
Affordability and Accessibility of Textbooks in Higher Education

**Presentation to the Senate Education, Health,
and Environmental Affairs Committee
and the
Education Subcommittee of the
House Committee on Ways and Means**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

January 10, 2008

Legislative History

- During the past several legislative sessions, various initiatives have been introduced to address the cost of college textbooks
- In 2006 and 2007, there were proposals to post ISBNs (International Standard Book Number) online, award tax credits for textbooks, and absorb the cost of textbooks into tuition
- Legislation passed in 2007 that directed the Department of Legislative Services (DLS) to study the issue

2007 Legislative Study

Specifically, House Bill 204 of 2007 (Chapter 295) directed DLS to study and compile information on:

- the cost of textbooks in higher education;
- factors that impact pricing;
- the advantages and disadvantages of posting textbook information online (proposed in Senate Bill 166 of 2007); and
- the advantages and disadvantages of requiring tuition to cover textbook costs (proposed in Senate Bill 785 of 2007).

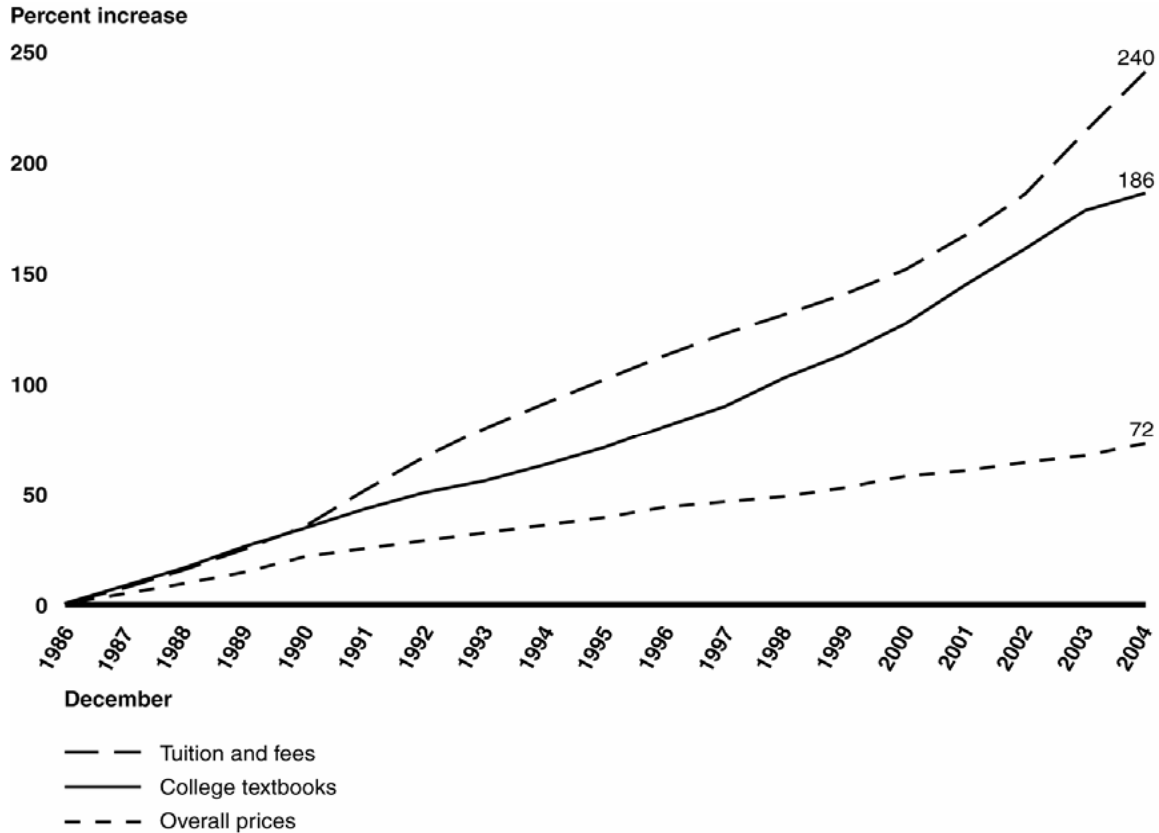
Textbook Pricing Issue

- Textbook market is supply-driven rather than demand-driven
- Textbooks are 'supplied' to students, who pay for the textbook, having been 'demanded' by the faculty
- Consumers/students play no role in determining price, format, or quality of the product
- Price is instead influenced by faculty demand; new features (*i.e.*, technology and other instructional supplements); production costs; availability of used books; business practices; etc.

Cost of Textbooks Increasing

- Both tuition and textbook costs have risen steadily over the last 20 years
- Textbook prices have risen at more than double the rate of inflation
- As reported by the Government Accounting Office (GAO) in 2005, during the period of December 1986 through December 2004, tuition and fees have increased 240%; textbook prices have increased 186%; and inflation has increased 72%

Increase in Textbook Prices Compared to Tuition and Inflation



Source: Bureau of Labor Statistics.

