

REQUEST FOR APPROVAL

To: Rachel Machi Wagoner
Director

From: Zoe Heller
Deputy Director, Materials Management and Local
Assistance Division
Acting Deputy Director, Policy Development and Analysis Office

Request Date: September 20, 2022

Decision Subject: Consideration of Mattress Recycling Council's California Used
Mattress Recovery and Recycling 2023 Program Budget

Action By: September 29, 2022

Summary of Request

Mattress Recycling Council submitted its *California Used Mattress Recovery and Recycling 2023 Program Budget* to the Department of Resource Recycling and Recovery on July 1, 2022. This Request for Approval presents staff's analysis regarding Mattress Recycling Council's *California Used Mattress Recovery and Recycling 2023 Program Budget*.

Staff Analysis

By July 1 of each year, Mattress Recycling Council (MRC) must submit to the Department of Resources Recycling and Recovery (CalRecycle) a proposed budget for the following calendar year. Annual budgets must contain the anticipated revenues and costs of implementing the program, a recommended funding level sufficient to cover the plan's budgeted costs, the amount of the mattress recycling charge, and an itemization of the costs that the charge covers.

Staff evaluated MRC's *California Used Mattress Recovery and Recycling 2023 Program Budget (2023 Budget)*, according to the requirements specified in Public Resources Code (PRC) section 42988, and Title 14, California Code of Regulations (CCR) section 18963. Staff found the *2023 Budget* is sufficient to fund MRC's anticipated costs of implementing its program and satisfies the statutory and regulatory requirements for approval. Table 1, below, summarizes MRC's proposed expenditures for 2023 and is followed by a summary of staff's analysis of MRC's *2023 Budget*.

Table 1. MRC's Proposed 2023 Budget Expenses by Cost Category

Cost Category	Amount Proposed in 2023 Budget	Percent of Proposed 2023 Costs
Collection	\$7,237,758	15%
Transportation	\$9,416,431	19%
Recycling	\$21,217,385	44%
Education and Outreach	\$3,040,133	6%
Research and Development	\$1,331,334	3%
Program Administration	\$6,487,215	13%
Total	\$48,730,256	100.0%

Revenues, Costs, and Amount of Mattress Recycling Charge

Requirements: Describe the anticipated revenues and costs of implementing the program, including related programs, projects, contracts, and administrative expenses pursuant to PRC section 42988(a). Provide the amount of the mattress recycling charge and an itemization of costs that the charge covers pursuant to PRC section 42988(c).

Result: Met requirements.

Revenue and Mattress Recycling Charge

MRC's revenue is primarily generated from a \$10.50 mattress recycling charge collected on every mattress, foundation, and futon sold in California. MRC used historical California sales data through the first quarter of 2022 and the International Sleep Products Association's May 2022 industry forecast to project that California mattress sales will increase by 2.0 percent in 2023 compared to sales projected for 2022. MRC estimates that 4,250,200 units will be sold in 2023, generating \$44,627,100 in revenue from the mattress recycling charge. In addition, MRC expects to collect about \$30,000 in late fees from retailers who do not remit mattress recycling charges to MRC on time and \$1,347,296 in net investment returns. MRC intends to fund its \$48,730,256 in proposed expenditures with \$46,004,396 in revenue from the mattress recycling charge, late fees, and investment returns and \$2,725,860 from its reserves. MRC does not anticipate a need to change the amount of the mattress recycling charge

due to sufficient projected revenue and reserve funding. The mattress recycling charge and anticipated revenue described in MRC's *2023 Budget* meet the statutory and regulatory requirements.

Costs and Itemization of Mattress Recycling Charge

MRC's *2023 Budget* itemized and described the anticipated expenses necessary to implement the program in 2023. MRC proposes to spend \$48,730,256 in 2023; 78 percent of the anticipated expenses are operational expenses including collection, transportation, and recycling costs. Figure 1, below, illustrates how MRC's proposed *2023 Budget* expenditures compare to MRC's approved 2022 Budget and its actual expenditures in 2021.

