



TEXTBOOKS: COSTS AND ISSUES

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BACKGROUND

As community colleges seek to be as accessible as possible to students and attempt to retain low enrollment fees, manageable parking fees, and waiver of fees for those with financial need, an additional and significant cost – for textbooks and supplies – has not been addressed systematically. While fees for a full-time student are \$390 per semester in 2004-05, the average college student spends \$800 - \$900 annually for books and supplies – a serious deterrent for student attendance. As these costs continue to climb, there is concern that this poses a greater threat to access than enrollment fees, which are a common focus in the colleges. This paper will provide background information on the elements involved in book pricing, options available through the internet, current legislation, legal issues, and efforts of various colleges to develop solutions.

THE COSTS OF TEXTBOOKS

There are multiple costs factored into the price of textbooks. But many of the most commonly-cited costs (including payments to authors and developers of materials, costs of production such as paper and labor, and costs of supplemental materials) are those that affect the prices of all books. Thus, there must be some reason for what appears to be the exceptionally high price of textbooks. The answer, according to the National Association of College Stores, is the “real cost and a reasonable return on investment for authors, publishers, distributors, and colleges stores.”

In January 2004, a report entitled, *Ripoff 101: How the Current Practices of the Publishing Industry Drive up the Cost of College Textbooks* was published by the State PIRGs’ Higher Education Project.¹ This study, which focused on institutions of higher education in Oregon and California, cited several key findings:

- Textbooks are expensive and getting even more expensive. Students spent an average \$898 per year on textbooks in 2003-04. For California community college students, this is 67% more than a full-time student paid for fees during that same year;
- Textbook publishers add “bells and whistles” that drive up the price. Most faculty report little or no use of these materials, yet half of all textbooks now come “bundled” or shrink-wrapped with additional instructional materials such as CD-ROMs and workbooks. Students seldom have the option of buying the text book unbundled, yet the average unbundled textbook costs half as much as the bundled form.
- Textbook publishers publish new editions frequently making the less expensive, used textbooks obsolete and unavailable. Seventy-six (76) percent of faculty report the new editions they use are justified “never” to “half the time.” Fifty-nine percent of students who searched for a used book for Fall 2003 reported they were unable to find even one used book for their classes.

¹ This report is available at <http://www.pirg.org/calpirg/>.

- Faculty and students support alternatives that lower students' costs. Eighty-seven (87) percent of faculty support including new information in a supplement instead of a new textbook edition, and 86% of students are considering buying and selling used textbooks through an online bookswap; 14% already use online bookswaps.
- Online textbooks hold promise for dramatically lowering the cost of textbooks. Some authors and publishers are experimenting with online textbooks, a new industry trend that holds great promise.

The PIRG study makes the following policy recommendations:

- Textbooks should be priced and sold at a reasonable cost to students. Publishers should work to keep the cost of producing their books as low as possible without sacrificing education content. Publishers should sell unbundled as well as bundled textbooks. Publishers should pass on cost-savings from online textbooks to students; faculty should have information on the financial effects of various texts upon their students.
- Publishers, faculty and universities should build a “vibrant” used textbook market. Each textbook edition should be kept on the market as long as possible without sacrificing educational content. Publishers should give preference to paper or online supplements to current editions over producing entirely new editions, and should disclose the length of time they intend to produce the current edition so professors know how long they can use the same books. Faculty should give preference to the cheapest textbook when the content is equal
- There should be many forums for students to purchase used books. Colleges and universities should consider implementing rental programs. (However, see “Efforts at California Community Colleges” below for information on the cost and difficulties of providing such programs.) Colleges and universities should encourage students to consider using online bookswaps.

Subsequent to its testimony, CalPIRG took some of its own advice and instituted an online, non-profit, student-run bookswap at: www.campusbookswap.com. Although a number of specific colleges are listed on the site, to date there are no California community colleges which are included. However, students may be able to find books they need through the general search engine on the site.

Subsequent to publication of the CalPIRG study, George Miller (D-CA) and 14 other members of Congress requested that the U.S. Comptroller General investigate the pricing policies of U.S. college textbook publishers. And in July 2004, the U.S. House of Representatives Subcommittee for 21st Century Effectiveness held a hearing to examine the question, “Are college textbooks priced fairly?”

