funds support. The amount required to be spent for this purpose would be the extra amount such districts would receive under the bill for FY 1999 (primarily from expanding the cap from 30 percent to 40 percent and increasing the per pupil amount for those districts with welfare populations in excess of 40 percent from $1,288 to $1,488.40), compared to the amount they received for FY 1998.

In discussions regarding a reduction in classroom pupil/teacher ratios, it has been suggested that Federal Title 1 funds and the teachers, whose salaries are paid with such funds, be considered when calculating pupil/teacher ratios. However, if the state goal is specifically stated to be a 15/1 pupil/teacher ratio, federal funds cannot be used to meet this goal, since federal funds cannot be used to supplant state funds. If a specific goal was not mentioned in statute, federal funds could be "counted" in the more general goal of reducing classroom pupil/teacher ratios. The way this requirement is written, it may allow the federal funds to support a class size reduction since the state requirement is limited. However, there is some danger that the federal government may disagree

Supplemental Amounts for Special Education, Vocational Education, and Gifted Units

Beginning with the previous budget bill (Am. Sub. H.B. 117 of the 121st General Assembly), in addition to the amounts paid to districts for each approved special education, vocational education, and gifted unit (as calculated by applying an amount from the minimum salary schedule based on the education and experience of the teacher of the unit, times 15% for fringe benefits, plus a unit amount), two supplemental amounts were made, as follows:

a) A dollar amount, equalized to reflect the percent of the foundation level paid with local funds; and
b) An average unit amount, 50 percent of which went to each unit.

The bill increases these two supplemental amounts to the amounts shown in the following tables for FY 1999:

Supplemental Unit Amounts FY 1998 – FY 1999
Dollar Amount (Equalized)

Type of Unit	FY 1998	FY 1999	% increase
Vocational	$5,345	$7,898	47.8%
Special - classroom	$5,702	$8,334	46.2%
Special - supervisory	$2,293	$3,234	41.0%
Gifted	$2,523	$3,550	40.7%

Supplemental Unit Amounts FY 1998 – FY 1999 Average Unit Amount			
Type of Unit	**FY 1998**	**FY 1999**	**% increase**
Vocational	$4,937	$7,227	46.4%
Special - classroom	$5,360	$7,799	45.5%
Special - supervisory	$2,129	$2,966	39.3%
Gifted	$2,343	$3,251	38.8%

Total classroom unit reimbursement averages about $40,000. Thus the proposed increases are in the range of 4 to 5 percent of total unit reimbursement.

Transfers of the Balance of State-Funded TANF

The bill requires the Director of Budget and Management to review the balance in the state funded portion of the TANF program at the end of FY1998. If the Director believes it is necessary, he or she may transfer amounts of his or her choosing to ODADAS, or any other agency which has been cut by H.B. 650. Those amounts transferred would have to be used by that agency only for the provision of services allowed under federal TANF law, to TANF eligible clients.

To the extent that ODADAS receives monies as a result of this amendment, it may make those amounts available to local boards to provide services that otherwise may have been cut due to the reductions mandated in the bill. If monies are allocated to other departments, it is uncertain what, if any, local effect there may be.

Participation of Chartered Non-Public Schools in Professional Development Block Grants and Additional Professional Development Funds to Districts on Academic Watch or Academic Emergency

The bill increases appropriations to line item 200-429, Local Professional Development Block Grants, by $6,100,000 over FY 1998 levels. The funds would be used for two purposes, explained below.

Under current law, public school districts and vocational school districts receive amounts from the Local Professional Development Block Grants line item in the Department of Education's budget. The grants are distributed on a per teacher basis. The bill adds an additional $1.1 million to the line item, and includes chartered non-public schools among those entities eligible to receive block grants on a per teacher basis. Presumably, the increase in the appropriation will be sufficient to cover the amount that would be distributed to chartered non-public schools so that the amounts public school districts receive for professional development will not decrease.

The bill also adds an additional $5 million that is to be distributed to districts declared to be on academic watch or academic emergency. The moneys are to be used by these districts to increase the number of professional development programs in the district and to provide additional training to math and science teachers in the district.

Disability Access Project – Transfer to the School Facilities Commission

The budget act (Am. Sub. H.B. 215) appropriated $5 million in fiscal year 1998 to the Department of Education for the Disability Access Project. The purpose of the project is to provide funds for capital projects that make buildings more accessible to students with disabilities.

The bill moves the appropriation and temporary language governing the appropriation from the Department of Education to the School Facilities Commission, created in Am. Sub. S. B. 102 of the 122nd General Assembly.

School Facilities Commission

The bill eliminates current provisions of law specifying that no emergency repair money can be provided for a building that will be replaced or will not be needed within seven fiscal years. It also eliminates the provision that a district that receives emergency repair money is ineligible for additional money for five fiscal years.

The bill further allows the Controlling Board to approve emergency repair disbursements in a lump sum rather than by individual project determinations based on on-site inspections by the Commission.

The bill requires the Commission to adopt rules for operating the emergency repair program, and eliminates a provision under which school districts that meet certain indebtedness conditions can receive School Building Assistance program money with no local share.

The bill also permits a school district, whose electors approved a district bond issue during the general election of November, 1977 for a classroom facilities assistance project whose estimated basic project costs relied on the specifications for plans and materials for classroom facilities used prior to the specifications adopted by the School Facilities Commission, and such basic project costs were reduced in the aggregate as a result of the specifications adopted by the Commission, to have its project built in accordance with the original estimated basic project costs and specifications for plans and materials.

School District Budget Reserve Fund

Sub. H.B. 412 of the 122nd General Assembly requires districts, beginning in FY 1999, to credit to its budget reserve fund, an amount not less than one per cent of the revenue the district received for the fiscal year. The district is required to make such a credit if the growth in a district's total revenues received for current expenses from one fiscal year to the next is three per cent or more.

The bill permits districts to credit less than one percent of its prior year's revenue received for current expenses into its budget reserve fund, pursuant to rules adopted by the Auditor of State.

Reporting Dates for the Ohio Schools Technology implementation Task Force and the Teacher Professional Development Task Force

The budget bill created the Ohio Schools Technology Implementation Task Force and the Teacher Professional Development Task Force and required both entities to issue a report by January 31, 1998. The bill changes the due date of the report until August 1, 1998.

Set Asides in the 501 Line Item for the 027 and 028 Adjustments

In the basic aid line item, approximately $4 million is set aside for the "027" and "028" adjustments. These are recomputations that are made to a district's basic aid when the district's taxable value is reduced. The bill would enable an increase in the amounts that can be expended for these adjustments.

Special Committee on Property Tax Revision and Restructuring

The bill creates a 17-member Special Committee on Property Tax Revision and Restructuring, and requires it to report on considerations of comprehensive property tax reform and to make a recommendation on the feasibility of a constitutional amendment imposing a statewide property tax on all classes of property for primary and secondary educational purposes.

The bill appropriates $200,000 in fiscal year 1998 in the Legislative Service Commission's budget. The appropriation is to be used to fund the expenses of the Special Committee. The Director of Budget and Management is to transfer any unencumbered and unallotted fiscal year 1998 amounts and appropriate them for the same purpose in fiscal year 1999. The Special Committee will cease to exist no later than December 31, 1998.

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