Note: Graph excerpted from the *College Textbooks Enhanced Offerings Appear to Drive Recent Price Increases* report, GAO, July 2005

Posting ISBNs Online

International Standard Book Number (ISBN)

- 13-digit (formerly 10-digit) book-specific number
- Used by publishers to identify each edition/printing of a textbook

Senate Bill 166 of 2007

- Would have required the posting of ISBNs on institution's web site at the time of identification for order by the faculty
- Would have prohibited faculty from receiving remuneration in exchange for assignment/usage of a particular textbook

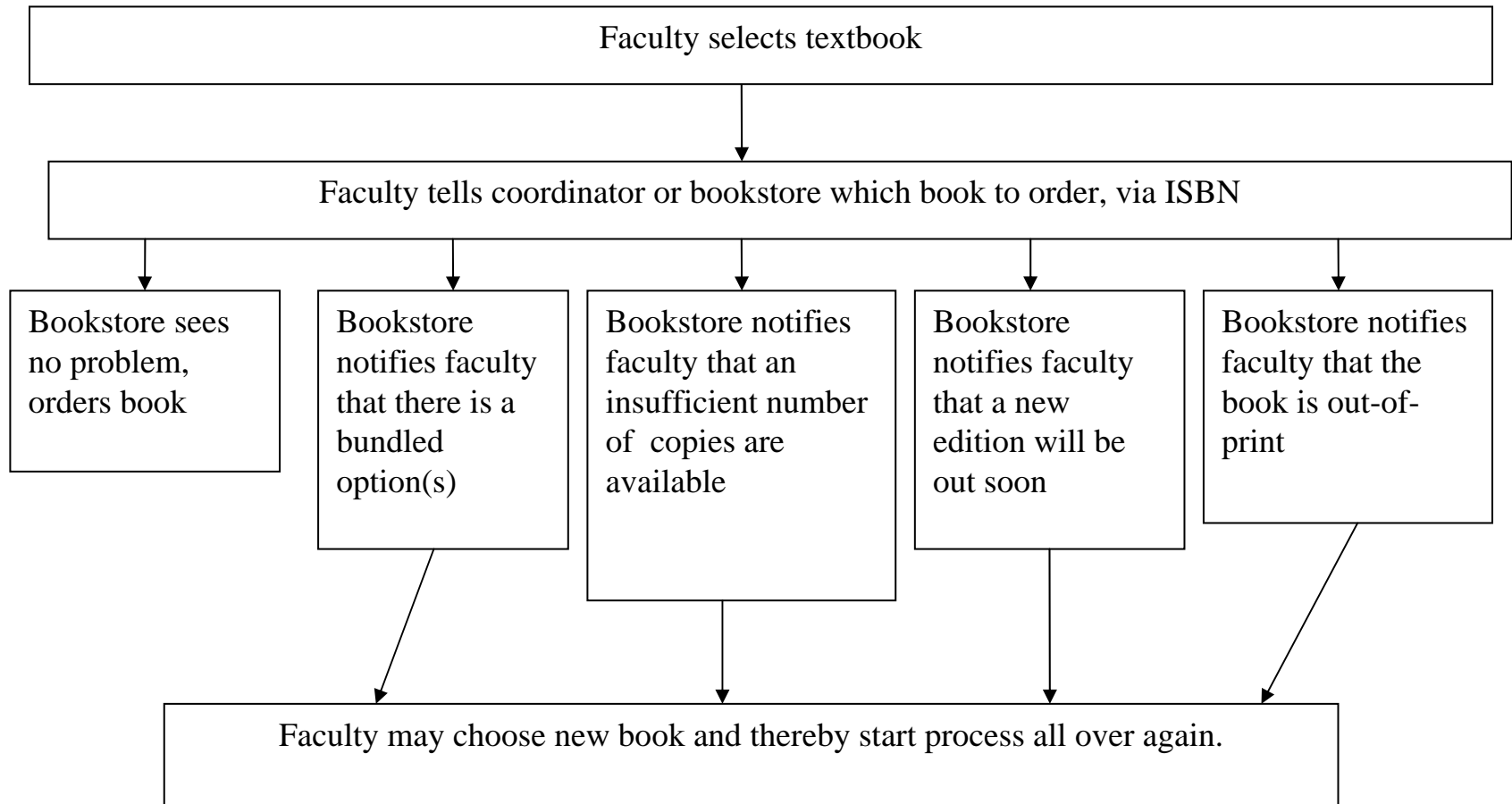
Advantages of Posting ISBNs Online

- Students will save money by more easily:
 - comparison shopping for new books;
 - accessing used books; and/or
 - using online markets and off-campus bookstores
- Ensures that the correct edition/printing of the textbook is purchased; title and author alone do not ensure this
- Out-of-state students can more easily purchase their textbooks before returning to campus

Disadvantages of Posting ISBNs Online

- Complexity of the faculty adoption process/identification of textbooks
- Confusion created by 'bundling'
- Potential higher costs in actual on-campus bookstores to make up for lost revenues if students shop elsewhere for textbooks
- Multiple ISBNs may exist for the same textbook
- ISBNs are irrelevant for custom (publisher-created) textbooks

