

CHAPTER 1 - INTRODUCTION

1. OVERVIEW OF CERCLA/SARA. On December 11, 1980, Congress passed the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Commonly referred to as "Superfund", this act created the Hazardous Substance Response Trust Fund, which is administered by the Treasury Department. The Trust Fund was established to provide money to respond to actual or threatened releases of hazardous substances, pollutants or contaminants that may endanger public health or the environment.

The Superfund Amendments and Reauthorization Act (SARA) was enacted October 17, 1986. SARA continues the program launched by CERCLA to clean up hazardous waste sites, by reauthorizing CERCLA for an additional five years, strengthening and expanding the cleanup program, increasing the size of the Hazardous Substance

Response Trust Fund (now known as the Hazardous Substance

Superfund or Superfund), and changing the tax structure for financing the Fund.

The Environmental Protection Agency (EPA), assisted by the states and other Federal agencies, has the primary responsibility for cleaning up contaminated areas. The funds available to EPA from the Hazardous Substance Superfund must be used only for costs necessary for and incidental to the Superfund program. EPA must set up the accounting structure, policy, procedures, and internal controls to ensure this is achieved.

2. THE HAZARDOUS SUBSTANCE SUPERFUND. The Hazardous Substance Superfund is administered by the Treasury Department. It is funded primarily by environmental taxes on petroleum and on the sale or use of certain chemicals. These taxes, which are collected by the Internal Revenue Service, are appropriated to the Superfund based on estimates which are later adjusted to actual amounts when tax returns are filed and processed. Other sources of funding for the Superfund include fines and penalties paid by individuals and entities who violate the terms of the CERCLA/SARA provisions, interest, and recoveries from responsible parties. These funds are collected and deposited into the Superfund by EPA. When amounts from any of these sources are credited to the Superfund, they are invested in U.S. Treasury market-based, special issue securities.

Monies in the Superfund not needed for current expenditures remain invested, and only those amounts required for current expenditures are redeemed. Superfund monies may be obligated, but are not redeemed and transferred until they are required for actual outlay. All earnings of the Superfund are credited to and become part of the Superfund.

Repayable advances from the General Fund are authorized to make up any shortfall of funds between estimated and actual receipts. Repayable advances are appropriated to an EPA advance account and transferred to the Superfund. These repayable advances are not invested, nor are they charged interest until they are actually drawn down for expenditure. Expenditures and transfers from the Superfund require appropriation by Congress and apportionment by OMB.

The Treasury Department provides a Monthly Status Report on the Superfund. The report shows receipts and expenditures for the current month and fiscal year to date, and a statement of financial condition showing assets, liabilities and equity.

3. CHANGES MADE BY SARA IN THE AREA OF FINANCIAL MANAGEMENT. In the area of financial management, SARA has made the following changes to the Superfund program:

a. INCREASED THE SIZE OF THE FUND. Under CERCLA, \$1.6

billion was authorized for the first five years of the Superfund program. SARA provides \$8.5 billion for the second five years.

b. MADE CHANGES IN THE TAX STRUCTURE. Under SARA, approximately 49 percent of the Superfund is financed by taxes on the manufacture or import of petroleum and certain chemicals; the remainder comes from an environmental tax, general revenues, interest, and money recovered from the private parties responsible for creating the hazardous waste sites. Under the original law, 86 percent of the Superfund came from taxes on the manufacture or import of certain chemicals and petroleum; the rest came from penalties, recoveries and interest.

c. ADDED NEW/REVISED REQUIREMENTS. SARA mandates three new Superfund reimbursement/funding mechanisms related to response actions. These are reimbursement to local governments for emergency response actions, Site/Research Grants and Technical Assistance Grants to groups of individuals affected by releases from National Priority List sites. In addition, SARA makes changes to the financial management requirements of several existing programs, including state credits and Cooperative Agreements, response claims, and statutory limits on removal program obligations.

4. PURPOSE OF PART 2550D. Several features of the Superfund legislation require EPA to establish contracting and accounting procedures for the Superfund program which differ from those for other appropriations. The appropriation is a no-year appropriation that funds both intramural and extramural costs. In addition, Superfund requires accounting for costs by site and activity for purposes of cost recovery and external reporting. Finally, Superfund resources must be readily available for quick response to emergency situations. This Part of the Resources Management Directives Systems (RMDS) sets forth the financial management and accounting policies with which all EPA offices must comply to meet these special requirements, and provides guidance for implementing these policies.

5. ORGANIZATION OF PART 2550D. Directive 2550D is organized in the following manner: Chapter 2 provides general information regarding Superfund financial management; Chapter 3 outlines how Superfund budget and resources management differs from that of other EPA programs. Chapters 4 and 5 explain how intramural costs should be accounted for and distributed to the Superfund appropriation. Chapters 6 through 11 outline the financial policies for managing the various funding and reimbursement mechanisms used in the Superfund program: Interagency Agreements, Technical Assistance Grants, local reimbursement, state contracts and Cooperative Agreements, procurement contracts, and response claims. Chapter 12 explains the cost recovery process and the Superfund cost documentation requirements. The Agency's indirect cost allocation process is summarized in Chapter 13. The exhibits referenced throughout this Part can be found at the end of each chapter. General EPA financial management guidance not specific to the Superfund program may be found in other parts of this directives system (see the Table of Contents to the RMDS).