

**REQUEST FOR APPROVAL**

**To:** Scott Smithline  
Director

**From:** Howard Levenson  
Deputy Director, Materials Management and Local Assistance Division

**Request Date:** September 20, 2016

**Decision Subject:** Consideration of the California Used Mattress Recovery and Recycling  
2017 Program Budget

**Action By:** September 30, 2016

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**Summary of Request:**

The Mattress Recycling Council (MRC) submitted the 2017 Used Mattress Recovery and Recycling Plan Budget (2017 Budget) to CalRecycle on June 21, 2016. As directed by the Used Mattress Recovery and Recycling Act [Chapter 388, Statutes of 2013 (Hancock, Senate Bill 254)], Public Resources Code (PRC) sections 42985-42994, CalRecycle must approve or disapprove the Budget on or by October 1, 2016. This item requests the Director's approval of the Budget.

**Recommendation:**

Staff recommends approval of the 2017 Budget as meeting the statutory requirements of the Act, as well as the regulatory requirements of California Code of Regulations (CCR) sections 18963. Staff further recommends direction that the MRC provide additional detail next year in the proposed budget for calendar year 2018 with line item breakdown of anticipated expenditures for each activity within each of the cost categories.

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**Action:**

On the basis of the information and analysis in this Request for Approval, and the findings set out above, I hereby approve the 2017 Used Mattress Recovery and Recycling Plan Budget submitted by the MRC on June 21, 2016, and direct the MRC to provide additional detail next year in the proposed budget for calendar year 2018 with line item breakdown of anticipated expenditures for each activity within each of the cost categories, as described further below. In addition, I request that the MRC consult with the Advisory Committee and examine the potential impact of the recycling charge on the purchase of mattresses by low income residents and, if warranted, give consideration to two different charges to accommodate mattress size differentials in the development and preparation of the proposed budget for calendar year 2018.

Dated:

9/21/16

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Scott Smithline, Director

**Attachments:**

1. Used Mattress Recovery and Recycling Budget Cover Letter; available at: <http://www.calrecycle.ca.gov/Mattresses/Plans/BudgetCovLtr.pdf>
2. 2017 Used Mattress Recovery and Recycling Plan Budget, dated July 1, 2016; available at: <http://www.calrecycle.ca.gov/Mattresses/Plans/2017Budget.pdf>

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**BACKGROUND**

Senate Bill (SB) 254 (Chapter 388, Statutes of 2013) established the Used Mattress Recovery and Recycling Act (Act). Subsequently, the Governor signed clean-up legislation – SB 1274 (Chapter 371, Statutes of 2014) – which provided additional clarity regarding definitions, report submittals, and record keeping requirements under the Act.

The Act requires implementation of the Used Mattress Recovery and Recycling Program (Program) in order to reduce illegal dumping, increase recycling, and substantially reduce public agency costs for the end-of-life management of used mattresses. Mattress manufacturers, via a mattress recycling organization, are required to develop, finance, and implement a convenient and cost-effective Program, which is consistent with the state’s solid waste management hierarchy, to recover and recycle used mattresses generated in California. CalRecycle certified the MRC, a non-profit organization created by the International Sleep Products Association, as a mattress recycling organization on November 5, 2014.

CalRecycle is tasked with specific oversight and enforcement responsibilities that include appointing the members of the MRC Advisory Committee; reviewing and approving mattress stewardship plans submitted by the MRC; reviewing and approving annual reports required from the MRC, mattress recyclers and mattress renovators, and from solid waste facilities; reviewing and approving the MRC’s annual budget and the mattress recycling charge; posting a list of compliant manufacturers and renovators on CalRecycle’s website. The Act also requires the MRC reimburse CalRecycle for CalRecycle’s direct costs to implement and enforce the Act. Additionally, based on information required in the plan and first annual report, CalRecycle must establish the state mattress recycling baseline and the state mattress recycling goals on or before January 1, 2018. CalRecycle’s enforcement responsibilities include a combination of activities such as evaluating the MRC’s progress in implementing its plan, conducting site visits and inspections, performing audits, and, if necessary, imposing civil penalties for non-compliance. In evaluating the MRC’s progress, CalRecycle will solicit stakeholder input via transparent, public discussions.

The Used Mattress Recovery and Recycling Plan was submitted on July 1, 2015, and subsequently approved by CalRecycle. The Used Mattress Recovery and Recycling Budget, covering the Program's first three years of operation from 2016-2018, was also submitted on July 1, 2015, and approved by CalRecycle on October 1, 2015.