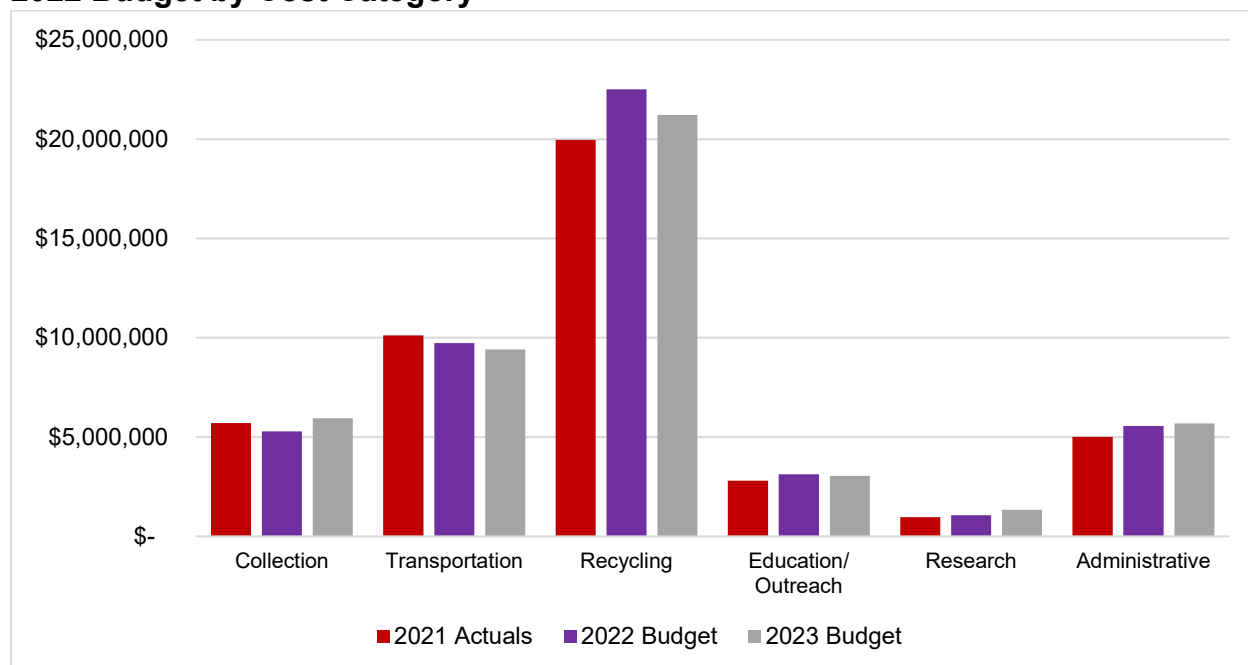
MRC anticipates collection of used mattresses will increase by 32,604 units to 1,635,593 units in 2023, which is a 2 percent increase from what MRC expects to collect in 2022. Accordingly, MRC expects to spend \$5,938,802 on collection and container costs in 2023 compared to \$5,279,837 that MRC budgeted for 2022. MRC proposes to spend an additional \$1,298,956 in the collection cost category in 2023 to compensate municipalities for collecting illegally dumped units, reporting information to MRC, and to fund projects that help mitigate illegal dumping as part of its Illegally Dumped Mattress Collection Initiative. MRC anticipates that the Illegally Dumped Mattress Collection Initiative participants will collect 74,799 units in 2023, an increase of 2 percent over its 2022 projection of 73,332 units. MRC plans to continue to improve supply chain and transportation efficiency, and therefore, budgeted \$9,416,431 for transportation costs, which is 3 percent less than 2022 (\$9,735,364). MRC anticipates it will spend \$21,217,385 on recycling, which is about \$1,000,000 more in 2023 compared to MRC's projections for 2022 (\$20,193,807). The increased recycling expenditures are due to expected increases in the number of units processed in 2023 and increased recycler compensation rates.

