



July 1, 2024

Ms. Zoe Heller
Director
California Department of Resources Recycling and Recovery (CalRecycle)
1001 I Street
Sacramento, CA 95812-4025

Dear Director Heller:

The Mattress Recycling Council California, LLC (MRC) is a tax-exempt nonprofit entity certified by CalRecycle as a "mattress recycling organization." MRC was established for the express purpose of designing, implementing and administering California's mattress recycling program.

Pursuant to Section 42988 of the California Public Resources Code, MRC hereby submits its proposed 2025 budget. In addition, MRC announces in this budget that, pursuant to Section 42989 of the California Public Resources Code, it will increase the recycling charge to \$16 per unit effective January 1, 2025.

Please contact me should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Ryan Trainer". The signature is fluid and cursive, with the first name "Ryan" being more prominent than the last name "Trainer".

Ryan Trainer
President
Mattress Recycling Council California, LLC



California Used Mattress Recovery and Recycling 2025 Program Budget

July 1, 2024

Submitted by:

Mattress Recycling Council California, LLC
501 Wythe Street
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Submitted to:

California Department of Resources Recycling and Recovery
Zoe Heller
Director
1001 I Street
Sacramento, CA 95812-4025

California Used Mattress Recovery and Recycling 2025 Program Budget

Pursuant to Cal. Pub. Res. Code §42988 and 14 CCR §18963, the Mattress Recycling Council California, LLC (MRC), a nonprofit entity, is pleased to submit to the California Department of Resources Recycling and Recovery (CalRecycle) its 2025 budget.

INTRODUCTION

In September 2013, California enacted SB 254, as amended, codified beginning at Section 42985 of the California Public Resources Code. That law requires mattress producers to create a statewide recycling program (the program) to collect and recycle mattresses and foundations (units) discarded in the state. The program is funded by a visible recycling charge collected from consumers and other purchasers on each unit sold for use in California. Pursuant to Cal. Pub. Res. Code §42987, CalRecycle has certified MRC as the mattress recycling organization to administer the program.

As required by Cal. Pub. Res. Code §42987(a)(3)(B), MRC consulted with the Mattress Advisory Committee (Advisory Committee) on April 30, 2024, prior to the submission of the 2025 budget.

Cal. Pub. Res. Code §42988 requires that MRC's budget meet the following requirements:

On or before July 1, 2015, and on or before July 1 annually thereafter, the mattress recycling organization shall prepare and submit to the department a proposed used mattress recycling program budget for the following calendar year that includes all the following:

- a) Anticipated revenues and costs of implementing the program, including related programs, projects, contracts, and administrative expenses.
- b) A recommended funding level sufficient to cover the plan's budgeted costs and to operate the mattress recycling program over a multiyear period in a prudent and responsible manner.
- c) The amount of the mattress recycling charge and itemization of costs that each charge covers.

In addition, CalRecycle has issued 14 CCR §18963(b) to implement the above requirements, which provides as follows:

- b) In addition to the requirements of subdivisions (a), (b), and (c) of section 42988 of the Public Resources Code, the information submitted in the used mattress recycling program budget shall contain the following:

1. Contact information. Identify the corporate officer of the mattress

- recycling organization responsible for annual used mattress program budget submittal.
2. Anticipated revenues and costs. Describe anticipated revenues and costs of implementing the program, including related programs, projects, contracts and administrative expenses.
 3. Mattress recycling charge and itemization. Identify the amount of the mattress recycling charge, including an itemization of costs that each charge covers.
 4. For used mattress recycling program budgets submitted on or by July 1, 2017 all actual expenses incurred to date shall be included. For annual reports submitted thereafter, the previous two years of actual expenses shall be included.

Pursuant to these provisions, MRC has calculated a “recommended funding level sufficient to cover the plan’s budgeted costs and to operate the mattress recycling program over a multiyear period in a prudent and responsible manner.” As discussed in further detail below, it is necessary, pursuant to Cal. Pub. Res. Code §42989 to increase the recycling charge to \$16 per unit effective January 1, 2025.

In preparing this budget, MRC has allocated revenues and expenses in accordance with Generally Accepted Accounting Principles (GAAP), as required by 14 CCR §18962(a)(6).

EXECUTIVE SUMMARY

In preparing its 2025 budget, MRC has taken into consideration not only its planned activities for 2025, but also its actual revenue and expense experience for 2023 and the first quarter of 2024 (Q1), as well as projections for the remainder of 2024.

By law, MRC must set the per unit mattress recycling charge that funds its California operations at a level that is sufficient to fund the program’s budgeted costs and operate the mattress recycling program over a multiyear period in a prudent and responsible manner. MRC’s expenses are comprised of collection costs (including the collection of illegally dumped mattresses), transportation and recycling, education and outreach, research, administrative expenses, and payments to reimburse CalRecycle for its oversight activities.

In 2025, MRC anticipates that 3.45 million units will be sold in California, compared to 2024 projected units of 3.35 million. MRC also anticipates that 1.5 million units will be recycled through the program in 2025. These figures represent 3.0% and 3.3% increases over the projected 2024 levels, respectively.

Funding the 2025 budget will require MRC to raise the recycling charge, pursuant to Cal. Pub. Res. Code §42989 to \$16 per unit effective January 1, 2025. This would be the first charge increase since the program launched nearly nine years ago on December 30, 2015, with a fee of \$11 per unit (MRC reduced that fee to

\$10.50 per unit in 2018). Although a significant year-over-year increase, a \$16 per unit charge in 2025 represents only a 4.25% annualized increase since MRC implemented the initial charge of \$11 per unit in December 2015.

Furthermore, it is important to recognize that MRC accumulated a significant reserve in the initial years after the program launched. Subsequently, California law required that MRC reduce that reserve to a maximum of 60% of annual operating expenses by January 1, 2027. As a result, over the last five years, MRC has intentionally used reserves to fund part of its operating expenses in order to reduce its reserves to the legally required level by 2027. If MRC had not had these reserves, it would have needed to increase the amount of the charge several times in recent years.

