NATIONAL RESTAURANT ASSOCIATION

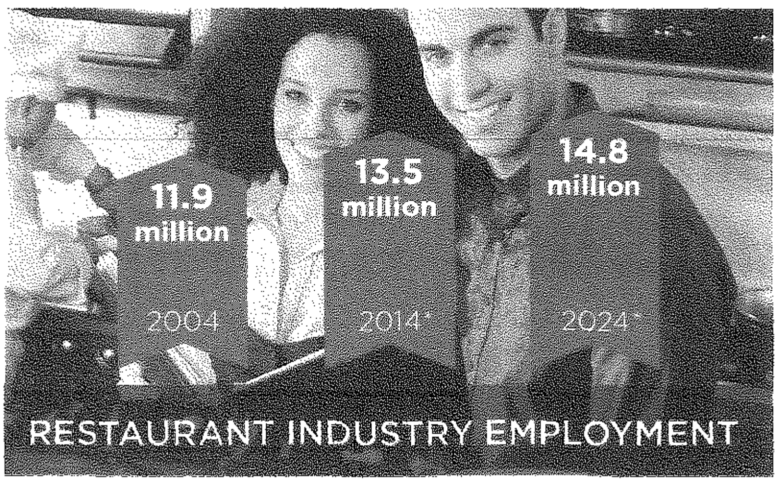
2014 Restaurant Industry Forecast

Driven by a stronger economy and historically high levels of pent-up demand among consumers, restaurant-industry sales are expected to hit a record high in 2014. According to the National Restaurant Association's *Restaurant Industry Forecast* report, restaurant-and-foodservice sales are projected to total $683.4 billion in 2014, up 3.6 percent from 2013.

In inflation-adjusted terms, industry sales are projected to increase 1.2 percent in 2014. Although 2014 will represent the fifth consecutive year of real growth in restaurant sales, the gains remain below what would be expected during a normal post-recession period.

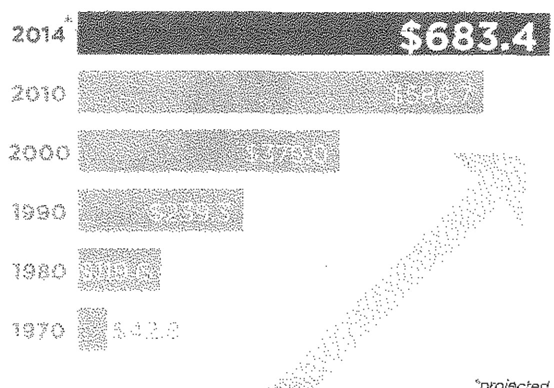
In 2014, the restaurant industry will employ 13.5 million individuals and remain the nation's second-largest private sector employer. The restaurant workforce continued to grow at a robust rate in 2013, keeping the industry among the economy's leaders in job creation. Eating-and-drinking places are projected to add jobs at a 2.8 percent rate in 2014, which will represent the 15th consecutive year in which industry job growth outpaced the overall economy.

SALES & ECONOMIC FORECAST



*projected

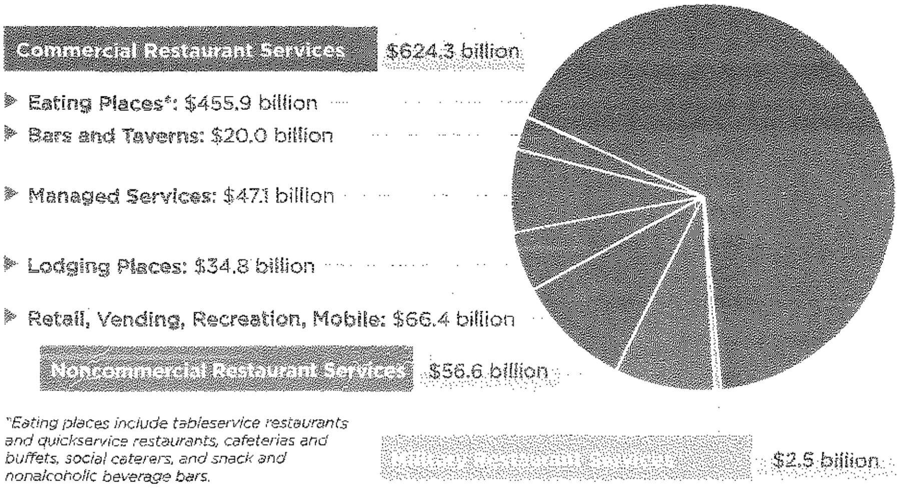
Restaurant Industry Sales (In Billions of Current Dollars)



