



Affordability of College Textbooks:

Textbook Prices Have Risen Significantly in the
Last Four Years, but Some Strategies May Help to
Control These Costs for Students

August 2008 Report 2007-116



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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the affordability of college textbooks in the University of California (UC), California State University (CSU), and California Community Colleges (community colleges) systems. This report concludes that increases in textbook prices have significantly outpaced median household income, which makes it more likely that some students will forgo or delay attending college because of the financial burden that postsecondary education imposes. However, students can somewhat offset the rising costs by using strategies such as purchasing used books or purchasing their textbooks from third parties that advertise their textbooks with online retailers, such as Amazon.com. Further, several key players in the textbook industry believe the used textbook market drives up the cost of new textbooks and may play a role in how frequently publishers issue new editions. We noted that for selected textbooks we reviewed, publishers released a new edition every 3.9 years on average; however, several of the deans, department chairs, and faculty members that we interviewed stated that revisions to textbooks are often minimal and are not always warranted.

Nearly all of the faculty members we interviewed were unaware of state laws encouraging them to participate in efforts to reduce textbook costs and many did not understand how their decisions and priorities when selecting a textbook could affect student costs. This lack of awareness may partially explain why the majority of textbook adoptions are submitted by faculty after the initial deadline, despite bookstore managers' claims that timely textbook adoptions enable them to pay students more for their used textbooks and also allow them to procure more used books for sale in the next term. Additionally, campus bookstores have implemented several strategies to reduce students' textbook costs, but they have not consistently employed them. Finally, the system offices for the community colleges and CSU, with some participation from UC, have explored possible solutions for the rising costs of textbooks, including open educational resources and the Digital Marketplace, both of which offer means of content delivery that differ from that of traditional textbooks.

Respectfully submitted,



ELAINE M. HOWLE
State Auditor

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Summary

Results in Brief

Textbook prices have increased at a rate significantly outpacing that of the median household income, and the financial burden imposed on students because of these rising prices, combined with escalating student fees, increase the likelihood that some students will forgo or delay pursuing a postsecondary education. Student fees increased considerably at the University of California (UC) and California State University (CSU) during academic years 2004–05 through 2007–08, but textbook prices rose at an even greater rate over the same period. Moreover, at the California Community Colleges (community colleges), the cost of textbooks was nearly 60 percent of a full-time student’s total education cost in academic year 2007–08.

The increase in the publishers’ invoice prices, or the prices that publishers charge retailers, is driving the rise in campus bookstores’ retail prices, which leads to increasing textbook costs for students. Another factor inflating the cost of textbooks are the markups that campus bookstores add to the prices of the textbooks they buy from publishers. At the nine campus bookstores we reviewed, markups ranged from 25 percent to 43 percent of the publishers’ invoice prices. Campus bookstores generally use the profits resulting from these markups to cover the stores’ operating costs and, in some cases, to support campus activities and organizations. However, bookstores using their profits to pay for campus functions has not quelled the frustration some students have expressed about textbook-pricing policies.

Students can somewhat offset the rising cost of textbooks by taking advantage of the used-textbook market. In reviewing the costs of textbooks associated with six majors at nine campuses during a two-year academic period, we found that although students, on average, could spend as much as \$1,815 on required textbooks, they could save \$308 by purchasing used textbooks and receive \$523 by selling their textbooks back to the campus bookstore.

About half of the students we surveyed across all three postsecondary educational systems expressed extreme concern about covering the cost of attending college. As a result, students are reacting to increasing textbook prices in differing ways and have developed strategies to reduce the burden these costs may impose. For instance, many students we surveyed stated they often purchase their textbooks from third parties advertising textbooks with online retailers, such as Amazon.com (Amazon). We tested the viability of this cost-saving strategy during our visit to nine campus bookstores, comparing retail prices for new and used versions of selected

Audit Highlights . . .

Our review of the affordability of college textbooks in the University of California (UC), California State University (CSU), and California Community Colleges (community colleges) systems revealed the following:

- » *Increases in textbook prices have significantly outpaced median household income, which makes it more likely that some students will forgo or delay attending college because of the financial burden that postsecondary education imposes.*
- » *Students can somewhat offset rising textbook costs by purchasing used books or purchasing textbooks from third parties that advertise their textbooks with online retailers.*
- » *Several key players in the textbook industry believe the used textbook market drives up the cost of new textbooks and may play a role in how frequently publishers issue new editions.*
- » *Of 23 textbooks we reviewed, publishers released a new edition about every four years on average; however, many of the deans, department chairs, and faculty members that we interviewed stated that revisions to textbooks are minimal and are not always warranted.*
- » *Even though bookstore managers claim that timely textbook adoptions enable them to pay students more for used textbooks and allow them to procure more used books to sell in the next term, the majority of faculty submit textbook adoptions after the initial deadline.*

continued on next page . . .

- » *Campus bookstores have implemented several strategies to reduce students' textbook costs; however they have not consistently employed them.*
- » *The community colleges and CSU, with some participation from UC, have explored possible solutions for the rising costs of textbooks, including open educational resources and the Digital Marketplace, both of which offer means of content delivery that differ from that of traditional textbooks.*

textbooks to the prices offered by third parties on Amazon. We found that a student can potentially realize cost savings of up to 32 percent by purchasing new books through a third party rather than through the campus bookstore.

Additionally, several key players in the textbook industry believe that the used-textbook market drives up the cost of new textbooks and may play a role in how frequently publishers issue new editions. According to the Association of American Publishers, a key factor in the price of textbooks is the impact of the used-textbook market on new book prices. Further, one large publisher of college textbooks stated it is aware that if it does not revise a book, demand for the book will diminish and eventually disappear. The responses we received from other publishers indicated that availability of new content and demand from faculty also affect publishers' decisions to issue new editions. However, bookstore managers, one major wholesaler of used textbooks, and some faculty we spoke to believe the used-textbook market plays a role in the textbook revision cycle. Moreover, many of the deans, department chairs, and faculty we interviewed stated that revisions to textbooks are often minimal and not always warranted. In assessing selected textbooks at nine campus bookstores, we noted that publishers released a new edition every 3.9 years on average. Further, publishers' development of supplementary materials, like compact discs and student workbooks, may contribute to increases in textbook prices, and the custom edition and digital textbooks that publishers offer may reduce the role of the used-textbook market.

Nearly all the faculty members we interviewed about the state laws encouraging them to participate in efforts to reduce textbook costs were unaware of them, and many did not understand how their textbook selection decisions and priorities could affect student costs. This lack of awareness may partially explain why faculty submit most of their textbook adoption requests after the initial deadline, even though bookstore managers claim that timely textbook adoptions enable them to pay students more for their used textbooks during buyback¹ and to procure more used textbooks for sale in the next term.

Further, some faculty members we interviewed require students to buy textbooks that come bundled with supplementary materials, even though bookstores may have a limited ability to purchase textbook bundles from students during buyback. Many students expressed frustration with textbook bundles stating that they often never have a need to use the supplementary materials. Because

¹ The term *buyback* refers to a bookstore's practice of buying back, at the end of an academic term, textbooks that students purchased from the bookstore at the beginning of that term.

publishers increase textbook prices to cover the costs of developing and producing supplementary materials, the requirement set by some faculty members that students purchase textbooks bundled with supplementary materials that go unused may unnecessarily increase student costs.

Although each campus bookstore we visited has implemented some strategies to reduce students' textbook costs, the strategies are inconsistent across the three postsecondary educational systems. For instance, although all the bookstores we reviewed operate buyback programs, only four of the nine bookstores guarantee at the time the student initially purchases the textbook that they will buy it back at the end of the term for 50 percent of the original purchase price. Further, some bookstores have developed incentives that encourage faculty to submit their textbook adoptions on time and thus increase the likelihood that the bookstores can procure more used textbooks and pay students more during buyback. Additionally, only some of the campuses we reviewed have developed initiatives to reduce textbook costs for students. For example, only one of the nine campuses we reviewed has implemented a textbook loan program, which may reflect the significant initial and ongoing funding needed to start and sustain such a program. If campus bookstores across all three systems developed a consistent set of strategies to lessen the cost of textbooks for students, more students would be able to realize cost savings at the campus bookstores.

Reports issued by organizations like the State Public Interest Research Groups and the U.S. Government Accountability Office may have increased awareness among postsecondary educational institutions that the affordability of college textbooks is a serious issue. The community colleges and CSU, with some participation from UC, have explored possible ways to curb the rising costs of textbooks. For instance, the system office of the community colleges recently convened two textbook summits to identify strategies that campuses could implement to reduce textbook costs. In early May 2008, as a result of the summit meetings, participants compiled a list of 11 recommendations for the community colleges board of governors to consider and which they ultimately approved. One recommendation encourages the promotion of open educational resources. The William and Flora Hewlett Foundation, a strong advocate of open educational resources, defines them as teaching, learning, and research resources that reside in the public domain or have been released under intellectual property licenses that permit their free use or repurposing by others. Open educational resources include full courses; course materials; modules; textbooks; streaming videos; tests; software; and any other books, materials, or techniques used to support access to knowledge.

Further, at the beginning of 2007, executive vice chancellors within the CSU chancellor's office charged a task force of students, faculty, campus bookstore managers, and administrators with providing advice that could lead to CSU's implementation of effective measures to reduce the cost of textbooks for students. The task force ultimately recommended, among other things, that CSU develop the Digital Marketplace, which would be a one-stop, Web-based service for selecting, contributing, sharing, approving, procuring, and distributing both no-cost and cost-based academic technology products and services. Eventually, the Digital Marketplace could reduce textbook costs.

Recommendations

To increase awareness and transparency about the reasons why campus bookstores add markups to publishers' invoice prices for textbooks, the UC, CSU, and the community colleges should consider requiring their campuses to reevaluate bookstores' pricing policies to ensure that markups are not higher than necessary to support bookstore operations. If bookstore profits are deemed necessary to fund other campus activities, the campuses should seek input from students to determine whether such purposes are warranted and supported by the student body. Additionally, campuses should direct bookstores to publicly disclose on an annual basis any amounts they use for purposes that do not relate to bookstore operations, such as contributions they make to campus organizations and activities.

UC, CSU, and the community colleges should issue guidance on the process of selecting textbooks and to delineate the factors affecting textbook costs so that the systems can make certain that faculty understand how their own textbook choices influence textbook costs for students. This guidance should direct campuses to do the following:

- Communicate the provisions contained within recent state laws regarding textbook affordability to ensure faculty are aware of the existence of the laws and steps they can take to possibly reduce textbook costs.
- Require faculty to submit textbook adoption information to the campus bookstores by the due dates so that the bookstores can obtain as many used textbooks as possible and also purchase books back from students at higher prices.

- Encourage faculty to consider textbook prices when they evaluate materials for their classes and to consider adopting less costly textbooks if doing so will not compromise the quality of the education that students receive or the academic freedom of faculty.

The system offices of UC, CSU, and the community colleges should continue taking steps to promote the awareness, development, and adoption of open educational resources as alternatives to textbooks and other learning materials. Further, CSU should continue its efforts to develop, implement, and promote the Digital Marketplace. While doing this, CSU should monitor any resistance from students and faculty to ensure that the Web-based education content aligns with their needs and preferences.

Agency Comments

UC agrees with the recommendations contained in the report and believes they will be helpful, especially in terms of ensuring that the system is employing the most successful strategies to ensure textbooks are affordable. Although CSU does not specifically agree or disagree with our recommendation that the system should require campuses to reevaluate bookstores' pricing policies and to seek input from students as necessary to determine whether bookstore profits are needed to fund campus activities, CSU agrees with the remaining recommendations. Finally, while the community colleges stated the report will be useful to the system in its efforts to improve textbook affordability for students, the community colleges assert that the system office and the board of governors do not have the authority to direct colleges or require districts to take the actions recommended in the report without additional statutory authority.

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Introduction

Background

Over the years, the State has organized its public higher education offerings into three systems: the University of California (UC), California State University (CSU), and the California Community Colleges (community colleges). Defined by state law, the three systems' shared goal is to provide educational opportunities to the broadest possible range of citizens. The systems provide students with access to education; opportunities for educational success; quality teaching and programs of excellence; and educational equity in which each person—regardless of race, gender, age, disability, or economic circumstance—has a reasonable chance to fully develop his or her potential.