A \$16 per unit charge will generate budgeted revenue of \$55.2 million for 2025, a 57.0% increase over 2024 projections of \$35.2 million. We have budgeted \$25,000 for late fee revenue in 2025.

MRC's total annual expenses for 2025 are budgeted at \$51.2 million, which is 9.6% more than our projected 2024 total expenses of \$46.8 million. Total expenses include operational expenses of \$40.4 million in 2025, to cover expenses related to collection and containers, the Illegally Dumped Mattress Collection Initiative, transportation and recycling. Operational expenses are expected to be 12.0% higher than the 2024 projected operating expenses of \$36.1 million, in part because we expect to recycle 3.3% more units in 2025 compared to 2024 and MRC operational costs continue to increase with inflation. The operational expenses represent 78.8% of MRC's total 2025 budgeted expenses.

MRC's 2025 budgeted operational expenses include \$5.7 million in collection and container costs for solid waste handling fees, container and storage rental, consumer incentive payments (CIP) and collection site signage. This is a 4.3% increase compared to 2024 projections. Just under \$1 million has been budgeted in 2025 for MRC's Illegally Dumped Mattress Collection Initiative to compensate participating entities for collecting dumped units and reporting data on illegal mattress dumping, to fund pilot projects for innovative approaches to solving the illegally dumped mattress problem and to educate California residents about how to properly discard their used mattresses.

The 2025 budget for transportation and recycling includes an approximately 3% increase in the number of units transported and processed compared to 2024. MRC, however, will no longer incur third-party costs to transport or process pocketed coils because all recyclers will process their own pocketed coils in 2025. For these reasons, the 2025 transportation expenses budget is \$9.1 million, or an average of \$6.50 per unit, reflecting a 4.0% decrease from 2024 projections.

Although MRC will no longer pay third parties to process pocketed coils, the 2025

recycling budget is \$24.5 million, which is 21.9% higher than the 2024 projections due to both higher rates paid to MRC recyclers and the increase in unit volume.

MRC has budgeted \$2.8 million in 2025 for education and outreach to inform the industry and consumers about the Bye Bye Mattress program and how to recycle mattresses in California. This is a 0.7% increase from 2024 projections.

MRC has budgeted \$1.2 million in 2025 to fund an array of research projects. These funds are dedicated to developing new and better end uses for mattress components, process efficiency projects and improvements to mattress collection sites. These improvements are intended to help divert more units from landfills and protect the quality of discarded units so that more mattress materials can be recycled. MRC has also budgeted \$147,000 for the Sleep Products Sustainability Program to help mattress manufacturers reduce waste while increasing operational efficiency, as well as providing support for two circularity focused workgroups.

MRC's 2025 program administration expenses budget of \$6 million represents 11.7% of total expenses. Program administration expenses include staff expenses for both in-state operations staff and shared administrative staff, general administration and overhead, computer and database expenses, financial and compliance audits and outside consultants who provide expertise and program assistance. In addition, the MRC budget includes \$211,000 for both in-house counsel and outside legal expenses and \$700,000 to reimburse CalRecycle for program oversight.

MRC anticipates a net investment return of \$606,000 for 2024. Similarly, in preparing our 2025 budget, MRC anticipates we will earn a net return on our investments of approximately \$744,000.

MRC projects a net loss in 2024 of \$11 million, reducing the reserves by that amount. MRC intends to fund its 2025 budgeted expenses of \$51.2 million with \$55.2 million in recycling charge revenue. The balance of approximately \$4 million, as well as \$744,000 in net investment return, will replenish the reserve fund.

REQUIREMENTS OF CAL. PUB. RES. CODE §42988

1. Anticipated revenues and costs of implementing the program, including related programs, projects, contracts, and administrative expenses. (Cal. Pub. Res. Code §42988(a))

In preparing this budget, MRC calculated its revenue and costs as follows:

