

Memorandum

Environmental and Disposal Liabilities

September 25, 2026

To: Members of the Board
From: Robin Gilliam, Assistant Director
Thru: Monica Valentine, Executive Director
Subject: Environmental and Disposal Liabilities (E&DL) Project Plan **Topic G**

OBJECTIVE

The objective of this session is for the Board to consider and approve the attached project plan for the Environmental and Disposal Liabilities (E&DL) project.

REQUEST FOR FEEDBACK BY October 7, 2026

Prior to the Board's October 2026 meeting, please review the attached project plan and respond to the question by October 7, 2026.

NEXT STEPS

Pending Board approval of the project plan, staff will begin the research phase.

ATTACHMENTS

1. Project Plan
2. Preliminary research from reexamination project, April 2024

Attachment 1
ENVIRONMENTAL AND DISPOSAL LIABILITIES

PROJECT PLAN

OCTOBER 2026



Why

Why is a project on E&DL needed?

Board members identified E&DL as a high-priority topic for the reexamination of existing standards project based on responses to the Invitation to Comment (ITC) . Respondents suggested that the Board:

- include additional guidance on determining reasonable estimates,
- clarify the use of contingencies in E&DL estimates,
- include additional E&DL examples and definitions, and
- provide additional guidance to identify which entity is responsible for the E&DL liability when there are multiple parties involved in a lawsuit.

Staff's preliminary research also noted the following as it relates to recognizing E&DL liabilities:

- AFR material weaknesses for the Departments of Energy and Defense (DoD),
- GAO's High Risk List, and
- DoW request to change timing of recognition.



What

What questions does the E&DL project plan to address?

- Do current standards provide adequate guidance for developing a reasonable and measurable E&DL estimate?
- Do current standards clearly identify when clean-up costs should be a liability versus a contingent liability?
- What additional examples and definitions should be included in guidance?
- Is there still an open issue to determine if current standards identify which reporting entity should post the E&DL when there is a legal claim that involves multiple federal entities?
- Are there any additional issues to consider for E&DL?

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Environmental and Disposal Liabilities

Purpose: FASAB is undertaking this project to reexamine the current environmental and disposal liabilities (E&DL) pronouncements as part of the [reexamination of existing standards project](#). This includes a review of SFFAS 5, *Accounting for Liabilities of the Federal Government*, and chapter 4, *Cleanup Costs*, from SFFAS 6, *Accounting for Property, Plant, and Equipment*.

As a part of the research phase, the Board will consider stakeholder concerns, including responses from the Invitation to Comment (ITC), such as determining if additional guidance is needed for reasonable estimates, clarifying the use of contingencies in E&DL estimates, and including additional examples and definitions as needed.

As part of FASAB's overall reexamination of existing standards project, the Board is considering ways to improve, clarify, and streamline federal generally accepted accounting principles (GAAP) for E&DL.

Applicability: This project applies to federal reporting entities that present general purpose financial reports in conformance with GAAP. Currently, federal reporting entities present general purpose financial reports in conformance with SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

Objectives: The primary objectives of this project are to:

1. Provide adequate guidance for developing a reasonable and measurable E&DL estimate.
2. Identify when environmental and disposal (E&D) costs should be a liability or a contingent liability. For example, if an E&D is probable but not currently measurable, should it be recognized as a contingent liability?
3. Identify additional examples and definitions stakeholders need in the E&DL guidance.
4. Determine if identifying which reporting entity should account for an E&DL when there is a legal claim involving multiple federal entities is still an open issue.
5. Identify any issues in addition to those mentioned above through a Request for Information and Comment document.

Concepts to Guide the Board and Relevant GAAP

The following **concept statements** will be used to guide the Board in developing E&DL guidance.

1. SFFAC 1: *Objectives of Federal Financial Reporting*
2. SFFAC 2: *Entity and Display*
3. SFFAC 5: *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*
4. SFFAC 6: *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*
5. SFFAC 7: *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*

Federal Generally Accepted Accounting Principles (GAAP)

The following existing **standards** will be considered:

1. SFFAS 1: *Accounting for Selected Assets and Liabilities* (issued March 30, 1993)
2. SFFAS 5: *Accounting for Liabilities of The Federal Government* (issued December 20, 1995)
3. SFFAS 6: *Accounting for Property, Plant, and Equipment* (issued November 30, 1995)
4. SFFAS 12: *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government* (issued February 5, 1999)

The following existing **interpretations** will be considered:

5. Interpretation 2: *Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5* (issued March 12, 1997)
6. Interpretation 9: *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6* (issued August 16, 2019)

The following existing **technical bulletins** will be considered:

7. Technical Bulletin (TB) 2002-1: *Assigning to Component Entities Costs and Liabilities that Result from Legal Claims Against the Federal Government* (issued July 24, 2002)
8. Technical Bulletin 2006-1: *Recognition and Measurement of Asbestos-Related Cleanup Costs* (issued September 28, 2006)

The following existing **technical releases** will be considered:

9. Technical Release (TR) 2: *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government* (issued March 15, 1998)
10. Technical Release 9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land* (issued February 20, 2008)
11. Technical Release 10: *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* (issued June 2, 2010)
12. Technical Release 11: *Implementation Guidance on Cleanup Costs Associated with Equipment* (issued June 2, 2010)
13. Technical Release 14: *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment* (issued October 6, 2011)

**Assigned
staff:**

Robin Gilliam

Timeline ¹:

- 1: Preliminary Research - Completed** **Q1FY23 – Q2 FY24**
Preliminary research on environmental and disposal liabilities was conducted during the Board’s reexamination project ITC deliberations presented to the Board in April 2024. See Attachment 2 starting on page 14.
- 2: Initiate Project** **Q4 FY26 – Q1 FY27**
Develop project plan and initial research necessary for developing the plan.
- 3: Research Phase** **Q1 FY27 – Q3 FY27**
Perform expanded research as necessary, including Request for Information and Comment to identify stakeholders and subject matter experts and additional issues not provided through the ITC. Determine when roundtable meetings or a task force would best serve the Board. Prepare research memo(s) documenting results and recommendations.
- 4: Development Phase** **Q4 FY27 – Q3 FY28**
Develop issue paper(s) addressing matters identified and any other steps to ensure project objectives are addressed. Seek tentative Board decisions on each issue.
- 5: Exposure Draft & Comment Period** **Q4 FY28 – Q2 FY29**
Develop an exposure draft (ED) based on Board decisions. Address Board comments and feedback. Document will move to pre-ballot and ballot draft. Once ED is approved, ED will be released for comment. Comment period for ED.
- 6: Resolution & Finalization Phase** **Q3 FY29 – Q4 FY29**
Analysis of comment letters. Project manager presents staff analysis and summary of respondent feedback and recommendations. Board (re)deliberates areas. Project manager prepares proposed draft statement incorporating Board decisions. Address Board comments and feedback. Document will move to pre-ballot and ballot draft. Once approved, it is transmitted to sponsors for 90-day review.

¹ Staff advises that the proposed timeline will be subject to change since the project and ensuing proposed guidance (1) will need to be coordinated with key stakeholders that may include Congress, federal entities and subject-matter experts, and (2) given the project’s relative importance and broad interest among the financial management community. Further, the timeline may change due to the identification of new issues and Board requests, as well as circumstances that may be beyond staff’s control. **Staff will include an updated timeline that includes key Board decisions by meeting as an Appendix to all briefing memos.**

PROPOSED APPROACH

The E&DL project is a very comprehensive and complex project including at least 13 existing related pronouncements that staff will review and research in order to gain a complete understanding of the current required assets and liabilities accounting guidance required for reporting environmental and disposal liabilities (E&DL).

The proposed approach for the E&DL project is to understand all the related issues to determine if the current guidance is sufficient for the adequate reporting of E&DL or if additional guidance is needed. This section will review current issues, a Request for Information and Comment, FASAB's existing guidance including a preliminary mapping of pronouncements to current issues, other guidance, research steps, and potential project management concerns.

I. Current Issues

As of the date of this memorandum, staff is aware of the following questions related to the current E&DL guidance:

1. Is the current guidance adequate for developing a reasonable and measureable E&DL?
2. Is the guidance clear as to when environmental and disposal costs should be recognized as a liability versus a contingent liability?
3. Are there adequate examples and definitions in current E&DL guidance?
4. Is identifying which reporting entity should account for an E&DL when there is a legal claim that involves multiple federal entities still an open issue?

Background on issue #4:

- At the August 20-21, 2024 Board meeting, members approved five reexamination issue areas for the technical agenda, including the subtopic environmental liabilities and legal claims when there are multiple parties involved. According to the alphabetical order, this was the fifth topic which staff would address when available.
- In January 2026, staff became available to begin research and began preparing a project plan for the Board related to this subtopic. Despite several attempts over many months to reach the Department of Defense (DoD) stakeholders concerning this issue, staff's communication attempts were unsuccessful.
- Staff noted that DoD referenced Interpretation 9's specific guidance in Note 14 of their FY2025 agency financial report (AFR), to explain which

entity should report the E&DL². For this reason, staff believes this topic is no longer an open issue.

- In order to properly scope this project, staff would like to confirm with the DoD whether—identifying which reporting entity should account for an E&DL when there is a legal claim that involves multiple federal entities—is still an open issue or confirm that as its FY2025 AFR Note 14 reports, Interpretation 9 provides the proper guidance.
- Staff will include questions in the Request for Information and Comment to assess if any other agencies have a similar issue.

II. Request for Information and Comment

Staff plans to release a Request for Information and Comment to identify stakeholders and subject matter experts (SMEs) as well as identify any additional guidance issues with E&DL Federal GAAP. Staff is currently developing the Request for Information and Comment draft which—upon approval of this project plan—will begin the project’s research phase. It will be released through FASAB’s listserv and other outreach efforts. Staff will provide results to members at a future Board meeting.

III. FASAB’s Existing Guidance

The following is an overview of key points for relevant Concepts that will help the Board in the reexamination of the E&DL project.

A. CONCEPTS:

- **SFFAC 1: *Objectives of Federal Financial Reporting*** provides a framework for developing standards that meet the needs of internal and external users for federal financial information while considering the associated costs and benefits. SFFAC 1 includes the six basic qualitative characteristics for information to be effective in financial reports: understandability, reliability, relevance, timeliness, and comparability. SFFAC 1 also includes the four reporting objectives (1) budgetary integrity, (2) operating performance, (3) stewardship, and (4) systems and controls.

² FY2025, DoD AFR Note 14: **Environmental and Disposal Liabilities Involving Multiple Component Entities**
There are instances when the DoD entity that recognizes General and Right-to-Use PP&E during its useful life differs from the entity that will eventually be responsible for the future outflow of resources required for cleanup when the General and Right-to-Use PP&E is removed from service. FASAB [Interpretation 9](#), Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 and SFFAS 6, clarifies during the General and Right-to-Use PP&E’s useful life the entity owning the General and Right-to-Use PP&E must continue to recognize inter-period operating costs on its Statement of Net Cost and accrue the liability for General and Right-to-Use PP&E on its Balance Sheet. When the General and Right-to-Use PP&E is transferred to the designated entity responsible by law, statute, or policy for cleanup, the General and Right-to-Use PP&E and the associated liability must be de-recognized by the entity that recognized them during the useful life. The General and Right-to-Use PP&E then must be recognized by the entity responsible for clean-up and liquidating the liability. The entity recording the environmental and disposal liabilities must have sufficient supporting documentation to establish its responsibility for the liability.

