

## REQUEST FOR APPROVAL

**To:** Rachel Machi Wagoner  
Director

**From:** Zoe Heller  
Deputy Director, Division of Circular Economy

**Request Date:** September 19, 2023

**Decision Subject:** Consideration of Mattress Recycling Council's 2024 Program Budget

**Action By:** September 28, 2023

---

### **Summary of Request**

Mattress Recycling Council submitted its *California Used Mattress Recovery and Recycling Program 2024 Budget* to the Department of Resource Recycling and Recovery on June 30, 2023. This Request for Action presents a summary of staff's analysis regarding *Mattress Recycling Council's California Used Mattress Recovery and Recycling 2024 Program Budget*.

### **Background**

Public Resources Code (PRC) section 42988 states that, on or before July 1 of each year, the mattress recycling organization, Mattress Recycling Council (MRC), must prepare and submit to the Department of Resources Recycling and Recovery (CalRecycle) a proposed used mattress recycling program budget for the following calendar year. Annual budgets must contain details, including the anticipated revenues and costs of implementing the program, a recommended funding level sufficient to cover the plan's budgeted costs to operate the mattress recycling program in a prudent and responsible manner, the amount of the mattress recycling charge, and an itemization of the costs that the charge covers. MRC submitted its proposed *California Used Mattress Recovery and Recycling 2024 Program Budget (2024 Budget)* to CalRecycle on June 30, 2023.

### **Staff Analysis**

Staff evaluated MRC's *2024 Budget* to determine whether it met the requirements of PRC section 42988 and Title 14, California Code of Regulations (14 CCR) section 18963. Table 1, below, summarizes MRC's proposed expenditures for 2024 and is followed by a summary of staff's analysis of MRC's *2024 Budget*.

**Table 1. MRC’s Proposed 2024 Budget Expenses by Cost Category**

<b>Cost Category</b>	<b>Amount Proposed in 2024 Budget</b>	<b>Percent of Proposed 2024 Costs</b>
Collection	\$6,270,229	14.1%
Transportation	\$9,301,611	20.9%
Recycling	\$18,615,692	41.8%
Education and Outreach	\$2,804,273	6.3%
Research and Development	\$1,081,958	2.4%
Program Administration	\$6,417,378	14.4%
<b>Total</b>	<b>\$44,491,141</b>	<b>100.0%</b>

**Revenues, Costs, and Amount of Mattress Recycling Charge**

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

Analysis: Met requirements

**Revenue and Mattress Recycling Charge**

MRC’s primary source of revenue is a \$10.50 mattress recycling charge collected on mattresses, foundations, and futons sold in California. To estimate its anticipated mattress recycling charge revenue for 2024, MRC evaluated prior years’ sales data and the International Sleep Products Association’s May 2023 industry forecast to project a 3.0 percent increase in mattress sales in 2024 over 2023. MRC estimates that 3,637,052 units will be sold in 2024, generating \$38,189,046 in mattress recycling charge revenue. MRC expects to collect \$35,000 in late fees from retailers who do not remit mattress recycling charges to MRC on time. Additionally, MRC estimates it will gain \$2,100,000 in net investment returns. MRC intends to fund its \$44,491,141 in projected expenses with \$40,324,046 in total revenue from the combination of mattress recycling charges, late fees, and investment returns, and \$4,167,095 million from its reserves. MRC does not anticipate changing the amount of the mattress recycling charge in 2024 due to sufficient projected revenue and reserve funding.

The mattress recycling charge and anticipated revenues and costs described in MRC’s *2024 Budget* meet the statutory and regulatory requirements.

**Itemization of Costs**

MRC’s *2024 Budget* itemized and described its anticipated costs to implement the program in 2024, totaling \$44,491,141. MRC expects to spend 76.9 percent of its expenses on operational costs, including collection, transportation, and recycling. The remaining anticipated expenses cover education and outreach, research and development, and administrative costs.

In its proposed budget each year, MRC considers its year-to-date expenditures to develop projections of its expenses for the current year, which often differ from its approved budget for the current year. For example, MRC's approved *California Used Mattress Recovery and Recycling 2023 Program Budget* proposed \$7,237,758 in 2023 collection costs to collect 1,635,593 units, and 74,799 illegally dumped units in 2023. MRC now recognizes that it will likely collect about 300,000 fewer units than anticipated in 2023, resulting in lower projected costs for 2023 than proposed in the *2023 Budget*.

