

July 1, 2025

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 2026 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 \$18/unit effective April 1, 2026.

Please contact me should you have any questions.

Sincerely,



Alison Keane
President
Mattress Recycling Council California, LLC



California Used Mattress Recovery and Recycling Program 2026 Budget

July 1, 2025

Submitted by:

Mattress Recycling Council California, LLC
501 Wythe Street
Alexandria, VA 22314-1917

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 Program 2026 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 2026 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 January 8 and May 6, 2025.

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 the 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 \$18 per unit effective April 1, 2026.

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 2026 budget, MRC has taken into consideration not only its planned activities for 2026, but also its actual revenue and expenses for 2024 and the first quarter of 2025 (Q1), as well as projections for the remainder of 2025.

MRC is legally required to establish a per unit charge at a level sufficient to fully fund its California program operations over a multiyear period in a prudent and responsible manner. Program expenses include the collection of mattresses —both from designated sites and illegal dumping — transportation and recycling, education and outreach efforts, research initiatives, administrative costs, and reimbursements to CalRecycle for its oversight and regulatory activities.

In 2026, MRC expects 3.2 million units to be sold in California, a slight increase from the 3.1 million units projected for 2025. However, 2025 sales are estimated to be 5.5% lower than 2024. Despite a decline in sales over the past several years, units recycled continue to grow. MRC projects that 1.6 million units will be recycled through the program in 2026, a 3.0% increase over 2025 projections.

Funding the 2026 budget requires MRC to raise the recycling charge, pursuant to Cal. Pub. Res. Code §42989 to \$18 per unit effective April 1, 2026. Although the fee was increased in 2025, weak mattress sales and an increasing number of units being recycled has made the fee increase necessary.

The charge will generate budgeted revenue of \$55.7 million for 2026, a 12.8% increase over 2025 projections of \$49.4 million. We have also budgeted \$30,000 for late fee revenue in 2026.

MRC’s total expenses for 2026 are budgeted at \$53.3 million, a 4.5% increase over the \$51.0 million projected for 2025. Of this, \$42.9 million is allocated to operational

expenses, including collection and container costs, the Illegally Dumped Mattress Collection Initiative, transportation, and recycling. Operational expenses are projected to rise 4.7% over the 2025 estimate of \$40.9 million, driven in part by a 3.0% increase in units expected to be recycled in 2026. These operational costs represent 80.4% of MRC's total 2026 budget.

MRC has budgeted \$2.4 million in 2026 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 4.0% increase from 2025 projections.

MRC has budgeted \$952,895 in 2026 to fund an array of research projects and the Sleep Products Sustainability Program (SP2), a 5.4% increase over 2025. These funds are dedicated to developing new and better end uses for mattress components, process efficiency projects and improvements to mattress collection sites. These investments are intended to increase the program's recycling rate, which is a key program goal.

MRC's 2026 program administration budget is \$6.2 million, a 3.4% increase over 2025. Program administration expenses represent 11.5% of total expenses. It covers staffing for both in-state and shared administrative roles, general overhead, computer and database expenses, financial and compliance audits and outside consultants providing expertise and program assistance. The budget also includes \$190,000 for legal costs (both in-house and outside counsel) and \$721,000 to reimburse CalRecycle for program oversight.

Due to lower mattress sales and higher program volume, MRC projects a \$1.1 million net loss in 2025, which will reduce reserves by that amount. In 2026, MRC will fund \$53.3 million in budgeted expenses with \$55.7 million in recycling fee revenue from the increased \$18 per unit charge. After covering expenses, the \$2.4 million surplus will help restore reserves.

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 source of revenue.

Mattress sales remain weak in 2025, driven by ongoing economic uncertainty and reduced consumer confidence. To ensure adequate funding for program operations in 2026, the budget includes an increase in the recycling charge to \$18 per unit, effective April 1, 2026.

In developing its 2026 revenue budget, MRC considered historical unit sales, a range of

economic indicators, and the May 2025 Mattress Industry Forecast published by the International Sleep Products Association (ISPA), which includes projections for both 2025 and 2026. Based on these sources, MRC projects that California unit sales will total 3,085,846 in 2025, representing a 5.5% decrease from the 3,265,445 units sold in 2024. In fact, unit sales have dropped since 2021 by 29.6%. However, MRC anticipates a modest rebound in 2026, with projected unit sales increasing 3.0% to 3,178,421.

