

REQUEST FOR ACTION

To: Zoe Heller
Director

From: Michelle Martin
Deputy Director, Division of Circular Economy

Request Date: September 15, 2025

Decision Subject: Review of Mattress Recycling Council's 2026 Program Budget

Action By: September 29, 2025

Summary of Request

Mattress Recycling Council (MRC) submitted its *California Used Mattress Recovery and Recycling 2026 Program Budget (2026 Budget)* to the Department of Resources Recycling (CalRecycle) and Recovery on July 1, 2025. This Request for Action (RFA) presents a summary of staff's analysis regarding Mattress Recycling Council's *2026 Budget*.

Background

Public Resources Code (PRC) section 42988 states that, on or before July 1 of each year, the mattress recycling organization (currently MRC) must prepare and submit to CalRecycle a proposed used mattress recycling program budget for the following calendar year. Annual budgets must include 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 *2026 Budget* to CalRecycle on July 1, 2025.

Director decisions on annual program budgets do not necessarily impact actions taken by CalRecycle's Waste Permitting, Compliance, and Mitigation Division or its independent Office of Audits. Furthermore, nothing in this RFA hinders CalRecycle's right to pursue enforcement actions for instances of noncompliance identified through other means, including but not limited to, field inspections. In addition, director decisions on annual program budgets do not affect CalRecycle's authority to conduct its own audits of MRC for compliance with statute and regulations and consistency with MRC's *Used Mattress Recovery and Recycling Plan (Plan)*, annual report, and annual program budget pursuant to PRC section 42990(d).

Staff Analysis

Staff evaluated MRC's *2026 Budget* to determine whether it met the requirements of PRC section 42988, Title 14, California Code of Regulations (14 CCR) section 18963, and MRC's *Used Mattress Recycling and Recovery Plan (Plan)*. Table 1, below, summarizes MRC's proposed expenditures for 2026 and is followed by a summary of staff's analysis of MRC's *2026 Budget*.

Pursuant to PRC section 42989, the mattress recycling organization shall set the amount of the mattress recycling charge, and the charge shall be included in the annual program budget for approval by CalRecycle. MRC's *2026 Budget* proposes to increase the mattress recycling charge, which staff evaluated pursuant to the requirements of PRC section 42989.

Table 1. MRC's Proposed 2026 Budget Expenses by Cost Category

Cost Category	Amount Proposed in 2026 Budget	Percent of Proposed 2026 Costs
Collection	\$7,140,390	13.4%
Transportation	\$9,142,424	17.2%
Recycling	\$26,599,931	49.9%
Education and Outreach	\$2,400,962	4.5%
Research and Development	\$952,895	1.8%
Program Administration	\$7,065,366	13.3%
Total	\$53,301,968	100%

Revenues, Mattress Recycling Charge, and Costs

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) and 14 CCR section 18963(b)(2). Include the amount of the mattress recycling charge and an itemization of costs that each charge covers pursuant to PRC section 42988(c) and 14 CCR section 18963(b)(3). The amount of the charge shall be sufficient to fund the revenue requirements set forth in the approved budget pursuant to PRC section 42989(b)(1).

Analysis: Requirements Met

Revenue and Proposed Increase in the Mattress Recycling Charge

MRC's primary source of revenue is a mattress recycling charge (charge) collected on units (mattresses, foundations, and futons) sold in California. The current charge is \$16.00 per unit, which became effective on January 1, 2025. MRC determined an increase to the charge is necessary to fund its *2026 Budget* and replenish its financial reserve to fund the program in a prudent and responsible manner. Since 2019, MRC has used a portion of its reserves to fund the program to reduce its reserves consistent with PRC section 42988.3(b), discussed under the Funding Level and Reserves section. Additionally, the projected decrease in mattress sales and projected increase in the number of recycled units, discussed under the Itemization of Costs section, contributed to the proposed charge increase.

PRC section 42989(b)(1) requires the amount of the state mattress recycling charge to be sufficient to fund the revenue requirements included in the budget. MRC states it evaluated prior years' sales data, the International Sleep Product Associations' May 2025 Mattress Industry Forecast, and other economic factors to project a 5.5 percent decrease in mattress sales in 2025 over 2024, for an estimated 3,178,421 units sold in 2025, which is below what MRC projected in its 2025 budget. MRC projects that sales will increase 3.0 percent in 2026, to 3,178,421 units sold, but identified that the charge needs to provide \$55,703,222 in revenue to fund its program with a \$16 per unit charge

for Quarter 1 and \$18 per unit charge for Quarter 2 through Quarter 4 in 2026. MRC calculated the revenue it will need by adding its anticipated 2026 expenses (\$53,301,968) and a reserve of \$2,401,254, for a total of \$56,703,222. MRC proposes increasing the mattress recycling charge in Quarter 2 of 2026 to provide notice to the public at least 180 days in advance of an approved change.

PRC section 42989(b)(2) requires that MRC set no more than two different charges to accommodate mattress size differentials. When preparing its *2026 Budget*, MRC determined that it is appropriate to continue to set a single charge, consistent with statute and its *Plan*.

