THE MLC
MECHANICAL LICENSING COLLECTIVE

BUDGET PROCESS

CONGRESS ESTABLISHED THE MLC'S BUDGET PROCESS

Congress established the framework for The MLC's funding and budget process

- As set out in the Music Modernization Act (MMA) of 2018, which Congress unanimously approved and President Trump signed into law, The MLC's budget is funded exclusively by digital service providers like Amazon Music, Apple Music, Spotify, and YouTube Music.

All key stakeholders are involved in setting The MLC's annual budget

- U.S. digital service providers (DSPs)
- Music publishers, songwriters, and other music copyright owners
- The MLC's Leadership Team

The process is collaborative and transparent

- Representatives of each stakeholder group participate in The MLC's annual budget process. This collaborative process is designed to ensure meaningful participation by all key stakeholders.

HOW THE BUDGET PROCESS WORKS

1. **PROPOSAL:** The MLC's Leadership Team presents a detailed budget proposal to a budget advisory committee comprised of six members representing the DSPs and six members representing music copyright owners. (The DSPs currently represented are Amazon Music, Apple Music, Tidal, Pandora, Spotify, and YouTube Music.)
2. **REVIEW:** The MLC's Leadership Team holds several meetings with the committee during which they can ask questions, request additional information, and provide feedback. The committee then assesses the reasonableness of The MLC's proposed budget and provides its recommendations to The MLC's Board of Directors.
3. **APPROVAL:** The MLC then presents its proposed budget, along with the recommendations of the budget advisory committee, to The MLC's Board of Directors and the Digital Licensee Coordinator (DLC), the entity designated by the United States Copyright Office to represent DSPs.
4. **ACCOUNTABILITY:** The music copyright owners and the DSPs on the budget advisory committee meet regularly to review budget expenditure information and provide related recommendations.

THE MLC BUDGET PROCESS PRODUCED A CONSENSUS

Music copyright owners and DSPs have signed two budget agreements to date

- In **2019**, they extensively negotiated and unanimously approved an initial funding agreement that provided start-up funding for The MLC, funding for The MLC's initial annual budget, and a formula to calculate DSP funding for The MLC's future annual budgets.
- In **2023**, they extensively negotiated and unanimously approved a new agreement that included a material increase in funding to cover The MLC's 2023 annual budget.

Music copyright owners and DSPs have approved every annual budget proposed by The MLC to date, including The MLC's annual budget for 2026

- If a stakeholder ever did disagree with The MLC's proposed budget, they are entitled to petition the neutral, three-judge Copyright Royalty Board within the Library of Congress to change The MLC's funding in a proceeding open to the public.

THE MLC IS AN AMERICAN SUCCESS STORY

The MLC's budget process has enabled The MLC to achieve significant milestones

- The MLC has enrolled more than **100,000 Members** to date.
- The MLC has compiled data for more than **60 million musical works**.
- The MLC has processed over **$5 billion in total royalties** reported by DSPs.

The MLC is the most efficient music royalty distribution organization in the world

- The MLC's annual budget represents less than 4% of its total royalties processed.
- The global norm for other similar organizations is between 10–15%.

The MLC is realizing the vision of Congress and President Trump set out in the MMA

- The MLC has already fulfilled most of the MMA's key statutory requirements.
- The MLC has received strong support throughout the music industry.
- While there is much to be proud of, The MLC continues to find new ways to enhance and improve its operations, to fulfill its vision of providing world-class service that empowers our Members, enhances transparency, drives innovation, and transforms rights administration in the U.S. music industry.