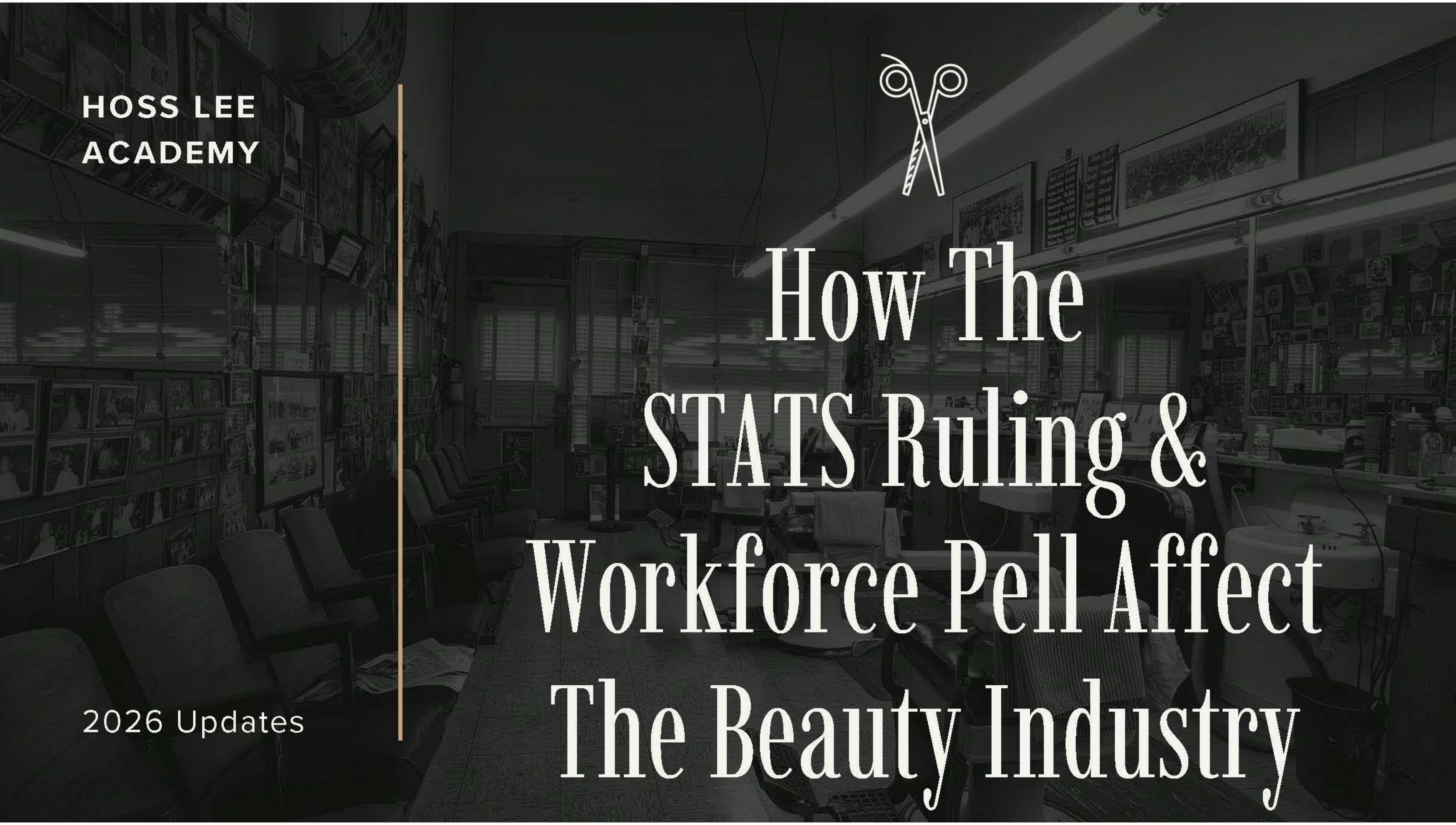
HOSS LEE ACADEMY

How The STATS Ruling & Workforce Pell Affect The Beauty Industry

2026 Updates



ABOUT US

LISA LEE

- Owner/Compliance/Financial Aid Officer
- Member of PBFC School Council
- Served on the Gov. Relations Committee with AACS

NICOLE DEL CASTILLO

- Director of Education
- 20 Years Licensed
- In education since 2010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ADVOCACY


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OUTLINE & KEY POINTS

KEY DISCUSSION POINTS

- About Us
- Workforce Pell
- Premise of the STATS Earnings Accountability Rule
- History of Gainful Employment & STATS
- Main Points of STATS
- How This Affects Us
- What Can We Do?
- Open Q&A Session
- Contact Information

Main Points of:

Workforce Pell

1. Determine Whether the Program Can Qualify

Is at least **8 weeks but less than 15 weeks** in instructional length.