Staff's research will determine which of the four reporting objectives will be the most useful for the Board to focus on for this project.

- **SFFAC 2: *Entity and Display***, SFFAC 2 provides guidance on the types of information to be reported in the note disclosures.
- **SFFAC 5: *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*** provides a common foundation for distinguishing items that meet the definitions of elements, for example assets and liabilities, of accrual-basis financial statements and those that do not. SFFAC 5 also identifies items that are candidates for recognition in the financial statements and those that qualify only for disclosure in the notes or as supplementary information. This concept will help guide the Board in this project with the recognition criteria – measurability. One of the main concerns noted by stakeholders related to reporting E&DL is whether the cleanup costs can be reasonably estimated - measured - for an asset with a very long service/useful life and a very long cleanup plan.
- **SFFAC 6: *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information***, provides a process and factors the Board considers when deciding whether the information should be considered basic information, required supplementary information (RSI), or other accompanying information (OAI). This guidance will be useful when considering when to report environmental and disposal costs as a liability or a contingency liability.
- **SFFAC 7: *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording***, addresses the measurement of the elements of accrual-basis financial statements of federal government entities in periods after their initial recording. This guidance will be useful when considering the timing of measuring the E&DL estimate.
- **SFFAC 8: *Federal Financial Reporting***, discusses the role of financial statements and required supplementary information (RSI) and their relationship to other reported financial and non-financial information. It also discusses the content and presentation of financial statements and RSI for government-wide and component reporting entities. This guidance will be useful when considering how reporting entities, including the Financial Report of the U.S. Government should present E&DL.

B. FEDERAL GENERALLY ACCEPTED PRINCIPLES (GAAP)

The following are the standards, interpretations, technical bulletins, and technical releases that relate to reporting environmental and disposal liabilities. Staff has preliminarily grouped them in accordance to the current issues. Staff will review each

pronouncement individually and holistically to determine if there is adequate guidance to address the current issue and then provide recommendations for the Board to consider.

Current Issue 1: Is the current guidance adequate guidance for developing a reasonable and measurable E&DL?

- **SFFAS 1: Accounting for Selected Assets and Liabilities** defines and illustrates the distinction between entity assets and non-entity Assets, as well as intragovernmental and governmental assets and liabilities.

Staff will review SFFAS 1 guidance to determine if current guidance is applicable to all types of assets with related environmental and disposal liabilities.

- **SFFAS 5: Accounting for Liabilities of The Federal Government** provides the definition and general principle for recognition of a liability, including contingencies. SFFAS 5 applies to all environmental liabilities not specifically covered in SFFAS 6, including cleanup resulting from accidents or when cleanup is an ongoing part of operations. SFFAS 5 defines the recognition points for liabilities associated with different types of events and transactions.

Staff will review liability recognition points to determine if current standards provide adequate guidance for when to recognize all events and transactions related to environmental and disposal liabilities.

- **SFFAS 6: Accounting for Property, Plant, and Equipment** identifies and defines categories of Federally owned property, plant, and equipment (PP&E). SFFAS 6 addresses recognition and measurement of and disclosure requirements associated with PP&E, including accounting for deferred maintenance and cleanup costs from federal operations known to result in hazardous waste which the Federal Government is required to clean up by federal, state, local statutes, or regulations. SFFAS 6 provides guidance when cleanup occurs at the end of the useful life of the property, plant, and equipment (PP&E) or at regular intervals (scheduled phase cleanup) during that life.

Staff will review PP&E categories to determine if current guidance provides adequate classification for PP&E responsible for cleanup costs.

- **Technical Bulletin 2006-1: Recognition and Measurement of Asbestos-Related Cleanup Costs** clarifies the responsibility of all federal entities to report liabilities and related expenses arising from asbestos-related cleanup costs. This technical bulletin clarifies and elaborates on, but does not change, guidance previously provided in Statement of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities of the Federal Government; SFFAS 6, Accounting for Property, Plant, and Equipment, Chapter 4: Cleanup Costs; and Technical Release (TR) 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.

Staff will review TB 2006-1 to determine if any guidance can be utilized for developing a reasonable and measurable E&DL

- **Technical Release 2: *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government***. TR 2 helps an agency determine whether its environmental contamination meets the definition of probable (i.e., a future outflow of resources will be required to clean up the contamination) and offers guidance in quantifying an agency's liability for cleanup.

Staff will review TR 2 to determine if it provides guidance to address developing a reasonable and measurable E&DL estimate.

- **Technical Release 9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*** provides guidance to federal agencies information with stewardship land for how to disclose information about environmental liabilities.

Staff will review TR 9 to determine if it provides guidance to address developing a reasonable and measurable E&DL estimate.

- **Technical Release 10: *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment***.

Staff will review TR 10 to determine if any guidance relates to and can be utilized for developing a reasonable and measurable E&DL.

- **Technical Release 14: *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment***

Staff will review TR 14 to determine if any guidance relates to and can be utilized for developing a reasonable and measurable E&DL.

Current Issue #2: Is the guidance clear as to when environmental and disposal costs should be recognized as a liability versus a contingent liability?

- **SFFAS 5: *Accounting for Liabilities of The Federal Government*** provides the definition and general principle for recognition of a liability, including contingencies. SFFAS No. 5 provides the definition for "liability" and establishes specific standards for five liability categories, including contingencies.