MRC proposes to maintain expenditures on education and outreach at a level similar to prior years. MRC projects it will spend \$3,040,133 (compared to \$3,129,479 in 2022) to continue its consumer and industry education and outreach, including advertising, funding to third party public relations agencies, MRC staff travel costs, and participation in conferences and events. MRC budgeted \$1,331,334 (compared to \$1,261,597 in 2022) for research and development projects including the Sleep Products Sustainability Program, end-use application development, lean assessments, network development, mattress collection facility improvements, and research consulting.

MRC proposes to spend \$6,487,215 in program administration costs for 2023, which includes MRC's legal costs and CalRecycle oversight expenses. MRC expects to spend 5.1 percent more on program administration in 2023 compared to 2022 projections (\$6,174,172) to support increased computer, database, website, and staffing costs, which include salaries for 27.29 full-time equivalent staff.

MRC's itemization of costs and descriptions in its *2023 Budget* meet the statutory and regulatory requirements.

Figure 1. MRC's 2023 Proposed Budget Compared to 2021 Actual Expenses and 2022 Budget by Cost Category



Funding Level and Reserves

Requirements: Demonstrate a recommended funding level sufficient to cover the plan's budgeted costs and to operate the mattress recycling program in a prudent and responsible manner, pursuant to PRC 42988(b). Identify strategies to maintain total reserves that shall not exceed 60 percent of annual operating expenses by January 1, 2027, pursuant to PRC section 42988.3(a) and (b).

Result: Met requirements.

MRC maintains reserves to ensure the program has sufficient funding to continue to operate in case of unforeseen increased operational expenses or decreased revenue. MRC is required to identify strategies in its proposed budgets to maintain total reserves that shall not exceed 60 percent of its annual operating expenses by January 1, 2027. By the end of 2023, MRC projects its total net assets will be \$38,101,301 and board designated financial reserve will be 53.2 percent of MRC's annual operating expenses (see Table 2, below). MRC's proposed budget for 2023 demonstrates it is on track to adhere to the requirement that its reserves shall not exceed 60 percent of its annual operating expenses by 2027. Accordingly, MRC's funding level and reserves meet the statutory and regulatory requirements.

Table 2. MRC's Total Net Assets and Reserve Level (2021 to 2023)

	2021 Actuals	2022 Budget	2023 Budget
Total Net Assets	\$44,216,036	\$40,490,742	\$38,101,301
Board Designated Financial Reserve	\$32,335,405	\$27,977,882	\$25,918,737
Reserves as a Percent of Annual Operating Expenses	68.0%	55.9%	53.2%

Consultation with Mattress Advisory Committee

On May 5, 2022, MRC consulted with the Mattress Advisory Committee prior to the submittal of the *2023 Budget* as required by PRC section 42987. On July 7, 2022, the Advisory Committee met to prepare a comment letter regarding MRC's *2023 Budget*. The Advisory Committee recommended in its comment letter that MRC address in its *2023 Budget* rising gas prices and driver shortages, provide more information on funds spent on each academic/industry research project, and allocate funding for at least one in-person Advisory Committee meeting in 2023.

Stakeholder Feedback

CalRecycle solicited public comments on MRC's *2023 Budget* from July 1, 2022, through July 18, 2022, and received two comment letters from the Rural Counties Environmental Services Joint Powers Authority and California Product Stewardship Council which both expressed support for approval of MRC's *2023 Budget*.

Summary of Staff Analysis

CalRecycle staff analyzed MRC's *2023 Budget* and found that it met the statutory and regulatory requirements. The *2023 Budget* demonstrates sufficient funding to cover MRC's projected costs to operate the mattress recycling program in a prudent and responsible manner and maintain sufficient reserves.

Action

Based on the information and analysis in this Request for Approval, I hereby approve MRC's *2023 Budget*.

Dated: 9/20/2022

Signed by: Rachel Machi Wagoner, Director

Attachments:

Documents listed below are posted to CalRecycle's website. To request documents that are referenced in this report but are not listed below, please submit a [Public Records Act Request](#).

1. [California Used Mattress Recovery and Recycling 2023 Program Budget](#),
<https://www2.calrecycle.ca.gov/Docs/Web/121797>