Considered one of the finest research institutions in the world, UC consists of 10 campuses and reported a total student enrollment of 220,000 in 2007. UC's fundamental missions are teaching, research, and public service. The governing body of UC is a 26-member board of regents, which has empowered the academic senate, a representative body of UC faculty, to exercise direct control over academic matters. The academic senate determines academic policy, sets conditions for admitting students and granting degrees, authorizes and supervises courses and curricula, and advises UC administration on faculty appointments and promotions as well as budgets.

With about 450,000 students on 23 campuses, CSU is the largest system of higher education in the nation. The mission of CSU includes providing opportunities for individuals to develop intellectually, personally, and professionally through high-quality, accessible educational programs. CSU's governing body is a 25-member board of trustees that includes the governor, lieutenant governor, speaker of the Assembly, state superintendent of public instruction, and CSU chancellor. The board of trustees develops broad administrative policy for the campuses and appoints the chancellor and campus presidents.

The largest of California's three postsecondary educational systems, the community colleges consist of 110 colleges and serves about 2.5 million students. The primary mission of the community colleges is to offer academic and vocational instruction at the lower-division level for students of all ages, including those returning to school. The community colleges' 17-member board of governors sets policy and provides guidance for the 110 colleges, and it has the authority to develop and implement policy. Further, the community colleges use a formal consultation process in which

representatives from selected community college institutional and organizational groups assist in developing and recommending policy to the board of governors.

Faculty Have Broad Discretion When Choosing Textbooks

California's three postsecondary educational systems have no centralized office that oversees the process of textbook adoption, in which faculty select instructional materials for the courses they teach. Rather, faculty, course coordinators, or a committee of faculty members within departments at each campus generally make textbook adoption decisions at their discretion.

The First Amendment to the U.S. Constitution protects a faculty member's right to freedom of speech and expression, and promoting academic freedom has been a special concern of courts addressing First Amendment protections. Academic freedom gives faculty broad discretion in educating students and choosing the educational materials they use in their courses. Therefore, in regulating faculty members' selection of educational materials, each of the three systems must keep in mind limits that the First Amendment and academic freedom may place on their ability to regulate those materials.

The UC and CSU systems consist of schools or colleges, and the community colleges consist of instructional areas, all of which are generally headed by deans. Typically, these units are further divided into departments, each headed by a department chair. Although a department chair may have an administrative role in the department, each faculty member can develop the curricula for the courses he or she teaches and can select the textbooks or instructional materials students will have to purchase for those courses. For a course with numerous class sections taught by many different instructors, a committee of faculty members or a course coordinator might decide on the textbook. The committee generally reviews various textbook options and reaches a consensus on which textbook to adopt.

Typically, faculty choose textbooks in the academic term preceding the one during which they will use the books. For instance, faculty employed by a campus on a semester academic calendar and assigned to teach courses in the spring academic term will consider textbook options for those courses during the preceding fall academic term. This practice helps to ensure that the campus bookstore can stock textbooks by the first day of a new semester and can procure from the used-textbook market as many available used books as possible. Campus bookstores typically price a used textbook at 75 percent of the retail price for the new version of that textbook.

Campus Bookstores Are Generally Self-Supporting

Among the 3,410 responses we received to our survey of students enrolled in the three systems, many students stated they purchase most of their textbooks through campus bookstores. State law allows the governing board of any community college district to establish a bookstore on campus, while state law for CSU, as well as UC policies, allow those systems to establish auxiliaries to provide supportive services, such as bookstores, for the benefit of the campuses. A campus must treat an auxiliary organization as a separate, self-supporting entity, as specified in state law and by CSU and UC policy. In some cases, a campus may choose to contract with a private entity to run its bookstore. To remain self-supporting and in some cases profitable, campus bookstores apply markups to prices they pay publishers for textbooks. The resulting amounts are the bookstores' retail prices that students pay for textbooks. An auxiliary organization or contractor may, in some cases, make monetary contributions to the campus or a student organization from a bookstore's proceeds.

Further, about one-quarter of the campuses within the three systems lease their bookstore operations to one of two private firms: Follett Higher Education Group (Follett) or Barnes & Noble College Booksellers, Inc. (Barnes & Noble). Follett manages the bookstores for 17 community college campuses, five CSU campuses, and one UC campus. Barnes & Noble manages bookstores located at nine community colleges and five CSU campuses. Agreements with private entities may vary from campus to campus.

A Textbook's Life Cycle Includes Various Parties That Influence Its Cost

The life cycle of a textbook—from developing and publishing to marketing, selling, and purchasing—involves several entities that collectively impact textbook costs, prices, and availability, as shown in Figure 1 on the following page. Generally, textbook prices react to the influences of each key player in the market: publishers and book wholesalers, bookstores and other retailers, faculty and students.

The market consists of several large and small publishers and book wholesalers. As the text box indicates, five publishing companies and three textbook wholesalers dominate the market. The publishing companies primarily provide new books,

Key Players in the Higher Education Textbook Market

Publishers:

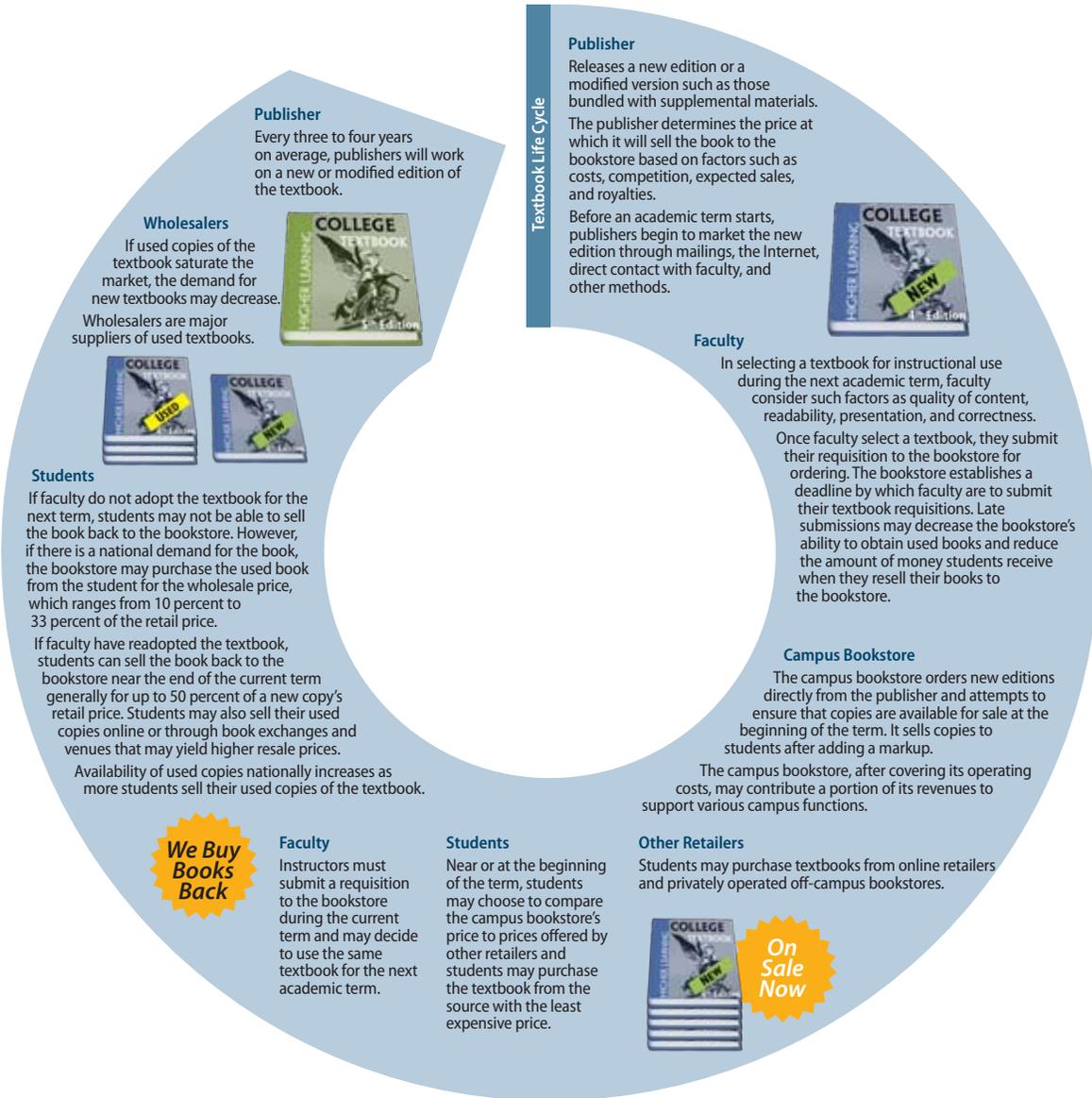
Cengage Learning
John Wiley & Sons, Inc.
Macmillan
McGraw-Hill Education
Pearson Education

Book Wholesalers:

Follett Higher Education Group
MBS Textbook Exchange, Inc.
Nebraska Book Company

Sources: Publisher and wholesaler Web sites, interviews with bookstore managers, and listings of top-selling publishers of textbooks provided by three bookstores we reviewed.

Figure 1
The Life Cycle of a College Textbook



Sources: Publishers' responses to the Bureau of State Audits' questionnaire, student surveys, faculty interviews, bookstore interviews/policies, and various reports.

whereas the wholesalers generally distribute used textbooks to college bookstores across the nation and provide services like textbook management systems and buyback services.

The textbook life cycle begins and ends with the publishers. As Figure 1 illustrates, to establish the price at which to sell a book to a bookseller, such as a campus bookstore, the publisher analyzes numerous factors, including costs, competition, expected sales, and royalties. Several publishing companies that responded to our questionnaire did not provide us with their specific pricing information because they consider it proprietary. However, Pearson Education gave us a breakdown of the cost categories of wholesale textbook prices reported by the National Association of College Stores. As the text box shows, paper, printing, and editing costs make up most of the publisher's invoice price. Pearson Education reported that it reviews prices twice annually and can increase, decrease, or choose to hold a textbook's price constant. After it determines the price, the publisher then markets new editions to faculty. Marketing can take place through direct mailings of brochures, catalogues, and examination copies, as well as through one-on-one contacts between publisher representatives and faculty.

Paper, printing, and editing	42.3%
Marketing	20.2
Author royalties	15.3
General and administrative	13.0
Publisher's after-tax income	9.2

Source: Pearson Education.

After selecting the textbooks they want, faculty generally submit the required adoption paperwork to the campus bookstore. Using information provided by the campus bookstore or the course instructor, students can purchase the adopted textbooks from various sources. At the end of the academic term, students can try to sell their textbooks back to the campus bookstore, but the prices students receive often depend on whether faculty have adopted the book for the subsequent academic term. If faculty decide not to use certain textbooks for their courses next term, the bookstore may pay students the wholesale prices for the books, or nothing if there is no national demand. According to a major wholesaler, wholesale prices typically range from 10 percent to 33 percent of retail prices. The cycle of a faculty member adopting a textbook and students purchasing and then selling back copies of that textbook typically continues until a publisher releases a new or modified version of the book, an event that occurs every three to four years on average.

Textbook Costs Have Recently Gained Widespread Attention

Within the past few years, student groups, government agencies, and other organizations have conducted studies and issued reports on textbook costs. In particular, the reports issued by the State Public Interest Research Groups (State PIRGs) and the U.S. Government Accountability Office (GAO) examine the reasons for escalating textbook costs and identify the factors they believe best explain price increases in recent years. For instance,

in a February 2005 report titled *Ripoff 101: How the Publishing Industry's Practices Needlessly Drive Up Textbook Costs*, the State PIRGs report findings from their survey of the most widely purchased textbooks at 59 colleges and universities across the country and conclude that the frequency with which the publishing industry releases new editions creates shortages of used textbooks. The GAO issued a report in July 2005 titled *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*, in which the GAO concluded that "the increasing costs associated with developing products designed to accompany textbooks, such as CD-ROMs [compact discs acting as read-only memory devices] and other instructional supplements, best explain price increases in recent years." The GAO reported that publishers stated they have increased investments in developing supplements in response to demands from instructors.