Staff will review SFFAS 5 to determine if guidance clearly identifies when environmental and cleanup costs should be a liability versus a contingent liability.

- **SFFAS 12: *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government***. The Federal Accounting Standards Advisory Board (FASAB) was asked to clarify the application of the standard for recognizing loss contingencies for pending or threatened litigation and unasserted claims.

Staff will review this standard to determine if any context can help address when cleanup costs should be a liability versus a contingent liability.

- **Technical Release 9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land***

provides guidance to federal agencies information with stewardship land for how to disclose information about environmental liabilities.

Staff will review TR 2 to determine if it provides adequate guidance to address whether to report a liability versus a contingent liability.

- **Technical Release 11: *Implementation Guidance on Cleanup Costs Associated with Equipment*** focuses on cleanup of hazardous waste associated with equipment and when it should be recognized as an environmental liability.

Staff will review TR 11 to determine if it provides adequate guidance to address when environmental and disposal costs should be recognized as a liability versus a contingent liability.

Current Issue #3 - Are there adequate examples and definitions in current E&DL guidance?

- **SFFAS 5: *Accounting for Liabilities of The Federal Government***, paragraph 28 provides examples of government-related events that include hazardous waste to clean up, accidental damage to nonfederal property caused by federal operations; and other damage to federal property caused by such factors as federal operations or natural forces.

Staff will review SFFAS 5 to determine

- a. if the breadth of hazardous waste examples are sufficient or need to be broadened, and
- b. if examples are needed related to post closure or environmental restoration.

- **SFFAS 6: *Accounting for Property, Plant, and Equipment*** identifies and defines categories of Federally owned property, plant, and equipment (PP&E). SFFAS 6 defines cleanup costs.

Staff will review SFFAS 6 to determine if cleanup and disposal costs are adequately defined.

- **Technical Bulletin 2006-1: *Recognition and Measurement of Asbestos-Related Cleanup Costs*** clarifies the responsibility of all federal entities to report liabilities and related expenses arising from asbestos-related cleanup costs.

Staff will review TB 2006-1 to determine whether additional information is needed to identify materials that would not be reasonably expected to include asbestos.

Current Issue #4: Is identifying which reporting entity should account for an E&DL when there is a legal claim that involves multiple federal entities still an open issue?

If this is still an open issue, staff will then review the following pronouncements to determine if the guidance is adequate to determine which entity reports the E&DL when multiple reporting entities are involved in a lawsuit.

- **SFFAS 1: *Accounting for Selected Assets and Liabilities*** defines and illustrates the distinction between entity assets and non-entity Assets, as well as intragovernmental and governmental assets and liabilities. Assets available to an entity to use in its operations are entity assets while those assets not available to an entity but held by the entity are non-entity assets.
- **SFFAS 12: *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government***. SFFAS No. 5 provides the definition for “liability” and establishes specific standards for five liability categories, including contingencies.
- **Interpretation 2: *Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5*** provides guidance on reporting a full or partial settlement by the Judgment Fund for another reporting entity.
- **Interpretation 9: *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6*** provides guidance on reporting cleanup costs involving multiple parties.
- **Technical Bulletin 2002-1: *Assigning to Component Entities Costs and Liabilities that Result from Legal Claims Against the Federal Government*** provides clarification for the required reporting of costs and liabilities resulting from legal claims (i.e., judgments and settlements) against the Federal government that must be attributed to the component entities responsible for the programs or activities that contributed to the claims, or to their successor component entities.

The Request for Information and Comment will probe respondents on this issue.

IV. Other Guidance:

A. Other Standard Setters

Staff will research other standard setters, such as the Government Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the International Public Sector Accounting Standards Board (IPSASB) to determine if their guidance addresses environmental and disposal liabilities and legal claims that involve multiple parties.

B. OMB Circulars

Staff will review **OMB circulars, such as A-136, *Financial Reporting Requirements***, to identify any requirements or guidance for reporting environmental and disposal liabilities.

C. Other Administrative Directives

Staff will review other administrative directives from OMB, GAO and Treasury to identify any requirements or guidance for reporting environmental and disposal liabilities.

V. Additional Resources

Staff will review additional resources, such as the GAO High Risk List, AFR material weaknesses, Financial Report of the U.S. Government and AFRs, DoW's request from the August 2026 Board meeting, and FASAB technical inquiries related to E&DL.

VI. Research Steps

- Review FASAB historic files, such as:
 - Preliminary research performed along with ITC feedback.
 - Technical inquiries related to environmental and disposal liabilities.
 - FASAB historical files on older pronouncements
- Develop, send, and process Request for Information and Comment to
 - Identify key stakeholders and SMEs
 - Determine if there are any additional issues related to E&DL in addition to those identified in the ITC
 - Determine if environmental liabilities with legal cases involving multiple parties is still an open issue (as identified in 2023 through the ITC)
- Hold roundtables and/or task force meetings
- Review relevant agency financial reports.
- Review existing accounting literature (FASAB and other standard setters).
- Prepare research memo(s) documenting results and recommendations.
- Determine what type of pronouncement staff recommends.

I. POTENTIAL PROJECT MANAGEMENT CONCERNS

- Identifying and understanding the scope of this reexamination project
- Assessing if existing guidance needs to be updated and determining how to address developing new or amending existing guidance.
- Finding SME's given the limited resources and time commitments of agency personnel to assist with the project.

Question for the Board:

1. Does the Board generally agree with the staff proposed environmental and disposal liabilities project plan? Please provide suggestions for improvement and questions related to the project plan as appropriate.