Complexities of the Faculty Textbook Adoption Process



Bundling

- 'Bundling' refers to the packaging of textbooks with other materials such as cd-roms, lab workbooks, etc.
- Although the total monetary value of the items in a bundle is higher than what is actually charged for the bundle, faculty sometimes do not actually use the additional items, and the purchase of just the textbook would have been less expensive
- Bundled products have a more stringent return policy (only may be returned if seal is not broken)
- Bundles may be selected by faculty, bookstores, or publishers at any point in the process before being finalized

Include Cost of Textbooks in Tuition – Advantages

Senate Bill 785 of 2007 would have required public institutions of higher education to develop plans to include textbook costs in student tuition

Advantages:

- tuition would better reflect the full cost of education to students and parents
- institutions might become sympathetic to the problem of rising textbook costs if forced to bear some of the cost

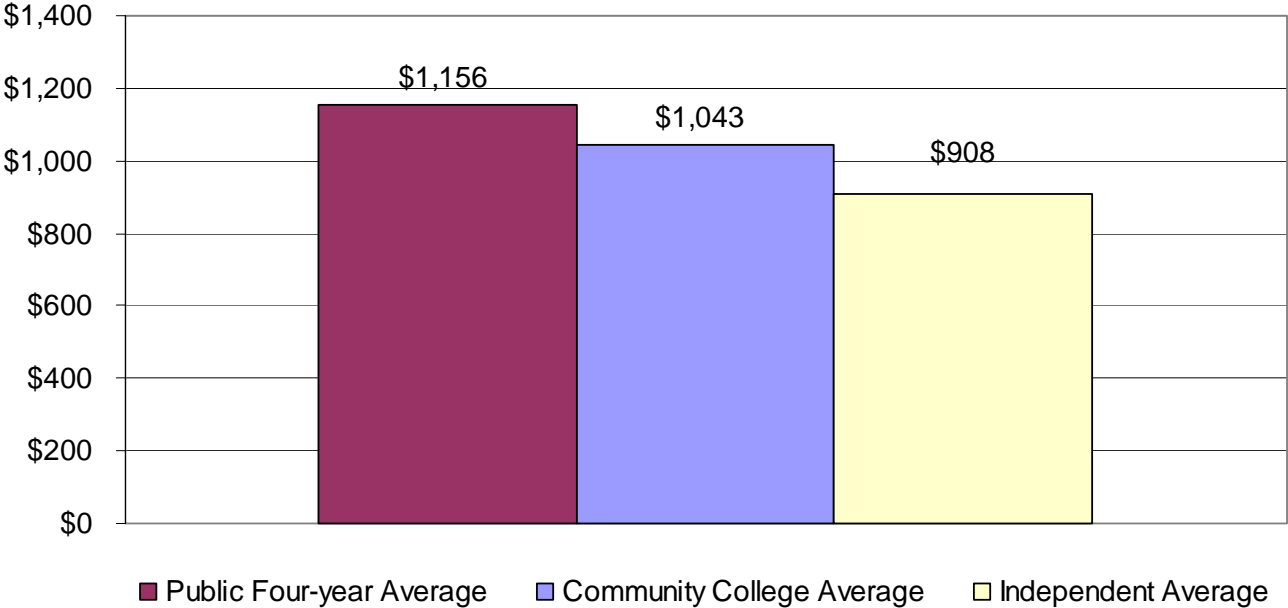
Include Cost of Textbooks in Tuition – Disadvantages

Potential disadvantages:

- logistically difficult to implement because the cost of a textbook (new vs. used) is a moving target
- logistically difficult to implement because different majors would have different textbook costs, *e.g.*, English and science majors; if averaging were used, some students would actually end up paying more
- the cost of education/tuition in Maryland would not be comparable to other states that do not include textbooks in tuition
- could discourage student-initiated cost-reducing options, such as book sharing or purchase of used textbooks

Costs of Books and Supplies for Undergraduates 2006 Academic Year

The cost of textbooks is included in the cost of attendance used by the Maryland Higher Education Commission and institutions to calculate students' financial need for aid awards



Source: Maryland Higher Education Commission survey of institutions

Tax Incentives

- House Bill 70 of 2005 as introduced proposed a sales tax exemption for textbooks.
- 18 states currently exempt college textbooks from sales taxes.
- Some states exempt all textbooks, while others restrict it to required texts.
- House Bill 204 of 2007 as introduced proposed a tax credit of up to \$500 for students qualifying for need-based aid. The fiscal estimate was \$20 million.
- National Association of College Stores reports that 24 states have considered establishing or expanding textbook tax incentives since 1999.

DLS Survey

- DLS conducted a survey during the 2007 interim to collect information on college bookselling practices, textbook selection and student notification, and other relevant information.
- The survey was administered to all institutions of higher education in the State: four-year public institutions, community colleges, and independents.
- Responses were received from almost all four-year public institutions, all community colleges, and the Maryland Independent College and University Association, which submitted a compilation of information rather than individual institution responses.

