Adjustment of Cost Estimates for Inflation – 2019 over 2018

Ref. Iowa Admin. Code [567] sub-sections (3)&(4) in each of sections 113.14, 115.31, 114.31 & 103.3

For annual Financial Assurance Reports, every Landfill must update Closure &/or Postclosure Cost Estimates, IN CURRENT DOLLARS, certified by an Iowa-licensed professional engineer, and MUST –

- for Closure, be the cost of closing the Landfill at any time when the extent and manner of its operation would make Closure the MOST expensive, and for Postclosure, be based on the MOST expensive costs of care during the entire Postclosure period.
- be accurate and reasonable when compared to the Cost Estimates used by other similarly situated Landfills in Iowa.
- AND be increased IF changes to the Closure &/or Postclosure Plan or Landfill conditions increase the MAXIMUM cost of Closure &/or Postclosure care.

IF no other re-assessment/computations are done**, Closure &/or Postclosure Cost Estimates HAVE TO AT LEAST be adjusted for annual inflation BY multiplying last year’s Cost Estimates times the Inflation Factor.

As of January 30, 2020, the Inflation Factor for this year’s Financial Assurance Reports is 1.0164

as Derived from Gross Domestic Product statistics, using the formula:

\[
\text{Implicit Price Deflator from most recent quarter} \div \text{Implicit Price Deflator from previous year’s corresponding quarter} = \text{Inflation Factor}
\]

Find the Implicit Price Deflators for GROSS DOMESTIC PRODUCT in Table 1.1.9 by way of the link for 'Section 1 – Domestic Product and Income' at this website of the U.S. Dept. of Commerce, Bureau of Economic Analysis (BEA):

https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=2&isuri=1&1921=survey&1903=13

So it is then that:

\[
\frac{2019 \text{ 4th quarter implicit price deflator}}{2018 \text{ 4th quarter implicit price deflator}} = \text{Inflation Factor}
\]

\[
\frac{113.083}{111.256} = 1.0164
\]

Consider as An Example, ---with No other re-assessment/re-computations being made...

Say, Last Year’s combined Closure/Postclosure Cost Estimates = $2,000,000.

Applying the Inflation Factor means:

This Year’s updated combined Closure/Postclosure Cost Estimates = $2,000,000 \times 1.0164 = $2,032,800

Source of the Implicit Price Deflators for GROSS DOMESTIC PRODUCT:

U.S. Department of Commerce
Bureau of Economic Analysis (BEA)
4600 Silver Hill Road
Washington, DC 20233
(301) 278-9004
e-mail: CustomerService@bea.gov

**Occasionally, Closure &/or Postclosure Cost Estimates are re-assessed and re-computed and yet found to be effectively the same from one year to the next. If that is the case, a statement to that effect has to be included with the Financial Assurance Report materials.