Contains:

- At least **150 but fewer than 600 clock hours**;
- Has been operating and meeting the applicable requirements for the **12 months before the institution applies to ED**.
- Leads to a certificate or other recognized credential
- Approved by Gov. and Secretary of Ed.—Meets 70% completion and 70% placement rate, and value-added earning standards.

2. Confirm Institutional Eligibility

The institution itself must be an eligible Title IV institution with a current Program Participation Agreement.

An institution generally cannot offer an eligible Workforce Pell program if, no enforcement actions during the preceding five years.

Main Points of:

Workforce Pell

3. Apply Through the Governor's State Process

The governor, after consulting with the state workforce board, must determine that the program:

- Aligns with a high-skill, high-wage, or in-demand industry sector or occupation;
- Meets the hiring needs of employers;
- Leads to a recognized eligible certificate or postsecondary credential;
- Produces a credential that is portable and stackable, unless the occupation has only one recognized credential

Each governor must establish a written submission, evaluation, and appeal process.

4. Obtain the Governor's Certification Form

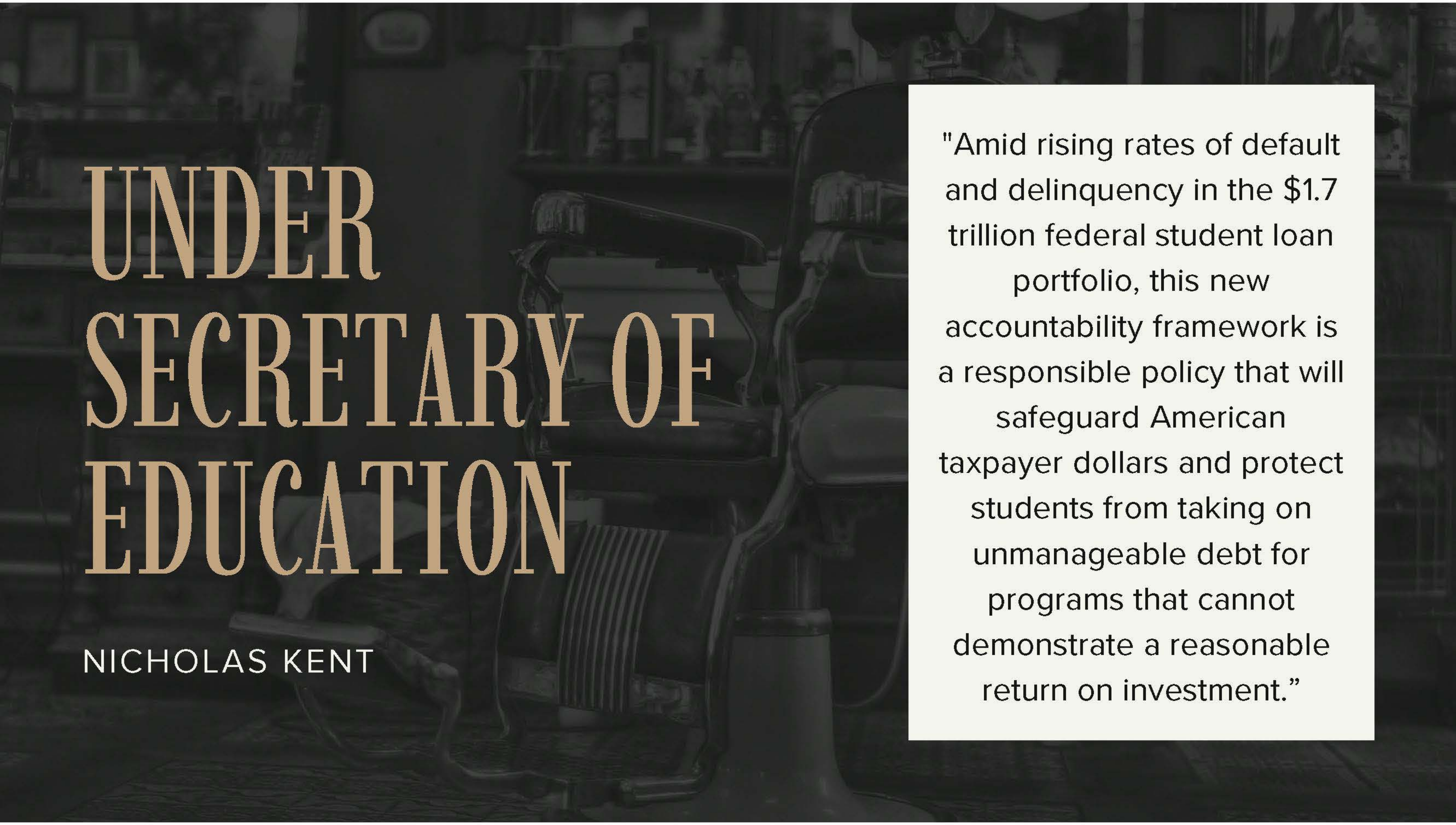
- Once the governor approves the program, the governor or authorized designee completes the **State Workforce Pell Program Certification Form** and provides it to the institution.