Internal vs. External Bookstore Management

- Just under half of the four-year publics reporting internally manage their bookstores
- Two-thirds of community colleges internally manage their bookstores
- A total of 11 public institutions responding to the survey contract with vendors to operate their bookstores (6 four-year publics and 5 community colleges)

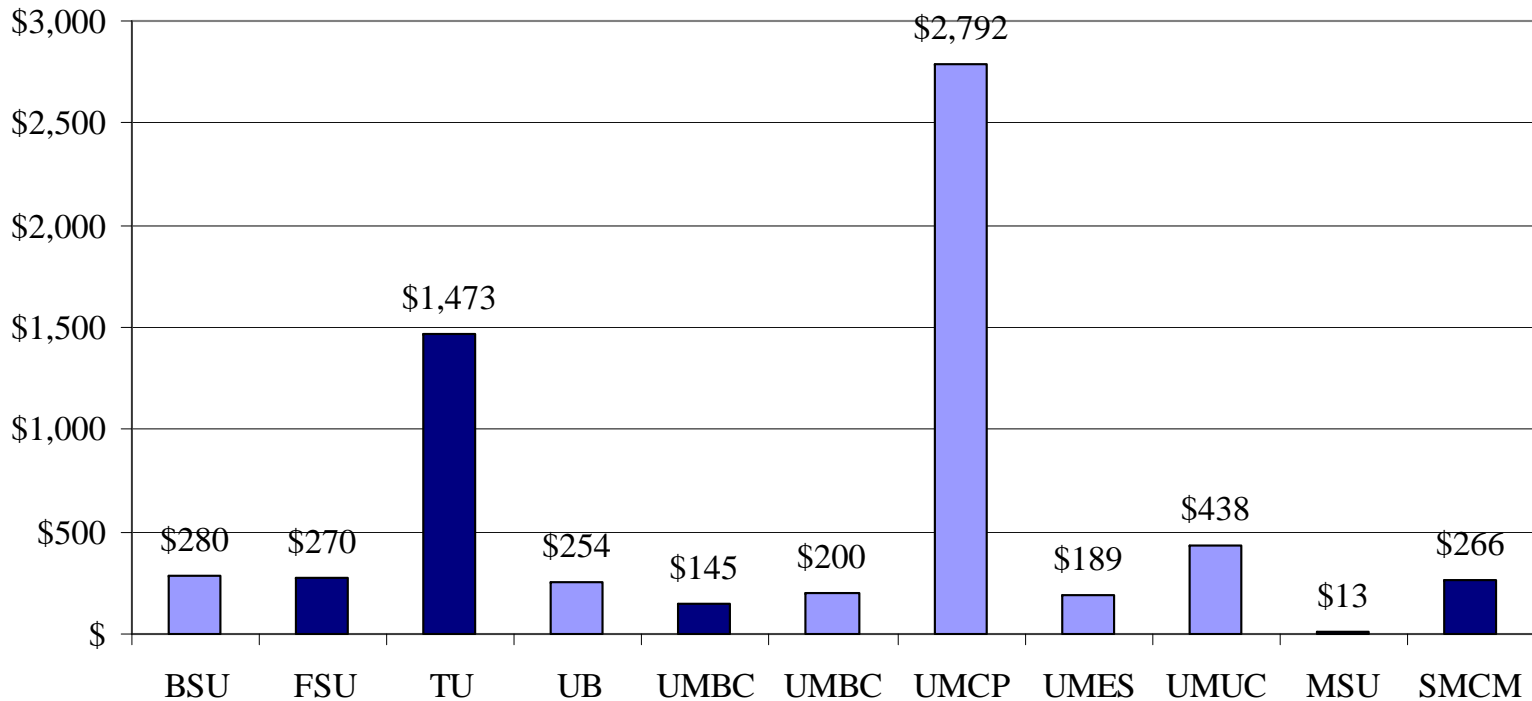
Bookstore Profits for Four-year Public Institutions

- Average net bookstore profit in fiscal 2007 was about \$575,000.
- Profits accounted for 2.2% of the institutions' auxiliary budget, on average.
- Note that some bookstores include facility overhead in their calculations of expenditures and some do not.

Bookstore Profits for Four-year Public Institutions

Fiscal 2007

(\$ in Thousands)



Note: Dark shaded bars in the graph above represent institutions that internally manage their bookstores.