*projected

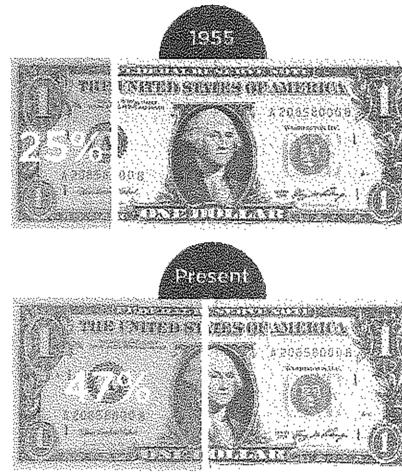
Adding It All Up: $683.4 billion

Projected restaurant industry sales in 2014



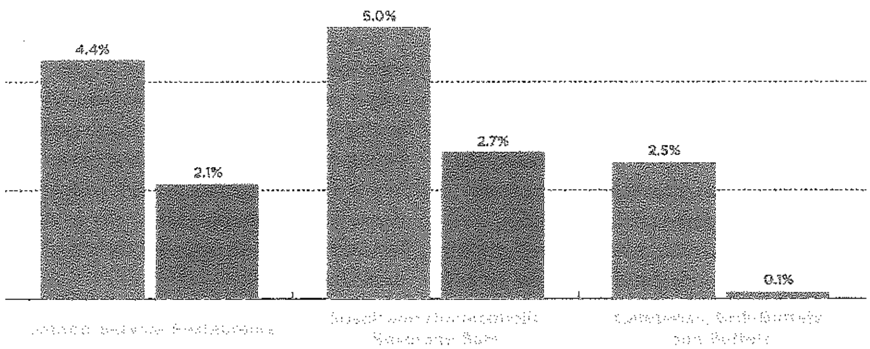
*Eating places include tableservice restaurants and quickservice restaurants, cafeterias and buffets, social caterers, and snack and nonalcoholic beverage bars.

Restaurant Industry's Share of the Food Dollar



LIMITED-SERVICE TRENDS

Projected 2014 Limited-Service Sales Growth

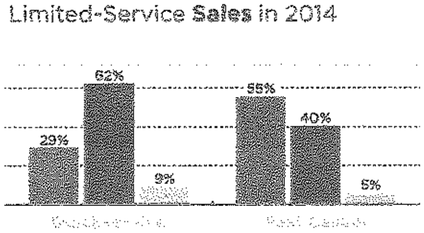


■ Nominal Sales Growth ■ Real (Inflation-adjusted) Sales Growth

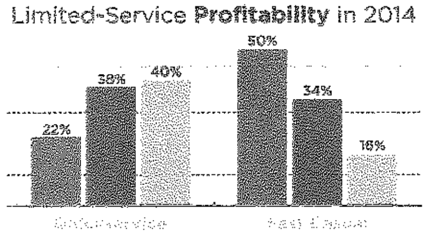
Source: National Restaurant Association

Limited-Service Operators' Outlook for Sales and Profitability in 2014

Limited-Service **Sales** in 2014



Limited-Service **Profitability** in 2014



■ Better Than 2013 ■ About the Same as 2013 ■ Down From 2013

Source: National Restaurant Association, *Restaurant Trends Survey*, 2013

Limited-Service Operators Expect Legislative & Regulatory Issues to Pose Challenges in 2014

Top challenges expected by limited-service operators in 2014

	Quickservice	Fast Casual
Health Care Reform	42%	9%
The Economy	17%	14%
Government	8%	16%
Building & Maintaining Sales Volume	5%	18%
Recruiting & Retaining Employees	6%	14%
Food Costs	5%	9%
Labor Costs	6%	5%
Minimum Wage Increase	5%	4%
Competition	0%	5%
Profitability	5%	0%

Source: National Restaurant Association, *Restaurant Trends Survey*, 2013

TECHNOLOGY TRENDS

Smart(phone) Restaurant Activities

Consumers who say they would be likely to use a smartphone or tablet for restaurant-related activities

	All adults	Age 18-34	Age 35-44	Age 45-54	Age 55-64	Age 65+	
Look up locations or directions	67%	88%	78%	63%	60%	31%	80%
Order takeout or delivery	52%	74%	62%	45%	39%	20%	67%
Use rewards or special deals	50%	70%	58%	47%	38%	21%	65%
Make a reservation	46%	59%	60%	38%	40%	22%	56%
Look up nutrition information	42%	55%	46%	38%	35%	23%	54%
Pay for your meal	24%	43%	22%	16%	16%	9%	32%

Source: National Restaurant Association, *Technology Innovations Consumer Survey*, 2013

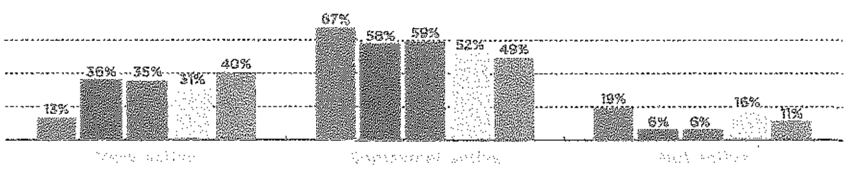
Restaurants Are Investing in Technology

	Family dining	Casual dining	Fine dining	Quick-service	Fast casual
Customer-facing technology	41%	50%	51%	43%	57%
Front-of-the-house technology	28%	35%	23%	39%	47%
Back-of-the-house technology	24%	30%	19%	33%	38%

Source: National Restaurant Association, *Restaurant Trends Survey*, 2013

Restaurants are Socially Active

Percentage of restaurant operators who are currently active on social media



Source: National Restaurant Association, *Restaurant Trends Survey*, 2013

FOOD & MENU TRENDS

TOP 5 2014 MENU TRENDS

TABLESERVICE

1. Locally sourced meat and seafood
2. Locally grown produce
3. Environmental sustainability
4. Healthful kids' meals
5. Gluten-free cuisine

Source: National Restaurant Association, What's Hot in 2014 chef survey

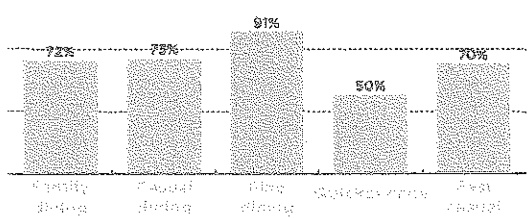
LIMITED-SERVICE

1. Gluten-free items
2. Healthful kids' meals
3. Spicy items
4. Fruit/vegetable sides in kids' meals
5. Locally sourced produce