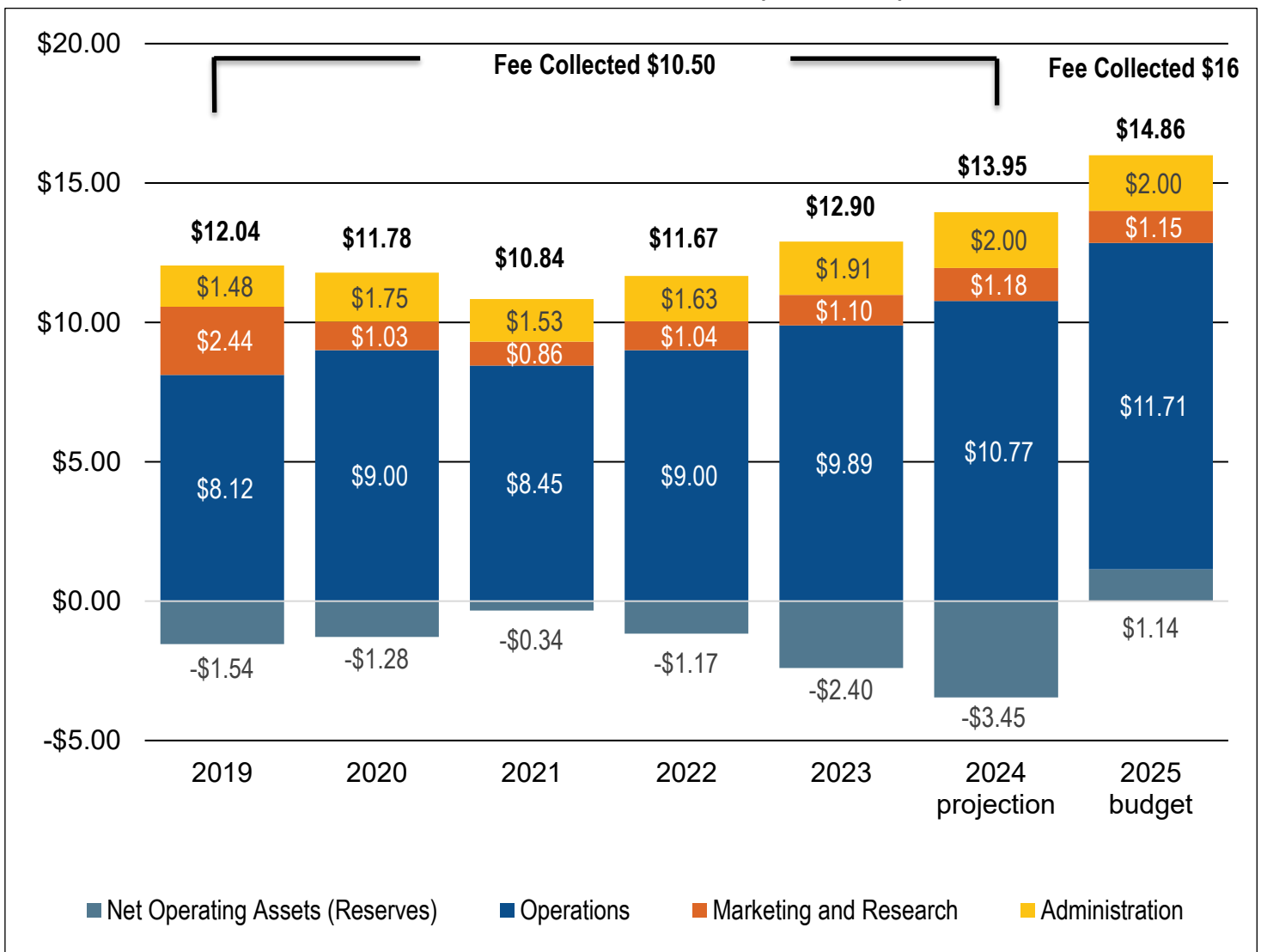
Revenue

The recycling charge collected on all mattress sales is the program's primary revenue source.

The budgeted \$16 per unit recycling charge represents a 4.25% annualized increase since MRC began to collect the initial charge of \$11 per unit on December 30, 2015. In comparison, California’s minimum wage increased at an annualized rate over the same period by 6.75% per year (from \$10 per hour when the program began operations to an anticipated \$18 per hour in 2025).

Furthermore, California law requires that MRC reduce its reserve to no more than 60% of annual expenses by 2027. As a result, since 2019 MRC has intentionally used reserves to fund part of its operating expenses to reduce its reserves to the legally required level. Figure 1 below shows the gap between revenue and expenses since 2019 that MRC was able to fill by drawing down on its reserves (represented by the bottom portion of each bar).

FIGURE 1: Cost Per Unit Sold (2019-2025)



In budgeting for 2025 revenue, MRC considered revenue and units sold for the past few years, as well as various economic indicators, including the International Sleep Products Association’s (ISPA) May 2024 Mattress Industry Forecast. Based on the combination of these factors, MRC projects that 2024 California unit sales will be 3,349,548, a decrease of 1.0% from 2023 unit sales of 3,383,382. MRC projects that California unit sales will rebound slightly in 2025 to 3,450,035 units, a 3.0% increase over 2024. MRC’s budgeted 2025 recycling charge revenue of \$55,200,560 is calculated by multiplying the 2025 budgeted units of 3,450,035 by the \$16.00 per unit charge.

We note that MRC also projects modest late fee revenue in 2025 of \$25,000, although we continue to encourage retailers and other sellers to make timely remittances to avoid these fees.

TABLE 1: 2025 Budgeted Program Revenue

Category	Amount
Recycling Charge Revenue	\$55,200,560
Late Fee Revenue	\$25,000
Total Revenue	\$55,225,560

Costs

MRC has budgeted \$51,246,126 in 2025 program costs, classified as follows:

- Operational Costs
 - Collection and container
 - Illegally Dumped Mattress Collection Initiative
 - Transportation and recycling
- Education and outreach
- Research
- Administration costs
 - Program administration
 - Legal
 - CalRecycle oversight

Following is a description of each of the above cost categories.

Operational Costs

Operational costs, including collection and container expenses, the Illegally Dumped Mattress Collection Initiative, transportation and recycling expenses, represent 78.8% of MRC’s total 2025 expenses. The number of units collected for processing, which affects all operational cost categories, is expected to increase by approximately 3% in 2025 compared to 2024.

MRC’s total 2025 operational costs are expected to be 12.0% higher than what we project we will spend in 2024. The total 2024 operational costs are projected to be 7.8% higher than 2023. The most significant factor driving these increases is labor costs, which we expect will increase by 12.5% between 2024 and 2025

and affect recycling, transportation and handling costs. Another important factor affecting operational costs in 2025 is decreased demand and value for post-consumer mattress foam. Mattress recyclers have historically sold foam for use in making rebond carpet pad, providing a significant source of additional revenue. Weak or no demand for these materials means recyclers must increase the amount they charge MRC for each unit processed. Finally, inflation has affected collection container fees, leading to an increase in this area, as well.

Collection and Container

This cost category, totaling \$5,735,374, covers the following activities:

- Solid waste handling
- Collection container and storage rental
- Consumer incentive payments (CIP)
- Collection site signage

MRC's 2025 budget includes \$3,484,604 in solid waste handling fees, a 3.9% increase over 2024. Currently, MRC has agreements with 240 permanent collection sites in California that are compensated for accepting, collecting, storing and handling used mattresses for processing through the program. This includes permanent collection sites that allow residents to drop off units at no cost and entities that collect units through no-cost curbside bulky item collection services. For purposes of preparing this 2025 budget, MRC applied the per unit handling fee to the number of units it expects to collect through each site. Additionally, MRC has contracted with organizations to provide labor at collection events and select collection sites, the costs of which are also included in this category.

MRC contracts with a significant number of solid waste facilities throughout the state, actively works to expand the collection network and anticipates that we will contract with additional collection sites in 2025. However, our ability to contract with certain Solid Waste Facilities (SWFs) is constrained for various reasons, including the lack of internal resources at the SWF to review and complete the contracting process and logistical constraints at the SWF facility.