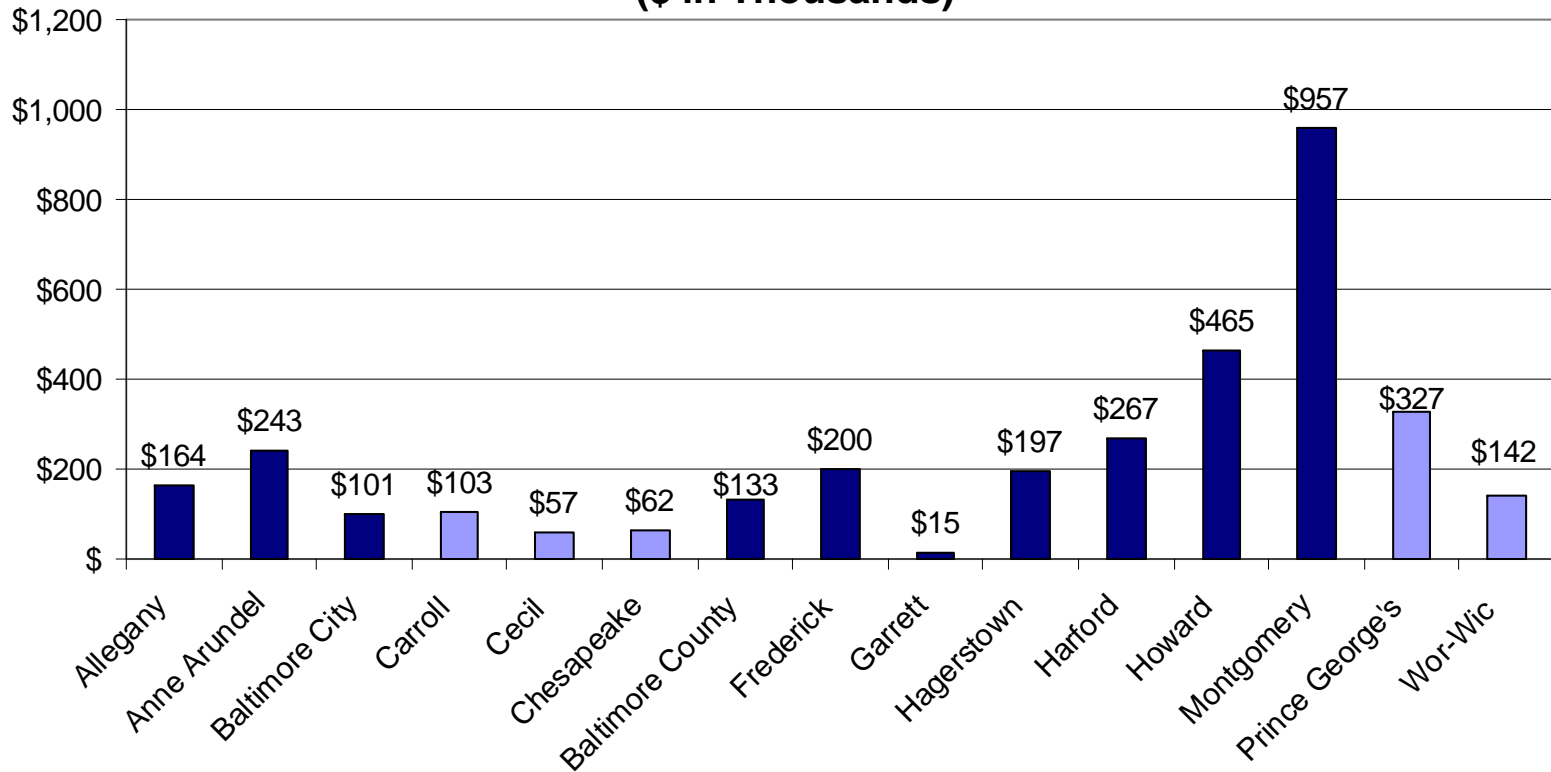
Bookstore Profits for Community Colleges

- Average net bookstore profit in fiscal 2007 was nearly \$230,000.
- Profits accounted for 15.1% of the institutions' auxiliary budget, on average.
- Volume appears to have an effect on profits. TU, UMCP, and Montgomery College have the most students and also the highest revenues.

Bookstore Profits for Community Colleges

Fiscal 2007

(\$ in Thousands)