Source: National Restaurant Association, *Restaurant Trends Survey*, 2013

Consumers Go Local

Percent of restaurant operators who say their customers are more interested in locally sourced items than they were two years ago



Source: National Restaurant Association, *Restaurant Trends Survey*, 2013

Nutrition Makes a Difference

Consumers take notice of healthful menu options

	All Adults		
More healthy options available compared to two years ago	81%	79%	84%
More likely to visit a restaurant that offers healthy options	72%	67%	76%

Source: National Restaurant Association, *National Household Survey*, 2013

For details on member benefits and how to access the NRA's 2014 Restaurant Industry Forecast report, visit Restaurant.org/Forecast.

Founded in 1919, the National Restaurant Association is the leading business association for the restaurant industry. Together with the National Restaurant Association Educational Foundation, our goal is to lead America's restaurant industry into a new era of prosperity, prominence, and participation, enhancing the quality of life for all we serve. For additional restaurant industry research beyond the scope of this report, visit Restaurant.org/Research.

Bloomberg

College Grads Taking Low-Wage Jobs Displace Less Educated

By Katherine Peralta - Mar 6, 2014

Jeanina Jenkins, a 20-year-old high-school graduate from St. Louis, is stuck in a $7.82-an-hour part-time job at McDonald's Corp. that she calls a "last resort" because nobody would offer her anything better.

Stephen O'Malley, 26, a West Virginia University graduate, wants to put his history degree to use teaching high school. What he's found instead is a bartender's job in his home town of Manasquan, New Jersey.

Jenkins and O'Malley are at opposite ends of a dynamic that is pushing those with college degrees down into competition with high-school graduates for low-wage jobs that don't require college. As this competition has intensified during and after the recession, it's meant relatively higher unemployment, declining labor market participation and lower wages for those with less education.

The jobless rate of Americans ages 25 to 34 who have only completed high school grew 4.3 percentage points to 10.6 percent in 2013 from 2007, according to Bureau of Labor Statistics data. Unemployment for those in that age group with a college degree rose 1.5 percentage points to 3.7 percent in the same period.

Related:

- Jobless Claims in U.S. Fall to Lowest Level in Three Months
- Highest Minimum-Wage State Washington Beats U.S. Job Growth

"The underemployment of college graduates affects lesser educated parts of the labor force," said economist Richard Vedder, director of the Center for College Affordability and Productivity, a not-for-profit research organization in Washington. "Those with high-school diplomas that normally would have no problem getting jobs as bartenders or taxi drivers are sometimes kept from getting the jobs by people with college diplomas," said Vedder, who is also a Bloomberg View contributor.

Low-wage Positions

Recent college graduates are ending up in more low-wage and part-time positions as it's become harder to find education-level appropriate jobs, according to a January study by the Federal Reserve Bank of New York.

The share of Americans ages 22 to 27 with at least a bachelor's degree in jobs that don't require that level of education was 44 percent in 2012, up from 34 percent in 2001, the study found.

The recent rise in underemployment for college graduates represents a return to the levels of the early 1990s, according to the New York Fed study. The rate rose to 46 percent during the 1990-1991 recession, then declined during the economic expansion that followed as employers hired new graduates to keep pace with technological advances.

Jobless Recoveries

The New York Fed researchers said it isn't clear whether two decades of increasing underemployment for recent graduates "represent a structural change in the labor market, or if they are a consequence of the two recessions and jobless recoveries in the first decade of the 2000s."

The latest increase has been higher than in the early 2000s, which "does suggest that it has become more difficult over the past decade for recent college graduates to find jobs that utilize their degrees," the study said.

Competition can leave less-educated -- yet still qualified -- individuals with few employment options, said Heidi Shierholz, economist at the Economic Policy Institute in Washington.

"College graduates might not be in a job that requires a college degree, but they're more likely to have a job," she said.

Less-educated young adults are then more likely to drop out of the labor market, said Paul Beaudry, an economics professor at the University of British Columbia in Vancouver who studies U.S. employment trends.

Participation Rate

The labor participation rate for those ages 25 to 34 with just a high school diploma fell four percentage points to 77.7 percent in 2013 from 2007. For those with a college degree and above, the rate dropped less than 1 percentage point, to 87.7 percent.

"At the complete bottom, we see people picking up the worst types of jobs or completely dropping out," Beaudry said.

The share of young adults 20 to 24 years old neither in school nor working climbed to 19.4 percent in 2010 from 17.2 percent in 2006. For those ages 25 to 29, it rose to 21.3 percent from 20 percent in that period, according to a Federal Reserve Bank of Boston report in December.

Those with the least education have trouble securing even the lowest-paid jobs. Isabelle Samain looked for work in Washington from April until September of last year. As prospective employers continually passed over her applications, the 20-year-old mother of two from Cameroon realized she was missing out because she lacked a U.S. high-school diploma.

Frustrating Search

"I don't even remember how many places I applied," Samain said of the "frustrating and discouraging" search.

Samain passed the General Educational Development test in December and recently started working at Au Bon Pain in Washington for $8.50 an hour for 36 hours a week.

A year-long survey ending in July 2012 of 500,000 Americans ages 19 to 29 showed that 63 percent of those fully employed had a bachelor's degree, and their most common jobs were merchandise displayers, clothing-store and cellular phone sales representatives, according to Seattle-based PayScale Inc., which provides compensation information.