MRC's 2025 budget also includes collection container and storage rental expenses of \$1,863,000, a 4.2% increase from 2024 projections. The increase is due primarily to higher rental fees.

MRC set the per unit consumer incentive payment at \$3 following pre-program discussions with the Advisory Committee in 2015. In setting the incentive at this level, MRC took into consideration Cal. Pub. Res. Code §42985(b), which states that it is the legislature's intent that SB 254 not undermine existing used mattress recycling, resale, refurbishing and reuse operations that are in compliance with state and federal law. MRC and the Advisory Committee also considered safety concerns related to incentivizing consumers to haul mattresses on personal vehicles. For 2025, MRC has budgeted \$367,770 for CIP costs for 122,590 units

at the \$3 per unit incentive. MRC anticipates that units collected from consumers who are paid the incentive will account for 8.0% of program units in 2025, which is consistent with the previous three years.

Finally, MRC has budgeted \$20,000 for 2025 to provide appropriate signage and written guidelines for collection sites, including replacement signage needed due to damage and wear.

Illegally Dumped Mattress Collection Initiative

MRC compensates local municipalities and other entities to provide MRC with needed statistical information about illegal mattress dumping in their jurisdictions and to collect the illegally dumped units.

The compensation varies based on whether the entity providing data is in an urban (\$15 per unit) or rural county (\$20 per unit). The 2025 budget anticipates participants will collect approximately 56,617 illegally dumped units, a 3.3% increase over the 2024 projection of 54,812 units. The 2025 budget will continue to fund targeted advertising and outreach efforts to educate state residents about the environmental impact of illegally dumped mattresses and how to dispose of a discarded mattress properly, as well as related administrative costs.

MRC has allocated \$70,000 in 2024 to fund pilot studies to explore methods to prevent the illegal dumping of mattresses. The 2025 budget includes \$90,000 for similar projects. All proposed pilot projects are in communities harmed by illegal mattress dumping. The scope of these projects may include improving access to mattress collection at multi-unit housing complexes, promoting awareness about existing mattress collection channels, enforcement of laws against dumping and establishing or improving mattress drop off programs.

Transportation and Recycling

Both transportation and recycling costs are directly related to the number of units collected. MRC projects that 1,530,181 units (approximately 3% increase over 2024 projections) will be collected for recycling through the program in 2025. Of these units, approximately 92% (1,403,946) will be transported by an MRC transportation contractor; the remaining 8% are expected to be self-hauled (by individuals or retailers).

To avoid having pocketed coils go to landfill, MRC assists recyclers who lack the ability to remove the steel coils from the fabric pockets for recycling. Although pocketed coils contain recyclable steel, most scrap steel purchasers require that the steel be separated from the pocket fabric, but most mattress recyclers lack the ability to do this. MRC transports this material from its recyclers who lack the ability to remove the steel coils from the fabric pockets to a centrally located processor that can perform this separation. By the end of 2023, three of our recyclers had begun processing their own pocketed coils, and by 2025, all of MRC's recyclers will process their own pocketed coils. As a result, our 2025 budget does not include pocketed coil transportation or processing expenses.

Transportation

MRC uses third parties to transport mattresses from collection sites to recyclers for processing. Transport costs vary considerably depending on the transport distance, geographic location of the collection site, the container type used to hold the discarded mattresses, the number of units per trailer and the cost of fuel.

For 2024, MRC projects transportation costs at an average rate of \$6.97 per unit for almost 1.4 million transported units (including \$0.81 per unit to transport pocketed coils from program recyclers to a centrally located recycler for processing) totaling \$9,509,115. The 2025 MRC budget includes a 3.0% increase in transported units at an average per unit rate of \$6.50 for a total of \$9,125,649 in transportation costs. Despite overall transportation rate increases, eliminating the need to transport pocketed coils to a central location for processing in 2025 results in a \$1 million cost reduction for the program, which offsets the overall inflationary pressures. MRC continues to focus on supply chain efficiency improvements including maximizing the trailer loads and minimizing the distance traveled, which helps reduce transportation costs.

Since all transportation services are provided by third parties, no MRC staff are directly involved in transporting discarded mattresses. As a result, no staff expenses are charged directly to these activities.

Recycling

MRC recyclers' costs have increased as wages have increased, factory space for the recycling plants has become more limited and expensive in certain markets, and other operational expenses have increased due to inflation. The 2025 recycling budget takes into account the 3.3% increase in the number of units processed, the anticipated processing rate increases paid to recyclers, and the elimination of separate, centralized pocketed coil processing.

In 2024, MRC projects a total of \$20,130,058 in recycling expenses, including approximately \$835,000 to recycle pocketed coils. The MRC 2025 recycling budget of \$24,544,412 does not include processing pocketed coils separately.

We expect recycling costs to increase by 21.9% in 2025 compared to 2024. California's minimum wage has increased an average of 6.75% annually since the program launched in late 2015, rising from \$10 to an expected \$18 in 2025. The increase from 2024 to 2025 alone is \$16 to \$18, or 12.5%. The weak or nonexistent demand for selling recycled foam for use in making rebond carpet pad forces recyclers to increase the amount they charge MRC for each unit processed. These rising labor rates and the decreased demand for recycling foam directly results in MRC's increased recycling costs.

Additionally, although MRC will no longer transport pocketed coils to third parties or pay those third parties to recycle the coils, the recyclers will now bear the costs of processing the pocketed coils and have passed along that cost to MRC beginning in 2025.

All recycling services are provided by third parties. No MRC staff are directly involved in processing discarded mattresses. As a result, no staff expenses are charged directly to these activities.