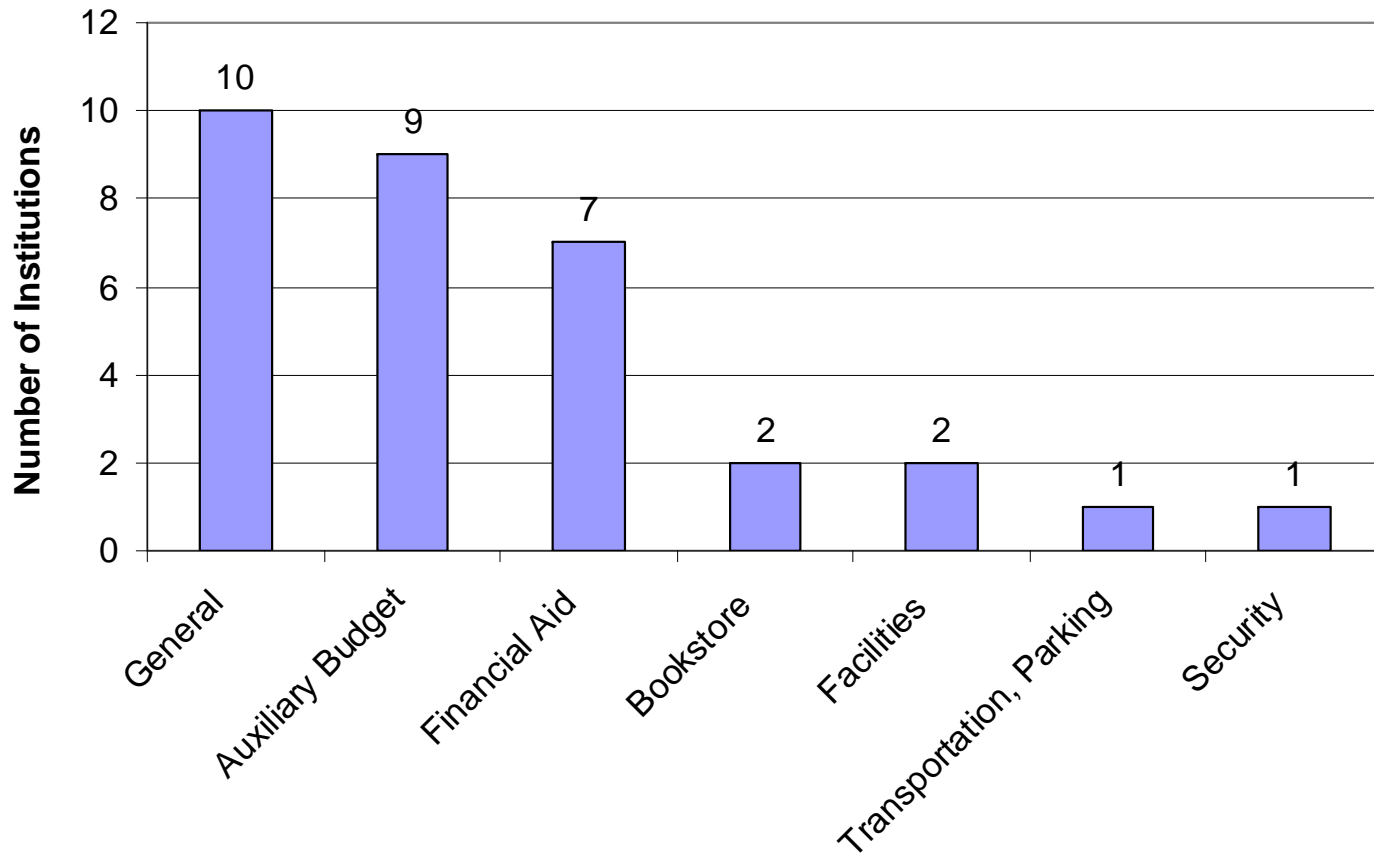
Note: Dark shaded bars in the graph above represent institutions that internally manage their bookstores.

Use of Bookstore Revenues

- Most common use of bookstore earnings is for general institutional needs or unspecified needs in the auxiliary budget.
- Financial aid is the next most common use of bookstore earnings.

Use of Bookstore Revenues

Fiscal 2007



Why Outsource?

Institutions that outsource report a belief that this method provides:

- professional expertise;
- the most efficient and cost effective service delivery;
- the greatest opportunity for leveraging buying power;
- the greatest access to technological support and infrastructure; and
- a guaranteed revenue source.

Why Internally Manage?

Institutions that internally manage their bookstores report a belief that this method provides:

- greater convenience to faculty and students;
- greater financial return; and
- better service delivery.

Alternative Options for Purchase

- All of the four-year publics that responded offer used book sales, and most offer book buy-back programs
- Two institutions report that approximately a third of all book sales are from used books
- Some institutions offer digital textbook alternatives such as e-books and an online textbook swap program
- College of Southern Maryland reports exploring the implementation of textbook rental

Faculty Textbook Selection Guidance

- Very few four-year publics or community colleges provide textbook selection guidance to their faculty
- Those that do provide guidance include consideration of:
 - the selection of unbundled texts;
 - cost;
 - use of previous editions, when possible;
 - use of electronic materials, when possible; and
 - timely submission of textbook orders to bookstores

Faculty Identification of Textbooks – Timelines

- Most four-year publics require faculty notice of textbook selection by April 15 for the fall semester and by October 15 for the spring semester
- However, this varies and may be required as early as mid-March for the fall semester or as late as December 1 for the spring semester
- Frostburg requires that notice be “timely”

When/How Is Textbook Information Published for Students?

- This varies widely at four-year publics, but most provide the information two weeks before classes begin via a web site (either that of the institution or of the bookstore)
- At one extreme, UMES publishes the information on the first day of classes via class syllabus; at the other extreme, Morgan publishes textbook requirements as soon as the information is provided by the faculty
- Most community colleges post the information three to four weeks prior to the start of classes

Information Provided to Students Regarding Assigned Textbooks

- Most four-year publics do not provide the ISBN; however, it is available in the bookstores
- St. Mary's and UMUC provide the ISBN
- Community Colleges: 6 out of 16 provide the ISBN, either online or via bookstores

Efforts at Cost Minimization?

- Most four-year publics and community colleges responded to this question by:
 - asserting vigorous participation in the used book sale/buy-back market;
 - encouraging faculty to adopt textbooks early; consider e-books; consider prices; and consider using a textbook for successive years
 - discouraging bundling
- St. Mary's reports recent implementation of an online textbook swap program
- UMUC requires instructors to use at least 50% of a textbook in order to assign it

Agenda for Briefing

Is there a problem relating to the cost of textbooks in higher education, and if so, how can the problem be solved?