The share of recent college graduates in "good non-college jobs," those with higher wage-growth potential, such as dental hygienists, has declined since 2000, according to the New York Fed study. Meanwhile, the portion has grown for those in low-wage jobs paying an average wage of below $25,000, including food servers and bartenders.

Advancement Opportunities

Yet those with college degrees have more opportunity to advance even in lower-paying fields. Kimberly Galban, 34, vice president of operations at the One Off Hospitality Group in Chicago, cites her own career as an example.

She got a job as a hostess at Blackbird, a One Off restaurant, while pursuing a bachelor's degree in Germanic studies and communications at the University of Illinois at Chicago in 1999.

"The formality of classes, papers and grades did lend a hand in where I am today because I had a broader sense of cultures, interactions and interpersonal skills," said Galban, who is now also a partner at the restaurant Nico Osteria, one of seven Chicago restaurants managed by One Off.

Of the company's more than 700 employees, more than 60 percent hold college degrees or higher, yet fewer than 10 positions require a degree, Galban said.

College Degrees

"We would rather have somebody who is passionate, knowledgeable about their craft and really hospitable than somebody who walks in and says 'hey I have a master's degree,'" Galban said. "But the funny thing is, the majority of our servers, bartenders and people who work in the corporate office do carry either a master's or Ph.D."

O'Malley, the bartender from New Jersey, has a master's in history, and he says the degree has its drawbacks as he applies for teaching positions.

"The master's is cool and I went to school longer, but on the other side of the coin, they have to pay me more," O'Malley said. Teachers with higher degrees in New Jersey receive more compensation, pricing him out of some jobs, he said.

As the number of college graduates outweighs the availability of education-appropriate jobs and they take whatever they can get, everyone else is pushed down the ladder, said Katie Bardaro, PayScale's lead economist and analytics manager.

"There's not really a lower-level job they can move into since they were already in a low-level job," Bardaro said.

Wage Disparity

The education-wage disparity has grown since 1979, when high school graduates were paid 77 percent of what college graduates made; today they make about 62 percent, according to a study by Washington-based Pew Research Center released last month. College graduates ages 25 to 32 working full-time now earn on average $17,500 more annually, adjusted for inflation, than those with just a high-school diploma. In 1979, it was $9,690 more.

The Federal Reserve is "very worried about trends in income inequality," Chair Janet Yellen said in testimony before the Senate Banking Committee on Feb. 27.

Twenty-two percent of those ages 25 to 32 with only a high school diploma live in poverty, compared with 6 percent of today's college-educated young adults, according to the Pew study.

Only 7 percent of those in that age group with just a high school diploma lived in poverty in 1979, compared with 3 percent of college graduates.

Top Quarter

Those in the U.S. in the top one-fourth of income distribution have an 85 percent chance of going to college, compared with 8 percent for those in the lowest quarter, said Peter Henry, dean of the Stern School of Business at New York University, in an interview on Bloomberg TV Feb. 27, citing Yellen's comments on income inequality.

Jeanina Jenkins knows reaching her goal of becoming a registered nurse requires a college education. Her current McDonald's hourly pay pales in comparison with the prospective wages of a registered nurse, with a median annual 2012 salary of $65,470, according to the BLS.

"To work somewhere else, you need more than just a high school diploma," said Jenkins, who had to drop out of the University of Missouri-St. Louis as a freshman last fall to help support her family. "I'm afraid for my career because I'm not in school anymore."

To contact the reporter on this story: Katherine Peralta in Washington at kperalta2@bloomberg.net

To contact the editor responsible for this story: Chris Wellisz at cwellisz@bloomberg.net

Comments on Gainful Employment Regulations

Career Education Corporation

March 5, 2014
231 N. Martingale Rd
Schaumburg, IL 60173

Scott W. Steffey – President & CEO

- Joined Career Education Corp. (CEC) in April 2013
- Prior to joining CEC, Scott served as:
  - **Vice Chancellor of the State University of New York (SUNY)**
    - 400,000 students
    - 75,000 faculty and administrators
    - 33 community colleges
    - 31 colleges, universities and research centers
    - Vocational centers
  - **Chief Operating Officer of Strayer University**
    - Recapitalized the company
    - Expanded geographically and programmatically

Career Education Leadership

- Diane Auer Jones, SVP and Chief External Affairs Officer

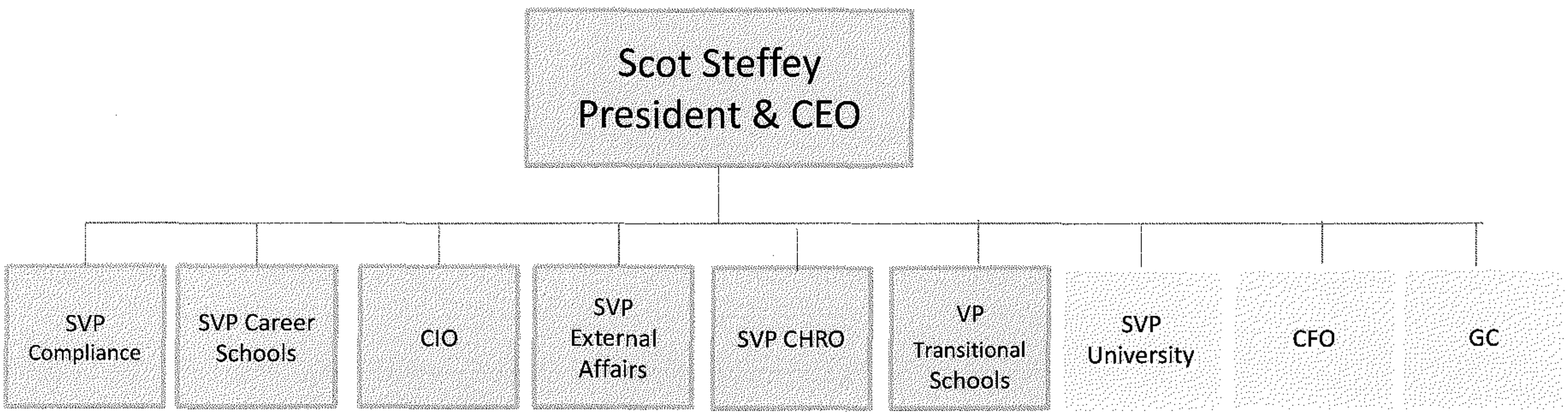
- Higher Education experience:
  - Princeton University
  - Community College of Baltimore County