In August 2004, the California Performance Review (CPR) report was issued, including a recommendation to “Make higher education more affordable by reducing the cost of textbooks.” The CPR report specifically recommended that, “The Governor should work with the Legislature to enact state laws in an effort to reduce the cost of college textbooks.” In addition, the report recommended that the law should require college and university administrators to:

- Notify their faculties about various textbook options, textbook publishers that have agreed to sell their textbooks in an “unbundled” format, and the costs of alternatives;
- Explore the feasibility of implementing textbook rental programs similar to those in place at several universities in Wisconsin and Illinois,² and

² The University of Wisconsin at River Falls, for example, rents books to students, charging them \$59 per semester for all of their books. When the semester is over, they must return the books undamaged, or they can buy the books at a discount. According to the university's manager of textbook services, the program makes a

- Facilitate and publicize to students the availability of online book swaps so they can buy and sell used textbooks at their own prices.

COLLEGE BOOKSTORES

College bookstores indicate that they receive relatively little profit from the sale of textbooks. The mark-up on textbooks is 25%, with costs to be paid from that mark-up arising from several factors. In the past, bookstore operators could judge fairly accurately, based on class enrollment, the number of books which students would purchase. However, with increasing competition from on-line bookstores, sharing of books among students, and independent stores near colleges all competing for student dollars, campus stores can no longer depend on a secure source of buyers.

In addition, to the extent that bookstores cannot sell textbooks in their stock, they must return them to the publisher with mailing costs, thus further reducing profits. Studies have determined that for every dollar of new textbooks returned to the publisher or other distributor, the college store averages 20.2 cents for processing and shipping. Costs to publishers for the return of shipments, returning books to stock, and processing store credits are similar. No one benefits from excessive returns, especially students, since the cost of returns indirectly influences textbook prices.

In setting the price of books, bookstores usually apply a standard “gross profit margin” to the “net” cost (i.e., their cost) of the book to arrive at a selling price. According to national research from the college bookstore association, over 87% of college stores use a gross profit margin of 25% or less on textbooks. This means that a store typically pays approximately 75% of the retail price of a new textbook to the publisher and uses the remaining 25% to pay the expenses of selling it. Those expenses include freight costs; the cost of personnel needed to collect and research faculty textbook requests and to order, receive, price, shelve, sell and return unsold textbooks; and the cost of facilities, insurance, utilities, equipment, and other items. The remaining amount, about 3.9%, is the store’s before-tax profit.

Bookstore operators believe that making used books available is the most significant way college stores can reduce students’ textbook costs in the short-run. They estimate that, through the sale of used books, college stores have saved students more than \$2 billion nationally in the past 10 years. They also indicate, however, that this has been at significant cost to the stores since used books are more expensive for college stores to buy and sell than new books. On the other hand, publishers argue that the sale of used books causes significant increases in the price of new textbooks. Thus, the National Association of College Stores (NACS) concludes that the effort to bring more used books to the market is good for students in the short term, but bad in the long term, since it leads to increases in the price of both new and used texts. Publishers and authors also express concern about the lack of royalties from the sale of used books.

ON-LINE TEXTBOOK SALES

A growing alternative to the college bookstore is the on-line bookstore. At present, there appear to be at least sixteen such sites on the world-wide web for purchase of new and used textbooks. These include: www.barnes&noble.com, www.bestbookbuys.com, www.bigwords.com, www.campusexchange.com, www.cheapesttextbooks.com, www.classbook.com, www.ecampus.com, www.efollett.com, www.fatbrain.com, www.gettextbooks.com, www.sellusedtextbooks.com,

small profit. However, even he noted that start-up costs for textbook rental services can be very high and suggested at a Congressional hearing that grants be made to schools to cover those costs temporarily.

www.studentmarket.com, www.study tactics.com, www.textbooksforless.com, www.used-textbooks.net, and www.varsitybooks.com. Within this group of sites, efollett.com has textbook pages on its web-site by college, including at least nineteen California community colleges. At this site, students can click on their college and follow the links to specific books for specific classes.