MRC budgeted for \$6,270,229 in collection costs in 2024, which includes solid waste handling fees, collection container and storage rentals, consumer incentive payments, collection site signage, collection event labor, and the Illegally Dumped Mattress Collection Initiative. MRC anticipates collecting 1,378,156 units in 2024, a 3.0 percent increase over its 2023 projection. Additionally, MRC expects participating entities to collect 63,395 illegally dumped units in 2024, which is 3.0 percent more than its projections for 2023. Of MRC's total collection costs, it expects to spend \$1,093,304 on its Illegally Dumped Mattress Collection Initiative, including \$966,775 to compensate entities for the collection and reporting of illegally dumped mattresses, \$100,000 to fund pilot studies to help prevent illegal mattress dumping, and the remainder for marketing, consulting, and staff costs.

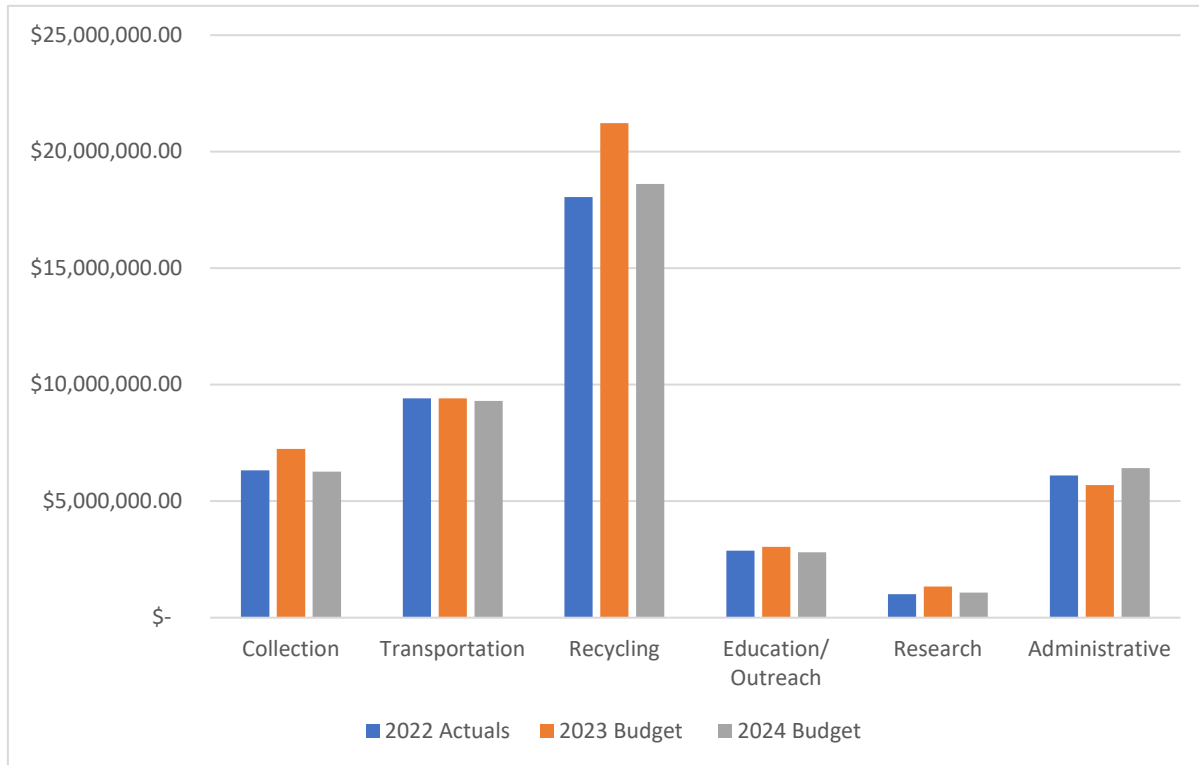
MRC expects to incur \$9,301,611 in transportation costs in 2024, a 3.7 percent increase over 2023 projections. The transportation costs include \$1,200,000 in pocketed coil transportation. MRC intends to continue mattress and pocketed coil transportation efficiency improvements to reduce transportation costs, including maximizing trailer loads and minimizing transportation distances. The *2024 Budget* includes \$18,615,692 for recycling costs, a 7.7 percent increase over 2023 projections. This increase is due to expected increased collection, resulting in increased recycling and recycler compensation rates.