- Policy Experience
  - Assistant Secretary for Postsecondary Education, U.S. Department of Education
  - Deputy to the Associate Director for Science, Office of Science and Technology Policy (OSTP)
  - Professional Staffer/Acting Staff Director, U.S. House of Representatives Committee on Science, Research Subcommittee
  - Program Officer, National Science Foundation (Division of Undergraduate Education)

Career Education Leadership Changes

- Since joining Career Education, Scott has made a number of leadership changes:

CEC Executive Talent
2014



Blue – New Talent
Yellow – Legacy Talent

Career Education Leadership Changes

- Since joining Career Education, Scott has made a number of leadership changes:

- SVP & Chief Career Schools Officer
  - VP Marketing
  - VP Ops Le Cordon Bleu
  - VP Ops Career Colleges
  - VP Finance & Strategy
  - VP Regional Schools
  - VP Admissions
  - VP Academic Affairs/CAO
  - VP Consumer Training

- SVP & Chief University Schools Officer
  - *Chief* Academic Officer - CTU
  - *Chief* Academic Officer – AIU
  - VP Operations AIU
  - President CTU
  - VP Loan Mgt
  - VP FA
  - President AIU
  - VP Marketing

Blue = New Talent
Yellow = Legacy Leader

Gainful Employment – Regulatory Authority

- The phrase ***gainful employment*** appears in the HEA to describe schools that provide practical or vocational training, as opposed to traditional liberal arts programs. It is a descriptive term, not a term of art.

- Congress neither contemplated nor discussed a complex mathematical formula to define ***gainful employment,*** nor has it opted to define the term in any reauthorization since the introduction of the term.

- In 2007 Congress stated explicitly that the Secretary of Education did not have the authority to use the regulatory process to define a statutory term for which Congress neither provided nor contemplated a definitive definition. That position was reaffirmed by the HEOA of 2008, which expressly prohibited the Secretary from developing a bright line standard for ***student achievement***.

Gainful Employment – Regulatory Authority

- The proposed implementation schedule constitutes a retroactive application of new standards. Institutions would be evaluated in the future based on a standard that did not exist, and could not be contemplated, when tuition was set prior to 2014/15.
- As proposed by the Department, the regulation would constitute a perpetual "retroactive application of standards" since it is impossible for an institution to know when setting tuition what employment outcomes or salaries will be as many as 9 years out.
- The use of confidential SSA data creates a process that lacks transparency and accountability.

Provisions are Arbitrary

GE I	GE II	Inconsistency
12% debt-to-earnings ratio	8% debt-to-earnings ratio	*39% of graduates of 4-year private nonprofits would fail the 12% test; students who are financially independent or are dependents of low-income parents are disproportionately harmed.
10-15-20 year repayment term	10 year repayment term	Pay as You Earn encourages a 20 year repayment term. Since President Obama is encouraging students to use IBR, the 20 repayment term should be the standard.
Pass one of three tests	Pass all tests	Are we rewarding success or looking for failure?
Repayment Rate	Program Cohort Default Rate	A 2014 NBER Working Paper confirmed that CDR is a function of student demographics, not institutional quality, not type of institution attended, not debt levels and not wages.

*http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2014011
**NBER Working Paper Series: Default and Repayment Among Baccalaureate Degree Earners, Lochner and Monge-Naranjo, 2014.

Inconsistency in Federal Definitions

- The Social Security Administration has already defined **Gainful Employment** (Substantially Gainful Activity – SGA) for the purpose of assigning TPD benefits. The proposed Department of Education Gainful Employment regulations create a new, conflicting definition that could have tremendous financial consequences if applied to SSA.

> "The amount of monthly earnings we consider to be SGA depends on the nature of your disability. The Social Security Act specifies a higher SGA amount for persons who meet the definition of blindness described by the law. For details on our rules about earnings and blindness, see SPECIAL RULES FOR PERSONS WHO ARE BLIND. If your impairment is anything other than blindness, earnings averaging over $1,040 a month (for the year 2013) generally demonstrate SGA. If you are blind, earnings averaging over $1,740 a month (for the year 2013) generally demonstrate SGA for SSDI."

Why Treat Proprietary and Non-Profit Schools Differently?

