

**MnDOT Office of Environmental Stewardship
Environmental Investigation Unit**

Government Accounting Standards Board Statement No. 49

Contact Information:

Environmental Investigation Unit

[Brian Kamnikar](#) 651-366-3617

The intent of this guidance document is to provide general procedural information for Minnesota Department of Transportation (MnDOT) personnel to address Government Accounting Standards Board Statement Number 49. Any deviation from procedures contained in this document must be discussed with Environmental Investigation Unit (EIU) personnel prior to implementation.

This document should not be construed as a full description of all regulations pertaining to the subject matter. Contact the EIU in the MnDOT Office of Environmental Stewardship (OES) for additional information or legal requirements.

Subject: Compliance with Government Accounting Standards Board (GASB) Statement Number 49

Background

GASB 49 requires that government agencies report known contamination that the agency is either the responsible party for or obligates itself to investigate and cleanup contaminated materials (groundwater and/or soil). For MnDOT, this could include involvement under one of the following scenarios:

- Contamination is discovered at a MnDOT-owned facility, such as a district headquarters, truck station, rest area, storage yard or gravel pit. Assuming that the property is the source of contamination, as the property owner MnDOT is responsible to investigate and complete any cleanup actions required by the regulatory agency.
- As part of a highway construction project, MnDOT discovers contamination before or during construction operations. Typically, the highway right of way is not the source of the contamination. Therefore, MnDOT is not the responsible party and so is not responsible for addressing the entire extent of contamination. However, MnDOT obligates itself to pay the cost of managing contaminated materials properly to the extent that the construction project impacts the contamination.

Typical Contaminated Material Management Process

MnDOT's procedure for identifying and managing contaminated soil/groundwater on a construction project or at a MnDOT-owned facility is as follows:

- District notifies EIU of a proposed construction project through the Early Notification Memo process. EIU personnel complete a cursory review of the project location and proposed construction actions to determine the potential that construction operations will encounter contaminated materials or that the department will acquire contaminated property.

District notifies EIU of a known or suspected chemical release at a MnDOT-owned facility. EIU personnel develop a plan to investigate the release.

- Depending on the outcome of the cursory review, EIU personnel may conduct a more detailed review (Phase I site assessment) of the project location for contamination and if necessary, collect soil and/or groundwater samples to characterize the contamination (Phase II or drilling investigation) prior to any property acquisition or commencement of construction.

EIU conducts an investigation to determine the magnitude and extent of the chemical release at the MnDOT-owned facility and the need for any remedial action.

- If contamination is present within construction limits or the project includes acquisition of contaminated property, EIU works with District to minimize or avoid contamination depending on the nature of the contaminants and degree of liability to the Department associated in acquiring or working with the expected contaminated materials.
- If EIU and District personnel determine that contaminated materials will be encountered on a construction project or if contamination is discovered at a MnDOT-owned facility, costs to remediate the property are estimated using the probability-weighted average method. This method considers a range of probabilities for potential costs to investigate and mitigate contamination. For example, it may be estimated that costs to address contamination range from a 10 percent probability of \$300,000 to a 75 percent probability of \$700,000 and finally to a 15 percent probability of \$1,000,000. The probability-weighted average for this expected cash flow would be:

$$(.10 \times \$300,000) + (.75 \times \$700,000) + (.15 \times \$1,000,000) = \$705,000$$

In this example, the \$705,000 would be the total estimated cost considered for potential reporting in accordance with GASB 49. Making a determination if this estimated cost must be reported is described in the next section.

Determining GASB 49 Project Liabilities

Once the probability-weighted average cost has been estimated for the construction project or MnDOT-owned facility, the project will be added to the list of properties as required by GASB 49 if both of the following criteria are met:

1. The probability-weighted average cost to manage contaminated materials exceeds \$500,000. Expenses to consider in estimating contaminated material management cost include the following:
 - For construction projects - internal EIU oversight, construction monitoring, contaminated soil/groundwater treatment/disposal and post-construction monitoring requirements.
 - For MnDOT-owned facilities - internal EIU oversight, property investigation, remedial action, contaminated soil/groundwater treatment/disposal and long-term monitoring requirements
2. Expenses to manage known contaminated materials will affect a future fiscal year. For example, if contamination is discovered during a fiscal year and all expenses to manage the contamination are realized within that same fiscal year, the project is not included in the GASB 49 list of projects. This is because the known contamination was not identified early enough in the process to project expenditures from the fiscal year budget used to cover the costs.

If the contamination expenses straddle fiscal years, only the cost remaining for successive fiscal years should be considered in determining if the project must be reported as required by GASB 49. For example, consider a project where \$250,000 is spent responding to a contaminated property in the fiscal year it is discovered and the probability-weighted average cost for the project predicts an additional cost of \$300,000 will be spent in the next fiscal year to complete the response action. Even though the total cost of the project exceeds the \$500,000 threshold, the project is not reported as a liability because the estimated cost remaining in the next fiscal year is under \$500,000.

Contaminated Material Management History

The EIU has over twenty years of experience managing contaminated materials on construction projects and at MnDOT-owned facilities. The vast majority of projects requiring management of contaminated materials does not exceed or even closely approach a total cost of \$500,000. Therefore, MnDOT anticipates that few projects will need to be reported under the GASB 49 requirement.

Reporting Time

In July or August of each year, the MnDOT Office of Finance will contact OES requesting a list of projects with known probability-weighted average costs exceeding \$500,000 for future fiscal year expenditures. OES will furnish a list of project names and associated estimated costs as outlined in this guidance document. The Office of Finance will furnish the contaminated list of liabilities to Minnesota Management and Budget.