5. Submit the Program Through the E-App

- After receiving the governor's certification, the school submits the program through the **Title IV Participation Application, or E-App, in FSA Partner Connect**.

6. Ongoing Approval Requirements

- Meet established completion and job placement rates
- Meet value adding earning requirements



UNDER SECRETARY OF EDUCATION

NICHOLAS KENT

"Amid rising rates of default and delinquency in the $1.7 trillion federal student loan portfolio, this new accountability framework is a responsible policy that will safeguard American taxpayer dollars and protect students from taking on unmanageable debt for programs that cannot demonstrate a reasonable return on investment."

HISTORY OF GAINFUL EMPLOYMENT + STATS

HIGHER EDUCATION ACT OF 1965

The term Gainful Employment first appeared in the Higher Education Act of 1965 which defined eligible institutions as those preparing students for gainful employment in a recognized occupation.

FIRST FEDERAL GE REGULATIONS

2009- Obama administration authorized the DOE to set standards for programs leading to gainful employment

2012-The standards were set to take effect July 1st 2012

RESCISSION OF GE RULES

2019- Under Trump administration GE ruling was rescinded effective July 1st of 2020

GE/FVT REGULATIONS

2021-Biden administration announced a new GE framework to be effective July 1st, 2023

DO NO HARM ACCOUNTABILITY MEASURE

2025- Trump administration took action with OB3 by creating a “do no harm” accountability measure effective July 1st ,2027 to include ALL higher education institutions, excluding certificate programs.

GAINFUL EMPLOYMENT VS. (STATS)EARNINGS ACCOUNTABILITY RULE

(STATS) Earnings Accountability Rule

- Affects all higher education institutions
- Removed the debt to earnings req., now only looking at:
  - Earnings premium
- Only working graduates are evaluated
- 4 Year post-graduation evaluation, with a 1 year buffer for "no tax on tips" programs.
- Institutions can lose funding after 2 fails, or opt out of Direct Loans after first fail to keep Pell Grant

HOW DOES THIS AFFECT US?

IT IS PROJECTED THAT 93% OF BEAUTY SCHOOLS WILL FAIL THIS METRIC

*EXCLUDING SCHOOLS THAT DID NOT HAVE 30 COMPLETERS OR DID NOT PARTICIPATE IN THE DIRECT LOAN PROGRAM IN THE LAST 5 YEARS

Why is this??

UNDERGRADUATE PROGRAMS

- Our programs vary from 4mo to 8mo
- Bachelor degree programs vary from 4-6 years
- Once Bachelor degree is obtained Pell eligibility is lost
- Beauty programs train approximately 10-15% of that of Bachelor degree programs and Pell eligibility retained post graduation/licensure

EARNINGS DATA

- Self-reported data to the U.S. Census Bureau via the American Community Survey
- Including self-certifying if a college graduate
  - Many don't understand a certificate program is a form of higher education
  - Might report as having only a HS diploma
- CA median wage determined $36,565 for ages 25-34 with only HS diploma

Comparator Groups

EMPLOYMENT

- BLS calculated a median wage for hairstylists of $46,600 & skincare professionals of $54,170
  - "CA BBC shows 50.35% of licensed individuals between 1/1/21-12/31/25 work part-time
  - 65.94% identified as self-employed
- The CA median earnings for proprietary schools was $25,776 projecting 95% of CA schools to fail
- Underreported Income – tip + cash for services.

