



# UPDATE ON GOVERNMENT RELATIONS

**Update on Government Relations at State  
and Federal Levels**

**August 2016**

# BACKGROUND

## FEDERAL LEVEL CHALLENGES

**Schools are under increased scrutiny by the Department of Education. Plans to measure “Gainful Employment” based on ratio of debt service to REPORTED income.**

**Students can take out loans up to whatever they “are entitled to” regardless of the the tuition charged. The longer the program, the more they can borrow: 1,000 hour states = \$7,400 debt, 2,000 hour states - \$14,200 debt.**

# BACKGROUND

## STATE LEVEL CHALLENGES

**Repeated attempts by Libertarian groups (such as the Institute for Justice) to chip away at state regulation of our industry.**

**Recently the Koch brothers announced a campaign to reform occupational licensing, committing up to \$800M!**

**White House White Paper on Occupational Licensing singled out cosmetology as an example of an over-regulated industry.**

# ISBN & Industry Groups

- Beginning in July 2010 exploratory meetings were held with representatives of the major key players: Schools, salon owners, AACSB, ISBN & PBA.
- The general consensus of all these meetings was that we need to come together as an industry to present a united front to state and federal governments given the attempts to deregulate our industry in many states and the DOE attacks on for-profit schools, including beauty schools.

# ISBN & Industry Groups

## **Beauty Industry Coalition for Legislative Reform members:**

- **ISBN (Multi-unit salon & spa owners and franchises)**
- **PBA (Manufacturers, distributors, salons and Stylists)**
- **AACS (School association – about 1,200 schools)**
- **National Interstate Council of Cosmetology Boards (NIC)**
- **Empire Beauty Schools**
- **King Research (Barbicide)**
- **Pivot Point and Milady joined in 2015**

# Coalition Goals

## Overall Goals

- **Bring the industry together in a collaborative effort to prevent deregulation, to achieve consistency between states, and to enable beauty schools to survive DOE challenges**
- **Educate and improve elected officials' perception of our industry so they understand our economic impact and the importance of rational regulation to protect the public**
- **Create best standards for hours, reciprocity, national testing, and consumer protection**

# Coalition Work Plan

## Phase One

- A research and educational paper to guide and inform state legislators on the importance and need for continued state licensing and regulation of the professional beauty industry. This was completed by ndp | analytics, a strategic research firm that specializes in the economic analysis of public policy and legal issues, in December 2014. The objectives:
  - Replace the misinformation from AEI, IJ, and Goldwater Institute with industry facts
  - Change and guide elected officials' perception of our industry

# Coalition Work Plan

## Phase Two

### **Research/Data Analysis:**

- **An independent third party review of key metrics across states with varying hours required for licensure**
- **Develop recommended hours based on results**
- **Defend the number of hours of curriculum to media and elected officials based on data and research**

# Coalition Work Plan

## Phase Three

- **Recommend consistent standards for reform to state legislators**
- **Provide supporting data to state legislators as a consistent standard for change.**
- **Introduce and work to pass reform legislation in a few key states: OH, TX and maybe a few others to start.**

# Beauty Industry Working Group

## Data Points for Phase Two:

1. **Completion rates of school programs**
2. **Testing scores – pass/fail rates of exams**
3. **Cosmetology salary/wages**
4. **Student Title IV debt at time of graduation**
5. **Student loan default rates**
6. **School Financial Stability**

# Beauty Industry Working Group

## States Used for the analysis:

**1,000 hours - NY, MA**

**1,500 hours - TX, TN, OH**

**1,800 hours - KY, NV, CO**

**2,000+ hours - IA, ID, NE**

# Beauty Industry Working Group

## TIMELINE

- **Phase One was completed in December 2014.**

**Phase Two: American Institute for Research (AIR), was retained to conduct the study, completed in July 2016.**

- **Phase Three implementation efforts commenced in August 2016**

# ISBN

## Research Findings

**For NACCAS-accredited schools, there is no apparent relationship between the total curriculum hours and graduation rates.**

**There is no correlation between the total number of curriculum hours and overall exam pass rates. The extra hours do not affect students' ability to pass the state exams.**

# ISBN

## Research Findings

**Although there is variability in mean hourly wages across states, there is no evidence of a relationship between total curriculum hours and wages.**

**Graduates of programs of 2,000 hours or more earn no more on average than graduates of 1,000 hour programs.**

# ISBN

## Research Findings

**There is a negative and significant relationship between the total number of curriculum hours and employment rates: The higher the number of hours required for licensure, the fewer licensed cosmetologists per capita in that state, an indication that more stringent requirements and longer courses do pose a barrier to entry into the profession.**

