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## Cost Estimate Update Guidance Document

Cost estimates for all *solid waste disposal areas* must be updated annually for inflation and cost estimates for all *solid waste processing facilities* must be updated at permit renewal for inflation. Inflation updates to the cost estimates for closure and post-closure for solid waste disposal areas and adjusted financial assurance mechanisms must be submitted to the Nebraska Department of Environment and Energy (NDEE) each year on the financial assurance mechanism anniversary date or a date mutually agreed to by NDEE and the facility. Solid waste disposal areas that fail to submit annual updates and adjusted financial assurance mechanisms or fail to make timely annual contributions to trust funds or enterprise funds are in violation of [Title 132 – Integrated Solid Waste Management Regulations](#).

The inflation factor for updating cost estimates is derived from the most recent annual “Implicit Price Deflator” for Gross Domestic Product published by the U.S. Department of Commerce’s, Bureau of Economic Analysis, in the year for which the adjustment is being made. The inflation factor is the result of dividing the latest published annual Deflator by the Deflator for the previous year. The Implicit Price Deflator is found at [http://www.bea.gov/iTable/index\\_nipa.dfm](http://www.bea.gov/iTable/index_nipa.dfm). After entering the web site do the following:

- Choose a Table from a List of Selected National Income and Product Accounts (NIPA) Tables;
- Choose from Section 1 - Domestic Product and Income- Table 1.1.9 Implicit Price Deflator;
- Click on the Annual (A) button and the two most recent years;
- Click on the Refresh Table button;
- Use Line 1- Gross Domestic Product and divide the most recent year’s factor by the previous year’s factor.

Annual factors are used instead of quarterly factors to reflect an accurate inflation rate for the previous year. Usually those annual factors are published at the end of January of each year. After the factors are published NDEE, sends a notice to each permitted solid waste disposal area informing them of the previous year’s inflation factor. Once the inflation factor is determined the cost estimate dollar value must be multiplied by the inflation factor for the most recent year. For example:

- If the Closure Cost Estimate for 2002 is \$1,000,000; and
- The 2003 Deflator is 105.998; the 2002 Deflator is 104.092;
- The Inflation Factor for 2003 is  $105.998/104.092 = 1.0183$ ; \*
- Take  $\$1,000,000 \times 1.0183 = \$1,018,300$ .  
(\* Use four decimal places in the inflation factor.)

The updated closure and post-closure cost estimates should be used to update the financial assurance mechanism and to calculate trust fund and enterprise fund payments, if applicable. If any changes to the cost estimates occur due to modifications to the solid waste disposal area permit or changes occur to the closure and/or post-closure plans, the cost estimates must be revised and the changes identified in the annual financial assurance update and in the modifications to the permit. In some cases, if the entire cost estimate has been revamped and it has been approved by NDEE, the inflation update for that year is not necessary. However, approval for changes in cost estimates that are not related to inflation updates must be based on documentation submitted to NDEE to verify the cost estimates are valid. This documentation may include numerous resources such as cost estimate publications (e.g. R. S. Means), workups consisting of unit costs based on the consultant's experience at other disposal areas, or actual bids for similar work done at the disposal area or other project. (See the closure and post-closure cost estimate guidance document for a list of tasks and services and activities that should be included in a complete cost estimate.