Itemization of Costs

MRC's *2026 Budget* itemizes and describes its anticipated costs to implement the program in 2026, totaling \$53,301,968. MRC expects to spend \$42,882,745, or 80.4 percent of its total 2026 expenses, on operational costs, including collection, transportation, and recycling. MRC attributes this 4.7 percent increase over its 2025 projections to higher unit volumes and rising labor costs. The remaining 19.6 percent of anticipated expenses is allocated for education and outreach, research and development, and administrative and legal costs. Figure 1, below, illustrates how MRC's proposed *2026 Budget* expenditures compare to MRC's approved 2025 Budget and its actual expenditures in 2024.

MRC anticipates collecting 1,605,099 units for recycling via its collection network in 2026 and has budgeted \$7,140,390 for collection costs, 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 (Initiative). MRC anticipates collecting 61,794 illegally dumped units in 2026 and budgeted \$1,047,630 for this purpose, a 3.7 percent decrease over its 2025 projections. Costs for its Initiative include \$933,910 to compensate participating entities, \$64,000 to fund pilot studies aimed at reducing illegal dumping, and the remainder for marketing, consulting, and staff expenses.

MRC contracts with third parties to transport collected units to its recyclers and expects to spend \$9,142,424 on transportation costs in 2026, a 4.0 percent increase from its 2025 projections. MRC states that the cost increase is due to an increase in the average cost per unit rate, from \$6.08 per unit in 2025 to \$6.18 per unit in 2026. Additionally, MRC expects to spend \$26,599,931 on recycling costs. MRC attributes this increase to higher unit volumes and rising labor costs.

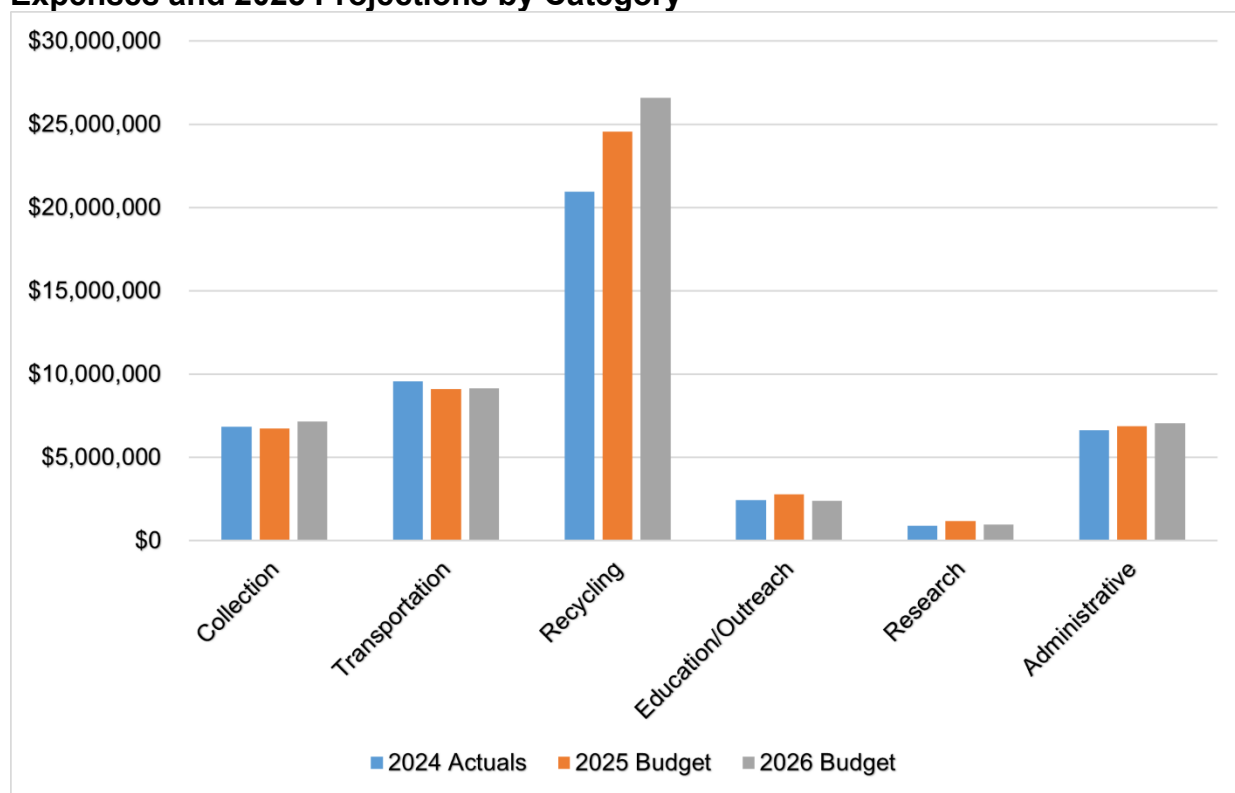
The *2026 Budget* allocates \$2,400,962 for education and outreach, a 4.0 percent increase from its 2025 projections. Consumer outreach using MRC's consumer-facing brand, Bye Bye Mattress, is the largest expense in this category, which MRC anticipates spending \$1,165,200. The remaining \$1,235,762 is allocated for expenses including third party public relation agencies, industry outreach, and MRC travel costs for conferences and events.