**Budget Submittal and Review Timeline:**

As required annually by Public Resources Code (PRC) section 42988, the MRC submitted a proposed Used Mattress Recovery and Recycling 2017 Program Budget to CalRecycle on June 21, 2016, for the following calendar year. PRC section 42988.1 requires the Department to make a determination of approval or disapproval on the 2017 calendar year budget submitted by the MRC on or before October 1, 2016.

**ANALYSIS**

Staff recommends approval of the MRC's proposed budget for calendar year 2017. During the first 6 months of Program operations in 2016, the MRC did not observe any significant changes in operational costs that required a change to the initial 3-year spending plan that was proposed by the MRC; thus, the proposed Budget for calendar year 2017 is identical to what was included in the initial Budget approved by CalRecycle in October 2015. As the MRC becomes more familiar with the actual costs of implementing the Plan, CalRecycle staff expect the future annual budgets to include additional detail with line item breakdown of anticipated expenditures for each activity within each of the cost categories.

The MRC estimated both the costs and revenues that it expected to realize over the 2016-2018 time period in order to develop a statewide mattress recycling system several times larger than what previously existed in California. In accordance with the Act, the MRC calculated a "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." An \$11.00 recycling charge (the only source of revenue for the Program) was set for all new and renovated mattresses and foundations sold in the State, beginning on December 30, 2015. The MRC's proposed budget for calendar year 2017 maintains a recycling charge of \$11.00/unit. Previously stakeholders expressed a concern regarding the potential impact of the recycling charge on the purchase of mattresses by low income residents and recommended a lower charge for smaller sized mattresses, such as a twin. CalRecycle requests that the MRC look into this issue, including consulting with the Advisory Committee, and if warranted give consideration to two different charges to accommodate mattress size differentials in the development and preparation of the proposed budget for calendar year 2018.

In the September 2015 [Request for Approval](#) regarding the MRC's proposed budget for 2016, CalRecycle requested that the MRC provide more detail in future proposed budgets. Specifically, CalRecycle requested that future proposed budgets include itemization of anticipated costs for each activity in a budget category in order to provide greater program transparency. For example, in the proposed 2017 Budget the anticipated costs for the cost category "Collection Costs" are projected to be \$4,121,612. Greater program transparency would be provided if the anticipated costs in the "Collection Costs" category were further delineated into anticipated costs for

“Collection/storage rental,” “Solid waste facility handling,” “Consumer incentive payments,” “Collection site signage and materials,” and “Fund to collect illegally dumped mattresses.”

Of particular interest is the cost category titled “Transportation & Processing Costs,” which comprises 72.8% of the costs in the proposed budget for calendar year 2017. However, the “Transportation & Processing Costs” are not broken out into proposed costs for individual activities such as “Transportation,” “Processing,” and “Contingency funds.” CalRecycle requests that in the proposed budget for calendar year 2018 the MRC include proposed expenditures for each activity within each of the cost categories. Thus, the 2018 Budget (and subsequent budgets) will need to include separate proposed line item expenditures for the activities that fall under each respective cost category.

In addition, staff identified several activities discussed in the Plan that are not included as an activity in the budget narrative. For example, the “Administration, Research & Advisory Expenses” cost category does not identify “Research” as an activity. However, the MRC’s Plan indicates it will expend funds to address research needs, such as investigating alternatives for removing steel from pocketed coil innersprings, or developing end use markets for specific recycled mattress components. Staff requests that “Research” be identified as an activity within the “Administration, Research & Advisory Expenses” cost category and that anticipated expenditures be included in future proposed budgets.

Staff look forward to working with the MRC to ensure its anticipated expenditures are documented with greater transparency for review by CalRecycle and stakeholders.

**Stakeholder Comments:**

No comments have been submitted to CalRecycle regarding the 2017 Budget since it was posted on the Department’s website for public review in June 2016.

**Update on 2016 Program Implementation:**

To date, the MRC has established over 110 collection locations (both at solid waste facilities and retailers) and its contracted recyclers have collected and processed over 500,000 units – already surpassing the estimated number mattresses recycled in CA (370,000 units) prior to the Program. The stewardship organization has established an incentive program for consumers, created a website locator tool, and designated funding in the amount of \$750,000 to alleviate costs to local jurisdictions for collecting illegally dumped mattresses across the State.

The MRC is continuing its efforts to register and educate retailers and manufacturers through the distribution of educational surveys and publicity toolkits. It is also working on pilot solutions for rural areas in the State to address the challenges of consolidating collection and transportation of mattress units over long distances in a cost effective manner. While every new program experiences challenges, CalRecycle appreciates the MRC’s collaborative approach to implementing the Program, its willingness to respond to concerns in a timely manner, and its diligence in working to find acceptable solutions.