Finally, there is at least one site – www.1800student.com – which allows students to register and list books for sale or purchase, thereby eliminating the retailer. These sites work like classified ads. Students post an ad (after registering) with information about their book (title, author, etc.) for sale and the price they are asking. Students (after registering and paying \$5 on deposit) who want to buy a book can search the database by book title, author, or class. When a student finds the book he/she wants, a book request is sent to the seller of that book. The buyer and seller can then contact each other and make the transaction in person; the buyer is charged \$1 for purchasing any book for less than \$30, and \$2 for purchasing any book over \$30.

FACULTY ROLES IN TEXTBOOK PRICING

While faculty do not have a direct role in determining the retail price of a book, they have significant indirect roles. Bookstores indicate that the date when the bookstore receives the instructors' book request has a substantial impact on the store's opportunity to reduce the cost of books to students through the buying and selling of used copies.

When faculty write and require a textbook that they have authored, they control the frequency of requiring newer editions of a book. This can and should vary by subject matter since books in the biological and physical sciences are subject to more rapid change from scientific discovery than are literature and history texts. But the need for new editions is somewhat controversial, with students indicating that some new editions are unnecessary while they are a captive market for the bookstores.

LEGAL ISSUES

Campus bookstores have been hurt by a variety of factors including on-line sellers, off-campus marketers, and some court rulings. Some campus bookstores have experienced serious financial difficulties, partly due to competition from off-campus bookstores with lower overhead. This results in the campus store not knowing how many books to order; in addition, the college store has costs that benefit the private retailer – i.e., a judge ruled in Los Angeles that college booklists (which cost Palomar up to \$30,000 a year to develop and maintain) must be turned over to any competitor upon request and without charge because the list was compiled with tax dollars.

In October 1998, Oxford University Press agreed to modify its discounts for booksellers in order to settle a federal lawsuit brought against the company the prior year by college bookstores. The lawsuit, filed by the National Association of College Stores (NACS), had accused Oxford and two other publishers of charging campus stores higher prices for books to be used in college courses than general bookstores paid for the same title. That system, known as "dual discounting," violated antitrust law, which bars price fixing, according to the lawsuit. The NACS reached a settlement that allowed that company to continue a modified form of offering dual discounts.

LEGISLATION

Since the year 1998, a significant number of proposals have been introduced before the California Legislature and during 2004, before Congress as well. They include:

- AB 2051 (Firestone, 1998): Would have provided a partial sales tax exemption for sale of college textbooks to students. Failed in Assembly Revenue and Taxation Committee.
- AB 490 (Ducheny, 2000): Would have provided a partial sales tax exemption for sales of college textbooks to students. Failed in Assembly Revenue and Taxation Committee.
- AB 2010 (Runner, 2000): Would have required the Board of Governors (BOG) to develop a system by which a student could pay a \$1 per unit fee to be deposited in a newly-created Community Colleges Extended Opportunity Programs and Services Fund; and would have allowed the BOG to allocate these funds as grants to low-income students to purchase textbooks and other instructional materials. Dropped by the author.
- AB 2165 (McClintock, 2000): Would have provided an exemption from sales and use taxes of any textbook purchased by a student at an institution of higher education for use at that institution. Failed in Assembly Revenue and Taxation Committee.
- AB 2348 (Ducheny, 2000): Would have provided a partial sales tax exemption for purchases of books by students at higher education institutions. Failed in Assembly Appropriations Committee.
- AB 2376 (Lempert, 2000): Would have required the BOG to provide a book grant to a student whose fees are waived due to financial need. Dropped by the author.
- AB 2496 (Washington, 2000): Would have required the BOG to establish a program to provide textbook grants of \$100 – 200 for students who receive fee waivers. Dropped by the author.
- SB 1701 (Johnson, 2000): Would have provided a partial sales tax exemption for purchases of textbooks by public and private schools. Failed in Senate Revenue and Taxation Committee.
- AB 1246 (Leonard, 2001): Would have provided an exemption from sales and use taxes for college textbooks. Dropped by the author.
- SB 546 (McClintock, 2001): Provided an exemption from sales and use taxes of any textbook purchased by a student at an institution of higher education for use at that institution. Failed in Senate Revenue and Taxation Committee.
- AB 2477 (Liu, 2004): Urges textbook publishers to take actions to reduce the cost of textbooks; requires the Board of Governors to work with the Academic Senate to encourage faculty to give consideration to the least costly practices in assigning textbooks, to disclose to students how new editions of textbooks are different from previous editions, and work closely with publishers and college bookstores in creating bundles and packages that are economically sound and deliver cost savings to students; to encourage college bookstores that offer book buy-back programs to actively promote and publicize these programs; and to encourage campuses to provide as many forums as possible for students to have access to used textbooks. Signed into law. (Prior to its signing, the bill's author indicated that the bill had already had a significant positive effect on lowering textbook prices – two publishers voluntarily indicated they would offer reduced-price textbook options. Pearson Education announced the launching of a comprehensive digital textbook program. Thomson Higher Education indicated it would cut wholesale prices by using fewer photos and less color, and provide unbound editions in loose-leaf binders.)
- AB 2678 (Koretz, 2004): As introduced, would have *required* every CSU and CCC campus to establish a textbook rental service by 2006-07. Those provisions were amended to *authorize* such services, require that any such textbook rental program be funded by students and financially self-sustaining, and urge the segments to establish appropriate policies for these services. This measure was passed by both houses of the Legislature but vetoed by the