To fund the program's operations, MRC's budgeted 2026 recycling charge revenue is \$55,673,222, calculated by applying a \$16 per unit charge to Q1 2026 sales and an \$18 per unit charge to sales in Q2 through Q4.

We note that MRC also projects modest late fee revenue in 2026 of \$30,000, although we continue to encourage retailers and other sellers to make timely remittances to avoid these fees.

TABLE 1: 2026 Budgeted Program Revenue

Category	Amount
Recycling Charge Revenue	\$55,673,222
Late Fee Revenue	\$30,000
Total Revenue	\$55,703,222

Costs

MRC has budgeted \$53,301,968 in 2026 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 80.4% of MRC's total 2026 expenses. The number of units collected for processing, which affects all operational cost categories, is expected to increase by 3% in 2026 compared to 2025.

MRC projects that 2025 operational costs will increase by 9.6% compared to 2024. In 2026, operational costs are expected to rise another 4.7% over projected 2025 spending. These increases are primarily driven by higher unit volumes and rising labor

costs, which continue to affect solid waste handling, transportation, and recycling expenses.

Collection and Container

This cost category, totaling \$6,092,760, covers the following activities:

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

MRC's 2026 budget includes \$3,920,464 in solid waste handling fees, a 3.9% increase over 2025. Currently, MRC has agreements with 233 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 2026 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, and these costs are included in this expense category.

MRC's 2026 budget also includes collection container and storage rental expenses of \$1,886,832, the same as 2025. A focused effort by MRC to renegotiate contracts and improve container load capacity and efficiency helps to keep this cost stable in 2026.

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 2026, MRC has budgeted \$265,464 for CIP costs for 88,488 units at the \$3/unit incentive. MRC anticipates that units collected from consumers who are paid the incentive will account for approximately 5.5% of program units in 2026, which is consistent with 2024 and 2025.

Finally, \$20,000 is budgeted in 2026 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 collect illegally dumped mattresses and provide statistical information about illegal dumping within their jurisdictions. Compensation rates vary by location: \$15 per unit for entities in urban counties and \$20 per unit in rural counties. The 2026 budget anticipates the collection of approximately 61,794 illegally dumped units, reflecting a 3.7% decrease from the 2025

projection of 64,169 units. This modest reduction is anticipated in 2026 with the launch of a new cloud-based app for participants to more accurately document the number of illegally dumped units and more precisely map dumping locations.

To address the issue more broadly, the 2026 budget also continues funding for targeted advertising and outreach campaigns that educate California residents about the environmental impacts of illegal mattress dumping and promote proper disposal methods. Related administrative expenses are also included.

In addition, MRC allocated \$96,000 in 2025 to support pilot studies exploring strategies to prevent illegal dumping. The 2026 budget includes \$64,000 to fund similar initiatives. All proposed pilot projects are located in communities affected by illegal mattress dumping and are focused on illegal dumping awareness and enforcement of anti-dumping laws.

Transportation and Recycling

Both transportation and recycling costs are directly related to the number of units collected. MRC projects that 1,605,099 units (3% more than 2025 projections) will be collected for recycling through the program in 2026. Of these units, approximately 92% (1,479,904) will be transported by an MRC transportation contractor; the remaining 8% are expected to be self-hauled (by individuals or retailers).

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 2025, MRC projects transportation costs at an average rate of \$6.08/unit for 1.4 million transported units totaling \$8,660,273. The 2026 MRC budget includes a 4.0% increase in transported units at an average per unit rate of \$6.18 for a total of \$9,142,424 in transportation costs. MRC continues to focus on supply chain efficiency improvements including maximizing the trailer loads and frequently negotiating contracts to 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

The MRC 2026 recycling budget of \$26,599,931 is 5.5% more than 2025. The recycling budget takes into account the 3.0% increase in the number of units processed, as well as the annual increase in processing rates paid to recyclers.