MRC anticipates spending \$952,895 on research and development projects, a 5.4 percent decrease over its 2025 projections. Research activities, including projects that improve collection sites' waste diversion and recycling, are the largest projected

expenses in this category, for which MRC anticipates spending \$425,000. Other expenses include administering MRC's Sleep Products Sustainability Program, support for two industry workgroups, and staff expenses.

The *2026 Budget* allocates \$7,065,366 for program administration costs, which include staff and overhead expenses, legal costs, and CalRecycle oversight costs, a 4.0 percent increase over MRC's 2025 projections. MRC expects to spend \$700,077 of these funds on staff and overhead costs for 25 full-time equivalent employees. Additional administrative costs include third-party consultants, annual financial audit, annual tax filings, and travel.

Figure 1. MRCs 2026 Budget Proposed Expenses Compared to 2024 Actual Expenses and 2025 Projections by 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: Requirements Met

MRC's *2026 Budget* describes the program's projected funding levels through 2026 and its reserve policy to maintain sufficient funds to continue operations through unforeseen increased expenses or decreased revenue. Table 2, below, summarizes MRC's total net assets and reserve levels from its 2024 actuals to 2026 projections. By the end of

2026, MRC projects its total net assets will be \$21,811,741, including working capital for operational expenses and net investment returns. Additionally, MRC projects its board designated financial reserve will be \$8,486,249, equivalent to 15.9 percent or 1.9 months of MRC's 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. MRC plans to use \$2,901,254 of its 2026 revenue to replenish some of the reserves that MRC used to fund the program from 2019 through 2025.

MRC's funding level and reserves meet the statutory and regulatory requirements.

Table 2. MRC's Total Net Assets and Reserve Level (2024-2026)

Item	2024 Actuals	2025 Budget	2026 Budget
Total Net Assets	\$20,004,927	\$25,548,400	\$21,811,741
Board Designated Financial Reserve	\$8,185,807	\$12,736,868	\$8,486,249
Reserves as a Percent of the Annual Operating Expenses	17.3%	24.9%	15.9%

Staff Analysis Conclusion and Program Observations

Staff evaluated MRC's *2026 Budget* to determine whether the requirements of statute, regulations, and MRC's *Plan* were met. CalRecycle's analysis in this RFA is limited to assessing compliance and CalRecycle does not attest to the accuracy of all claims, characterizations, or statements reported in MRC's *2026 Budget*.

Staff determined MRC met the requirements as described in the "Staff Analysis" section above and the information contained in its *2026 Budget*, including the proposed increase to the mattress recycling charge, demonstrates MRC is operating its stewardship program for covered mattresses in a prudent and responsible manner.

CalRecycle's approval of MRC's annual program budgets, including independent financial audits, to date (i.e., since 2016), demonstrate that MRC is continuing to operate its stewardship program for covered mattresses in a prudent and responsible manner.

Consultation with the Mattress Recycling Council Advisory Committee

MRC consulted with the Mattress Recycling Council Advisory Committee on January 8, 2025, and May 6, 2025, prior to the submittal of the *2026 Budget* as required by PRC section 42987.

Feedback from Interested Parties

CalRecycle solicited public comments on MRC's *2026 Budget* from July 2, 2025, through July 16, 2025. CalRecycle received two comments from California Product Stewardship Council and David Goldstein of Ventura County and considered these comments when reviewing MRC's *2026 Budget*.

Action

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

- ☒ Approve MRC's *2026 Budget* and the mattress recycling charge proposed therein.
- ☐ Conditionally approve MRC's *2026 Budget* and the mattress recycling charge proposed therein.
- ☐ Disapprove MRC's *2026 Budget* and the mattress recycling charge proposed therein.

Dated: September 29, 2025

Signed by: Zoe Heller, Director

Attachments

The documents listed below are posted to CalRecycle's website.

1. [California Used Mattress Recovery and Recycling 2026 Program Budget](https://www2.calrecycle.ca.gov/PublicNotices/Details/5483) (July 1, 2025): <https://www2.calrecycle.ca.gov/PublicNotices/Details/5483>
2. [California Used Mattress Recovery and Recycling 2025 Program Budget](https://www2.calrecycle.ca.gov/PublicNotices/Documents/15839) (July 1, 2024): <https://www2.calrecycle.ca.gov/PublicNotices/Documents/15839>
3. [Mattress Recycling Council's Used Mattress Recovery and Recycling Plan](https://www2.calrecycle.ca.gov/PublicNotices/Documents/14633) (January 9, 2023): <https://www2.calrecycle.ca.gov/PublicNotices/Documents/14633>