Governor due to provisions which would “allow additional fees to be assessed to all students, even those not using the program.”

- H.R. 4243 (Ryan – OH) was introduced in May 2004 to amend the Internal Revenue Code to provide a tax credit for the costs of college textbooks. The bill is currently in the Committee for Ways and Means.

EFFORTS AT CALIFORNIA COMMUNITY COLLEGES

Although several community colleges have instituted programs to assist students with the high cost of books, most have not survived and the few which have survived are quite costly.

- Los Angeles Pierce College instituted a trial “leasing” program for books in January 2000. The experiment lasted for a single semester because the program required significant administrative time and costs; approximately 50% of the books were not returned at the end of the semester and when the school attempted to charge students’ credit cards, the accounts frequently had been closed. Further, faculty felt their academic freedom was limited because chosen books had to be used for a minimum of two years for economic feasibility.
- College of Marin initiated a “book board” for students to advertise their books for sale; however, students involved with the project indicated that it was not very successful because students preferred to sell their books back to the bookstore at the end of the semester rather than wait until the beginning of the following semester and risk not being able to sell their books directly to other students.
- Since 1997, San Francisco City College has had a book loan program that originated with and is coordinated and administered by students. The objective of the program is to lend books to students who otherwise couldn’t afford all their textbooks for the semester. This program is funded at a level of \$32,000 per semester (½ from state funds and ½ from a \$3. fee paid when students register.) Students estimate that 1,500 – 2,000 students received books last semester. Priority for the program is given to full-time students receiving financial aid. They are eligible to borrow books during the first week of distribution; all others are eligible in the following week. Part-time students or those not on financial aid are eligible for books after students with first priority receive them.
- The longest-running program in California is at Taft College, which has had a textbook rental program in effect for over 25 years. Administrative costs are estimated at \$150,000 this year to run the program for 1800 full-time equivalent students (a headcount of 2500). Approximately 80% of the required books for the college are in the rental program at a cost of \$5 per book; all students are eligible. Faculty have freedom to participate or not, but if they participate they must commit to retain the same book and edition for at least three years. While some argue that faculty will oppose such a program, Taft’s faculty are very supportive and most try to include as many of their books as possible in the program because it is seen as a “draw” for students. In fact, college administrators believe that as many as one-third of their students are from outside district and that the book program is a strong contributing factor. Among the problems encountered at Taft are high administrative costs due to the necessity of retrieving books or payment when books are not returned. Also, students often miss the return deadline and then expect a full refund when the school has already purchased replacement books. However, students strongly support the program which is estimated to reduce their textbook and supplies’ costs significantly. (The district does not rent workbooks.)
- At their Spring 2004 conference, the Academic Senate of the California Community Colleges (ASCCC) adopted Resolution 20.07 on Textbook Pricing, as follows:

Whereas, Textbook prices have increased beyond the resources of many students;

Whereas, New editions are often published with few content changes, making used books unavailable and unnecessarily bundling increases the costs to students;

Whereas, Marketing costs account for over 15% of the cost to students; and

Whereas, Textbooks are sold to individuals via the Internet for significantly less than they are sold in bulk to college bookstores;

Resolved, that the Academic Senate for California Community Colleges contact textbook publishers and urge them to establish production, business and pricing policies that do not unfairly penalize students who purchase their books at bookstores; and

Resolved, that the Academic Senate for California Community Colleges encourage faculty to consider the cost of books as one of the criteria in book selection, and that faculty encourage the publishing companies they work with to adopt production, business and pricing policies that are responsive to that concern.