Attachment 2

Preliminary Research from Reexamination Project

April 2024

Preliminary Liability (SFFAS 5) Research

During the December 2023 meeting, a majority of the members agreed SFFAS 5, and related pronouncements should be a priority topic for reexamination. SFFAS 5 establishes accounting standards for liabilities of the federal government **not** covered in SFFAS 1, *Accounting for Selected Assets and Liabilities*, and in SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*. (SFFAS 1 addresses only those selected liabilities that routinely recur in normal operations and are due within a fiscal year.) SFFAS 5 defines “liability” and the recognition points for liabilities associated with different types of events and transactions. In addition to discussing the general liability recognition, SFFAS 5 provides specific liability accounting standards³ for contingencies, federal debt, and pensions (including other retirement benefits, and other postemployment benefits.)

Broad View of Liabilities

Consistent with the Board’s determination of priority topics, GAO’s Independent Auditor’s Report for the FY2023 Financial Report of the United States Government included a material weakness⁴ related to “Liabilities and Commitments⁵ and Contingencies” that contributed to the disclaimer of opinion on the U.S. government’s accrual-based consolidated financial statements. The report described that the auditor was not able to substantiate the completeness and accuracy of DOD’s environmental and disposal liabilities. Deficiencies in internal control related to estimating environmental and disposal liabilities could

GAO’s FY2023 Audit Report excerpts:

Liabilities and Commitments and Contingencies

“The federal government could not reasonably estimate or adequately support amounts reported for certain liabilities...”

“Problems in accounting for liabilities could affect the federal government’s ability to determine the full cost of the federal government’s current operations and the extent of its liabilities...”

“In addition, to the extent disclosures of commitments and contingencies are incomplete or incorrect, reliable information is not available about the extent of the federal government’s obligations.”

³ Capital leases and insurance programs were previously included in SFFAS 5, but they are now covered in standalone SFFASs (SFFAS 54, *Leases* and SFFAS 51, *Insurance Programs*.) In addition, social insurance is considered a separate program type and not included within insurance and guarantee programs. See SFFAS 17, *Accounting for Social Insurance*.

⁴ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

⁵ Staff notes that commitments are not specifically defined or described in FASAB guidance. In August 2023, the Board added commitments to the technical agenda as a research topic. At the December 2023 meeting, the Board agreed on continuing the research to develop a working definition for commitments to help distinguish from contingencies.

result in improperly stated liabilities and could adversely affect the federal government’s ability to determine priorities for cleanup and disposal activities and to appropriately consider future budgetary resources needed to carry out these activities. The GAO report also explained that DOD’s auditor reported that DOD could not support a significant amount of its estimated military postretirement health benefits liabilities included in federal employee and veteran benefits payable. In addition, auditors reported internal control deficiencies at several other federal entities that related to material liabilities. Further, the federal government could not determine whether commitments and contingencies, including any related to treaties and other international agreements, were complete and properly reported.⁶

The Board agreed that staff should take a broad view of the liability topic because it would better inform the Board of liability related issues. Staff discussions with respondents confirmed the areas of concern and that stakeholders and provided consistent feedback of issues presented in December 2023. Based on staff’s limited research, environmental liabilities and pensions (including other retirement benefits, and veteran benefits) are the main issue areas. There have been recurring concerns, including technical inquiries, in these two significant areas. Stakeholders would benefit from reexamination and clarification. There were also some general comments about the general liability principles and other requested guidance areas.

Excerpt from FY2023 Financial Report of the United States Government FY2023 Note 14

Environmental and Disposal Liabilities as of September 30, 2023, and 2022

<i>(In billions of dollars)</i>	<i>2023</i>	<i>2022</i>
Department of Energy	534.3	519.7
Department of Defense	93.8	90.6
All other entities	17.2	16.0
Total	645.3	626.3

Environmental liabilities

Environmental and disposal liabilities are estimated costs for anticipated remediation, cleanup, and disposal costs resulting from the use of the governments assets or operations. Estimated costs for environmental and disposal liabilities can change over time because of laws and regulation updates, technology updates, inflation or deflation factors, and disposal plan revisions. Accruals for environmental cleanup costs are the cost of removing, containing, and/or disposing of hazardous wastes or materials that, because of quantity, concentration, or physical or chemical characteristics, may pose a substantial present or potential hazard to human health or the environment. Cleanup costs include, but are not

limited to decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs.

Existing GAAP Guidance

Stakeholders identified environmental liabilities as an issue area in the ITC responses for SFFAS 6, *Accounting for Property, Plant, and Equipment*⁷ and staff suggested, and the Board agreed that it appropriate to address environmental liabilities with reexamination of SFFAS 5. SFFAS 6, chapter 4: Cleanup Costs provides the definition of cleanup costs and provides that cleanup costs meet the definition and criteria for recognition of liabilities included in SFFAS 5. SFFAS 6 supplements SFFAS 5 by providing additional guidance regarding cleanup costs.

⁶ See <https://fiscal.treasury.gov/reports-statements/financial-report/current-report.html> for the Financial Report of the United States Government that includes GAO Auditor’s report.

⁷ SFFAS 6 provides guidance for recognizing liabilities for cleanup costs, and SFFAS 5 provides guidance for recognizing liabilities from government-related events such as cleanup of environmental damage.

SFFAS 6 associates the recognition of cleanup costs with the life of the related general PP&E. Paragraph 94 provides for the estimation of cleanup costs when the associated general PP&E is placed in service. Paragraph 97 provides for the recognition of a portion of the estimated total cleanup costs as an expense during each period that the general PP&E is in operation.