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 2026 budgeted total operational costs (Collection and Containers, Illegally Dumped Mattress Collection Initiative, Transportation and Recycling) are as follows:

TABLE 2: 2026 Budgeted Total Operational Costs

Category	Amount
Collection and Container Costs	
Solid Waste Handling Fees	\$3,920,464
Collection Container and Storage Rental Expenses	\$1,886,832
Consumer Incentive Payments	\$265,464
Collection Site Signage	\$20,000
Total Collection and Container Costs	\$6,092,760
Illegally Dumped Mattress Collection Initiative	
Initiative Entity Compensation	\$933,910
Marketing/Advertising/Events	\$30,655
Consulting Services	\$2,000
Pilot Studies	\$64,000
Staff Expenses	\$17,065
Total Illegally Dumped Mattress Collection Initiative	\$1,047,630
Total Collection Costs	\$7,140,390
Transportation	\$9,142,424
Recycling	\$26,599,931
Total Operational Costs	\$42,882,745

Education and Outreach

MRC has budgeted \$2,400,962 for education and outreach in 2026, a 4.0% increase from the 2025 projection of \$2,309,272. This represents 4.5% of MRC's total budgeted expenses.

MRC's education and outreach efforts aim to inform consumers and industry stakeholders about mattress recycling in California—how and where to recycle, the benefits of recycling, and the program's impact.

Consumer outreach is conducted under the Bye Bye Mattress brand and uses a multichannel strategy that includes paid advertising, PSAs, media relations, direct mail, digital marketing, social media, and participation in community and industry events. Outreach also includes multicultural messaging. Activities related to illegal dumping prevention are budgeted separately under operational costs.

Industry outreach is conducted under the Mattress Recycling Council brand. MRC educates retailers and other industry members on their legal responsibilities to register,

report, and remit the recycling charge, as well as how to recycle collected mattresses. Regular reminders support timely compliance.

MRC also engages the solid waste and recycling sector to recruit new drop-off sites and support existing ones. The 2026 budget includes funding to update recruitment materials and informational videos to reflect current program guidelines and help locations promote their services.

Additional outreach targets sectors such as hospitality, healthcare, higher education, and the military, expanding program participation and awareness. MRC also engages stakeholders interested in research and innovation related to mattress recycling.

Finally, the 2026 budget supports ongoing evaluation of outreach effectiveness, providing insights to improve future strategies and cost-effective communication.

Details of the 2026 Education and Outreach budget are as follows:

TABLE 3: 2026 Budgeted Education and Outreach Costs

Category	Amount
Advertising and Consumer Education	\$1,165,200
3 rd Party PR Agencies	\$545,763
Industry and Stakeholder Outreach	\$258,761
Conferences and Events	\$53,547
Annual Report	\$37,698
Sub-Total	\$2,060,969
Travel	\$37,871
Staff Expenses	\$302,122
Total Education and Outreach	\$2,400,962

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 \$952,895, 1.8% of its expenses, for these activities.

Research Activities

MRC has budgeted \$672,429 in 2026 for research activities, compared to a projected \$639,387 in 2025. MRC's 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 the diversion of units from landfills and improving 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 manufacturers to 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 2026 SP2 budget of \$104,511 supports these endeavors, including management oversight, funds to publicize the program, training for manufacturers and verifying participants for certification and recertification. MRC's 2024 annual report provides additional details about SP2 activities.

Details of the 2026 Research budget are as follows:

TABLE 4: 2026 Budgeted Research Costs

Category	Amount
Research Activities	\$425,000
Mattress Collection Facility Improvement Funding	\$40,000
Consulting	\$207,429
Subtotal Research Activities	\$672,429
Sleep Products Sustainability Program	\$104,511
Subtotal Research	\$776,940
Staff Expenses	\$175,955
Total Research	\$952,895

Program Administration, Legal and CalRecycle Oversight

Budgeted Administration costs for 2026, including program administration, legal, and CalRecycle oversight, are \$7,065,366.