- 8 of the top 10 Majors at ALL Institutions are vocational programs intended to prepare individuals for gainful employment in a particular field

Top 10 Most Popular Majors at ALL Institutions

	Percent Total	Percent Female	Percent Male
Business Management and Administration	8	44	56
General Business	5	39	61
Accounting	5	52	48
Nursing	4	92	8
Psychology	4	71	29
Elementary Education	4	91	9
Marketing and Marketing Research	3	51	49
General Education	3	76	24
English Language and Literature	3	67	33
Communications	3	58	42

- Proprietary institutions offer programs at all educational levels:
  - certificate, associate, bachelor, master's, doctoral

Source: What's it Worth: The Economic Value of College Majors, Georgetown Center on Education and the Workforce, Carnevale, Strohl, and Melton. 2013

Conflicting Policies: 90/10 and Gainful Employment

Tuition drivers

Proprietary Institutions

Gainful Employment

90/10
$ 9,500 Stafford Loan Borrowing Ability
$ 5,654 Pell Grant
$15,154 Annual FSA Eligibility

Direct Costs
Facilities – Specialized facilities
Personnel – Low faculty-to-student ratios
Supplies – Health, Culinary, Art & Design
Insurance, Rent, Taxes

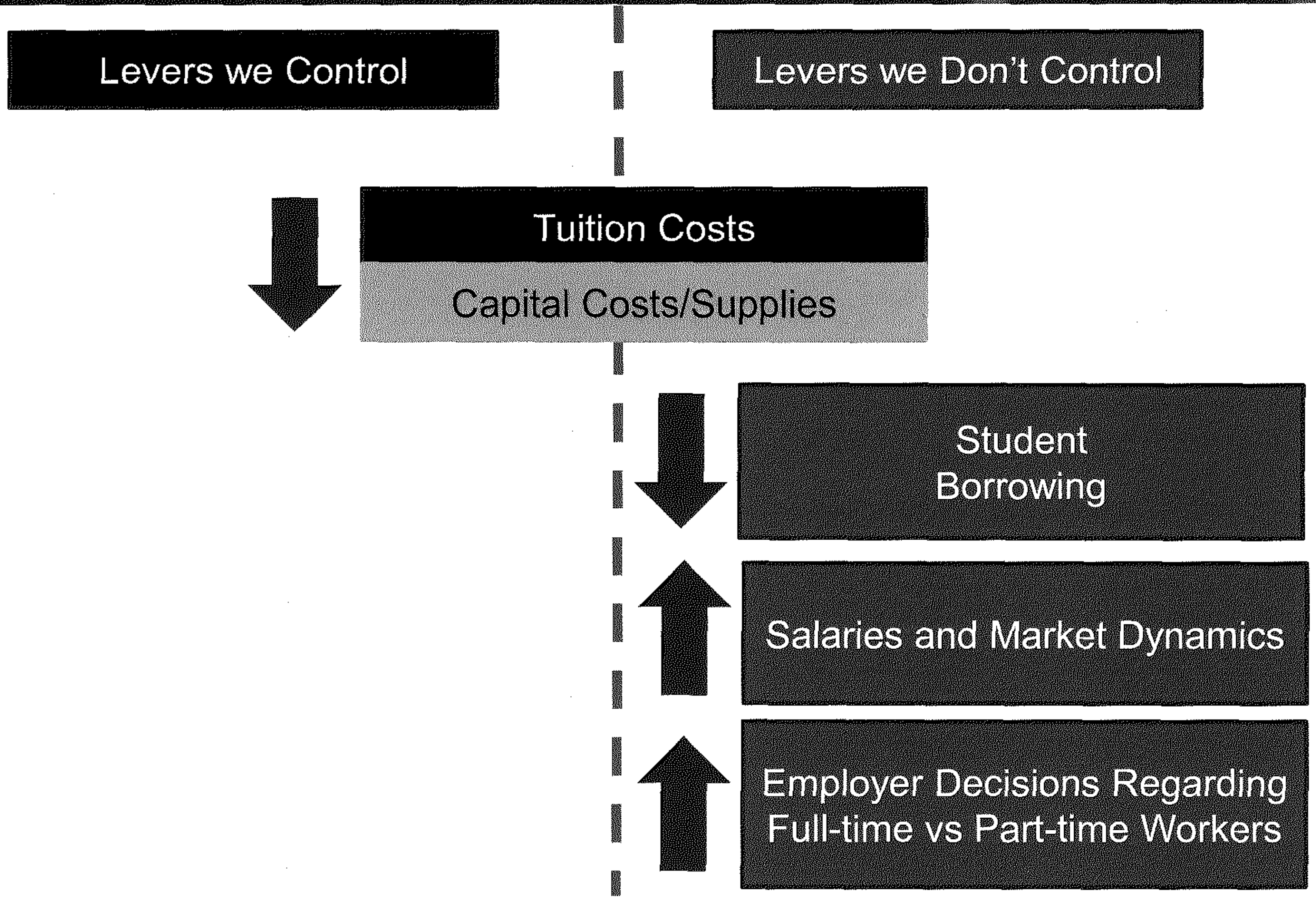
Non-Profit

Subsidies

Selectivity

Direct Costs

Control Levers for Gainful Employment Measures



GE Targets Women and Minorities

A bright line standard for all graduates will disproportionately harm women and minorities.

- According to Georgetown University's Center for Education and the Workforce*:
  - Among college graduates, lifetime earnings vary significantly by major – up to 300%
  - Even lowest earning majors are "worth it" - $150,000 in lifetime income
  - Race and Gender gaps exist in all fields
  - Women are highly concentrated in the [lower paying but high need] fields of Education (77%), Psychology and Social Work (74%) and Allied Health (85%)

- Schools that serve large populations of women aged 25 – 45 are disadvantaged since the likelihood is higher that these students will elect part-time employment over full-time employment to care for children or aging parents.