Staff notes that Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6* provides clarification and guidance regarding cleanup cost liabilities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for settling the liability for the cleanup cost of that asset. In addition to Interpretation 9, there have been other pronouncements related to environmental liabilities, including TB 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*. In addition, there are several Technical Releases on this topic: TR 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment* and TR 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*. Although Technical Releases will not be a part of the reexamination, it is important to know implementation guidance has been provided through TRs.

Despite the guidance that has been issued, staff research and outreach to respondents show issues remain and there is a need for additional guidance.

Environmental liabilities and legal claims when there are multiple parties involved.

Based on outreach to respondents, certain issues relate to the appropriate reporting of environmental liabilities and legal claims when there are multiple parties involved in the responsibility for and/or resolution of the liability. In certain situations, there is no clear guidance directing which reporting entity should report the related environmental liability. Staff discussed the issue further with DoD representatives and an IPA firm that conducts audits of DoD components. All parties conveyed that additional guidance would assist in this area because it is difficult delineating which entity should record a liability in situations where the entity that may be considered the source of a liability differs from the entity assigned to provide legal counsel (and the cost thereof) and/or ultimate funding of any loss from adjudication.

Examples

The spills at Red Hill and Camp Lejeune are examples of scenarios that may require additional FASAB guidance to determine which entity should record a liability. The Red Hill incident and the Camp Lejeune claims are significant events that raised concern at DoD. In these scenarios, the cause of the spills may be one entity but the responsibility for cleanup and damages to the community have been assigned to other entities. DoD explained that these incidents required a great deal of legal and budgetary discussion as part of their internal processes to make the determinations regarding the liability as there wasn't clear GAAP guidance.

The Red Hill incident involved fuel spills from the Red Hill Bulk Fuel Storage Facility that contaminated the Red Hill drinking water well.⁸ In summary, the Red Hill incident involved the physical facility that belongs to Navy but the fuel that spilled (and some of the funding to cleanup that fuel) comes from DLA. The Navy had an existing liability to clean up the environmental damage once the facility was de-commissioned. The fuel spill made that cleanup

⁸ For more information regarding the Red Hill incident, please see <https://www.epa.gov/red-hill/about-red-hill-fuel-releases>

far more urgent and extensive. Although the fuel that spilled did not belong to Navy, the cause of the spill (i.e., the handling of the fuel) is arguably Navy. The funding for the cleanup will come from a variety of sources. Some direct, some from traditional cleanup and some from DLA who generally takes responsibility of spillage of DLA fuel. The Navy is overseeing the majority of the cleanup work and arguably is in the best position to oversee an estimate of the liability related to the incident. Navy, as owner of the facility had a pre-existing liability recorded for an estimate of the shutdown cost of the facility. However, consistent with previous policy DoD agreed that DLA had responsibility for the environmental damage caused by the spillage would be theirs as the owner of the fuel that spilled. As such, the disclosure and liabilities have been split between the two entities based upon that resolution.

The Camp Lejeune claims is a similar type issue involving the Navy and Marine Corps. In 1982, the Marine Corps discovered specific volatile organic compounds in the drinking water provided by two of the eight water treatment plants on base.⁹ The spill occurred on a USMC base, but the Navy was assigned the administrative responsibility for gathering, defending/processing the claims and is in the best position to support a calculation of the liability. Funding was provided in a separate bill that was neither Navy or USMC. It was difficult to reach a conclusion and agreement over who should carry the liability because the Navy has the data to establish the liability, but the spill occurred on a USMC base, and the funding for payments will come out of the Judgment Fund. For Camp Lejeune, DoD determined that the Marines should record/discard the liability and that Navy would collaborate with them to estimate the amounts involved. For the most recent fiscal year it was determined that the liability was not estimable and a disclosure of the contingency and the state of progress on it was included in the USMC footnotes.

DoD explained that existing GAAP does not clearly address scenarios when multiple reporting entities are involved. In both cases DoD interpreted SFFAS 5 as supporting that the entity at which the event occurred had responsibility for the disclosure and reporting related to the event. However, DoD noted that there was pushback and differing opinions from lawyers involved in administration, those arranging funding related to the events and also from those focusing on the budgetary/funding perspective. The differing view supported no disclosure until the funding was in place and then having the liability following the funding decisions. DoD believes that approach would delay recognition possibly for years until the funding decisions were completely known.

DoD noted that they believed their approach is consistent with the handling of judgement fund cases because the funding source should *not* be the deciding factor in whether a liability should be recorded. It was suggested that guidance provided in Interpretation 2, *Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5* be expanded for environmental liabilities and legal claims when there are multiple parties involved. Specifically, the guidance could be expanded to responsibilities that are split between other operating entities. Doing so would address other funding sources and provide a more direct accounting assignment related to liability source regardless of funding source.

Staff notes that Interpretation 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6* provides clarification and guidance regarding cleanup cost liabilities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for settling the liability for the cleanup cost of that asset. Interpretation 9 focuses on

⁹ For more information regarding the Camp Lejeune incident, please see <https://www.atsdr.cdc.gov/sites/lejeune/overview.html>

assets that have a liability, but the asset and disposal responsibility is *transferred* to another entity. Although DoD noted the Interpretation 9 guidance has been helpful in situations with an asset that is transferred, the guidance does not fit the situations above because the asset is not transferred—it relates to damages on a military base.