- In May 2004, the board of trustees of Cabrillo College adopted a resolution expressing their commitment to educate faculty and staff on the issues surrounding the cost of college textbooks and the need to enhance the affordability of textbooks, including support for the intent of AB 2678 and AB 2477. Through the resolution, the board also “encouraged Cabrillo College faculty to consider the cost of books as one criterion in book selection, and that faculty encourage the publishers who they work with to adopt production, business and pricing policies that are responsive to textbook price concerns.”
- Foothill-DeAnza CCD is currently investigating involvement in a new online service for textual materials. The board of trustees has asked Chancellor Martha Kanter and her staff to formulate a new policy to help reduce the cost of textbooks while maintaining full protection for academic freedom through working with Creative Commons (www.creativecommons.org) which is dedicated to “expanding the range of creative work available for others to build upon and share.”

Creative Commons is a two-year old non-profit organization established by Stanford Law School professor and author Larry Lessig that provides free, easy-to-use, customizable intellectual property (IP) licenses to the owners of materials that might otherwise be copyrighted. One version of these free IP licenses, for example, establishes the ownership of the materials while allowing others to use those materials online without charge; however, royalty payments are required if these materials are printed or sold. Another custom Creative Commons IP license allows free use of the materials for any purpose as long as the original author receives credit. Creative Commons licenses are formatted and machine-readable so that it will soon be possible to do a search on a math tutorial, for example, that can be used without charge if the author is credited, and receive results that correspond with that request. Additional free IP licenses with other custom features and related supporting services are currently being developed by Creative Commons in response to user demand, including the higher education community.

Under the DeAnza proposal, faculty who choose to do so could organize and maintain existing public domain resources (i.e., intellectual works that are no longer owned by anyone)

bearing Creative Commons' intellectual property (IP) licenses as substitutes for costly textbooks and do so in ways that create new revenue opportunities for the faculty and district. Faculty who believe they need regular textbooks would still be able to require them in their classes.

The free, custom intellectual property licenses are for materials not in the public domain. Instead, the licenses provided by Creative Commons are electronically attached to each document, establish ownership of those materials and enable their authors to define the conditions under which they may be used by others. The goal is to create a "commons" of intellectual property that is available for everyone to use under pre-defined conditions.

- While we have not found evidence of this trend in California, the National Association of College Stores indicates that every year some students establish themselves as a "business," establish credit, and order quantities of textbooks from publishers for resale to other students. This is a legitimate practice for both students and publishers; however, student efforts to research, order, sell, and return books occur infrequently, and usually do not last very long.

MODEL RESOLUTIONS

District governing boards may wish to express their concern regarding the high cost of textbooks and their support for reducing associated costs. To that end, the following model resolution (based on the resolution adopted by the governing board of Cabrillo Community College District) is proposed for use by district governing boards:

Whereas, the inflation of new textbook prices through merchandising practices developed by major textbook publishers is quickly emerging as a higher education industry issue; and

Whereas, textbooks bundled with consumable materials such as compact disks, study guides and periodical subscriptions create built-in obsolescence, rendering many books valueless after one term of use; and

Whereas, the customization of textbooks is having a profound effect on both students and bookstores; and

Whereas, these practices are costing book stores and students millions of dollars per year; and

Whereas, textbook prices have increased beyond the resources of many _____ Community College students and their families; and

Whereas, _____ Community College has made a commitment to educate faculty and staff on the issues surrounding the cost of college textbooks and the need to enhance the affordability of textbooks; and

Now, therefore be it resolved, that the governing board of _____ Community College encourages _____ Community College faculty to consider the cost of books as one criterion in book selection, and that faculty encourage the publishers they work with to adopt production, business and pricing policies that are responsive to textbook price concerns.