Details of the 2025 budgeted total operational costs (Collection and Containers, Illegally Dumped Mattress Collection Initiative, Transportation and Recycling) are as follows:

TABLE 2: 2025 Budgeted Total Operational Costs

Category	Amount
Collection and Container Costs	
Solid Waste Handling Fees	\$3,484,604
Collection Container and Storage Rental Expenses	\$1,863,000
Consumer Incentive Payments	\$367,770
Collection Site Signage	\$20,000
Total Collection and Container Costs	\$5,735,374
Illegally Dumped Mattress Collection Initiative	
Initiative Entity Compensation	\$863,410
Marketing/Advertising/Events	\$22,000
Consulting Services	\$1,800
Pilot Studies	\$90,000
Staff Expenses	\$15,750
Total Illegally Dumped Mattress Collection Initiative	\$992,960
Total Collection Costs	\$6,728,334
Transportation	\$9,125,649
Recycling	\$24,544,412
Total Operational Costs	\$40,398,395

Education and Outreach

MRC budgeted education and outreach expenses for 2025 of \$2,783,000, a 0.7% increase from 2024 projections of \$2,764,200. In 2025, approximately 5.4% of MRC’s total budgeted expenses are allocated to education and outreach.

MRC’s comprehensive education and outreach efforts inform the industry and consumers about how and where to recycle mattresses in California, why recycling is beneficial, and the impact MRC and mattress recycling are making in

the state.

MRC communicates with consumers using the Bye Bye Mattress brand and promotes the program across the state with paid advertising campaigns, public service announcements (PSA), media relations, direct mail, digital marketing, social media and participation in community and industry events. In 2025, MRC plans to continue this multichannel strategy. Consumer outreach will continue to include multicultural outreach. Additional efforts related to preventing illegal dumping are budgeted under the **Illegally Dumped Mattress Collection Initiative** in the Operational Costs section on page 9.

Industry outreach activities are conducted using the Mattress Recycling Council brand. MRC informs mattress retailers and other members of the industry about their legal obligation to register, collect, report and remit the recycling charge, as well as how they can recycle discarded mattresses they collect from consumers. MRC sends regular communications to all registrants prompting them to file their reports and remit payments on time.

The 2025 budget also includes funds for MRC to monitor and evaluate the effectiveness of its advertising and outreach efforts. This information guides MRC's decisions on future advertising and marketing efforts so that it can be as cost effective as possible while meeting its communication targets.

Details of the 2025 Education and Outreach budget are as follows:

TABLE 3: 2025 Budgeted Education and Outreach Costs

Category	Amount
Advertising and Consumer Education	\$1,540,000
3 rd Party PR Agencies	\$590,000
Industry and Stakeholder Outreach	\$192,000
Conferences and Events	\$50,100
Annual Report	\$35,000
Sub-Total	\$2,407,100
Travel	\$29,400
Staff Expenses	\$346,500
Total Education and Outreach	\$2,783,000

Research

MRC seeks to enhance the sustainability of California's mattress recycling program by improving the efficiency and effectiveness of the mattress collection network, promoting best practices in mattress recycling and identifying and developing new and better end uses for recycled materials. MRC has budgeted 2.3% of its expenses for these activities.

Research Activities

MRC has budgeted \$800,000 in 2025, compared to a projected \$825,000 in

2024. MRC’s 2023 annual report describes research that is complete, in-progress, and future areas of interest. The budget also funds small projects at collection sites that will advance program goals by increasing diversion of units from landfills and improve the recyclability of discarded units. In addition, to support its research objectives, MRC continues to participate in events and meetings with similar organizations to investigate and explore best practices and research into new markets for mattress commodities.

Sleep Products Sustainability Program

MRC’s Sleep Products Sustainability Program (SP2) is designed to help individual mattress manufacturers reduce their generation of material waste and consumption of water and energy during the mattress manufacturing process. SP2 works with mattress manufacturers to help identify steps they can take to reduce their environmental impact, define metrics for measuring the effects of those changes and learn from best practices.

The budget also includes funds to support two workgroups - circular design and new materials recycling.

The 2025 SP2 budget of \$147,278 supports these endeavors, including management oversight, funds to publicize the program, training for manufacturers and verifying participants for certification and recertification. MRC’s 2023 annual report provides additional detail about SP2 activities.

Details of the 2025 Research budget are as follows:

TABLE 4: 2025 Budgeted Research Costs

Category	Amount
Research Activities	\$475,000
Mattress Collection Facility Improvement Funding	\$45,000
Consulting	\$280,000
Subtotal Research Activities	\$800,000
Sleep Products Sustainability Program	\$147,278
Subtotal Research	\$947,278
Staff Expenses	\$227,850
Total Research	\$1,175,128

Program Administration, Legal and CalRecycle Oversight

Budgeted Administration costs for 2025, including program administration, legal, and CalRecycle oversight, is \$6,889,603.

Program Administration

In 2025, MRC is budgeting \$5,978,753 in program administration costs, representing 11.7% of the total expenses. Of this amount, \$3,928,260 (an 8.0% increase from 2024 projections) anticipates 27 FTE (full time equivalent) staff that perform administrative and operational program oversight, including

13 FTE's who reside in California. This represents 84.3% of MRC's total staff expense of \$4,657,653. An additional 5 FTEs (bringing the total to 32 FTEs) are for staff who work on education and outreach, the illegally dumped mattress initiative, research, and legal activities, which are included and shown under those activity costs within the budget. The budgeted administrative and overhead costs of \$712,008 include office space, telephone, utilities, insurance, depreciation (including websites) and other administrative expenses.

MRC also hires consultants and outside contractors to provide additional services and expertise. MRC has budgeted \$412,298 in 2025 for this expense category. Program administration expenses include \$295,517 in computer and database expenses for the organization's finance and CRM systems used to manage program registrants, recycling data and financials. MRC has been and will continue to enhance its CRM system to boost efficiency and improve data collection.

Program administrative expenses also include \$248,450 to prepare annual tax filings and conduct the annual financial audit, including MRC's SOC1 audit (conducted by PwC), which CalRecycle's regulation 14 CCR§ 18964(b)(11) requires MRC to perform as a necessary component of the annual audit. MRC also expects to incur \$24,000 in recycler compliance audit expenses and \$69,920 to conduct retailer payment reviews. The combined compliance costs in 2025 for operational audits and participant reviews of \$93,920 are 4.7% less than the 2024 projections.