Staff notes the Exposure Draft for Interpretation 9, *Guidance on Recognizing Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5*¹⁰ addressed contingent liabilities when multiple component reporting entities are involved. The ED provided the following:

7. To recognize and disclose contingent liabilities in accordance with SFFAS 5, a component reporting entity must have information about ongoing litigation and be able to exercise judgment regarding the possible outcomes. When a single component reporting entity is the defendant in a case, that entity will likely have the needed information even in the event any ultimate claim will be paid by the Treasury Judgment Fund. Interpretation 2, *Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5*, provides guidance regarding recognition in such cases.
8. When multiple sub-component reporting entities are involved, one or more sub-component reporting entities within a single component reporting entity may be designated to manage litigation and/or pay any resulting liabilities on behalf of one or more other sub-component reporting entities. Specifically, sub-component reporting entities within a single component reporting entity may be designated to manage litigation of a certain type or within a certain geographic region for other sub-component reporting entities. The same or a different sub-component reporting entity may be designated to pay resulting liabilities. In such cases, not all involved sub-component reporting entities would likely have the information needed to apply the provisions of SFFAS 5. Generally, the sub-component reporting entity responsible for managing litigation would have the information needed to recognize or disclose contingent liabilities and should report information in accordance with SFFAS 5. Other involved sub-component reporting entities should not report information on contingent liabilities managed by another sub-component reporting entity.
9. For example, sub-component reporting entity A is responsible for managing litigation for an entire geographic region even though the litigation may be due to the actions of sub-component reporting entities B and C. Sub-component reporting entity A that is designated to manage the litigation should recognize any resulting contingent liabilities. The sub-component reporting entities B and C whose actions gave rise to the litigation should not recognize or disclose information regarding the litigation.
10. If a sub-component reporting entity is designated to pay claims but not to manage litigation, the general provisions of Interpretation 2 should be extended to the entity designated to pay claims. Once a settlement is reached or a judgment is ordered by a court and a specific sub-component reporting entity is determined to be the appropriate source for the payment of the claim, the liability should be removed and an other financing source recognized in the financial statements of the sub-component reporting entity that managed the litigation. The sub-component reporting entity that will pay the claim would then recognize an expense and liability (or a cash outlay) for the full cost of the loss. The other financing source amount recognized by the sub-component reporting entity that managed the liability and the expense recognized by the sub-component reporting entity that paid the liability would be eliminated at the consolidated report level.

¹⁰ Please see <https://fasab.gov/projects/archived-projects/evaluation-of-existing-standards/> to view the exposure draft *Guidance on Recognizing Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5*.

Most respondents to the ED disagreed with the proposal, but staff believes there may have been some confusion with the language because there was not a universal or common theme from the respondents, and responses were general. Certain respondents noted concern about the effect on reporting for responsibility segments within their consolidated financial statements. The proposal was not intended to affect disaggregated information within a single audited financial statement. From the comments, it appeared that the proposed contingent liability guidance may not have provided clarification but rather led to greater ambiguity and questions. Further, DoD determined at that time that the effect of receiving contingent liability guidance would be immaterial or minimal.¹¹ Based on this (comments and DoD discussions) the Board determined that there was no need for guidance in the contingent liability area.¹²

It is important to note that in finalizing Interpretation 9, the Board believed there may be other scenarios and examples in the future that may need to be addressed. As discussed in the basis for conclusions to Interpretation 9, paragraphs A36-37 provide:

A36. The Board recognizes the potential complexities in reporting and recognizing information in accordance with SFFAS 5 when multiple component reporting entities are involved. The Board requested feedback on the possibility of other similar liability situations or scenarios for consideration and whether an additional general liability principle should be included to address multiple component reporting entities. Respondents did not identify additional examples. Therefore, the Board concluded it is not necessary to provide a general principle.

A37. Although the scope of this Interpretation is only related to cleanup costs, the Board recognizes the potential for other liability issues involving multiple component reporting entities to arise in the future. The Board will consider other specific situations as they arise.

Other Environmental Liability Comments

There were several other comments and suggestions received regarding environmental liabilities during staff's outreach. Staff notes that some of these comments may also involve additional research, including assessing implementation guidance and other factors. Comments from respondents were centered on the estimation process and issues, as well as the need for more examples. Staff believes sorting through these issues would take considerable time and best handled during an approved project. The issues would involve delineating management policy, implementation issues and a variety of things. Staff notes these types of issues would require a broader audience of input, including SMEs, and best handled through a task force during an approved project.

*Estimates*¹³

Stakeholders requested clarification regarding the use of contingencies in estimates of environmental liabilities. For example, if an environmental liability is probable but not currently measurable, it may more accurately meet the definition of a contingent liability (e.g., liability to remediate environmental contamination pending litigation). Stakeholders noted that environmental liabilities are not provided as an example of a contingent liability. Paragraph 38 of SFFAS 5 discusses the criteria for recognition of a contingent liability. Footnote 19 to paragraph 38 provides:

¹¹ With the examples provided in this discussion, DoD now believes this is a material area and guidance would assist.

¹² Interpretation 9, paragraphs A24-A29 include a summary of the Board's reason for not including guidance in the contingent liability area in Interpretation 9.

¹³ Staff notes that the request for guidance on estimates was broader than environmental liabilities. It appears that respondents believe that additional guidance on what agencies should consider when estimating liabilities is needed.

In the case of government-acknowledged events giving rise to nonexchange or exchange transactions, there must be a formal acceptance of financial responsibility by the federal government, as when the Congress has appropriated or authorized (i.e., through authorization legislation) resources. Furthermore, exchange transactions that arise from government-acknowledged events would be recognized as a liability when goods or services are provided. For nonexchange transactions, a liability would then be recognized at the point the unpaid amount is due. Therefore, government-acknowledged events do not meet the criteria necessary to be recognized as a contingent liability.

Stakeholders requested clarification on what defines “best estimate” and what is considered a “completed study upon which to base an estimate?” A respondent explained that issues stem from the need to estimate so far in advance and that when the actuals occur it results in adjustments. For example, as new cost information becomes available, if actuals differ, it may show that there was a problem with the estimation. During outreach, respondents recognized that determining reasonable estimates often relates to issues identified with internal controls and the associated methodology and processes, but respondents identified this as an area that requires additional guidance.