Lawmakers in Congress, the California Legislature, and other state legislatures have also become increasingly concerned about textbook costs. For example, in 2007, the House of Representatives introduced the College Opportunity and Affordability Act of 2007, which includes provisions addressing textbook costs. Specifically, this proposed legislation would require publishers to sell college textbooks separately from supplemental materials, mandate that institutions of higher education publish International Standard Book Numbers and prices on course schedules, and encourage bookstores to disclose costs to faculty and students in a timely manner. As of August 2008, the status of this legislation was awaiting the President's signature.

Additionally, several states have proposed, and in some cases enacted, legislation to address textbook cost issues. In California, the Legislature and the governor approved a law effective January 1, 2005, containing several provisions related to the production and pricing of college textbooks. The law encourages textbook publishers to provide students with the option of purchasing materials that do not come bundled, or packaged together, and encourages faculty to consider the least costly practices in assigning textbooks when doing so would be educationally sound. Another law that took effect in California on January 1, 2008, encourages faculty to submit textbook adoptions in a timely manner and requires publishers, effective January 1, 2010, to disclose content differences between new editions and prior editions. Strategies that other states have considered include lowering the impact of textbook costs by exempting textbooks from sales taxes.

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits review the affordability of college textbooks in California's public universities and colleges. As part of our audit, we were to evaluate the textbook industry and its participants—including faculty, students, and others involved with the three public postsecondary educational systems in the State—to determine how the participants' respective roles affect textbook prices. In addition, the audit committee asked that we survey a sample of publishers to ascertain as much as possible about the methods that publishers use to set prices and market textbooks, including any incentives offered and the publishers' decisions about textbook packaging and the need for revisions. Further, we were asked to determine and evaluate how the three postsecondary educational systems identify, evaluate, select, and approve textbooks for courses on their campuses.

The audit committee also asked us to identify and evaluate the success of the processes and practices that UC, CSU, and the community colleges use to keep the costs of textbooks affordable. In addition, the audit committee requested that we survey students and student organizations at the three postsecondary educational systems to determine whether costs affect the decisions that students make about areas of study or the number of classes in which they enroll, how students are dealing with increasing costs, whether students are required to purchase books or bundled material not used for their classes, and whether students are filing complaints against their instructors or schools for issues related to textbooks. The audit committee further requested that we determine how the three systems ensure compliance with any textbook policies and procedures. Finally, the audit committee asked us to review a sample of textbooks used at the three systems to determine whether the processes of identifying, evaluating, selecting, and approving the textbooks complied with the systems' policies and procedures and attempted to prevent students' textbook costs from rising.

To identify the textbook industry's participants, we reviewed reports issued by organizations like the GAO and state PIRG that identify factors affecting textbook costs and the influence that each participant has on those costs.

To gain a better understanding of the laws affecting the textbook industry, we analyzed relevant federal and state laws. We also interviewed deans and chairs of selected academic departments, faculty, student organizations, students, wholesalers, bookstore staff, and management of auxiliary organizations at three campuses from each of the three systems. We focused our review on policies and practices at nine campuses: Berkeley, Davis, and Los Angeles

in the UC system; Chico, Long Beach, and Sacramento in the CSU system; and DeAnza, Grossmont, and San Francisco in the community colleges system. We selected those campuses based on geographical location and student enrollment, whether they had developed strategies to offset textbook costs, and whether each campus owned and operated its bookstore or leased it to a private entity, such as Follett or Barnes & Noble.

To identify the role of the campus bookstore in the textbook market, we interviewed staff at each of the nine campus bookstores we visited and, if applicable, management from the vendor or campus auxiliary that manages the bookstore. We reviewed each bookstore's policies and procedures, including its pricing practices, buyback policies, and markups for new and used textbooks. We also determined whether the bookstore or affiliated auxiliary provides monetary contributions to the campus or provides additional services to students. Finally, we discussed with bookstore staff whether the campus bookstores have implemented programs to address the cost of textbooks, such as a guaranteed buyback of certain textbooks or the textbook rental programs described in Chapter 3.

To determine how publishers price and market their textbooks, we developed a questionnaire and distributed it to the textbook publishers ranked as the highest-volume sellers on lists compiled by three of the campus bookstores we visited. Our questionnaire asked about factors affecting pricing and decisions to bundle or revise a textbook. We also asked publishers if they encourage faculty or schools to adopt a particular textbook by offering incentives like monetary contributions, free copies of textbooks, or luncheons. In selecting our sample of publishers, we interviewed bookstore managers at UC Davis, CSU Sacramento, and City College of San Francisco, and from their responses compiled a list of the top-18 textbook publishing companies based on the volume of textbooks these campus bookstores purchased from each company. Although one of the 18 publishing companies did not respond to our requests for contact information, we distributed the questionnaire to the other 17 textbook publishing companies on the list. Of those, nine responded to our questionnaire and eight did not. We reviewed, compiled, and analyzed the responses of the nine publishers that completed questionnaires.

To assess how faculty and staff at the nine campuses we reviewed identify, evaluate, select, and approve textbooks for courses, we asked administrators at the campuses to supply us with any policies and procedures related to those steps in the textbook adoption process. Because most of the campuses had not developed any policies or procedures for the textbook adoption process, we also requested this information from three faculty members and three department deans and chairs at each campus; however, according

to the faculty we interviewed, their departments generally had not developed any written policies. Additionally, we interviewed deans, department chairs, and faculty at each campus and asked questions such as whether textbook revisions are always warranted, whether faculty have any unique strategies that reduce the cost of educational materials, and whether they receive incentives from publishers to adopt textbooks. All of the faculty members, department chairs, and deans we asked about incentives offered by publishers stated that they had not received, nor had publishers offered, any type of significant monetary incentives and thus, we performed no further work in this area. We also asked deans, department chairs, and faculty what factors they consider when selecting a textbook.

In evaluating how well the three postsecondary educational systems assist students in making textbooks affordable, we interviewed representatives from each system office to determine whether it has implemented or plans to implement any initiatives that address textbook costs. Further, we attended two summit meetings held by administrators from the system office of the community colleges. At the summits, participants in the textbook market, including students, bookstore managers, and publishing company representatives, convened to discuss strategies for reducing textbook costs. We analyzed the resulting recommendations summit participants proposed to the community colleges' board of governors in May 2008. In Chapter 4 of this report we discuss the value of some of these recommendations as well as potential obstacles to their implementation. Further, we reviewed a report issued in August 2007 by a CSU task force titled *Improving Access and Reducing Costs of Textbook Content*, which included the recommendations and analyses of representatives from the academic senate, associated student organizations, and chancellor's office.

To gain an understanding of the Digital Marketplace—a one stop, Web-based service for selecting contributing, sharing, approving, procuring, and distributing no-cost and cost-based academic technology products and services—we interviewed the senior director of academic technology services from the CSU chancellor's office and reviewed related reports.

To determine the ways in which textbook costs affect students, including how students deal with increasing costs and whether instructors require students to purchase books or bundled material that their classes do not use, we surveyed students enrolled at each of the State's three postsecondary educational systems. The Appendix lists the survey questions and responses. Moreover, we interviewed members of the associated student organizations at some campuses to identify additional student concerns.

To assess whether faculty and staff adhere to campus policies and procedures for the selection of textbooks and whether systems and campuses compile statistics regarding textbooks, we interviewed campus administrators, bookstore staff, deans, department chairs, and faculty at each of the nine campuses under review. Administrators at the system offices, as well as at the campus level, told us they do not track statistics related to textbooks and generally do not have policies and procedures governing the textbook adoption process. However, bookstores do have historical information on specific textbooks. Thus, we focused on comparing across the three systems the total cost of textbooks for selected majors during an academic year and gathering information on the textbooks sold at campus bookstores.

To compare total textbook costs for various majors, we obtained data from UC and CSU listing the most popular majors in terms of earned degrees at each of the campuses included in our review. Using this information, we selected six of the most popular academic majors and tested information related to two of those majors at each campus we reviewed. The majors chosen were biology, business, English, liberal studies, political science, and psychology. To compare UC and CSU courses in those majors to courses in the community colleges system, at UC and CSU we focused on the course load for the first two years of each selected major. For UC and CSU, we interviewed academic counselors who assisted us in developing hypothetical course schedules for the majors we selected. Because undergraduates transferring from community colleges may face different prerequisites depending on whether they are entering the UC and CSU system, we interviewed transfer coordinators at each community college campus and created for each academic major a typical course schedule for a student transferring to a UC campus and another schedule for a student transferring to a CSU campus.

Once we had compiled the course lists, we obtained from the bookstore at each campus the pricing and sales information, including buyback policies, for the textbooks required for the academic terms from fall 2005 to spring 2007. Using this information, we calculated the sum of the prices for new and used textbooks, respectively, for each selected major during those academic terms. After determining the total costs students could expect to pay if they purchased all new or all used textbooks, we considered the amounts they could expect to receive through the corresponding bookstore's buyback program.

We selected a sample of 27 top-selling textbooks to determine how the price of a textbook changes over time and how frequently a textbook may undergo revisions. Each campus bookstore gave us a list of its 20 top-selling textbooks and a list of the 10 top-selling

textbooks authored by faculty at the respective campuses for the fall 2007 academic term. From those lists, we considered factors such as the textbook's retail price, number of units sold, and revision history. We then selected three textbooks from each campus: generally two from the top-20 list and one from the top-10 list. For each of the two top-20 textbooks selected, we interviewed a faculty member who chose the textbook to evaluate the adoption process. For the one top-selling faculty-authored textbook, we interviewed the author. From bookstore staff, we obtained information about each textbook in our sample for academic years 2004–05 through 2007–08, including the retail price, the price at which the bookstore purchased the book (invoice price), whether the book was adopted for subsequent terms, and whether the textbook came in bundled or customized form. Based on retail prices for the fall 2004 academic term, or the earliest subsequent term that faculty adopted the textbook, we calculated the overall price increase over time. Further, because the bookstore for CSU Sacramento did not retain pricing information for some of the earlier terms, we calculated its textbook price increases using information from the earliest term available.

The data we used to perform our analyses were maintained in electronic databases at each campus bookstore. However, the types of databases varied among bookstores. Therefore, some bookstores could not provide us with all the data we requested. Consequently, when possible, we made various calculations to determine the missing data. Further, the GAO, whose standards we follow, requires us to evaluate the reliability of computer-processed data. However, we could not assess whether all the information we used from each bookstore's database was reliable for the purposes of our audit because some source documentation was unavailable or did not exist, among other reasons. To gain some assurance on the data's accuracy, we obtained hard-copy documentation of six invoices from eight bookstores and four invoices from the ninth bookstore in our review and compared them to each bookstore's respective database. Because we selected this sample judgmentally, we cannot quantify how confident we are with the accuracy of the data in total; however, we found no errors and therefore have some assurance of the accuracy of the data.

To gauge the effectiveness of strategies students use to deal with textbook costs, we evaluated one common strategy: purchasing textbooks from online retailers or third-party vendors. We compared the prices of the 27 textbooks we selected to the new and used prices of textbooks sold by a third party through Amazon.com—an online vendor students frequently mentioned in responding to our survey. Because prices and quality vary for textbooks offered by third parties, we compared the campus bookstore's new and used price to the lowest price offered for a textbook designated as at least "very good"

quality by the seller on Amazon. Using these comparisons, we calculated the potential cost savings students could realize from shopping online. Table 6 in Chapter 1 presents the results of that analysis.

Finally, to evaluate the frequency of textbook revisions, we searched the Library of Congress's online catalogue using the textbook's author and title to trace the edition history of the textbook from its most current edition to its original edition. We determined the number of years between each revision and calculated the average number of years between each edition change. Table 7 in Chapter 2 presents the results of this analysis.

