



# Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

APPENDIX F-1



## California Legislature

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November 7, 1977

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Mr. Robert R. Laidlaw, President  
Laidlaw Brothers Publishing, Inc.  
Thatcher and Madison  
River Forest, Illinois 60305

Dear Mr. Laidlaw:

Thank you for your October 21 response concerning our report, Deficiencies of Textbook Procurement Practices in California. I would like to respond to each of the major issues addressed in your letter.

We took great care to ensure that our comparison was methodologically correct. A contract textbook price for another state was not used if that contract was consummated before a California contract. For non-state-adopted textbooks without contract price guarantees, we attempted to establish purchase patterns and prices for California schools during the effective dates of lengthy contracts guaranteeing prices for other states.

You state in your letter that the average publisher overcharge of 6.6 percent for state-adopted textbooks is attributable to the costs of transportation which California law requires to be included in the textbook price.

Section 60061 of the California Education Code requires all costs of transportation to be included in the bid price which cannot exceed the lowest price nationally. In addition, the 6.6 percent overcharge cited in our report is an average of all overcharges noted. The individual overcharges ranged from less than one percent to nearly 30 percent. The amount overcharged varied with the publisher and cannot be attributed to additional costs of transportation. Also, California schools are paying as much as 100 percent more than other states when textbooks are not under state contract.

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We have enclosed a listing of the Laidlaw Brothers' textbooks which were used in our survey. If you care to respond by January 10, 1978, we will include your comments in a subsequent report.

Sincerely,



THOMAS W. HAYES  
Assistant Auditor General

TWH:lc

Enclosure

July 19, 1977

Mr. John H. Williams  
Auditor General  
California Legislature  
Suite 750  
925 L Street  
Sacramento, California 95814

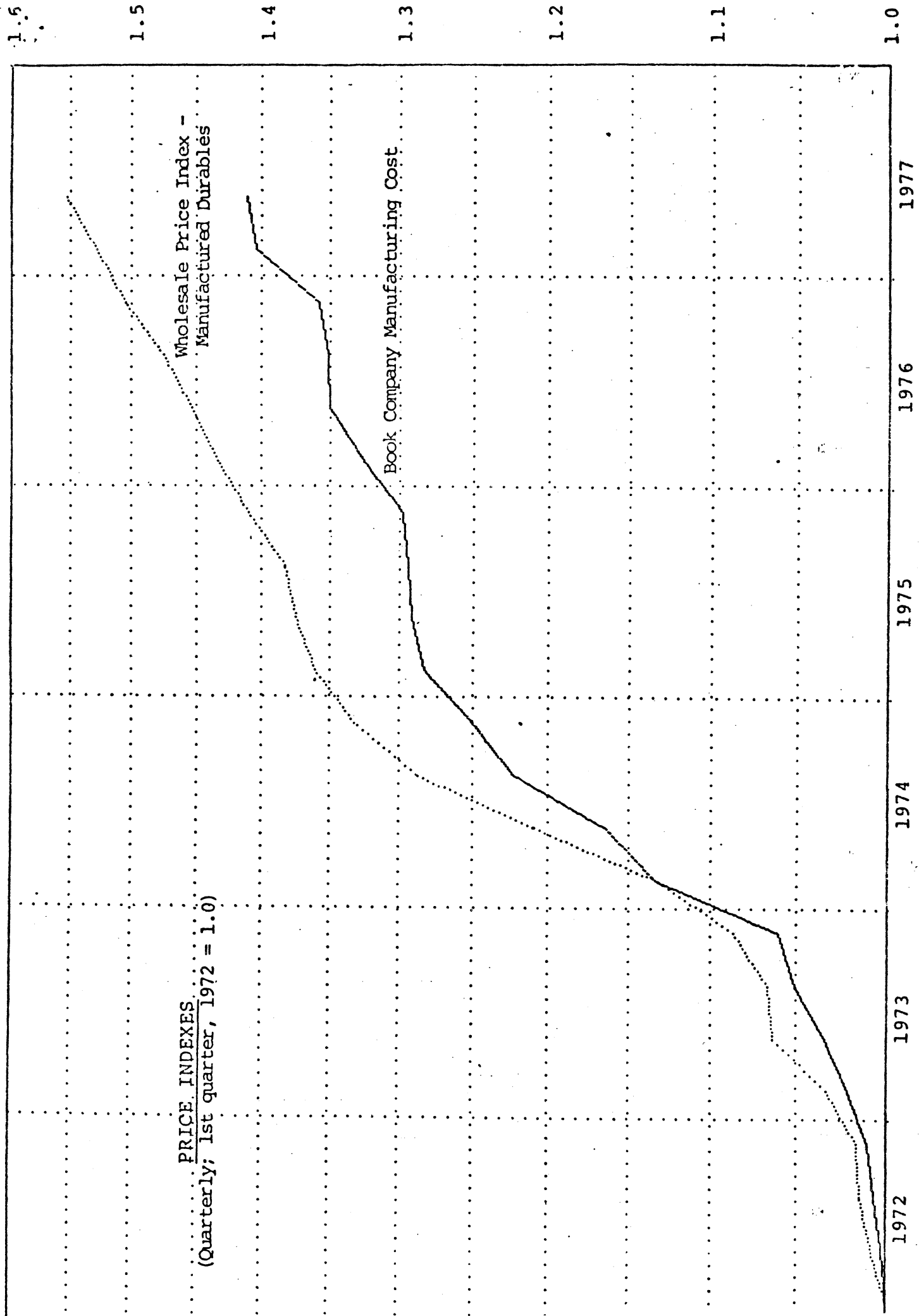
Dear Mr. Williams:

Your letter of June 29, 1977, addressed to Mr. Philip Yoder, has been referred to me for reply.

Despite the fact that your letter requests a description of "the price limitations" placed "on textbook sales" under certain conditions, Mr. Don Truitt has orally advised me that you desire to know what prices we believe are required under California's "most-favored-nation" requirement in three instances.

With reference, then, to the three instances enumerated in your letter, we offer the following response:

- (a) A Scott, Foresman bid for a California adoption contract contains a bound book price which is the lowest prepaid transportation price bid anywhere on the date the bid is submitted in California. Scott, Foresman and Company has only one school price (delivered or plus transportation) at any one time and that price is the same for wholesalers, retailers, schools, individuals, etc., without regard to quantities ordered or duration of the adoption, if any. Prices are historically adjusted once or sometimes twice a year. Since we cannot control a State's call for an adoption, designation of bid date, date of execution of a contract or a contract's effective date or its duration, we have long believed that statutes, such as California's, are only intended to relate a publisher's lowest price warranty to the price on the date the bid is submitted (the only date controllable by a publisher).



PRICE INDEXES  
 (Quarterly; 1st quarter, 1972 = 1.0)

Wholesale Price Index -  
 Manufactured Durables

Book Company Manufacturing Cost

RECAP of KL CONTRACTS

	2	3	4	5	6	7	8	9	10	11	12	13	14
							LOUISIANA	OREGON		ARCH DIOCESE INDIANAPOLIS	ARCH DIOCESE OF GARY	NEW YORK CITY	PHILADELPHIA
BID PRICE - KL-2					\$ 138		\$ 138			\$ 147	\$ 147	\$ 138	\$ 147
KL-3-6					174		174	159*		189	189	174	189
DATE BID SUBMITTED					4-30-78	2-2-76	2-20-76	1-15-75		11-15-74	5-9-77	7-1-75	?
DATE CONTRACT BEGINS					1-21-76	7-1-77	1-1-77	7-1-75		9-1-77	4-1-77	1-1-76	5-1-77
LENGTH OF CONTRACT					6 1/2 yrs.	5 yrs.	INDEFINITE	6 yrs.		6 yrs.	5 yrs.	5 yrs.	1 yrs.
DATE CONTRACT EXPIRES					6-30-82	6-30-82	INDEFINITE	6-30-8		5-31-83	5-31-82	12-31-80	4-30-78
* Price escalated from \$1.53 effective 7-1-77													
													12-15-76
													Handwritten Signature

Publisher: Addison-Wesley

LOCAL PURCHASE PRICES WITH NO CONTRACT

Textbook	Florida Price	Contract Effective Date In Florida	California Price	Date Purchased In California	Difference
The American Experience	\$8.97	4-76 thru 3-80	\$8.97	5-76	\$ .00
The American Experience	8.97	4-76 thru 3-80	8.97	5-76	.00
The American Experience	8.97	4-76 thru 3-80	8.97	6-76	.00
The American Experience	8.97	4-76 thru 3-80	8.97	7-76	.00
The American Experience	8.97	4-76 thru 3-80	9.84	2-77	.87
The American Experience	8.97	4-76 thru 3-80	9.84	3-77	.87
The American Experience	8.97	4-76 thru 3-80	9.84	3-77	.87
Textbook	Tennessee Price	Contract Effective Date in Tennessee	California Price	Date Purchased In California	Difference
Elements of Calculus & Analytical Geometry	\$7.80	7-72 thru 6-77	\$9.90	7-76	\$2.10
Geometry--Moise, Docuns	5.01	7-72 thru 6-77	7.20	7-76	2.19
Shanks: Pre-Calculus Math	6.99	7-72 thru 6-77	<del>9.00</del> 6.99	4-77	2.01

NOTE: The California sales tax has been deleted in all comparisons.