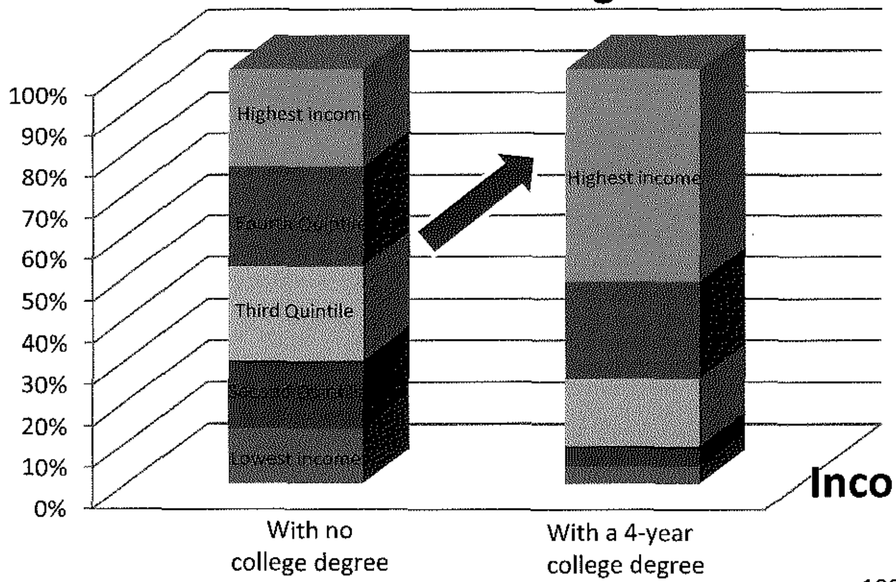
- GE will serve as a disincentive for providing educational opportunities to women and minorities who, regardless of field, on average earn less then their white or Asian counterparts. It will also serve as a disincentive to provide education in fields frequently chosen by women, including in high need areas such as allied health, simply because these fields pay less.

- GE essentially forces low income students to select a major based on projected earnings, whereas wealthier students are allowed to select a major based on interest and passion. Meanwhile, we know that persistence is higher when students are studying what interests them and what they believe will be meaningful to them in their career.

*What's It Worth: The Economic Value of College Majors. Carnevale , Strohl and Melton, Georgetown University Center for Education and the Workforce, 2013

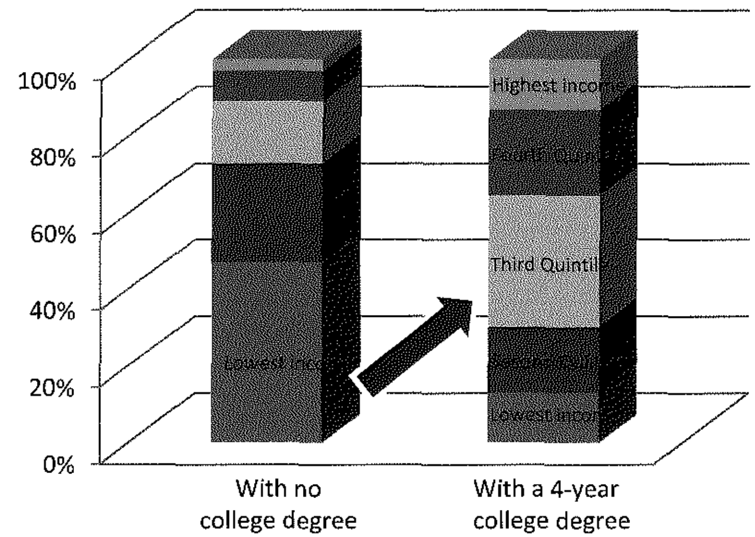
Even with a Bachelor's Degree, Income Disparity Persists, Yet the Proposed Regulation Makes No Allowance For This

Income of Adult Children of High Income Parents



While students from low income families who go to college are, on average, unlikely to earn at the level equal to their higher SES peers, the ability for low-income students to move into higher income quintiles is far more dependent upon the individual holding a college credential than it is for students from higher income families.

Income of Adult Children of Low Income Parents



GE Regulation Ignores the Actual Cost of Administering an Educational Program

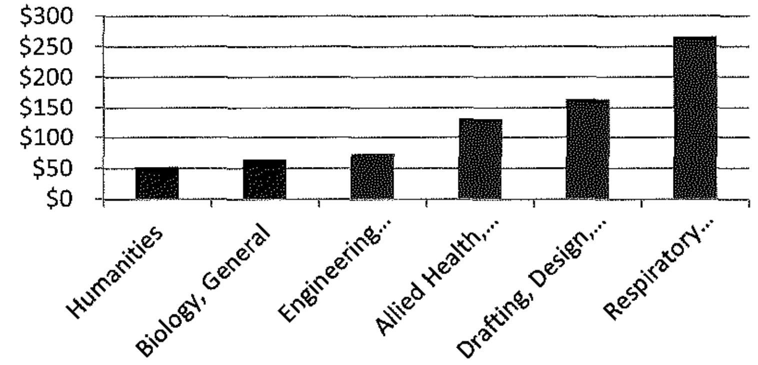
- The cost of providing technical education is significantly higher than the cost of providing liberal arts, humanities or early childhood education programs.