Program Administration

In 2026, MRC is budgeting \$6,154,600 in program administration costs, representing 11.5% of the total expenses. Of this amount, \$3,972,489 (a 4.0% increase from 2025 projections) anticipates 25 FTE (full time equivalent) staff that perform administrative and operational program oversight, including 13 FTE's who reside in California. This represents 86.9% of MRC's total staff expense of \$4,569,303. An additional 4 FTEs (bringing the total to 29 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 \$700,077 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 \$411,507 in 2026 for this expense category. Program administration expenses include \$442,750 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 \$235,710 to prepare annual tax filings and conduct the annual financial audit, including a SOC1 audit (conducted by PwC), which CalRecycle's regulation 14 CCR§ 18964(b)(11) requires as a necessary component of the annual audit. MRC also expects to incur \$24,720 in recycler compliance audit expenses and \$81,328 to conduct retailer payment reviews. The combined compliance costs in 2026 for operational audits and participant reviews of \$106,048 are 2.6% less than the 2025 projections, mainly due to additional retailer audits planned for 2025.

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 \$146,000 for these activities.

In addition, 2026 budgeted travel expenses of \$140,019 are expected to be 3.0% above 2025 projections.

Legal

Legal costs for 2026 are budgeted at \$189,766, a 2.9% increase over 2025 projections of \$184,391. This amount covers in-house counsel and fees for outside counsel who negotiate MRC contracts, address compliance issues and advise MRC on corporate matters.

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 2025 and 2026 to be \$710,000 and \$721,000, respectively. This represents 1.4% of the total budgeted expenses each year.

Details of the 2026 Program Administration, Legal and CalRecycle Oversight budget are as follows:

TABLE 5: 2026 Budgeted Administration Costs

Category	Amount
Staff Expenses	\$3,972,489
Administrative and Overhead Expenses	\$700,077
Outsourced Contractors/Consultants	\$411,507
Computer and Database Expenses	\$442,750
Annual Financial Audit and Tax Filings	\$235,710
Compliance Expenses (operational and retailer)	\$106,048
Industry and Government Relations	\$146,000
Field Visits and Program Travel	\$140,019
Total Administration	\$6,154,600
Legal	\$189,766
CalRecycle Oversight	\$721,000
Total Program Administration, Legal and CalRecycle Oversight Costs	\$7,065,366

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 2026 budget takes into account anticipated revenue and expenses, as well as a reserve necessary 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 \$18 per unit effective April 1, 2026 to fund the 2026 budget.

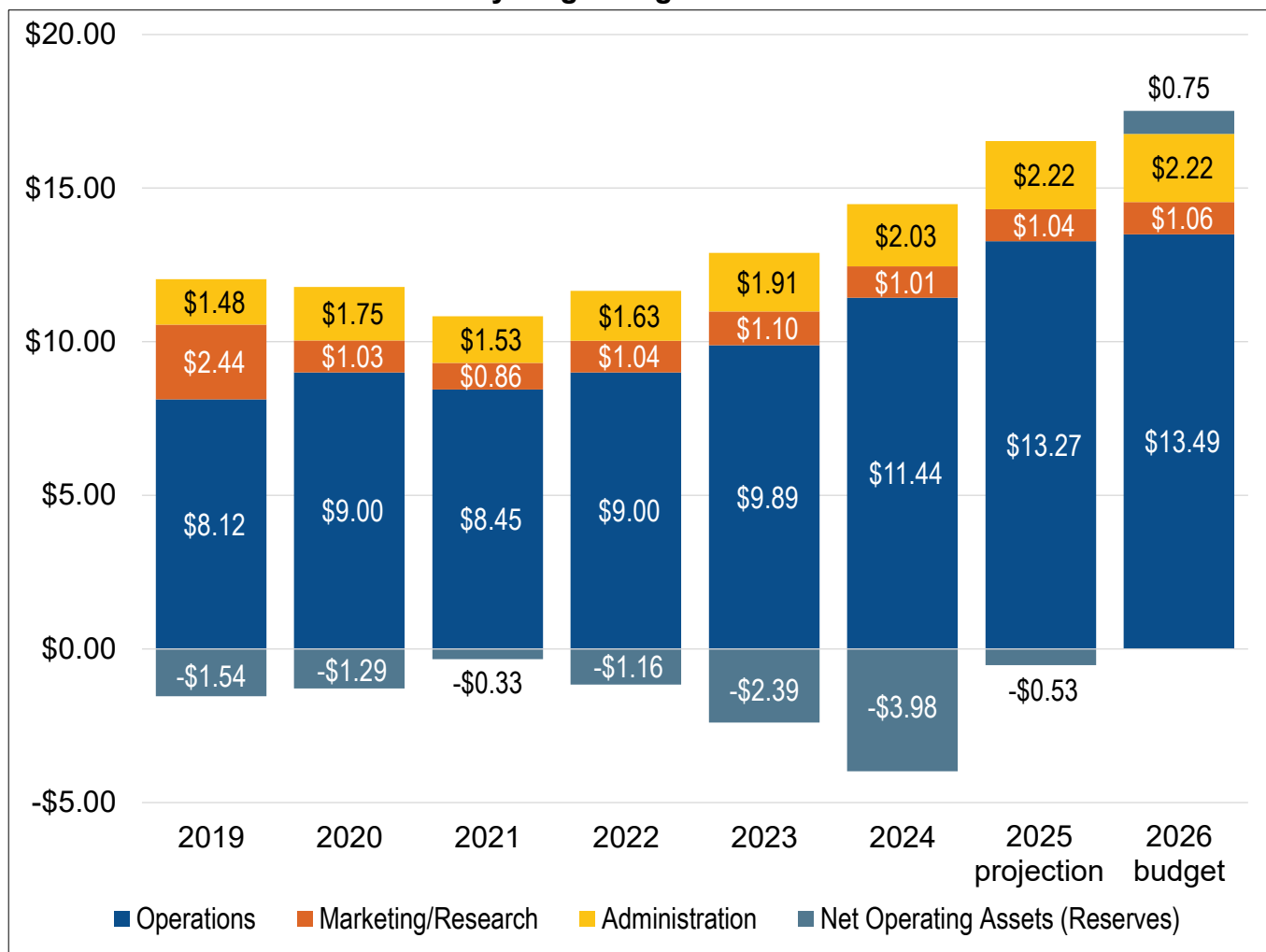
The MRC Board has established a reserve policy that directs MRC management to not only have sufficient operating cash to fund operations (e.g., cash on hand equal to approximately three months of expenses), but a prudent level of reserves (Board Designated Financial Reserve) that allow MRC to be prepared 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 and consumer confidence factors adversely affecting sales are recent examples of situations beyond MRC's control that affect program 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 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, the statewide collection and recycling networks would quickly unravel. 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 the Board designated financial reserve to address the various financial risks it may encounter.