Invited Participants:

- NCSL
- Students
- Faculty
- Bookstores
- Publishers
- Maryland Public Interest Research Group (MaryPIRG)

Appendix



State and Federal Efforts to Improve College Textbook Affordability

**The Maryland Senate Education, Health, and
Environmental Affairs Committee
January 10, 2007**

**David Shreve
Robert Strange**
NCSL Washington, D.C. Office

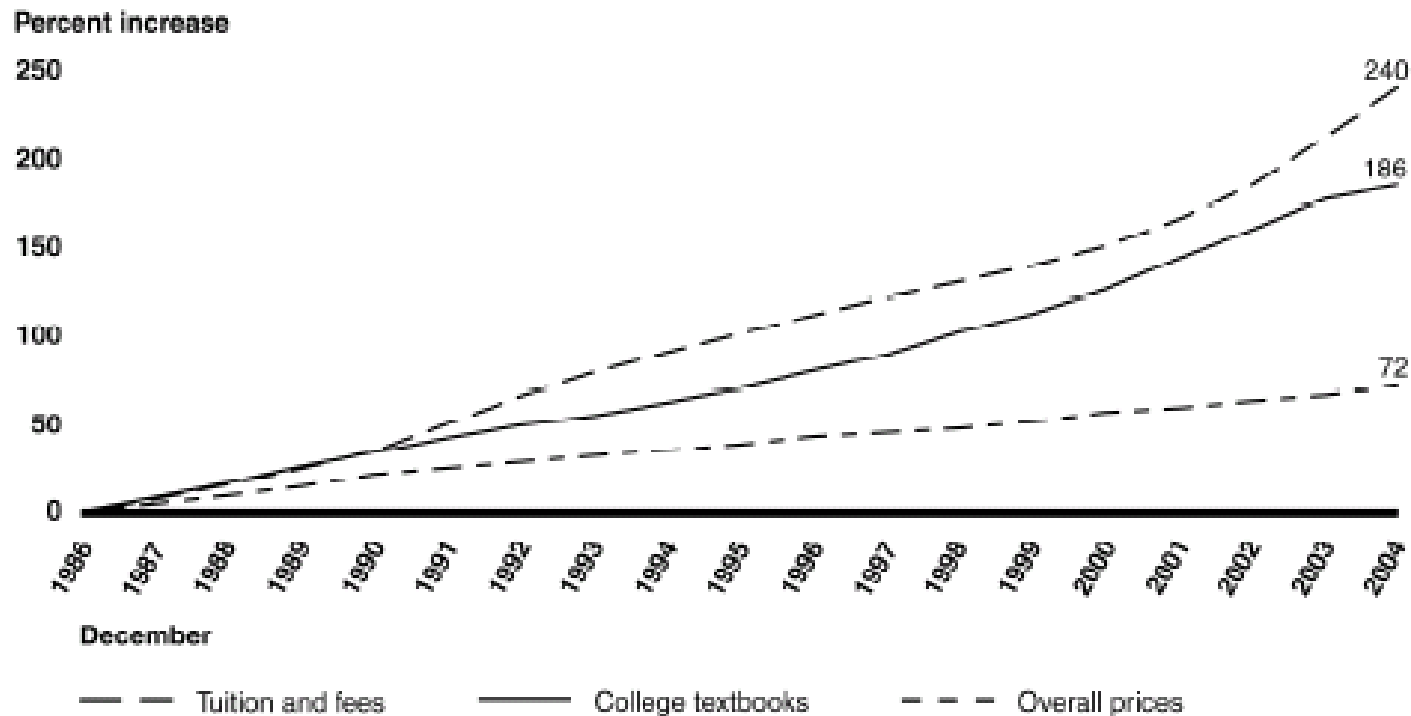


GAO Report 2005

- Over the past two decades college textbook prices have increased at twice the rate of annual inflation.
- But behind annual increases in tuition and fees during the same period.
- The increase in the price during recent years is the result of the increase in costs associated with new features and other instructional supplements.

Source: GAO 05-806

Annual Percentage Increase in College Textbook Prices, College Tuition and Fees, and Overall Price Inflation, December 1986 to December 2004



Source: Bureau of Labor Statistics.



Turn the Page: Making College Textbooks More Affordable (2007)

- One year study by the Advisory Committee on Student Financial Assistance (ACSFA)
- Requested by Congressmen McKeon (R-CA) and David Wu (D-OR) as a follow-up to 2005 GAO Report
- Purpose was to further investigate the problem of rising textbook prices, and
- Determine the impact on students, and
- To make recommendations to Congress, the Secretary of Education, and other stakeholders

Source: *Turn the Page* (2007)



Turn the Page (cont.)

- Nationwide textbook expenses have risen more rapidly than the CPI
- But they have not risen much as a percentage of family income
- Grant aid is not sufficient to cover textbook expenses for low and moderate income students
- Textbook prices can represent a significant barrier to these students
- States and colleges are taking steps to increase affordability
- But in the long-term the fundamental flaw in the market must be addressed (supply-driven and producer-centric)
- The solution in *Turn the Page* is to develop and implement a national digital marketplace that serves all stakeholders and sectors of higher education
- “Overall, the federal approach should be to advance, integrate, and complement the most effective ongoing state and collegiate initiatives, not to choose one over another, or replace them with federal ones.”

