



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

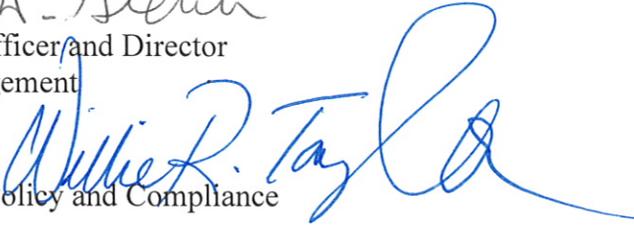
JUL 29 2014

Memorandum

9041.2F

To: Bureau Chief Financial Officers  
Bureau Environmental Contacts

From: Douglas A. Glenn   
Deputy Chief Financial Officer and Director  
Office of Financial Management

Willie R. Taylor, Director   
Office of Environmental Policy and Compliance

Subject: Annual Inflation Factor for Environmental and Disposal Liabilities

The Statement of Federal Financial Accounting Standard (SFFAS) 6: *Accounting for Property, Plant, and Equipment* requires that: 1) For fair presentation of financial statements, "cleanup costs shall be estimated when the associated Property, Plant, and Equipment is placed in service"; and that 2) "Estimates shall be revised periodically to account for material changes due to inflation or deflation and changes in regulations, plans and/or technology. New cost estimates should be provided if there is evidence that material changes have occurred; otherwise estimates may be revised through indexing."

Current Department of the Interior (Department) guidance requires bureaus to apply an inflation factor to their Environmental and Disposal Liabilities (EDL) cost estimates during the 1<sup>st</sup> quarter of the fiscal year (FY), if no material changes have occurred. Using inflation factors published on March 31<sup>st</sup> by the State of Arkansas Department of Environmental Quality at: [http://www.adeq.state.ar.us/solwaste/branch\\_technical/financial\\_assurance\\_requirements.htm](http://www.adeq.state.ar.us/solwaste/branch_technical/financial_assurance_requirements.htm), the Department has calculated the inflation factor to be used for FY 2015, by averaging the actual past five year inflation factors. Historical experience should be the basis for expectations about future trends, and the use of an average inflation factor has the advantage of less volatility in inflation rate from year to year. The Federal Accounting Standard Advisory Board recognizes this in the SFFAS 33 and requires Federal agencies to select discount rates that are the average of a minimum of five year historical rates.

The inflation factor will be programmed into the EDL module within the Environmental Management Information System, and the inflation factor will be applied to the sites' latest cost estimates. Bureaus have the option to have inflation applied to their sites automatically or manually. It is recommended that bureaus utilize the automatic option to avoid omissions. For sites where an inflation and adjustment would not be appropriate, (e.g., a contract is in place for cleanup and the contract price is fixed) the reasons should be documented in the EDL database. For bureaus that choose to have their sites inflated automatically, their EDL cost estimates will

be inflated on October 1. Bureaus that choose to apply the inflation rate manually will need to do so no later than December 31.

For reporting purposes, bureaus should use the inflated current value of the EDL cost estimates, subtract any costs incurred during the period, and report the balances as their EDL liabilities, unless new cost estimates are developed due to material changes. If material changes have occurred, site managers are required to update the cost estimates and document the changes.

The figure to be used in FY 2015 is included in the Attachment. For reference, included in the table this year are the 5-year averages the Department first started using in FY 2011. Any questions or concerns regarding this memo should be directed to William Lodder, Team Lead in the Office of Environmental Policy and Compliance, at (202) 208-6128 or via e-mail at [William\\_Lodder@ios.doi.gov](mailto:William_Lodder@ios.doi.gov) or Sherry Lee, Staff Accountant in the Office of Financial Management, at (202) 219-4096 or via e-mail at [Sherry\\_Lee@ios.doi.gov](mailto:Sherry_Lee@ios.doi.gov).

Attachment

IMPLICIT PRICE DEFLATOR BASED ON U.S. GROSS NATIONAL PRODUCT (Updated March 31 of each year)				
Year	Implicit Price Deflators (This Year/Last Year)		Inflation Factor	5-year average
1998	1997 IPD = 101.93	1996 IPD = 100.00	1.93%	n/a
1999	1998 IPD = 103.19	1997 IPD = 101.93	1.24%	n/a
2000	1999 IPD = 104.77	1998 IPD = 103.19	1.53%	n/a
2001	2000 IPD = 106.89	1999 IPD = 104.77	2.06%	n/a
2002	2001 IPD = 109.21	2000 IPD = 106.89	2.17%	n/a
2003	2002 IPD = 110.63	2001 IPD = 109.21	1.30%	n/a
2004	2003 IPD = 105.671	2002 IPD = 103.932	1.67%	n/a
2005	2004 IPD = 109.099	2003 IPD = 106.516	2.37%	n/a
2006	2005 IPD = 112.726	2004 IPD = 109.416	3.03%	n/a
2007	2006 IPD = 116.034	2005 IPD = 112.726	2.94%	n/a
2008	2007 IPD = 120.613	2006 IPD = 116.034	3.95%	n/a
2009	2008 IPD = 123.244	2007 IPD = 120.613	2.18%	n/a
2010	2009 IPD = 134.305	2008 IPD = 133.627	0.51%	n/a
2011	2010 IPD = 111.14	2009 IPD = 109.664	1.35%	2.52%
2012	2011 IPD = 114.061	2010 IPD = 111.14	2.63%	2.19%
2013	2012 IPD = 116.089	2011 IPD = 114.061	1.77%	2.12%
2014	2013 IPD = 106.588	2012 IPD = 105.002	1.02%	1.69%
Table found at: <a href="http://www.adeq.state.ar.us/solwaste/branch_technical/financial_assurance_requirements.htm">http://www.adeq.state.ar.us/solwaste/branch_technical/financial_assurance_requirements.htm</a>				

Year	Years used to calculate inflation	Inflation Factor
2015	2010-2014	1.46%