Chapter 1

RISING TEXTBOOK PRICES PROMPT STUDENTS TO USE DIVERSE COST-SAVING METHODS

Chapter Summary

Increases in textbook prices for college students have surpassed increases in the median household income and, when combined with rising student fees, constitute a financial burden that could cause some students to delay or abandon pursuing a postsecondary education. During academic years 2004–05 through 2007–08, increases in student fees at the University of California (UC) and California State University (CSU) likely caused some students to question their academic future, but textbook prices rose at an even greater rate over the same period. At the California Community Colleges (community colleges), textbook costs represented nearly 60 percent of the total cost of a student's education in academic year 2007–08. According to our survey of students attending the three public postsecondary educational systems in the State, a full-time student can expect to pay between \$692 to \$905 on textbooks annually.² Given that roughly half of the students responding to our survey expressed concerns about covering the cost of attending college in general and about the cost of textbooks in particular, these increasing costs may prevent some students from attending college or may delay the completion of their studies.

Further inflating the cost of textbooks are the markups that campus bookstores add to the prices that publishers charge retailers for textbooks. At the nine campuses we focused on during our audit, markups ranged from 25 percent to 43 percent of the publishers' invoice prices, or the prices that publishers charge retailers. Campus bookstores generally use the profits resulting from these markups to cover the stores' operating costs and, in some cases, to support campus activities and organizations. However, bookstores using their profits to pay for campus functions has not quelled the frustration students have expressed about textbook-pricing policies.

Rising textbook prices at campus bookstores and at all sources for college textbooks have prompted students at UC, CSU, and the community colleges to develop their own strategies for controlling how much they spend on textbooks. The most common approach

² As we describe in the Appendix, any amounts or percentages related to student perspectives specified in this chapter are our estimates based on responses we received from students enrolled in the University of California, the California State University, and the California Community Colleges systems in the fall 2007 academic term.

In the four-year period ending 2007–08, textbook prices rose at rates that significantly outpaced increases in the median household income in the United States.

students take is to purchase used textbooks from their institution's campus bookstore, because a used textbook typically costs 75 percent of a new book's retail price. However, the effectiveness of this strategy is limited because a bookstore may not be able to procure or stock a sufficient number of used copies of a particular textbook. Further, students can often realize even greater cost savings by buying their textbooks from third parties that advertise through retailers on the Internet, such as Amazon.com (Amazon).

Textbook Prices Are Escalating at High Rates

In the four-year period from academic years 2004–05 through 2007–08, textbook prices rose at rates that significantly outpaced increases in the median household income in the United States. Student fees were also rising during the period, albeit at a slower rate than textbooks, and the combined costs may make college unaffordable for some students. An analysis of why students are facing textbook price increases begins with the publishers, whose invoice prices are generally escalating. Campus bookstores add a 25 percent to 43 percent markup to the invoice prices before putting the textbooks on shelves for students to purchase. If publishers continue to raise textbook prices at rates that surpass the rates of growth in both the median household income and student fees, more students will likely face the decision of forgoing or delaying attending college because of the financial burden that postsecondary education will impose.

Textbook Costs Have Risen at Higher Rates Than Have the Median Household Income and Student Fees

Obtaining a college education for some students may become less affordable because increases in textbook prices have significantly outpaced increases in the median household income. According to the U.S. Census Bureau, median household income³ in the U.S. increased 31 percent in the 40-year period from 1967 to 2006. Although that increase may appear substantial, it is minor compared with the rise in textbook prices over just a four-year period. When we analyzed the prices of the 27 top-selling traditional textbooks we selected from the nine campuses in our review,⁴ we calculated the average increase in retail textbook prices was 10 percent from academic years 2004–05 through 2005–06.

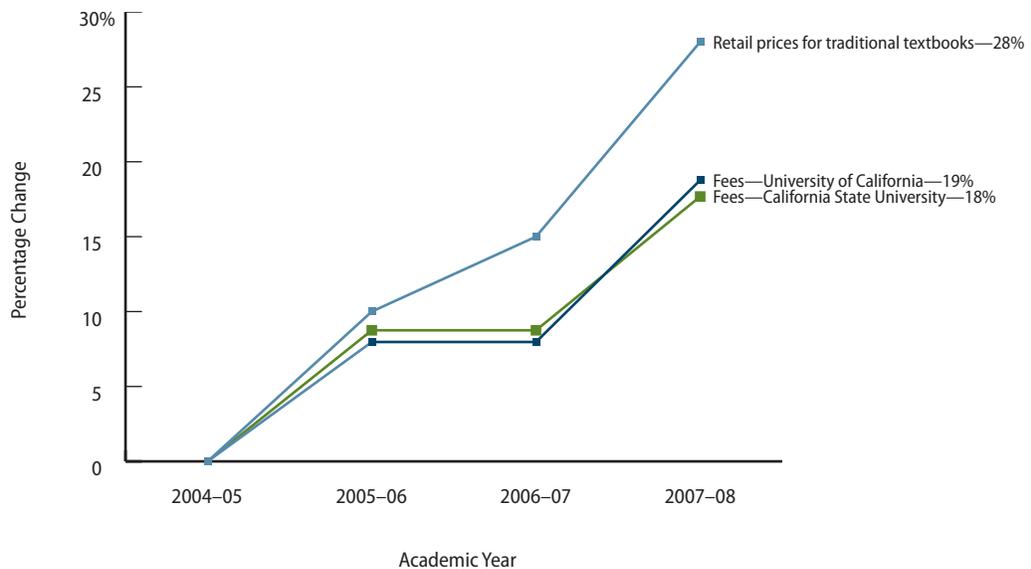
³ Median income reported in 2006 dollars.

⁴ In this report we define *traditional textbook* as a printed instructional text that is not electronic or customized. The percentage increase in the price of traditional textbooks represents the average of the percentage change in the retail price of the 27 textbooks we selected. We excluded pricing information for periods where the textbook was adopted in custom or electronic form.

That was double the rate of increase in the median household income in California, which grew by 5 percent from 2004 through 2006 according to the most recent information made available by the U.S. Census Bureau.

At UC and CSU, student fees also rose at a rate surpassing that of the median household income, a factor that could further affect some students' access to a college education.⁵ Various factors have driven the student fee increases at UC and CSU over the past few years, including budget cuts and inflationary cost increases. However, textbook prices have risen at even higher rates. As Figure 2 shows, student fees charged by UC and CSU rose by about 18 percent from academic years 2004–05 through 2007–08, while the retail price for the textbooks we reviewed increased by 28 percent. Additionally, 42 percent and 55 percent of students enrolled at UC and CSU,

Figure 2
Comparison of Increases in the Retail Prices of Traditional College Textbooks and Increases in Student Fees at the University of California and California State University
Academic Years 2004–05 Through 2007–08



Sources: Retail price data on 27 selected textbooks and student fee data from the system offices for the University of California and California State University.

Notes: In this report, a *traditional textbook* is instructional material that is not electronic or customized; therefore, we excluded pricing information for periods when nontraditional textbooks were adopted. As we describe in the Scope and Methodology, we limited our review to pricing information available for academic years from 2004–05 through 2007–08. The percentage increase in the price of traditional textbooks represents the average of the percentage change in the retail price of 27 textbooks we selected.

Although not shown in this figure, student fees for the California Community Colleges dropped from \$26 per unit in academic year 2004–05 to \$20 per unit in January 2007, and remained unchanged as of spring 2008.

⁵ Fees for each educational system are the minimum amounts charged to full-time students who enroll at one of the system's campuses.

respectively, who responded to our survey about textbook prices stated that they are extremely concerned about covering the cost of attending college. Slightly more than half of the students we surveyed from UC and CSU indicated that they use earnings from part-time jobs to cover some of these costs. Those responses suggest that higher prices for textbooks may cause a financial strain on many students enrolled at CSU—as well as at UC, which reports having the highest proportion of low-income students among comparable universities across the country.

Further, although student fees for students enrolled in community colleges were reduced from \$26 per unit in fiscal year 2004–05 to \$20 per unit in January 2007, this system reports that it enrolls the State’s lowest-income students, or those from households with an annual median income of \$16,223. Given that the community colleges may attract low-income students because these campuses are more affordable than UC or CSU campuses, textbook costs represent a higher portion of the total cost of an education for a student enrolled at a community college than for a student at a UC or CSU campus. Table 1 summarizes some of the responses we received from students we surveyed who were enrolled in the three systems during the fall 2007 academic term. (The Appendix summarizes, by question and by educational system, all the student responses we received.) As the table indicates, textbook costs

Table 1
Annual Student Fees and Textbook Costs for Full-Time Students Enrolled in the State’s Postsecondary Educational Systems
Academic Year 2007–08

	UNIVERSITY OF CALIFORNIA	CALIFORNIA STATE UNIVERSITY	CALIFORNIA COMMUNITY COLLEGES
Annual student fees for full-time enrollment*	\$5,850	\$2,772	\$480
Average annual textbook costs†	905	812	692
Totals	\$6,755	\$3,584	\$1,172
Average textbook costs as a percentage of fees and textbooks	13%	23%	59%

Sources: The Bureau of State Audits’ analysis of student responses to its survey and of student fee data.

* Student fees are the minimum amounts that each system charges full-time students to enroll in 12 units. Annual fees are based on a full-time enrollment of two 12-unit semesters or three 12-unit quarters depending on the academic schedule of the campus. We calculated student fees at the community colleges based on enrollment in two 12-unit semesters at \$20 a unit. We asked students how much they spent to buy textbooks during the fall 2007 academic term and annualized these costs for the academic year.

† Annual textbook costs were calculated by multiplying the amounts reported by students responding to our survey for the fall 2007 academic term by the total number of terms for the 2007–08 school year at each campus.

represented nearly 60 percent of the total cost for a full-time community college education in academic year 2007–08. Such costs could pose a substantial economic burden on students from low-income households and could either prevent or indefinitely delay the completion of their studies.

Table 1 also shows that in academic year 2007–08, students at UC and CSU spent more on textbooks than did students at the community colleges. UC’s fees were \$5,850, and based on students’ responses to our survey, we estimated they spent an average of \$905 on textbooks—the highest estimated annual cost among the three systems. For CSU, our survey-based estimate of a student’s average textbook cost was \$812, or roughly 23 percent of the total cost for fees and textbooks for an academic year. However, because fees for UC were more than double those for CSU and more than 10 times those for the community colleges in academic year 2007–08, the average cost of textbooks was a smaller portion of UC students’ costs (13 percent).

Another finding from our survey was that 43 percent and 39 percent of students enrolled in UC and CSU, respectively, said they use funds from loans to cover the cost of their education. Thus, it is likely that some of these students will be incurring a greater financial burden as they take on the larger loans needed to cover the rising costs of attending college.

Although textbooks can add a substantial amount to the price of a postsecondary education, students can lower textbook costs by selling them back to the bookstores or to other parties outside the bookstores, such as other students, at the end of an academic term. We estimated that UC students who responded to our survey received an average of \$171 by selling textbooks they purchased for the 2007–08 academic year back to their campus bookstores or to other parties, resulting in an average net cost for textbooks of \$734. However, student participation in a campus bookstore’s buyback⁶ program is voluntary, and less than half of the students we surveyed reported participating. In fact, only 28 percent of community college students, 32 percent of UC students, and 49 percent of CSU students, reported selling their textbooks back to their campus bookstores. By choosing not to participate in buyback programs, students could be forgoing the opportunity to reduce their education expenses. We describe the reasons for students’ low participation rates in Chapter 3.

Although textbook costs can be substantial, students can lower these costs by selling their textbooks back to the bookstore, or to other parties, at the end of an academic term.

⁶ The term *buyback* refers to a bookstore’s practice of buying back, at the end of an academic term, textbooks that students purchased from the bookstore at the beginning of that term.

As mentioned previously, the prices of the textbooks we reviewed increased an average of 28 percent from academic years 2004–05 through 2007–08. This average includes increases in individual textbook prices as high as 74 percent. For example, the bookstore's retail price for the third edition of *Communication in Our Lives*—a speech and communication textbook used at DeAnza College during the fall 2004 academic term—was about \$53. In 2006 the publisher released the fourth edition of that textbook and bundled it with a workbook containing exercises to guide students in applying the skills outlined in the textbook; the bundled edition sold for \$76 at the DeAnza College bookstore. Just two years later, the publisher released the fifth edition of the textbook; that version, which did not come bundled with the student workbook, sold in the campus bookstore at a retail price of roughly \$92. This example demonstrates the extent to which individual textbook prices have increased.