- **As a result, many public institutions, including community colleges, have eliminated or are forced to ration enrollments in high cost technical programs. Unfortunately these programs are in fields important to economic growth in most states.**

- That the GE metric ignores the cost differential of providing technical education underscores the arbitrary nature of this approach.

- **In 20 states studied by CSU Sacramento, the percentage of Career and Technical Education degrees as a percent of total associate degrees awarded by public institutions declined between 2004 and 2011.**

Instructional Costs Per Student Credit Hour (National Averages 2011-2012)



- **There is no evidence that community colleges will absorb students displaced from technical programs at proprietary institutions.**

- Community colleges do not have the physical capacity to absorb students displaced from technical programs at proprietary institutions.

Workforce Investments: State Strategies to Preserve Higher-Cost Career Education Programs in Community and Technical Colleges. *Shulock, Lewis and Tan, CSU Sacramento, 2014.*

Students Who Borrow at 4-year Private, For-Profit Institutions Borrow LESS Than Their Peers at 4-year Private, Non-Profit Institutions (as do their parents)

	Undergrad Ed Debt (without Parent PLUS)		Undergrad Ed Debt (including ParentPLUS)	
Institution Level and Control	Percent Borrowing	Cumulative Debt	Percent Borrowing	Cumulative Debt
Overall Total (4, 2 and <2 year)	58.8	18,625	59.0	21,894
Public	49.4	16,369	49.6	18,927
Private Non-Profit	69.7	26,683	70.0	33,330
Private For-Profit	93.1	17,162	93.2	19,157
4-year Total	66.5	22,656	66.8	27,041
4- year Public	61.1	19,839	61.5	23,227
4-year Private Non-Profit	70.6	27,349	70.9	34,212
4-year Private For-Profit	97.0	24,635	97.0	27,510
2-year Total	44.8	12,307	44.8	13,703
2-year Public	37.2	10,444	37.3	11,560
2-year Private Non-Profit	64.0	14,790	64.1	17,157
2-year Private For-Profit	97.6	17,310	97.6	19,402
<2-year Total	74.7	10,172	74.8	11,161
<2-year Public	36.1	10,321	36.1	10,877
<2-year Private Non-Profit	45.0	10,990	45.0	10,990
<2-year Private For Profit	86.0	10,123	86.2	11,203

Source: FinAid.org 2007-2008 National Postsecondary Student Aid Study (NSPAS) http://www.finaid.org/loans/

Cost of Eliminating Proprietary Education Programs

Table 6: Net Financial Return or Loss to Taxpayers per Degree: Lifetime Tax Payments Minus Taxpayer Subsidy

Non/Less Competitive	
For-Profit	$60,948
Public	($7,458)
Not-for-Profit	$44,143
Competitive	
Public	$4,113
Not-for-Profit	$49,537
Very Competitive	
Public	$16,944
Not-for-Profit	$69,988
Highly Competitive	
Public	$22,816
Not-for-Profit	$84,759
Most Competitive	
Public	($9,278)
Not-for-Profit	$88,402

- An "all in" assessment of Return on Investment shows that the taxpayer realizes a positive return on investment in students at proprietary schools.
- Students with some college enjoy higher rates of employment than those with no college; employment rates increase with successive levels of degree completion.

Who Wins? Who Pays? The Economic Returns and Costs of a Bachelor's Degree;. Klor de Alva and Schneider, Nexus and AIR, May 2011.

Cost of Eliminating Proprietary Education

- President Obama cannot meet his 2020 college attainment goal without proprietary institutions

- A soon to be released study conducted by Nexus Research and Policy Center shows that the cost to 4 states of shifting the students who enrolled at 9 of the largest proprietary education providers to public 2-year or 4-year institutions (AY2007 – 2012) would be:
  - $4,757,885,200 (4 year schools)
  - $3,631,533,700 (2 year schools)

- Community colleges are a great option for some students, but not all students. Still, most community colleges do not offer bachelor degrees, whereas many proprietary institutions do....and often times at a **lower cost** than public or private non-profit institutions.

- We have student-friendly transfer-of-credit policies that are attractive to community college graduates who wish to earn a bachelor 's degree.

Table 1. Enrollment in Proprietary Institutions and Associated Appropriations, From Academic Years 2007-08 to 2011-012, by State

4-Year Institutions			
State	Total FTE Students in Proprietary Colleges (AY2007-08 - AY 2011-12)	Additional Appropriations Needed to Educate Students Enrolled in Proprietary Colleges (AY 07-08 - AY 11-12)	
California	384,041	$	2,481,697,000
New York	144,724	$	1,036,968,100
Ohio	113,946	$	529,612,100
Texas	136,132	$	709,608,000
Total	778,841	$	4,757,885,200
2-Year Institutions			
State	Total FTE Students in Proprietary Colleges (AY2007-08 - AY 2011-12)	Additional Appropriations Needed to Educate Students Enrolled in Proprietary Colleges (AY 07-08 - AY 11-12)	
California	229,547	$	1,607,946,800
New York	112,743	$	609,033,400
Ohio	126,996	$	624,162,600
Texas	120,950	$	790,390,900
Total	590,236	$	3,631,533,700

Recommendations

1. **Hold all institutions to the same standards**
2. **Use Risk Adjusted Metrics** to evaluate outcomes taking into account student demographic differences. This is necessary to maintain an appropriate balance between access and selectivity.
3. **Give institutions the ability to lower tuition**
   - **90/10 relief**
   - Ability to limit **Cost of Attendance** to tuition, fees and direct educational supplies
   - Ability to **limit student borrowing**