DEMOGRAPHICS

- Beauty industry made primarily of women, beginning careers in their child-bearing years
- Many students still live at home while attending beauty school—life skills vastly different from 4 year college life
- Significant increase of students enrolling with documented learning disabilities—typically kinesthetic learners

HOSS LEE ACADEMY OUTCOMES

JANUARY 1, 2021 - DEC 31, 2025

96% Graduation Rate

Licensure Rate 97.5%

Placement Rate 72%

Cohort made up of 98% Women

10-15% have learning disabilities

Loan Delinquency Rate of 21%,

- Grads 90+ days delinquent
- Proprietary school delinquency rate 33%
- Public school delinquency rate 16%

Earnings Indicator

- 2017/2018 &2018/2019 Grads reported 22&23 income was $26,851 adjusted for inflation

Consequences of Failure for Schools

Failure #1:

- Must issue warnings to students & potential students
- Schools can opt out of Direct Loan Program for 5 years to preserve Pell Grant eligibility

Failure #2:

- Programs labeled “low earnings program” and Direct Loan eligibility is lost for 3 years and cannot be reinstated until 2 years of earnings premiums are met

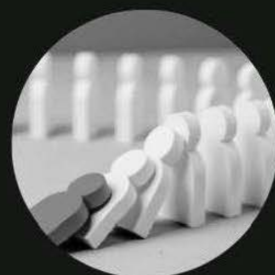
Failure #3:

- Program placed on administrative capability and loses all access to Direct Loans and Pell Grants
- If 50% of grads come from failing program, the school loses access to all aid

Consquences of Failure for the Industry in CA

WORKFORCE PIPELINE REDUCED

This ruling unintentionally weakens California's pipeline of beauty professionals, effecting small-business owners & workers alike.



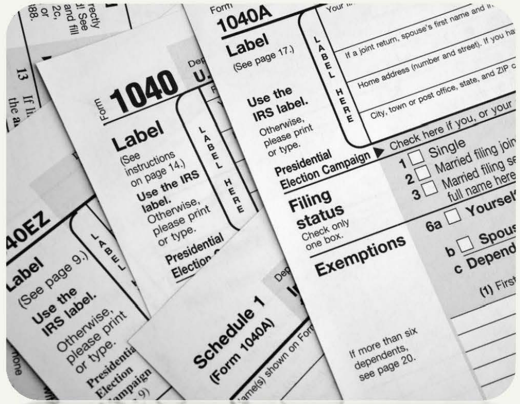
NO AID FOR LOW-INCOME STUDENTS

This ruling will exclude low-income students from being able to participate in programs that focus on kinesthetic learning rather than traditional educational models

SALONS CARRY THE BURDEN OF EDUCATION

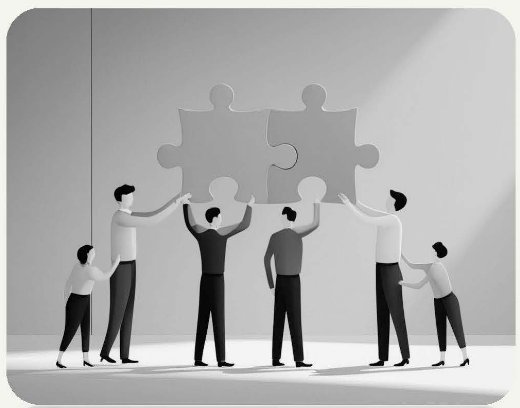
Can small businesses afford to pay interns or apprentices while they learn?

What Can We Do?



CREATE A NO TAX ON TIPS WORKSHOP/OUTREACH PROGRAM

Will help boost income and can teach creatives how to be more fiscally capable and responsible



SUPPORT & ADVOCATE FOR COMPACT LICENSE

Could help unify & strengthen the power of the license allowing licensees more opportunities for employment


Q&A

CONTACT INFORMATION

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