However, the price of certain textbooks we selected for review decreased from fall 2004 through spring 2008. For example, one faculty member in UC Davis's nutrition department developed a textbook, *Nutrition Basics for Better Health and Performance*, for her course in which she included content and organized material in a way that was relevant to her course objectives. In 2004 the retail price of the first edition of the text was about \$90. However, according to the faculty member, she negotiated with the publisher to lower the price for the second edition because of its low development costs. As a result, the retail price of the second edition was reduced to \$77.

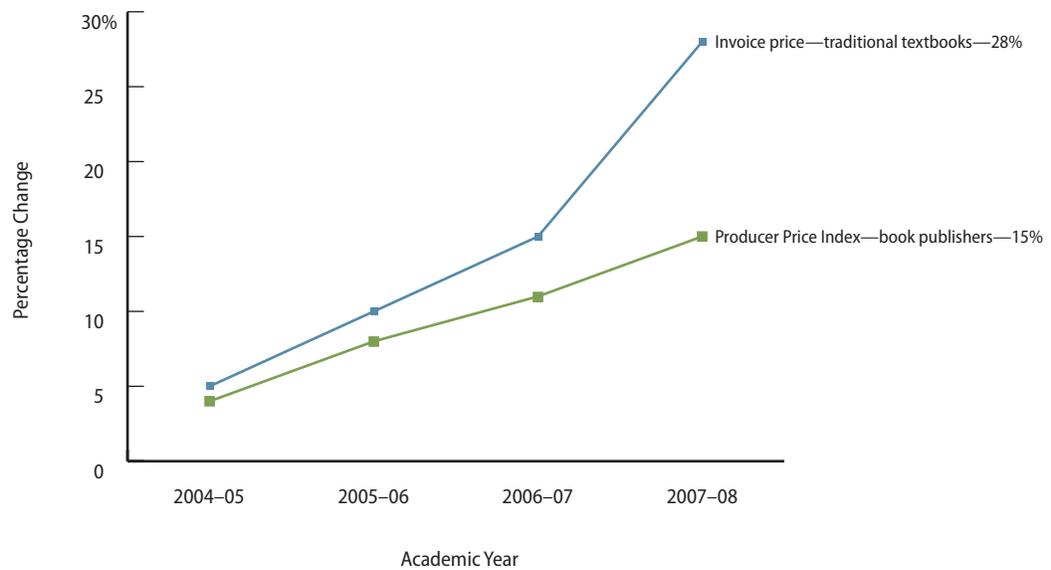
Publishers Have Increased the Prices They Charge Retailers, and Bookstores Add Their Markups to Those Prices

As described earlier, a publisher sells a textbook to a campus bookstore at an invoice price, and then the bookstore adds a markup to that invoice price, arriving at a retail price that will enable the bookstore to at least cover its operating costs. To identify which participant in this process—the publisher or the campus bookstore—is contributing more to the overall increase in the textbook prices students have to pay, we reviewed historical invoice prices and retail prices for a sample of three textbooks adopted by faculty at each of the nine campuses for use during academic years from 2004–05 through 2007–08. We found that the nine campus bookstores we reviewed generally apply a consistent percentage markup to the invoice price for each textbook they sell. Therefore, bookstores' retail prices are increasing proportionately to the increases in the publishers' invoice prices. Ultimately, then, the increase in the publishers' invoice prices is driving the rise in the bookstores' retail prices, which leads to increasing textbook costs for students.

The increase in the publishers' invoice prices is driving the rise in the bookstores' retail prices, which leads to increasing textbook costs for students.

Looking at the publisher’s role in textbook price increases, we found that from academic years 2004–05 through 2007–08, textbook publishers charged retailers significantly more than did publishers of all types of books. As shown in Figure 3, textbook prices surpassed those of the Producer Price Index for book publishers by 13 percent. The Producer Price Index measures the average change over time in prices that publishers charge retailers for all books, including fiction, encyclopedias, nonfiction, and textbooks. Thus, the cost of college textbooks appears to be increasing at a greater rate than the costs for all books within the publishing industry.

Figure 3
Comparison of the Change in Publishers’ Invoice Prices for College Textbooks and the Producer Price Index for All Books
Academic Years 2004–05 Through 2007–08



Sources: Invoice price data on 27 selected textbooks; Producer Price Index for book publishers from the Bureau of Labor Statistics.

Note: In this report, a *traditional textbook* is instructional material that is not electronic or customized; therefore, we excluded pricing information for periods when nontraditional textbooks were adopted. The percentage increase in the price of traditional textbooks represents the average of the percentage change in the invoice price of 27 textbooks we selected. As we describe in the Scope and Methodology, we limited our review to pricing information available from August 2004 to February 2008. As a result, academic years 2004–05 and 2007–08 each represent a partial year.

The markups campus bookstores apply to publishers’ invoice prices for textbooks range from a low of 25 percent at UC Davis to a high of 43 percent at UC Berkeley, CSU Long Beach, and Grossmont College, as shown in Table 2 on page 27. Campus bookstores generally use the proceeds resulting from these markups to cover their operating costs and, in some cases as we describe later, to support campus activities and organizations. Moreover, the markups that campus bookstores add to the publishers’ invoice prices do not only apply to new books; they also apply to used textbooks the campus bookstores purchase

Student Responses About Their Perceptions of Their Campus Bookstores

"I don't like that the bookstore purchases used books for just \$10 or less, even when I purchased them new. Further, they sell the books I sold back for much higher prices the next semester."

"I would love to purchase my books at the school bookstore and not have to wait weeks for delivery; however, it is much too expensive on my current budget to do so. Therefore, I purchase all, if not a majority, of my books from an on-line retailer."

"I think textbooks are way too expensive. I think bookstores charge as much as they do because they can, and I do not think it is right. Although I have not let it affect my ability to go to school, I think if textbooks were cheaper, more people may go to school."

Source: Excerpts from responses received from students.

from wholesalers or buy back from students at the end of an academic term. Generally, campus bookstores sell a used textbook at 75 percent of the new version's retail price, even though the price students receive at buyback is below that. Given the markups bookstores pass on to students, whether they are buying new or used textbooks, it is not surprising that some students across all three systems stated in their survey responses that the campus bookstore would be the last retailer from which they would purchase their textbooks. As shown in the text box, some students voiced anger toward and frustration with their campus bookstores' pricing practices.

Moreover, some faculty members we interviewed at two CSU campuses expressed concerns with some of the bookstores' practices. For example, one faculty member said that the bookstore's practice of buying back a textbook from one student at a low price and selling the same book to another student at a higher price allows the

bookstore to profit twice from copyrighted material—first from the sale of the new book and second from the buyback and resale of used books at a much wider profit margin. Another faculty member noted that the bookstore pays students only a fraction of the cost of a textbook at buyback and then sells the same textbook for a significant markup. One faculty member went so far as to indicate that the campus bookstore may be used as a "cash cow" to fund many other activities on campus unrelated to classroom education.

After the bookstores cover the operating costs with the proceeds resulting from their markups, they may contribute a portion of their revenues to campus functions, such as the operations of the associated students organization. For example, in the 2006–07 academic year, the auxiliary that manages the bookstore and food services operation at CSU Long Beach made a contribution of \$100,000 to the university to support various student activities. However, according to the auxiliary's chief financial officer, the monetary contributions made by the auxiliary are voluntary and contingent on its ability to sustain its operations from the revenues it receives. In fact, in fiscal year 2006–07, the auxiliary's food services operation reported a \$600,000 loss, which the auxiliary covered using the \$1.6 million profit the campus bookstore earned over the same period. According to the auxiliary's chief financial officer, although it must achieve and maintain self-sufficiency, the auxiliary designs its shops for the convenience of students. For

Table 2
Campus Bookstores' Markups on Publishers' Invoice Prices for Textbooks

CAMPUS	BOOKSTORE'S MARKUP AS A PERCENTAGE OF THE INVOICE PRICE
University of California	
Berkeley	33-43%
Davis	25-28
Los Angeles	33
California State University	
Chico	37
Long Beach	37-43
Sacramento	*
California Community Colleges	
DeAnza	30
Grossmont	33-43
San Francisco	33-35

Sources: Pricing policies of the nine campus bookstores reviewed, and interviews with each bookstore manager.

* The campus bookstores at California State University (CSU), Sacramento, and the University of California (UC), Berkeley, are each operated under a contract with the Follett Higher Education Group (Follett). The CSU Sacramento bookstore contract, however, was signed by an auxiliary organization of the university, and a court has decided that auxiliary organizations are not subject to the California Public Records Act (CPRA). The auxiliary organization referred to Follett our request to report information based on the contract. Follett denied our request. In contrast, the Regents of UC signed the contract with Follett for the UC Berkeley bookstore. Because public universities are subject to the CPRA, we were able to report information based on that contract.

example, the auxiliary runs coffee counters in the dorms and, in response to student requests, keeps the counters open in the late evening, despite low monetary returns.

In another example, Barnes & Noble College Booksellers, Inc. (Barnes & Noble), which contracts with the Grossmont-Cuyamaca Community College District to operate the bookstores at the two community colleges within the district, is required under its contract to annually pay the district \$275,000 or a percentage of gross sales, whichever is greater. In fiscal year 2006–07, Barnes & Noble paid the district approximately \$430,000. Additionally, Barnes & Noble pointed out in its proposal to continue its contract with the Grossmont-Cuyamaca Community College District that it performed other services for the district, including awarding textbook scholarships and employing more than 50 students each semester. Other bookstores also indicated they contributed some of their revenues to campus functions and covered the losses of other business operations, such as dining services, if necessary.

Although we recognize that these monetary contributions are important to some campus functions, such as student activities and dining services, it is difficult to assess whether students value these services enough to warrant the markup on textbooks. Given that some students may not want to fund these types of activities by paying higher textbook costs, it seems reasonable for campuses to solicit student feedback on whether they support using the revenues from bookstores to fund various student activities.

UC Davis is an example of a campus at which students and faculty have had some input on the bookstore's profits. According to the bookstore manager, UC Davis students voted for a referendum in the late 1980s authorizing an increase in student fees to fund the expansion of two university buildings. He also indicated that included in this referendum was a stipulation that the bookstore's budget be tied to the bond fund financing the expansion of these buildings. As a result, the bookstore's markup on textbooks was determined, in part, by the student referendum. The specific markup also must meet the approval of the university's bookstore committee, which is chaired by a student and consists of faculty, staff, and students. Further, the bookstore manager noted that the bookstore's current 22 percent margin (28 percent markup) has been in place for well over a decade and is reviewed each year by the bookstore committee. Having key stakeholders annually review markups that were originally approved by students appears to be an appropriate practice that other campus bookstores should consider implementing.

Students Can Reduce the Adverse Effects of Rising Textbook Costs by Purchasing Used Textbooks

Based on our review of textbook costs associated with six majors during a two-year academic period, students could save as much as \$426 by purchasing used textbooks or receive as much as \$734 by selling their textbooks back to their campus bookstore.

Our review of nine campuses and the cost of textbooks associated with six majors revealed that during a two-year academic period, students could save as much as \$426 by purchasing used textbooks and receive as much as \$734 by selling their textbooks back to their campus bookstores. To understand the potential impact that rising textbook prices have on students, we analyzed the textbook prices that campus bookstores charged students enrolled in certain majors for the 2005–06 and 2006–07 academic years. We focused our analysis on six majors with high enrollments—biology, business, psychology, liberal studies, English, and political science—and compiled the prices of textbooks for the courses that students are required to take during the first two academic years of those majors, using data from the bookstores located on each campus. Table 3 presents the results of our analysis.