# ISBN

## Research Findings

**There is a positive and significant relationship between the total number of curriculum hours and median Title IV loan amounts. The longer the program, on average the more debt the students accumulate and must repay:**

**1,000 hours: \$ 7,264**

**2,000 hours: \$13,453**

# ISBN

## Research Findings

**NACCAS requires accredited schools to meet certain minimum financial stability criteria. There is no evidence of a relationship between curriculum hours and these variables.**

**This is important because some school owners may be concerned that reducing the number of hours would negatively impact their financial stability, which the data does not support.**

# ISBN

## Research Findings

### **Bottom Line:**

**We could find no justification for states requiring more than the minimum number of hours for licensure that has been proven to be effective in two highly-populated states: New York and Massachusetts. (And Texas only requires 1,000 hours for high school programs, which works very well.)**

# ISBN

## Our Focus

- **We will emphasize to Legislators that our proposed reforms are focused on what is best for students, based on hard data.**
- **A secondary point is that these reforms save state and federal governments money and increase tax revenue.**
- **Our message to beauty schools is that they can survive and thrive in a lower-hour environment.**

# ISBN

## Key Points for Legislation

- **Hours for cosmetology licensing = 1,000**
- **Pre-graduation testing**
- **License-for-license reciprocity**
- **Standardized national exams**
- **Enable schools to use distance learning methods**
- **Authorize competency-based testing vs. class hours**
- **Eliminate specialty licenses that don't affect safety**
- **Consistent sanitation/infection control rules and terms**
- **Give schools more leeway in curriculum**

# ISBN

## Next Steps

- **A PR/Communications consulting firm (CRAFT) has been engaged to develop communication strategy and positioning statements, including social media campaigns.**
  - **Theme Development**      **Govt. Affairs Collateral**
  - **Message Testing**      **Videos**
  - **Website: National and state-specific**

# ISBN

## Next Steps: Ohio

- **Ohio effort led by Chuck Penzone and Clara Osterhage, Cosmetology Board members.**
- **Successful last year in removing the 300 hour Salon Manager license requirement. Legislators are expecting them to come back with more comprehensive reforms.**
- **Lobbyists have been engaged and work begun. Goal is to introduce legislation this year with expectation of success next year.**

# ISBN

## Next Steps: Texas

- **Texas Legislature only meets every other year. Committee hearings are going on now.**
- **PBA (Bridget Sharpe) and ISBN (Gordon) testified to a Texas House Committee on occupational licensing yesterday.**
- **Preliminary contacts have been made with key legislators, including Speaker of the House.**
- **TDLR incoming Exec. Director is open to change.**

# ISBN

## Next Steps: Texas

- **John McCormack of Visible Changes is joining this effort. We will be meeting with JCP, Sally's/BSG and others in Texas to solicit support.**
- **We have engaged with the school association, hoping to work with them on reform.**
- **Lobbyists will soon be engaged in Texas.**

# ISBN

## Support to Date

- **JPMS has committed to help fund the effort and support our objectives.**
- **PBA, Great Clips, Ulta and Sport Clips have each made substantial commitments.**
- **We (and PBA) plan meetings with other major players to ensure adequate funding**

# ISBN

## Expected Time Line

- **Legislation will be written this year with major push next year in TX and OH, where we have reasonable expectations of success.**
- **Once we have initial success in these two states, we will identify other states to target.**
- **Time to accomplish: 3-5 years minimum.**

# ISBN

## What You Can Do

- **Get to know your state Representative and Senator. Educate them on the issues we are facing.**
- **Attend Cosmetology Board meetings, get to know the players: Administrators, Board members, etc.**
- **Get appointed to the Board if you can.**

# ISBN

## Other Efforts

- **We have been approached by a lobbying firm in Washington, DC, soliciting our support for an effort to widen the 45(b) tax credit for FICA paid on tips**
- **Restaurants only industry currently covered, they are concerned this credit will go away and want others to help them retain by extending the credit to other industries (salons, UBER/Lyft, hotels).**

# ISBN

## Other Efforts

- **I have spoken with Rep. Kevin Brady, Chair of the House Appropriations Committee that writes tax law.**
- **Current movement is to eliminate special credits, deductions and exemptions in order to lower overall tax rates.**
- **I am meeting with Rep. Brady tomorrow to go over his plans in more detail and get a better feel for the possibility of expanding the 45(b) tax credit.**



**THANK YOU!**

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