Respondents explained the need for clarifications on the time period for which cleanup liabilities are deemed to be reasonably estimable. Due to the multiple regulatory and statutory requirements governing environmental liabilities and other complexities in meeting the ‘reasonably estimable’ criteria, stakeholders explained it may take multiple reporting periods (typically quarters) for a liability to be recognized. Paragraph 29 states “Government-related events resulting in a liability should be recognized in the period the event occurs if the future outflow or other sacrifice of resources is probable and the liability can be measured, or as soon thereafter as it becomes probable and measurable.” Staff’s outreach provided that users would like clarity on what reporting period (e.g. quarterly or annual) to recognize the liability and more specific guidance of what “soon after” means and, if acceptable, how to report a liability which may require multiple reporting periods.

Stakeholders also requested clarity on the measurement attributes. Paragraph 34 of SFFAS 5 states “Several different measurement attributes are used for different items in present practice (e.g., fair market value, current cost, present value, expected value, settlement value, and historical cost).” Based on staff’s outreach, respondents explained that some environmental liabilities require more complex measurement and professional input to quantify the liability estimate than what is referenced in paragraph 34. Stakeholders described that multiple measurement attributes may be used for a single cost or in select instances, require use of specialists outside the accounting field to include environmental engineers or other professions. It was suggested that the guidance include reference to a combination of measurement attributes and estimations by accredited professions. Stakeholders also explained that the liability measurement may change over reporting periods due to changes in the governing environmental regulations or statutes. Additionally, the estimate may change due to inflation, deflation, changes in regulations, operating plans, and/or technology.

Examples

Staff’s outreach to respondents also identified that there is a need for additional environmental liability examples in FASAB guidance:

- For example, respondents requested that FASAB consider including an appendix in TB 2006 that list examples of materials that would not be reasonably expected to include asbestos.
- Hazardous waste spill is included as an example of government related events; however, this is only a small example of the many different types of environmental damages that can occur or may be reportable or E&DL. Respondents recommend using

the terms 'spills, releases, contamination, or other environmental damage' to refer to a broader scope of events.

- Lack of reference or example of post closure or environmental restoration provided in the paragraph 28 defining what government-related events includes. Respondents recommend adding post closure (RCRA or CERCLA) or environmental remediation/restoration (CERCLA or SARA) as examples of government-related events to further describe "event-driven" liabilities relative to governing environmental law.

REQUEST FOR INFORMATION AND COMMENT ENVIRONMENTAL AND DISPOSAL LIABILITIES

November ##, 2026



INTRODUCTION

The Federal Accounting Standards Advisory Board (FASAB) approved the environmental and disposal liabilities (EDL) project to review the current environmental and disposal liabilities related pronouncements as part of the [reexamination of existing standards project](#).

FASAB serves the public interest by improving federal financial reporting through issuing federal accounting standards and providing timely guidance. The Board may also, at its discretion and with the assistance of its staff, publish other communications of an informational nature related to federal accounting and financial reporting, such as non-authoritative staff papers.

REQUEST FOR INFORMATION AND COMMENT (RFI)

FASAB staff is conducting outreach to facilitate the identification of accounting issues related to environmental and disposal liabilities. During this research phase of the EDL project, the Board will consider stakeholder feedback to determine if there are ways to improve, clarify, and streamline federal generally accepted accounting principles (GAAP) for EDL.

We appreciate your time to respond to the below questions. Responses to this RFI will help inform staff recommendations and alternatives for the Board to consider regarding potential short- and long-term actions in this area.

QUESTIONS

Practitioners, including preparers and auditors, are encouraged to respond to any or all of the following questions, and to provide any other information relevant to facilitate staff's identification and analysis of accounting issues.

1. What type(s) of environmental cleanup and/or disposal activities does your agency engage in? List each type of activity including the types of asset(s) involved and useful life of those assets.
2. How does your agency identify and determine the estimate for the EDL?
 - a. What information/assumptions do you use in the calculation for the EDL estimate?
 - b. What information is the most reliable for the calculation for the EDL estimate and why?
 - c. What information is the most unreliable for the calculation for the EDL estimate and why?
3. How often does your agency update the EDL estimate and why?
4. How much do the estimates vary between updates? Can you provide a trend chart over the last 5 or 10 years?
5. Please describe in detail what challenges your agency has in reporting EDL estimates in your financial statements.
6. Is your EDL material to your financial statements?
7. What recommendations do you have to help the Board to improve, clarify, and streamline federal GAAP for EDL?
8. Is your agency involved in any environmental cleanup lawsuits that include multiple component reporting entities? Yes or No?
 - a. If yes, does your agency have any challenges with the guidance in the current federal GAAP for reporting which agency should report the EDL?
 - b. Please explain in detail which FASAB pronouncements your agency uses for guidance and what are the challenges.
9. What recommendations do you have to help the Board to improve, clarify, and streamline federal GAAP for EDL lawsuits involving multiple component reporting entities?

10. To assist in preparing recommendations and alternatives for the Board to consider for improving, clarifying and streamlining EDL GAAP, FASAB staff would like to contact stakeholders and subject matter experts (SMEs) for Federal environmental cleanup activities including decommissioning and demolition of retired assets.

INSTRUCTIONS FOR RESPONDING

Please provide a list of EDL stakeholders / SMEs in your organization [within and outside (program areas) of the CFO shop] including name, title, agency, area of expertise, phone number and email.

PROJECT PAGE

[Environmental and Disposal Liabilities – fasab.gov](https://fasab.gov)

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