



Highlights of [GAO-03-219](#), a report to the Chairman of the Committee on the Budget, House of Representatives

# LONG-TERM COMMITMENTS

## Improving the Budgetary Focus on Environmental Liabilities

### Why GAO Did This Study

Although environmental liabilities resulting from federal programs and activities represent the third largest category of the federal government's liabilities, the current cash- and obligation-based budget does not provide information on estimated cleanup costs before waste-producing assets are purchased. As a result, policymakers do not have the opportunity to weigh the full costs of a proposal with their judgment of its benefits. The Chairman of the House Committee on the Budget asked GAO to examine and report on various ways budgeting might be improved for environmental cleanup costs, including some of the benefits, limitations, and challenges associated with each.

### What GAO Recommends

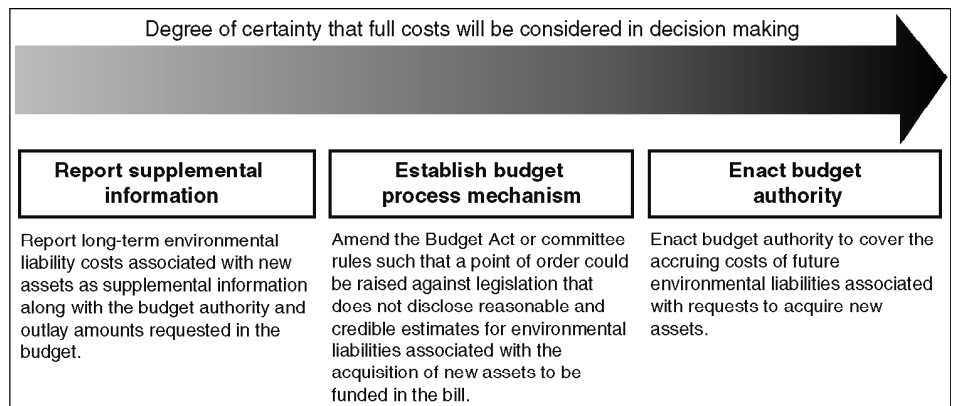
GAO recommends that the Director of the Office of Management and Budget (OMB) require supplemental reporting in the budget to disclose future environmental cleanup/disposal costs for new acquisitions. Agency and OMB officials should consult with legislative branch officials to ensure that useful information is provided to congressional decision makers.

### What GAO Found

The federal government is legally required to clean up hazardous wastes that result from its operations. Agencies are currently required to report these environmental liabilities in their financial statements, but these estimates are not recognized until after a waste-producing asset is placed into service. Although agencies are supposed to consider cleanup and disposal costs associated with these assets as part of the acquisition process, they typically do not request the related budget authority until many years after the government has committed to the operation creating the waste, when cleanup is imminent.

Alternative approaches to promote up-front consideration of the full costs of environmental cleanup and disposal for assets being proposed for purchase fall along a continuum ranging from supplemental information to enactment of additional budget authority. (See figure below.) While each approach has potential benefits and challenges, agencies' lack of experience in estimating future cleanup/disposal costs up front suggest starting at the more modest end of the continuum—providing supplemental information to decision makers. Eventually, however, accruing budget authority for the tail-end cleanup/disposal cost along with the front-end purchase cost estimates would do the most to ensure that these costs are considered before the government incurs the liability.

### Continuum of Alternative Approaches to Improve Budgeting for Environmental Liabilities



Source: GAO.

[www.gao.gov/cgi-bin/getrpt?GAO-03-219](http://www.gao.gov/cgi-bin/getrpt?GAO-03-219)

To view the full report, including the scope and methodology, click on the link above. For more information, contact Susan Irving on (202) 512-9142 or [irvings@gao.gov](mailto:irvings@gao.gov).