Source: *Turn the Page* (2007)



Recent State Legislative Activity

- Since 2004, 13 states have enacted laws or resolutions regarding college textbook affordability and
- 11 states have conducted or are conducting state studies of textbook prices.
- In 2007, more than 85 bills were introduced in 27 states dealing with college textbook affordability and
- 10 states enacted laws or resolutions aimed at reducing textbook costs.

Source: StateNet



Types of Legislation and Policies

- **Mandates that target different groups to regulate how textbooks are:**
 - Chosen for class use, including deadlines for adoption lists (faculty),
 - Packaged and delivered, e.g. bundling material and price disclosures (publishers),
 - Sold or distributed, also including bundling (book stores)
- **Encourage rather than mandate action in regard to above**
- **Consider and/or promote e-libraries, or rental and buy-back programs**
- **State taxes, e.g. exempting from sales taxes**
- **Adjusting financial aid policies**
- **Bulk purchasing**



Connecticut

HB 06-5527

- Requires publishers to provide information on the wholesale cost and revision history of their textbooks to professors at all colleges and universities within the state
- Requires the University of Connecticut system, the Connecticut State University system, and the Community-Technical Colleges to either give students their financial aid on the first day of the academic term or allow students to apply their financial aid for textbook purchases at campus bookstores, even if they have not yet received the financial aid disbursement



Virginia

HB 06-1478

- Requires governing boards to take steps to reduce the cost of textbooks by encouraging faculty to select their textbooks early enough for bookstores to purchase new books and as many used books as possible
- Requires faculty to be informed of retail textbook prices
- Requires faculty to inform the bookstore when a bundled version is not needed so that the bookstore can provide the unbundled version
- Encourages faculty to not adopt a new edition of a textbook if it does not differ significantly from the previous edition
- Requires policies to be established to make provisions to provide required textbooks to students who cannot afford them
- “provides that no funds for financial aid from university bookstore revenue may be counted in the calculation for state appropriations for student financial aid”



2007 Legislation - California

AB 1548 -

- Requires publishers print certain information on the outer cover of, or within, a textbook (substantive content differences in new versions and copyright date of previous edition).
- Requires publishers to provide price and update information as requested.
- Establishes requirements for a public postsecondary institutions to encourage faculty, departments, or other adopters to submit material orders "with sufficient lead time" to allow bookstores to confirm availability.
- Prohibits the sale of instructor copies or complementary teacher editions of textbooks.



2007 (cont.) - Maryland

HB 204 -

- Establishes a task force to study college textbook costs, including how faculty choose books and other factors related to retail prices.



2007 (Cont.) - Minnesota

SF 1314/HF 1508

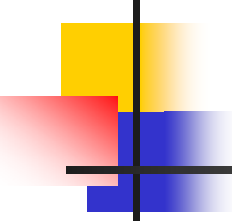
- Requires course material disclosures from publishers, including identifiable information, undiscounted price, formats (bundling), revisions and return policy.
- Public postsecondary institutions and the Minnesota Office of Higher Education must develop educational meetings and workshops and provide educational strategies for all parties for reducing the cost of course materials.



2007 (cont.) - Oklahoma

HB 2103

- Prevent the majority of textbooks from being available as only a “bundled” package. The bill does permit bundling in cases where packaging the items together represents a cost savings.
- Require bookstores affiliated with state colleges and universities to inform faculty of textbooks’ costs and how much new editions actually vary from previous ones.
- Require publishers to disclose their prices to faculty who order textbooks, as well as the text’s history of revisions.
- Ban employees at state colleges and universities from accepting any payment or other inducement to assign a specific textbook.



2007 (Cont.) - Tennessee

SB 2076 -

- Faculty are required to submit lists in a timely manner and consider least costly manner of assigning material.
- Campus bookstores are required to disclose textbook prices to faculty, provide unbundled packages if possible (or create bundles if it reduces costs), and actively promote buy-back programs.
- Copies of textbooks are to be available on reserve to students for use free of charge provided that publishers provide these books at no charge.



2007 Federal Legislation

- S. 945, the *College Textbook Affordability Act of 2007* (Durbin)
- H.R. 3512, the *College Textbook Affordability and Transparency Act of 2007* (Carson)
- H.R. 4137, the *College Opportunity and Affordability Act of 2007* (Miller)

2007 Federal Legislation (cont.)

H.R. 4137

- House version of the reauthorization of the Higher Education Act (HEA)
- Passed unanimously out of committee on 11/15/07
- Section 134 addresses college textbook affordability
- Requires publishers to disclose pricing information on college textbooks and supplemental materials to faculty and
- To offer all textbooks and supplemental materials “unbundled”
- Requires institutions to the “maximum extent possible” to provide prices and ISBNs of college textbooks and supplemental materials to students and
- To provide the most accurate information available on required textbooks to any college bookstore upon request



Conclusions

- Everyone recognizes college textbook costs are a problem—research supports that.
- Everyone has slightly different ideas to address the issue—but does research support some practices over others?
- Are government attempts at price-controls effective policy?



MOE Provision in H.R. 4137

- **Section 132 would punish states** for not maintaining or increasing higher education funding appropriations.
- **Section 132 violates all principles of federalism** and would place the federal government in charge of determining when state legislatures and governors have “adequately” funded higher education.