MRC also works with California-based entities to provide industry and government relations support, specifically to assist MRC in responding to questions from legislators, informing elected officials and other stakeholders about the program and monitoring other California legislative and regulatory developments that may affect the program. MRC has budgeted \$150,000 for these activities.

In addition, 2025 budgeted travel expenses of \$138,300 are expected to be 3.1% above 2024 projections.

Legal

Legal costs for 2025, budgeted at \$210,850, cover in-house counsel expenses, as well as fees for outside counsel that negotiate MRC contracts, address contract compliance issues and advise MRC regarding corporate matters. This is 4.4% above 2024 projections of \$202,000.

CalRecycle Oversight

Cal. Pub. Res. Code §42988.2 requires that MRC reimburse CalRecycle for its direct costs incurred to implement and enforce the Used Mattress Recovery and Recycling Act. Based on the previous three years of invoiced costs, MRC anticipates the total cost for 2024 and 2025 to be \$700,000 per

year. This represents 1.4% of the budgeted expenses.

Details of the 2025 Program Administration, Legal and CalRecycle Oversight budget are as follows in Table 5:

TABLE 5: 2025 Budgeted Administration Costs

Category	Amount
Staff Expenses	\$3,928,260
Administrative and Overhead Expenses	\$712,008
Outsourced Contractors/Consultants	\$412,298
Computer and Database Expenses	\$295,517
Annual Financial Audit and Tax Filings	\$248,450
Compliance Expenses (operational and retailer)	\$93,920
Industry and Government Relations	\$150,000
Field Visits and Program Travel	\$138,300
Total Administration	\$5,978,753
Legal	\$210,850
CalRecycle Oversight	\$700,000
Total Program Administration, Legal and CalRecycle Oversight Costs	\$6,889,603

2. A recommended funding level sufficient to cover the plan’s budgeted costs and to operate the mattress recycling program over a multiyear period in a prudent and responsible manner. (Cal. Pub. Res. Code §42988(b))

Cal. Pub. Res. Code § 42988 requires that MRC provide a recommended funding level sufficient to cover the plan’s budgeted costs and to operate the mattress recycling program over a multiyear period in a prudent and responsible manner. MRC’s 2025 budget takes into account anticipated revenue and expenses, as well as a reserve that MRC established to maintain sufficient funds to operate the program over a multiyear period in a fiscally prudent and responsible manner. Pursuant to Cal. Pub. Res. Code §42989, MRC will change the recycling charge to \$16 per unit to fund the 2025 budget.

The MRC Board has established a reserve policy that directs MRC management to not only have sufficient operating cash to fund operations (e.g., cash on hand equal to approximately three months of expenses), but a prudent level of reserves (Board Designated Financial Reserve) that allow MRC to be prepared in case its operational expenses increase or planned revenues decrease as a result of external factors. The COVID-19 pandemic, significant increases in fuel and labor costs and inflationary factors adversely affecting sales are recent examples of situations beyond MRC’s control that affect operations and the budget.

The reserve protects the long-term viability of the program by setting aside

money that can fund budget deficits without necessitating frequent adjustments in the recycling charge. Given the significant amount of time required to obtain approval and implement a change in the recycling charge (e.g., MRC must request a proposed change, CalRecycle must approve the change and MRC must notify the public at least 180 days in advance of an approved change), a reserve sufficient to allow MRC to operate the program smoothly without financial disruption during such a transition is imperative.

MRC maintains approximately three months of operating cash as working capital, as well as a Board designated financial reserve. MRC’s network of recyclers and transporters relies on the stability of MRC’s funding and could experience serious financial distress if, due to financial constraints, MRC were to miss or be late making even a single payment to them for services due to a lack of funding. If these vendors were to cease operations because of payment problems, MRC’s collection and recycling networks would quickly unravel. Therefore, to keep the program functioning, and its vendors paid and operating, it is critical that MRC hold sufficient working capital to cover cash flow shortfalls that result from reduced (or delayed) participant payments or an unanticipated increase in expenses. MRC relies on Board designated financial reserve to address the various financial risks it may encounter.

As described in Table 6, MRC’s 2025 budget assumes a change in net operating assets of \$3,979,434. Factoring in a budgeted net investment return of \$744,000, the change to net assets is an increase of \$4,723,434.

The 2025 budget will replenish some of the Board-designated financial reserve that MRC has used since 2019 to fill the gap between revenue and expenses. Specifically, the 2025 budget will add \$4,723,434 to reserves, or an amount equal to one month of annual expenses.

MRC’s change in net operating assets and change in net assets experienced in 2023, and projected for 2024 and 2025 are as follows in Table 6:

TABLE 6: 2023 thru 2025 Net Operating Assets and Change in Net Assets

Category	2023 Actual	2024 Projections	2025 Proposed Budget
Total Revenue	\$35,547,182	\$35,190,254	\$55,225,560
Total Program Costs	\$43,618,063	\$46,752,249	\$51,246,126
Change in Net Operating Assets	(\$8,070,881)	(\$11,561,995)	\$3,979,434
Net Investment Return	\$2,444,590	\$606,000	\$744,000
Gain on Disposal of Assets	\$1,115	\$0	\$0

Change in Net Assets	(\$5,625,176)	(\$10,955,995)	\$4,723,434
Net Assets at the Beginning of the Year	\$37,406,137	\$31,780,961	\$20,824,966
Net Assets at the End of the Year	\$31,780,961	\$20,824,966	\$25,548,400

Based on the objectives discussed previously regarding MRC’s budgeted costs and reserve needs, MRC has budgeted recycling charge revenue of \$55,200,560 (total revenue of \$55,225,560, including \$25,000 in late fee revenue) in 2025 to meet the requirements of Cal. Pub. Res. Code § 42988(b).