Since 2019, costs have exceeded revenue, requiring MRC to use reserve funds to supplement the recycling charge for each unit sold, as shown in the chart below. The 2026 budget not only covers projected expenses but also begins to restore the Board designated financial reserve that MRC has relied on to offset past revenue shortfalls. Specifically, the 2026 budget allocates \$0.75 per unit sold, totaling \$2,401,254, to replenish the reserves.

FIGURE 1: Recycling Charge Allocation 2019-2026



The 2026 budget assumes a \$2,401,254 change in net operating assets. With a projected net investment return of \$500,000, the total change to net assets is expected to be \$2,901,254.

Table 6 below shows the change in net operating assets and the change in net assets experienced in 2024, projected for 2025 and budgeted for 2026:

TABLE 6: 2024 thru 2026 Net Operating Assets and Change in Net Assets

Category	2024 Actual	2025 Projections	2026 Budget
Total Revenue	\$34,315,561	\$49,403,536	\$55,703,222
Total Program Costs	\$47,276,482	\$51,003,176	\$53,301,968
Change in Net Operating Assets	(\$12,960,921)	(\$1,599,640)	\$2,401,254
Net Investment Return	\$1,394,760	\$505,200	\$500,000
Gain on Disposal of Assets	\$337	\$0	\$0
Change in Net Assets	(\$11,565,824)	(\$1,094,440)	\$2,901,254
Net Assets at the Beginning of the Year	\$31,570,751	\$20,004,927	\$18,910,487
Net Assets at the End of the Year	\$20,004,927	\$18,910,487	\$21,811,741

Based on the objectives discussed previously regarding budgeted costs and reserve needs, MRC has budgeted recycling charge revenue of \$55,673,222 (total revenue of \$55,703,222, including \$30,000 in late fee revenue) in 2026 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 2026 budget brings the Board designated financial reserve to 15.9% (1.9 months) of annual operating expenses, far less than the 60% maximum. Net assets include both a Board designated financial reserve of \$8,486,249, 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 percentage of annual operating expenses (Total Program Costs) for 2024 Actuals through the 2026 Budget is as follows:

TABLE 7: Total Reserves

Item	2024 Actuals	2025 Projections	2026 Budget
Net Assets as of Year End	\$20,004,927	\$18,910,487	\$21,811,741
Undesignated Net Assets ¹	\$11,819,120	\$12,750,794	\$13,325,492
Board-Designated Financial Reserve	\$8,185,807	\$6,159,693	\$8,486,249
Board Designated Financial Reserve as a % of Annual Operating Expenses	17.3%	12.1%	15.9%

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 three states in which it administers similar mattress recycling programs. In preparing its 2026 budget, MRC has set a single charge, as it is authorized to do by Section 42989.

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

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 2026 budgeted expenses are as follows in Table 8:

TABLE 8: Itemized Costs of 2026 Proposed Budget

Cost Category	Percent of Each Cost Category
Collection and Container Costs	11.4%
Illegally Dumped Mattress Collection Initiative	2.0%
Transportation and Recycling	67.0%
Education and Outreach	4.5%
Research	1.8%
Program Administration	11.5%
Legal	0.4%
CalRecycle Oversight	1.4%
Total	100.0%

Amount of the 2026 Charge

Pursuant to Cal. Pub. Res. Code §42989, the 2026 budget increases the recycling charge to \$18/unit effective April 1, 2026. MRC has relied upon reserves to help fund the Program since 2019. The new charge will support 2026 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 2026 budget takes into account 2024 actuals and 2025 projections, and data gathered since MRC submitted the 2025 budget in July 2024. Based on this information, MRC budgets 2026 total revenue of \$55,703,222 (recycling charge revenue of \$55,673,222 and late fee revenue of \$30,000) and expenses of \$53,301,968. The budget anticipates that the recycling charge will be collected on 3,178,421 units sold to California consumers and that the number of units processed through the program will be 1,605,099 in 2026.

The charge of \$18/unit effective April 1, 2026, will be sufficient to cover 2026 budgeted expenses of \$53,301,968 as well as replenish the reserves to 1.9 months of annual expenses.

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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501 Wythe St.
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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 4.

- 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 15.

- 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 9 beginning on page 18 provides the previous two years of actual expenses (2023 and 2024) and projected expenses for 2025. **Table 10** beginning on page 20 provides the 2026 program budget.

TABLE 9: 2023 and 2024 Actual Expenses and 2025 Projections

Expenses	2023 Actuals	2024 Actuals	2025 Projections
Operational Costs			
Collection and Container Costs			
Solid Waste Handling Fees	\$ 3,369,947	\$ 3,588,874	\$ 3,772,162
Collection Container and Storage	\$ 1,671,336	\$ 1,787,242	\$ 1,886,832
Consumer Incentive Payments	\$ 339,652	\$ 260,069	\$ 254,055
Collection Site Signage	\$ 10,439	\$ 12,292	\$ 18,675
Total Collection and Container Costs	\$ 5,391,374	\$ 5,648,477	\$ 5,931,724
Illegally Dumped Mattress Collection Initiative	\$ 871,014	\$ 1,185,299	\$ 1,136,178
Transportation and Recycling			
Transportation	\$ 8,709,465	\$ 9,550,143	\$ 8,660,273
Recycling	\$ 18,486,124	\$ 20,964,578	\$ 25,216,048
Total Transportation and Recycling	\$ 27,195,589	\$ 30,514,721	\$ 33,876,321
Total Operational Costs	\$ 33,457,977	\$ 37,348,497	\$ 40,944,223
Education and Outreach			
Advertising and Consumer Education	\$ 1,567,979	\$ 1,287,595	\$ 1,130,000
3rd Party PR Agencies	\$ 584,993	\$ 539,335	\$ 530,100
Industry and Stakeholder Outreach	\$ 190,303	\$ 175,257	\$ 234,718
Conferences and Events	\$ 79,042	\$ 52,663	\$ 50,585
Annual Report	\$ 30,293	\$ 35,500	\$ 36,600
Travel	\$ 28,041	\$ 48,521	\$ 36,767
Staff Expenses	\$ 317,625	\$ 286,247	\$ 290,502
Total Education and Outreach	\$ 2,798,276	\$ 2,425,118	\$ 2,309,272
Research			
Research Activities	\$ 410,208	\$ 294,533	\$ 400,000
Collection Facility Improvement Funding	\$ 44,512	\$ 96,081	\$ 38,000
Consulting	\$ 151,544	\$ 210,467	\$ 201,387
Sleep Products Sustainability Program	\$ 95,927	\$ 115,625	\$ 95,712
Staff Expenses	\$ 209,337	\$ 166,709	\$ 169,187
Total Research	\$ 911,528	\$ 883,415	\$ 904,286