The *2024 Budget* allocates \$2,804,273 for education and outreach, a 5.0 percent increase over 2023 projections. MRC's primary expense in this cost category is advertising and education through its consumer-facing brand, Bye Bye Mattress, for which MRC expects to spend \$1,594,455 in 2024. Other education expenditures include industry outreach, third party public relations agencies, and MRC staff travel costs for participation in community and industry events. MRC proposes to spend \$1,081,958 on research and development projects in 2024, similar to 2023. Research expenses include the Sleep Products Sustainability Program, end-use application development, network development, collection site improvement, and industry consultation.

MRC anticipates spending \$6,417,378 on program administration costs, which include staff and overhead expenses, legal costs, and CalRecycle oversight costs. MRC expects to spend \$3,583,219 on staff and overhead costs for its thirty full-time equivalent staff, 9.1% more than its 2023 projections. Additional administrative costs include third-party consultants, annual tax filings, annual financial audit, and travel.

MRC’s itemization of costs and descriptions in its *2024 Budget* meet the statutory and regulatory requirements.

**Figure 1. MRC’s 2024 Budget Proposed Expenses Compared to 2022 Actual Expenses and 2023 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).

Analysis: Met requirements

MRC’s *2024 Budget* describes the program’s projected funding levels through 2024 and its reserve policy to maintain sufficient funds to continue operations through unforeseen increased expenses or decreased revenue. By the end of 2024, MRC projects its total net assets will be \$29,663,858 and board designated financial reserve will be \$18,541,073. The 2024 projected reserve level is equivalent to 41.7 percent of MRC’s annual operating expenses, expected to further decrease in 2025 to 27.2 percent of MRC’s annual operating expenses, demonstrating that MRC is on track to adhere to the requirement that its reserve 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 (2022 to 2024)**

	<b>2022 Actuals</b>	<b>2023 Budget</b>	<b>2024 Budget</b>
Total Net Assets	\$37,406,137	\$38,101,301	\$29,663,858
Board Designated Financial Reserve	\$26,457,314	\$25,918,737	\$18,541,073
Reserves as a Percent of Annual Operating Expenses	60.4%	53.2%	41.7%

**Consultation with Mattress Advisory Committee**

MRC consulted with the Mattress Advisory Committee on April 26, 2023, prior to the submittal of the *2024 Budget* as required by PRC section 42987. On July 19, 2023, the Advisory Committee voluntarily met again to prepare a comment letter regarding MRC's *2024 Budget*. The Advisory Committee recommended more details on the funding provided to each research project funded by MRC.

**Feedback from Interested Parties**

CalRecycle solicited public comments on MRC's *2024 Budget* from June 30, 2023, through July 20, 2023, and received two comment letters. The comment letter from the Mattress Advisory Committee requested more details on the research projects funded by MRC. California Product Stewardship Council's comment letter supported the comments provided by the Mattress Advisory Committee, urged the textile industry to support MRC's textile recycling research and development projects, and recommended approval of the *2024 Budget*.

**Action**

Pursuant to PRC section 42988.1(a), I hereby:

- Approve MRC's *2024 Budget*
- Conditionally approve MRC's *2024 Budget*
- Disapprove MRC's *2024 Budget*

**Dated:** 9/27/2023

**Signed by:** Rachel Machi Wagoner, Director

**Attachments:**

To request documents that are referenced in this report, please submit a Public Records Act request

(<https://www2.calrecycle.ca.gov/Forms/ContactUs/PublicRecordsRequest/>).

1. *California Used Mattress Recovery and Recycling 2024 Program Budget* (June 30, 2023), <https://www2.calrecycle.ca.gov/Docs/Web/125007>
2. *California Used Mattress Recovery and Recycling 2023 Program Budget* (July 1, 2022), <https://www2.calrecycle.ca.gov/Docs/Web/121797>