Table 3
Potential Costs of Textbooks Required During a Student’s First Two Years Pursuing a High-Enrollment Major
Academic Years 2005–06 and 2006–07

MAJOR AND CAMPUS	MAXIMUM TEXTBOOK COST*	MINIMUM TEXTBOOK COST†	STUDENTS’ POTENTIAL SAVINGS FROM PURCHASING USED BOOKS	MAXIMUM BUYBACK AMOUNT‡	MINIMUM BUYBACK AMOUNT§
Biology					
UC Davis	\$1,209	\$1,097	\$112	\$467	\$205
City College of San Francisco (UC Transfer)	1,954	1,583	371	611	281
City College of San Francisco (CSU Transfer)	2,074	1,718	356	726	330
CSU Sacramento [#]	1,533	1,276	257	304	211
Average for Biology Major	\$1,693	\$1,419	\$274	\$527	\$257
Business					
UC Berkeley	\$1,617	\$1,389	\$228	**	**
CSU Chico	2,307	1,939	368	\$666	\$438
DeAnza Community College	1,987	1,638	349	505	177
Grossmont Community College (UC Transfer)	1,960	1,681	279	660	352
Grossmont Community College (CSU Transfer)	1,671	1,475	196	508	185
CSU Long Beach [#]	2,113	1,866	247	319	273
CSU Sacramento [#]	2,012	1,664	348	601	342
City College of San Francisco (UC Transfer)	1,767	1,342	425	734	340
City College of San Francisco (CSU Transfer)	1,948	1,522	426	682	325
Average for Business Major	\$1,931	\$1,613	\$318	\$584	\$304
Psychology					
UC Berkeley	\$1,617	\$1,280	\$337	**	**
UC Davis	1,715	1,330	385	\$633	\$260
DeAnza Community College	1,923	1,633	290	321	108
CSU Long Beach [#]	2,169	1,857	312	291	244
UC Los Angeles	1,947	1,562	385	520	179
Average for Psychology Major	\$1,874	\$1,532	\$342	\$448	\$198
Other					
Liberal Studies—CSU Chico	\$2,026	\$1,624	\$402	\$701	\$491
English-Grossmont Community College (UC Transfer)	1,013	911	102	283	129
English-Grossmont Community College (CSU Transfer)	1,578	1,305	273	560	305
Political Science—UC Los Angeles	1,795	1,470	325	376	122
Average for Other Majors	\$1,603	\$1,328	\$275	\$480	\$262
Average for All Majors	\$1,815	\$1,507	\$308	\$523	\$265

Sources: Campus bookstores’ respective textbook tracking systems, pricing policies, and buyback policies.

Note These amounts represent a student’s activities at the campus bookstore and do not incorporate purchasing or selling books at an alternate location.

* This amount represents what a student might have paid if he or she purchased all new books when they were available.

† This amount represents what a student might have paid if he or she purchased all used books when they were available.

‡ Buyback refers to the practice of students selling their used textbooks to the campus bookstore. This figure represents the maximum amount a student could receive if the bookstore bought his/her textbooks back for the maximum price offered.

§ Although we present a minimum buyback amount, in many cases students are unable to resell their books to the bookstore because the bookstore will not buy them back. This figure represents the minimum amount a student could receive if the bookstore bought his/her textbooks back for the minimum price offered.

|| The bookstore at this campus did not keep records of the actual amounts that it paid students when buying back textbooks. Therefore, we approximated the maximum and minimum buyback amounts, taking into account the bookstore’s pricing policy and whether instructors adopted the books for the subsequent term.

This amount is likely understated because the bookstore did not provide us with all the necessary information.

** The UC Berkeley bookstore was not able to provide us with sufficient documentation showing the number of books bought back or the amount paid to students.

As the table shows, we found that if students enrolled in the reviewed majors purchased only new textbooks, incurring what we term the maximum textbook cost, they would have paid between roughly \$1,000 and \$2,300 for all textbooks required in the first two years of study. Specifically, we estimated that a student enrolled as a business major at CSU Chico might have paid as much as \$2,307 from academic years 2005–06 through 2006–07. Further, a Grossmont College student enrolled as an English major and intending to transfer to a UC campus at the end of two years might have paid \$1,013 for textbooks. The average maximum textbook cost for the six majors was just over \$1,800.

Using information compiled by three campus bookstores, we also computed the average retail prices of new textbooks required in nine subject areas for the spring 2008 term. Table 4 shows that the chemistry and business subject areas had the highest average textbook prices at \$121 and \$108, respectively, for each textbook. These findings reinforce those shown in Table 3, that a student majoring in business could pay among the highest textbook costs of the six majors we reviewed, averaging \$1,931 for the first two academic years of study. In contrast, the textbook costs for the English and history subject areas were the lowest, averaging \$27 and \$34, respectively, as shown in Table 4. Although the cost of an individual textbook may be lower for a student majoring in English than for a student majoring in another subject area—a conclusion somewhat corroborated by the lower costs shown in Table 3 for the English major—our analysis revealed that faculty teaching courses in English occasionally require more than one textbook. Thus, the number of textbooks assigned could impact the total cost of textbooks for this subject area.

Although retail prices for new textbooks can be high, students may be able to reduce their textbook costs by purchasing used books. Based on responses to our survey, students' most common cost-saving strategy is to buy used versions of as many of their required textbooks as they can from the campus bookstore. As we mentioned previously, the standard retail price of a used textbook is 75 percent of the new version's retail price. Thus, a student who is able to purchase all used textbooks for their courses can save as much as 25 percent of their total textbook costs. For example, Table 3 shows that a business student purchasing textbooks used rather than new could have paid an average of \$1,613 over the two-year period, which represents a savings of \$318. In fact, the cost savings that students might have achieved if they were able to purchase all their required textbooks used ranged from \$102 to \$426.

However, a student's ability to take advantage of this cost-saving strategy is somewhat dependent on the availability of used books. The campus bookstore can noticeably affect the overall cost of

Table 4
Average Cost of a Textbook by Selected Subject Area
Spring 2008 Academic Term

SUBJECT AREA	AVERAGE TEXTBOOK COST
Chemistry	\$121
Business	108
Economics	95
Biology	94
Math	93
Psychology	81
Political Science	47
History	34
English	27

Sources: Lists of retail prices of textbooks sold, compiled by campus bookstores at CSU Long Beach, CSU Chico, and City College of San Francisco.

Note: The average textbook cost by subject area represents the average cost of an individual textbook. For instance, courses in English often require students to purchase several books; thus, the total costs for English courses could be much higher than \$27 if a student were to purchase all required books.

textbooks by actively seeking and purchasing used books to sell to students. Our calculation of the number of used books available to students for each of the six majors we reviewed as a percentage of the total number of textbooks sold—both new and used—ranged from a low of 10 percent for a business major at CSU Long Beach to a high of 81 percent for an English major at Grossmont College. Many students stated in their responses to our survey that they purchase new versions of some of their required textbooks because used versions are not available from the campus bookstore. Specifically, the availability of used books is dependent on a combination of factors, including whether faculty submit textbook adoptions to the bookstore in a timely manner and whether faculty elect to adopt the same textbooks they used the previous term, all of which we discuss in more detail in Chapter 3. Thus, to the extent that these factors prevent campus bookstores from making used books available, students may not be able to purchase used versions of the textbooks they require.

Another strategy students can employ to reduce their net textbook costs is to take advantage of the campus bookstore’s buyback program by selling their textbooks back to the bookstore after completing their courses. Generally, students may receive up to 50 percent of the retail price of a textbook purchased new, if they choose to sell the textbook and the bookstore is able to purchase it at the end of the term. This could represent a significant benefit to students participating in a successful buyback program. As Table 3

on page 29 shows, if a student was able to take full advantage of the bookstore's buyback program for the two academic years listed, the student might have received an average of \$523. However, students may not always be able to participate in a buyback program because the campus bookstore may not be able to purchase a textbook in certain situations, such as when a faculty member chooses not to adopt the textbook for the next term or the publisher releases a new edition. Our survey revealed that 38 percent to 49 percent of respondents had to keep their textbooks because they were unable to sell them back to the bookstore.

Students Use Several Additional Methods to Control Their Textbook Costs

Although textbook costs can vary by academic major, nearly all students enrolled in each of the State's three postsecondary educational systems during the fall 2007 academic term who responded to our survey stated that the differences in textbook costs did not influence their choice of an academic major to pursue. Specifically, about 94 percent of UC and CSU students and 89 percent of community college students stated that textbook costs did not affect their choice of major. Despite this, the majority of students we surveyed indicated that they were very concerned about the cost of textbooks. In fact, 75 percent of CSU students stated that the price of textbooks was a big concern to them, as did 73 percent of community college students and 58 percent of UC students. Further, only 2 percent to 6 percent of students across the three systems said textbooks costs were not a concern.

One Student's Explanation of Why the High Cost of Textbooks Caused Him to Take Fewer Units

"For me, as a middle class student whose parents can supposedly (and are expected to) contribute around \$5,000 a school year when they cannot, the high price of textbooks, low book buyback prices, and the often lack of used textbooks to buy is a hindrance in my college education. During winter quarter, for example, I would not have been able to take all of my planned courses because with registration and textbook costs combined, I simply could not have afforded it had not a friend given me her old book for a particularly costly textbook (Chemistry). This forthcoming spring quarter, I am having to take fewer units than I would like because I simply cannot afford to do otherwise."

Source: Excerpt from responses received from students.

One tactic some students said they use to reduce textbook costs was to enroll in fewer courses than they otherwise would have during an academic term to alleviate the cost of textbooks. Our survey revealed that 16 percent, 24 percent, and 34 percent of students enrolled in UC, CSU, and the community colleges, respectively, have taken fewer units because of the cost of textbooks. The quotation in the text box, extracted from the survey response of one UC student, exemplifies the feelings expressed by some of the other respondents regarding the burden that textbooks costs pose. Although the decision to take fewer units because of the price of textbooks is not unique to one particular system, it is most common among students at the community college campuses, where student fees are based on the number of units in which the student is

enrolled. Moreover, some students stated their textbook costs exceeded their tuition costs, a situation described earlier in the chapter.

Students also use various strategies when purchasing textbooks to offset the rising cost of textbooks. As described earlier in this chapter, the most popular strategy used by students enrolled in the three systems in the fall 2007 academic term was to purchase used versions of some of their required textbooks from the campus bookstore. However, students have taken advantage of alternative strategies as well. As shown in Table 5, in the fall 2007 academic term, the most common alternative students used was to purchase them from an online retailer. Forty percent of UC and CSU students and 30 percent of community college students responding to our survey stated they have used online retailers to purchase textbooks.

Table 5
Cost-Saving Strategies Students Used to Purchase Textbooks
Fall 2007 Academic Term

STRATEGY	PERCENTAGE OF STUDENTS USING STRATEGY		
	UNIVERSITY OF CALIFORNIA	CALIFORNIA STATE UNIVERSITY	CALIFORNIA COMMUNITY COLLEGES
Buying books online (from sources other than the campus bookstore's Web site)	40%	40%	30%
Buying books to share with a friend or classmate	12	9	7
Buying electronic versions of books	3	2	5
Buying books directly from other students	12	8	4

Source: The Bureau of State Audits' analysis of a survey of students enrolled in California's three public postsecondary educational systems. As we describe in the Appendix, any amounts or percentages specified in this table are our estimates based on responses we received from students enrolled in the University of California, California State University, and California Community Colleges in the fall 2007 academic term.

Note: Percentages do not equal 100 percent because the survey allowed students to select more than one strategy and the table does not include students who purchased textbooks new or used, which is a strategy we describe in the beginning of Chapter 2. Additionally, the table does not include responses of students who listed "other strategies" in their response, as response rates for participation in these strategies were minimal. Nevertheless, we discuss textbook rental programs and other strategies for purchasing textbooks in Chapter 3.

Table 5 also shows that few students employed another possible cost-saving strategy—purchasing textbooks in digital format (e-books)—primarily because they indicated that they prefer to read printed material. Additionally, students were dissatisfied with e-books because they could not sell them back at the end of the term, and access to some e-books expired after the term was over. For example, one CSU student commented that he would prefer that e-books did not expire and did not require special software to read them. We compared the prices of five e-books to campus

Of the students we surveyed who indicated they have purchased e-books, 52 percent, 42 percent, and 35 percent at UC, CSU, and community colleges, respectively, would not do so again.

bookstores' retail prices for new printed textbooks and noted that e-books could save students 10 percent to 75 percent. However, in some situations, the savings offered by e-books would be minimal because students could not sell them back to the bookstore. Of the students we surveyed who indicated they have purchased e-books, 52 percent, 42 percent, and 35 percent at UC, CSU, and the community colleges, respectively, would not do so again.

Given the popularity among students of purchasing textbooks online, we reviewed the cost savings students could realize from using that strategy to purchase textbooks. We compared some of the nine campus bookstores' retail prices for new and used versions of selected textbooks to the new and used book prices on Amazon. Our review revealed that textbooks sold directly through Amazon generally did not provide as much savings as those available through its third-party service.