3. Commencing January 1, 2027, the mattress recycling organization shall not maintain total reserves exceeding 60 percent of its annual operating expenses, consistent with the requirements of the Financial Accounting Standards Board’s Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958), and any future updates to that standard. (Cal. Pub. Res. Code §42988.3(b))

In 2019, California added Subsections 42988.3(a) and (b) to the California Public Resources Code, which states:

- (a) On and after January 1, 2021, the mattress recycling organization shall identify strategies in its annual proposed budget to comply, commencing January 1, 2027, with the reserve requirements specified in this section.
- (b) Commencing January 1, 2027, the mattress recycling organization shall not maintain total reserves exceeding 60 percent of its annual operating expenses, consistent with the requirements of the Financial Accounting Standards Board’s Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958), and any future updates to that standard.

The 2025 proposed budget brings the Board-designated financial reserve to 24.9% (3 months) of annual operating expenses, less than the 60% maximum. Net assets include both a Board-designated financial reserve of \$12,736,868, as well as an amount equal to 3 months of expenses to be set aside as working capital.

The Board-designated financial reserve as a percent of annual operating expenses (Total Program Costs) for 2023 Actuals through the 2025 Budget is as follows in Table 7:

TABLE 7: Total Reserves

Item	2023 Actuals	2024 Projections	2025 Proposed Budget
Net Assets as of Year End	\$31,780,961	\$20,824,966	\$25,548,400
Undesignated Net Assets ¹	\$10,904,520	\$11,688,062	\$12,811,532
Board-Designated Financial Reserve	\$20,876,441	\$9,136,904	\$12,736,868
Board-Designated Financial Reserve as a % of Annual Operating Expenses	47.9%	19.5%	24.9%

4. The amount of the mattress recycling charge and itemization of costs that each charge covers. (Cal. Pub. Res. Code § 42988(c))

Determination of Two Separate Charges

Cal. Pub. Res. Code § 42989(b)(2) gives MRC the discretion to either (1) set a single recycling charge that applies to all sizes and types of mattresses and foundations, or (2) set up to two different charges “to accommodate mattress size differentials.” MRC considered whether to exercise its authority to set two charges when it submitted its amended plan on January 9, 2023 but decided to set a single charge for all sizes and types of mattresses and foundations. Likewise, MRC has set a single state-specific recycling charge for mattresses and foundations sold in the other two states in which it administers similar mattress recycling programs. In preparing its 2025 budget, MRC has decided to continue to set a single charge, as it is authorized to do by Section 42989.

Itemization of the Mattress Recycling Charge

Cal. Pub. Res. Code §42988(c) and 14 CCR §18963(b)(3) requires that MRC itemize the costs that the charge covers.

The itemized cost components discussed above that comprise MRC’s 2025 budgeted expenses are as follows in Table 8:

¹ Undesignated Net Assets, or working capital, is equal to 25% of annual operating expenses (total program costs).

TABLE 8: Itemized Costs of 2025 Proposed Budget

Cost Category	Percent of Each Cost Category
Collection and Container Costs	11.2%
Illegally Dumped Mattress Collection Initiative	1.9%
Transportation and Recycling	65.7%
Education and Outreach	5.4%
Research	2.3%
Program Administration	11.7%
Legal	0.4%
CalRecycle Oversight	1.4%
Total	100.0%

Amount of the 2025 Charge

Pursuant to Cal. Pub. Res. Code §42989, the 2025 budget increases the recycling charge to \$16 per unit. MRC has relied upon reserves to help fund the program since 2019. The new charge will support 2025 program operations, as well as replenish reserves to a level sufficient to operate the program over a multiyear period in a fiscally prudent and responsible manner.

The 2025 MRC budget takes into account 2023 actuals and 2024 projections, based on data gathered since MRC submitted the 2024 budget for approval in July of 2023. Based on this information, MRC budgets 2025 total revenue of \$55,225,560 (recycling charge revenue of \$55,200,560 and late fee revenue of \$25,000) and expenses of \$51,246,126. The MRC budget anticipates that the recycling charge will be collected on 3,450,035 units sold to California consumers, an increase of 100,487 units from 2024, and that the number of units processed through the program will increase by 48,778 units to 1,530,181.

Table 9 demonstrates that a charge of \$16 per unit will be sufficient to cover MRC's 2025 budgeted expenses of \$51,246,126 as well as replenish the reserves to 3 months of annual expenses.

TABLE 9: Recycling Charge

Category	Amount
A. Budgeted 2025 Expenses	\$ 51,246,126
B. Addition to Reserves	\$ 4,723,434
C. Total Amount to Cover (C = A + B)	\$55,969,560
D. Adjust for Additional Revenue from Late Fees	\$25,000
E. Adjust for Net Investment Return	\$744,000
F. Remaining Amount Funded by Charge F = C - D - E)	\$ 55,200,560
G. Projected Unit Sales	3,450,035
H. Per Unit Charge (H = F / G)	\$16

REQUIREMENTS OF 14 CALIFORNIA CODE OF REGULATIONS §18963(b)

- 5. Contact information. Identify the corporate officer of the mattress recycling organization responsible for annual used mattress program budget submittal. (14 CCR §18963(b)(1))**

The MRC Budget is submitted by:

Catherine Lyons
Manager and CFO
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- 6. Anticipated revenues and costs. Describe anticipated revenues and costs of implementing the program, including related programs, projects, contracts, and administrative expenses. (14 CCR §18963(b)(2))**

See **Part 1** beginning on page 5.

- 7. Mattress recycling charge and itemization. Identify the amount of the mattress recycling charge, including an itemization of costs that each charge covers. (14 CCR §18963(b)(3))**

See **Part 4** beginning on page 18.

- 8. For used mattress recycling program budgets submitted on or by July 1, 2017 all actual expenses incurred to date shall be included. For annual reports submitted thereafter, the previous two years of actual expenses shall be included. (14 CCR §18963(b)(4))**

Table 10 beginning on page 21 provides the previous two years of actual expenses (2022 and 2023) and projected expenses for 2024. **Table 11** beginning on page 23 provides the 2025 program budget.