Expenses	2023 Actuals	2024 Actuals	2025 Projections
Program Administration			
Staff Expenses	\$ 3,399,723	\$ 3,763,741	\$ 3,819,701
Administrative and Overhead Expenses	\$ 739,035	\$ 658,373	\$ 688,657
Outsourced Contractors/Consultants	\$ 445,138	\$ 415,811	\$ 402,904
Computer and Database Services	\$ 353,453	\$ 386,088	\$ 420,036
Annual Financial Audit and Tax Filings	\$ 287,000	\$ 224,254	\$ 228,848
Compliance Expenses	\$ 84,921	\$ 75,174	\$ 108,920
Industry and Government Relations	\$ 144,557	\$ 144,945	\$ 146,000
Field Visits and Program Travel	\$ 150,859	\$ 111,598	\$ 135,938
Total Program Administration	\$ 5,604,686	\$ 5,779,984	\$ 5,951,004
Legal Costs	\$ 179,192	\$ 145,094	\$ 184,391
CalRecycle Oversight Fees	\$ 666,404	\$ 694,374	\$ 710,000
Total Expenses	\$ 43,618,063	\$ 47,276,482	\$ 51,003,176

**TABLE 10: California Used Mattress Recovery and Recycling Program
2026 Budget**

Item	2026 Budget	Expense Allocation
REVENUE:		
Recycling Charge Revenue	\$ 55,673,222	
Late Fee Revenue	\$ 30,000	
Total Revenue	\$ 55,703,222	
EXPENSES:		
Operational Costs		
Collection and Container Costs		
Solid Waste Handling Fees	\$ 3,920,464	
Collection Container and Storage Rental	\$ 1,886,832	
Consumer Incentive Payments	\$ 265,464	
Collection Site Signage	\$ 20,000	
Total Collection and Container Costs	\$ 6,092,760	11.4%
Illegally Dumped Mattress Collection Initiative	\$ 1,047,630	2.0%
Transportation and Recycling		
Transportation	\$ 9,142,424	
Recycling	\$ 26,599,931	
Total Transportation and Recycling	\$ 35,742,355	67.0%
Total Operational Costs	\$ 42,882,745	80.4%
Education and Outreach		
Advertising and Consumer Education	\$ 1,165,200	
3 rd Party PR Agencies	\$ 545,763	
Industry and Stakeholder Outreach	\$ 258,761	
Conferences and Events	\$ 53,547	
Annual Report	\$ 37,698	
Travel	\$ 37,871	
Staff Expenses	\$ 302,122	
Total Education and Outreach	\$ 2,400,962	4.5%
Research		
Research Activities	\$ 425,000	
Collection Facility Improvement Funding	\$ 40,000	
Consulting	\$ 207,429	
Sleep Products Sustainability Program	\$ 104,511	
Staff Expenses	\$ 175,955	
Total Research	\$ 952,895	1.8%

Item	2026 Budget	Expense
Program Administration		
Staff Expenses	\$ 3,972,489	
Administrative and Overhead Expenses	\$ 700,077	
Outsourced Contractors/Consultants	\$ 411,507	
Computer and Database Services	\$ 442,750	
Annual Financial Audit and Tax Filings	\$ 235,710	
Compliance Expenses	\$ 106,048	
Industry and Government Relations	\$ 146,000	
Field Visits and Program Travel	\$ 140,019	
Total Program Administration	\$ 6,154,600	11.5%
Legal Costs	\$ 189,766	0.4%
CalRecycle Oversight Fees	\$ 721,000	1.4%
Total Expenses	\$ 53,301,968	100.0%
Operating Net Assets	\$ 2,401,254	
Net Investment Return	\$ 500,000	
Net Assets	\$ 2,901,254	