Amazon offers a service that allows third parties to sell their new and used versions of books through the Amazon Web site. Those selling textbooks through Amazon can set their own prices, and the buyers who purchase them usually have to pay the seller's price plus the standard shipping cost of \$3.99. By utilizing this service on Amazon, students can compare prices of the textbooks sold by third parties from the lowest to the highest price offered. However, the prices set by third parties can vary greatly, and the number of textbooks available online may not fulfill the needs of all students.

As shown in Table 6, a student could realize up to 93 percent in cost savings by purchasing a textbook new through a third party on Amazon compared with the bookstore's price for a new book. Students can save a similar amount if they purchase a used textbook from Amazon rather than from the bookstore. Further, more than half of the textbooks available through online sources offered potential price savings of more than 20 percent compared to campus bookstore prices. Thus, although the used textbooks offered by campus bookstores may provide cost savings compared with their new book prices, students might achieve even greater cost savings by purchasing textbooks from third parties online.

Some deans, department chairs, and faculty we interviewed explained that they often instruct their students to avoid purchasing their books from the campus bookstore because of the markup. Moreover, some faculty members said they encourage their students to purchase from online retailers like Amazon. For example, one faculty member at City College of San Francisco stated he encourages students to look for the less expensive textbooks online, and a faculty member at UC Los Angeles indicated he searches for textbooks online to find lower-cost textbooks for students.

Table 6
Comparison of Prices for Selected New and Used Textbooks in Campus Bookstores, and Through a Third Party on Amazon.com

SELECTED TEXTBOOKS AT NINE CAMPUSES	TEXTBOOK AUTHOR	NEW TEXTBOOKS			USED TEXTBOOKS				
		CAMPUS BOOKSTORE'S PRICE	LOWEST PRICE THROUGH AMAZON.COM	POTENTIAL SAVINGS IN DOLLARS COMPARED TO BOOKSTORE'S PRICE	POTENTIAL SAVINGS AS A PERCENTAGE OF THE BOOKSTORE'S PRICE	CAMPUS BOOKSTORE'S PRICE	LOWEST PRICE THROUGH AMAZON.COM	POTENTIAL SAVINGS IN DOLLARS COMPARED TO BOOKSTORE'S PRICE	POTENTIAL SAVINGS AS A PERCENTAGE OF THE BOOKSTORE'S PRICE
University of California									
Berkeley									
Statistics	Freedman/Pisani/Purves	\$114	\$88	\$26	23%	\$86	\$74	\$12	14%
Cosmos: Astronomy in a New Millennium	Pasachoff/Filippenko	126	63	63	50	95	65	30	32
Calculus	Stewart	60	*	-	-	45	*	-	-
Davis									
Nutrition Basics for Better Health and Performance	Applegate	77	*	-	-	†	*	-	-
General Chemistry: Principles and Modern Applications	Petrucchi/Hanwood/Herring/Madura	152	109	43	28	114	74	40	35
Human Physiology: From Cells to Systems	Sherwood	167	120	47	28	125	96	29	23
Los Angeles									
Chemical Principles: The Quest for Insight	Atkins/Jones	98	36	62	63	73	49	24	33
Introduction to Language	Fromkin/Rodman/Hyams	97	69	28	29	73	59	14	19
Principles of Physics: A Calculus-Based Text	Serway/Jewett	172	84	88	51	136	79	57	42
California State University									
Chico									
In Mixed Company: Communicating in Small Groups and Teams	Rothwell	93	63	30	32	70	49	21	30
Finite Mathematics	Rolf	140	10	130	93	115	9	106	92
Critical Thinking	Moore/Parker	91	70	21	23	68	49	19	28
Long Beach									
Struggle for Democracy	Greenberg/Page	92	54	38	41	66	49	17	26
Beginning Algebra With Applications	Aufmann/Barker/Lockwood	140	54	86	61	105	54	51	49
Public Speaking in a Diverse Society	Kearney/Plax	71	34	37	52	51	16	35	69
Sacramento									
Mathematical Ideas	Miller/Heeren	127	82	45	35	95	65	30	32
Managerial Accounting	Garrison/Noreen/Brewer	172	94	78	45	129	88	41	32
Perspectives on Leisure: Toward a Quality Lifestyle	Olson	62	*	-	-	47	*	-	-
California Community Colleges									
DeAnza									
Communication in Our Lives	Wood	92	76	16	17	69	56	13	19
Pre-Calculus with Limits	Larson/Hostetler	134	92	42	31	106	79	27	25
Guide to Study Intro Bio Package	Van Fossen/Krogh	172	*	-	-	†	*	-	-
Grossmont									
Looking Out/Looking In	Adler/Proctor	98	59	39	40	74	56	18	24
Finite Mathematics and Applied Calculus	Berresford/Rockett	107	*	-	-	80	103	(23)	(28)
Open to Debate: An Introduction to United States Government and Politics (CD-ROM)	Braunwarth/Dewhurst/Candeo/Stadelmann	53	64	(11)	(20)	40	34	6	15
San Francisco									
Macroeconomics: Principles, Problems, and Policies	McConnell/Brue	63	*	-	-	49	*	-	-
African Americans in the U.S. Economy	Conrad/Whitehead/Mason/Stewart	44	36	8	18	38	40	(2)	(5)
Integrations: Reading, Thinking, and Writing for College Success	Robinson/Altman	72	52	20	27	55	15	40	73
Total Savings		\$2,886	\$1,409	\$936	32%	\$2,004	\$1,258	\$605	30%

Source: Data on prices for textbooks obtained from the bookstores at the nine campuses we reviewed and through a third party on Amazon.com.

* Version not found online.

† Used book version not sold by the bookstore.

Although the prices of used textbooks on Amazon tend to be less than the prices of used books at campus bookstores, some students responding to our survey said purchasing books from the campus bookstore is more convenient, especially when they need their books quickly. One UC student who responded to our survey described purchasing textbooks online that did not arrive until a week or two after the academic term had begun, causing the student to fall behind in the course. However, because more than half of the textbooks available through online sources offer potential price savings of more than 20 percent compared with textbooks purchased at campus bookstores, students able to purchase their books online could see significant cost savings.

Recommendations

To increase awareness and transparency about the reasons campus bookstores add markups to publishers' invoice prices for textbooks, UC, CSU, and the community colleges should consider requiring campuses to do the following:

- Reevaluate bookstores' pricing policies to ensure that markups are not higher than necessary to support bookstore operations. If the campuses determine that bookstore profits are needed to fund other campus activities, the campuses should seek input from students as necessary to determine whether such purposes are warranted and supported by the student body, particularly when higher textbook prices result.
- Direct bookstores to publicly disclose on an annual basis any amounts they use for purposes that do not relate to bookstore operations, such as contributions they make to campus organizations and activities.

Chapter 2

VARIOUS TACTICS PUBLISHERS USE APPEAR TO LESSEN THE EFFECTIVENESS OF THE USED-TEXTBOOK MARKET

Chapter Summary

Several key players in the textbook industry believe that the used-textbook market drives up the costs for new textbooks and may influence publishers to issue new editions more frequently. According to the Association of American Publishers (association), a key factor in the price of textbooks is the impact of the used-textbook market on new book prices. Additionally, an executive at one of the largest college textbook publishing companies stated that its management is aware that if the company does not revise a book, demand will diminish and eventually disappear. Although other publishers noted that the availability of new content and faculty demand also influence the decision to issue a new edition, entities that sell used books—some campus bookstore managers and one of the major wholesalers—and some faculty at the University of California (UC), California State University (CSU), and the California Community Colleges (community colleges) believe that the used-textbook market plays a role in the textbook revision cycle. Many deans, department chairs, and faculty we interviewed said revisions to textbooks were not always warranted and were minimal. Further, publishers' development of supplementary products may contribute to the increase in textbook prices and inhibit their resale. Publishers are also offering custom-edition and digital textbooks that reduce the role of the used-textbook market.

The Used-Textbook Market May Increase New Textbook Prices and the Frequency of New Editions

According to the association, a key factor in the pricing of new textbooks is the impact that the used-textbook market has on new book prices. Although it recognizes that used books are popular with students and booksellers, the association believes that the broad availability of used books effectively increases the prices for new textbooks. The association further stated that if no used books were in the textbook market but book development costs remained the same, in certain markets, publishers would spread those costs over twice as many sales and would probably yield a lower new-book price (as much as 40 percent lower, according to some estimates). However, when students purchase used books, the

association stated that a significant amount of revenue goes to the bookstores and wholesalers, not to the publishers to cover the development process.

Some entities in the bookstore industry believe that the used-textbook market plays a role in how frequently publishers issue new editions. For example, the senior vice president of the wholesaler Nebraska Book Company stated that a publisher generally makes profits in the first year after releasing a new edition but realize less profits in the second and third years after release because more used versions of the book are available for sale in the market. Consequently he said the publisher typically begins working with the author on a subsequent edition during the second year of print. As further evidence of this practice, the manager of CSU Chico bookstore also noted that a publisher releases a new edition once every three to four years. He also stated that new editions are sometimes justified by content changes but often are simply a tactic to make the used-textbook market obsolete. Some faculty members we spoke to share the perspective of the bookstore managers. For example, a professor at UC Davis indicated that the used-textbook market drives up prices of new textbooks to cover publishers' costs.

Although publishers state that they revise textbooks to meet faculty demands for books to contain current content, many of the deans, department chairs, and faculty members that we interviewed stated that revisions to textbooks were not always warranted.

Although publishers state that they revise textbooks to meet faculty demands for current content, many of the deans, department chairs, and faculty we interviewed stated that revisions to textbooks were not always warranted. For instance, according to the chair of the psychology department at UC Davis, a 10-to-12-year revision cycle is generally adequate for textbooks in fields like quantitative psychology, whereas books covering fields like developmental psychology may require revisions every five to six years. The dean of biological sciences at UC Davis explained that frequent revisions are not warranted for fields like basic biochemistry because the fundamental concepts do not change. However, he added that textbooks in some subjects do require frequent revisions because of advances in technology, like stem cell research. Similarly, a professor of communication studies from CSU Long Beach stated that textbook revisions often involve updating the material with contemporary examples to keep the course material relevant to students. This professor further explained that new and relevant research could change the focus or scope of a textbook. The chair of the political science department at UC Davis echoed these sentiments, adding that frequent textbook revisions are warranted for courses requiring students to study current events.

Beyond the frequency of the revisions, many faculty members expressed their view that publishers' revisions often involve little or no substantive content changes, and some faculty members said the only changes they found in some new editions were

revised problem sets or rearranged content. For instance, one instructor in the speech department at DeAnza College indicated the sixth edition of a textbook used by the department contained changes to the chapter order but no discernible changes to the content. In contrast, the chair of the history department at UC Los Angeles and the chair of the English department at UC Berkeley suggested that new editions are scholarly endeavors intended to ensure that textbooks keep up with changes in interpretation. Additionally, the English department chair stated that multiple editions from different publishers create competition, and actually keep textbook prices reasonable.

After surveying faculty regarding textbooks, the Used Textbook Association issued a report in August 2006 titled *Textbook Affordability: Used Textbooks Provide a Solution to the Issue of Textbook Affordability*. This report claims that the majority of college professors surveyed share the opinion of the speech instructor at DeAnza College—that students pay high prices for new editions, which in most cases contain only slight changes.

Expressing the publishers' perspective on the need to issue new editions frequently, Pearson Education—one of the major publishers of college textbooks—stated that if it does not revise a book, demand will diminish and will disappear over time. Further, according to another college textbook publisher, Waveland Press, Inc. (Waveland), many publishing companies have shortened the number of years between revisions to offset the impact of used textbooks. Waveland explained that used textbooks seem to have contributed to the price increases imposed by many other publishing companies, especially those selling textbooks for large introductory courses. Additionally, according to Pearson Education, the competitive nature of the textbook marketplace drives the demand for more frequent revisions for books used in courses with large enrollments. In fact, Pearson Education explained that revisions to textbooks typically occur in cycles. Textbooks used in introductory courses are generally revised on a two- or three-year cycle, reflecting the greater market demand for up-to-date applications, greater demand for refreshed teaching support materials, the more widespread use of technology, and the market competition to keep technology components state of the art. Textbooks for upper-level and graduate courses are generally revised on a three- or four-year cycle.