TABLE 10: 2022 and 2023 Actual Expenses and 2024 Projections

EXPENSES:	2022 Actuals	2023 Actuals	2024 Projections
Operational Costs			
Collection and Container Costs			
Solid Waste Handling Fees	\$ 3,376,209	\$ 3,369,947	\$ 3,353,523
Collection Container and Storage	\$ 1,594,769	\$ 1,671,336	\$ 1,788,112
Consumer Incentive Payments	\$ 298,836	\$ 339,652	\$ 341,361
Collection Site Signage	\$ 25,345	\$ 10,439	\$ 17,220
Total Collection and Container Costs	\$ 5,295,159	\$ 5,391,374	\$ 5,500,216
Illegally Dumped Mattress Collection Initiative	\$ 1,026,507	\$ 871,014	\$ 943,031
Transportation and Recycling			
Transportation	\$ 9,418,346	\$ 8,709,465	\$ 9,509,115
Recycling	\$ 18,056,285	\$ 18,486,124	\$ 20,130,058
Total Transportation and Recycling	\$ 27,474,631	\$ 27,195,589	\$ 29,639,173
Total Operational Costs	\$ 33,796,297	\$ 33,457,977	\$ 36,082,420
Education and Outreach			
Advertising and Consumer Education	\$ 1,712,860	\$ 1,567,979	\$ 1,540,000
3rd Party PR Agencies	\$ 589,874	\$ 584,993	\$ 590,000
Industry and Stakeholder Outreach	\$ 215,297	\$ 190,303	\$ 192,000
Conferences and Events	\$ 54,073	\$ 79,042	\$ 48,600
Annual Report	\$ 23,240	\$ 30,293	\$ 35,000
Travel	\$ 32,745	\$ 28,041	\$ 28,600
Staff Expenses	\$ 252,611	\$ 317,625	\$ 330,000
Total Education and Outreach	\$ 2,880,700	\$ 2,798,276	\$ 2,764,200
Research			
Research Activities	\$ 447,606	\$ 410,208	\$ 475,000
Collection Facility Improvement Funding	\$ 76,587	\$ 44,512	\$ 75,000
Consulting	\$ 192,189	\$ 151,544	\$ 275,000
Sleep Products Sustainability Program	\$ 111,453	\$ 95,927	\$ 161,290
Staff Expenses	\$ 184,933	\$ 209,337	\$ 217,000
Total Research	\$ 1,012,768	\$ 911,528	\$ 1,203,290

EXPENSES:	2022 Actuals	2023 Actuals	2024 Projections
Program Administration			
Staff Expenses	\$ 3,052,594	\$ 3,399,723	\$ 3,637,800
Administrative and Overhead Expenses	\$ 686,525	\$ 739,035	\$ 705,807
Outsourced Contractors/Consultants	\$ 485,559	\$ 445,138	\$ 436,246
Computer and Database Services	\$ 395,147	\$ 353,453	\$ 392,842
Annual Financial Audit and Tax Filings	\$ 290,089	\$ 287,000	\$ 245,000
Compliance Expenses	\$ 67,467	\$ 84,921	\$ 98,544
Industry and Government Relations	\$ 144,797	\$ 144,557	\$ 150,000
Field Visits and Program Travel	\$ 162,047	\$ 150,859	\$ 134,100
Total Program Administration	\$ 5,284,225	\$ 5,604,686	\$ 5,800,339
Legal Costs	\$ 181,730	\$ 179,192	\$ 202,000
CalRecycle Oversight Fees	\$ 639,572	\$ 666,404	\$ 700,000
Total Expenses	\$ 43,795,292	\$ 43,618,063	\$ 46,752,249

TABLE 11: California Used Mattress Recovery and Recycling 2025 Program Budget

Item	2025 Budget	Expense Allocation
REVENUE:		
Recycling Charge Revenue	\$ 55,200,560	
Late Fee Revenue	\$ 25,000	
Total Revenue	\$ 55,225,560	
EXPENSES:		
Operational Costs		
Collection and Container Costs		
Solid Waste Handling Fees	\$ 3,484,604	
Collection Container and Storage Rental	\$ 1,863,000	
Consumer Incentive Payments	\$ 367,770	
Collection Site Signage	\$ 20,000	
Total Collection and Container Costs	\$ 5,735,374	11.2%
Illegally Dumped Mattress Collection Initiative	\$ 992,960	1.9%
Transportation and Recycling		
Transportation	\$ 9,125,649	
Recycling	\$ 24,544,412	
Total Transportation and Recycling	\$ 33,670,061	65.7%
Total Operational Costs	\$ 40,398,395	78.8%
Education and Outreach		
Advertising and Consumer Education	\$ 1,540,000	
3 rd Party PR Agencies	\$ 590,000	
Industry and Stakeholder Outreach	\$ 192,000	
Conferences and Events	\$ 50,100	
Annual Report	\$ 35,000	
Travel	\$ 29,400	
Staff Expenses	\$ 346,500	
Total Education and Outreach	\$ 2,783,000	5.4%
Research		
Research Activities	\$ 475,000	
Collection Facility Improvement Funding	\$ 45,000	
Consulting	\$ 280,000	
Sleep Products Sustainability Program	\$ 147,278	
Staff Expenses	\$ 227,850	
Total Research	\$ 1,175,128	2.3%

Item	2025 Budget	Expense Allocation
Program Administration		
Staff Expenses	\$ 3,928,260	
Administrative and Overhead Expenses	\$ 712,008	
Outsourced Contractors/Consultants	\$ 412,298	
Computer and Database Services	\$ 295,517	
Annual Financial Audit and Tax Filings	\$ 248,450	
Compliance Expenses	\$ 93,920	
Industry and Government Relations	\$ 150,000	
Field Visits and Program Travel	\$ 138,300	
Total Program Administration	\$ 5,978,753	11.7%
Legal Costs	\$ 210,850	0.4%
CalRecycle Oversight Fees	\$ 700,000	1.4%
Total Expenses	\$ 51,246,126	100.0%
Operating Net Assets	\$ 3,979,434	
Net Investment Return	\$ 744,000	
Net Assets	\$ 4,723,434	