Whether driven by the used-textbook market, the demand for new material, or a combination of both, the typical revision cycle we observed was about every four years. As shown in Table 7 on the following page, the average edition change was once every 3.9 years among the textbooks with two or more editions that we reviewed at the nine campuses. Of the 23 textbooks we reviewed that met

One publisher stated that many publishing companies have shortened the number of years between revisions to offset the impact of used books.

this criterion, 16 were revised every four years or less. For example, the political science text *Struggle for Democracy* has been revised eight times, with a new edition published on average every two years; the economics text *Macroeconomics: Principles, Problems, and Policies* has been revised 17 times since 1960, with a new edition published on average every 2.8 years; and *General Chemistry: Principles and Modern Applications*, an introductory textbook, is in its ninth edition and has been revised on average every 4.4 years since it was first published in 1972.

Table 7
Frequency of Textbook Edition Updates

TITLE*	AUTHOR*	INITIAL PUBLICATION	SUBJECT AREA	NUMBER OF EDITIONS	AVERAGE NUMBER OF YEARS BETWEEN EDITIONS
<i>Beginning Algebra with Applications</i>	Aufmann/Barker/ Lockwood	1986	Mathematics	7	3.7
<i>Calculus</i>	Stewart	1987	Mathematics	6	4.2
<i>Chemical Principles: The Quest for Insight</i>	Atkins/Jones	1999	Chemistry	4	3.0
<i>Communication in Our Lives</i>	Wood	1997	Communications	5	2.8
<i>Cosmos: Astronomy in a New Millennium</i>	Pasachoff/ Filippenko	2001	Astronomy	3	3.0
<i>Critical Thinking</i>	Moore/Parker	1986	Philosophy	9	2.9
<i>Finite Mathematics</i>	Rolf	1988	Mathematics	7	3.3
<i>Finite Mathematics and Applied Calculus</i>	Berresford/ Rockett	1999	Mathematics	2	6.0
<i>General Chemistry: Principles and Modern Applications</i>	Petrucci/Harwood/ Herring/Madura	1972	Chemistry	9	4.4
<i>Human Physiology: From Cells to Systems</i>	Sherwood	1989	Neurobiology, Physiology, and Human Behavior	6	3.6
<i>In Mixed Company: Communicating in Small Groups and Teams</i>	Rothwell	1992	Communications	6	3.0
<i>Introduction to Language</i>	Fromkin/Rodman/Hyams	1974	Linguistics	8	4.7
<i>Looking Out/Looking In</i>	Adler/Proctor	1974	Communications	12	3.0
<i>Macroeconomics: Principles, Problems, and Policies</i>	McConnell/Brue	1960	Economics	17	2.8
<i>Managerial Accounting</i>	Garrison/Noreen/Brewer	1976	Accounting	12	2.9
<i>Mathematical Ideas</i>	Miller/Heeren	1969	Mathematics	11	3.9
<i>Nutrition Basics for Better Health and Performance</i>	Applegate	2004	Nutrition	2	2.0
<i>Open to Debate: An Introduction to United States Government and Politics (CD-ROM)</i>	Braunwarth/ Dewhirst/ Candee/ Stadelmann	2004	Political Science	2	3.0
<i>Perspectives on Leisure: Toward a Quality Lifestyle</i>	Olson	2001	Recreation	2	7.0
<i>Principles of Physics: A Calculus-Based Text</i>	Serway/Jewett	1994	Physics	4	4.0
<i>Public Speaking in a Diverse Society</i>	Kearney/Plax	1996	Communications	3	4.5
<i>Statistics</i>	Freedman/Pisani/Purves	1978	Statistics	4	9.7
<i>Struggle for Democracy</i>	Greenberg/Page	1993	Political Science	8	2.0
Average Number of Years Between Editions					3.9

Source: Data on publication dates from the Library of Congress' online catalogue.

* We identified the title and author for the most recent edition.

While the reasons for these revisions may vary, the governor signed into law Assembly Bill 1548, the College Textbook Transparency Act, in October 2007, requiring publishers to disclose the nature of any revisions made to textbooks in the future. Specifically, on or after January 1, 2010, publishing companies must print on the outer cover or inside each revised textbook a summary of the substantive content differences between the new edition and the prior edition. Publishers must also include the copyright date of the previous edition of the textbook. However, most of the publishers that responded to our questionnaire, including Pearson Education, claim to include this information in the front of a textbook or provide it separately to their customers either in advertising or marketing material or on their product Web sites.

The College Textbook Transparency Act, requires publishers to disclose the nature of any revisions made to textbooks beginning January 2010.

Publishers' Development of Supplementary Products and Services May Also Raise Textbook Prices

In July 2005 the U.S. Government Accountability Office (GAO) issued a report titled *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*, in which it concluded that the increasing costs of developing products designed to accompany textbooks, such as compact discs (CDs) and instructional supplements, best explain price increases in recent years. Most publishers responding to our questionnaire listed other factors as greater influences on textbook prices, such as competition with the used-textbook market, increases in manufacturing and production costs, and competition from other publishers. However, those publishers also stated that they bundle material with their textbooks and acknowledged that those supplementary products and services do impact costs. In particular, the association stated and Pearson Education confirmed that the development and production of supplemental materials bundled with textbooks require a significant investment of time and money.

According to the association, the publishing companies are responding to the changing needs of the higher education marketplace that result from such things as larger class sizes, higher numbers of adjunct faculty, reduced teaching support personnel, ill-prepared college freshmen, and the growing need for remedial instruction—all of which have created a new reliance on state-of-the-art technology for teaching and learning. Echoing the comments made by the association, as well as agreeing with the results of the GAO report, the textbook publisher Cengage Learning stated that the enhanced role publishers are playing in supporting education—largely the result of factors within postsecondary institutions, like increased budgetary pressures and the hiring of more adjunct professors—is one of the biggest drivers of increased textbook prices for students.

Publishers Provide Many Products and Services That They Did Not Offer 20 Years Ago

- Tutoring services
- Student homework
- Evaluation programs
- Digital textbooks
- Virtual labs
- Online curricula
- Simulations
- Supplemental research

Sources: Pearson Education and the Association of American Publishers.

The publishers responding to our questionnaire noted that both faculty and students are interested in many products and services that publishers did not offer 20 years ago, some of which are listed in the text box. For example, W. W. Norton & Company (Norton) stated that instructors need significantly more help in teaching their courses than they did in previous years. To accommodate those needs, Norton develops supplementary materials for both students and faculty, such as CDs, DVDs, Microsoft PowerPoint slides, lecture outlines, and online testing and homework systems. According to Pearson Education, producing, maintaining, and providing support for supplementary materials requires significant investments from publishers.

To provide enhanced services to students, publishers generally bundle supplementary products with a printed textbook. For example, the University of Chicago Press stated that it occasionally includes a CD with a printed textbook. According to some of the publishing companies that responded to our questionnaire, these bundles are designed to save students money because they do not have to buy the component items separately. For example, John Wiley & Sons, Inc. (Wiley) bundles working papers and research reports with its financial accounting textbooks, and states that the bundle of textbook and supplements represents a substantial cost savings over purchasing each component separately. Wiley also indicated that it sometimes offers additional material to students at no additional charge, such as a comprehensive atlas bundled with a geography text. In some cases, according to the association, traditional textbooks and integrated or supplemental materials purchased together typically cost less than if they were purchased separately.

Although publishers offer various types of supplementary products, Pearson Education stated that one of the most common types is an automated homework program that allows students to perform tasks and receive feedback online and automatically provides instructors with the results of their work. An example of this technology-based learning material is MyMathLab, an automated program that Pearson Education produced. In response to our questionnaire, Pearson Education explained that MyMathLab is used in campuses across California and provides many students with pre- and post-testing, individualized study plans, tutorial help linked to the study plans, and graded homework assignments and quizzes. Students can track their progress, and instructors can track the progress of individual students and the class overall.

According to students, however, selling these bundled packages back to campus bookstores is often difficult. Supplemental workbooks with tear-out sheets and opened CDs typically are considered obsolete on the used-textbook market. Additionally, our review of the policies at several campus bookstores and our interviews with bookstore managers across the three postsecondary educational systems revealed that they require students to return their textbooks with all the bundled technology supplements, like CDs, to qualify for the buyback⁷ program. This requirement is especially difficult to fulfill for students who purchase used textbooks without the bundled components.

Our survey revealed that between 69 percent and 75 percent of students have purchased bundled materials they did not use for between two and five courses.⁸ In addition, several students we interviewed indicated that bundled materials are not very helpful. For instance, one student representing the Student Advisory Council on Undergraduate Education at UC Berkeley stated that every textbook required for his science major contains a CD that he has never needed to use. Another student representing the UC Berkeley student book exchange program noted that she processes many used textbooks that contain unopened CDs. One student that did choose to explore the disc that came with a textbook stated that the programs were inconvenient, and a second student indicated that the technology was grossly outdated. Between the buyback policies at college bookstores and the workbooks that have no resale value once used, the result is that students pay more for books in a market that diminishes the option to buy used products.

A majority of the students responding to our survey estimated they purchased bundled material that they did not use for between two and five courses.

Publishers Are Offering Custom-Edition and Digital Textbooks That May Reduce the Role of the Used-Textbook Market

Custom publishing allows faculty to create personalized textbooks using a variety of content from different sources. Of the nine publishers responding to our questionnaire, five indicated that they publish some type of custom edition. Publishers like Pearson Education, McGraw-Hill Education, Wiley, and Cengage Learning also offer custom publishing for older editions. According to Pearson Education, most custom products end up being shorter and less expensive than off-the-shelf textbooks, and typically the publisher's invoice price for a custom edition is explicitly agreed on with the author or department requesting the product.

⁷ The term *buyback* refers to a bookstore's practice of buying back, at the end of an academic term, textbooks that students purchased from the bookstore at the beginning of that term.

⁸ As we describe in the Appendix, any amounts or percentages related to student perspectives specified in this chapter are our estimates based on responses we received from students enrolled in the University of California, California State University, and California Community Colleges systems in the fall 2007 academic term.

By providing custom editions, publishers have assurance that used versions of the textbook will only be bought and sold at the respective campus, not on the national used-textbook market.

In reviewing textbooks at nine campuses, we found some custom editions that faculty were requiring for their courses. For instance, at City College of San Francisco, eight of the top-20 textbooks sold in the fall 2007 academic term were custom textbooks. In one case, according to the general manager of the bookstore for this campus, several faculty members teaching economics worked collaboratively with a publisher to create a custom, less expensive version of an existing macroeconomics textbook. We also found custom editions within the UC and CSU campus bookstores.

Two of the five publishers that responded to our questionnaire provided custom-edition textbooks said that the products typically are less expensive than traditional textbooks. For example, our review of the pricing of the previously mentioned macroeconomics textbook used at the City College of San Francisco revealed that the cost of the textbook was \$99.50 before customization and \$54.25 after, representing, a 45 percent cost savings for students. However, the bookstore manager for the City College of San Francisco explained that although students can realize an immediate cost savings when purchasing custom editions, these textbooks typically are available for resale only at the campuses for which they were customized. In doing this, publishers have assurance that used versions of the textbook will only be bought and sold at the respective campus, not on the national used-textbook market.

Further, some publishers are offering many textbooks in digital format (e-books). According to Wiley, its e-books retail for 60 percent of the price of traditional printed textbooks. In fact, seven of the nine publishers responding to our questionnaire stated that they offer e-books to students and bookstores at prices lower than those of traditional textbooks. For example, Pearson Education said it offers more than 1,500 e-books over the Web and through other vendors, pricing most at 50 percent of the prices of the printed textbooks. With the development of digital content increasing, Pearson Education indicated that it has made a significant investment in the infrastructure required to offer e-books.

However, according to some of the publishing companies, including Pearson Education, the demand for textbooks in digital format has not been overwhelming. In fact, several of the publishers responding to our questionnaire indicated that e-books made up only a small portion of their total annual sales. For example, the University of Chicago Press stated that e-books account for less than 1 percent of its total sales, and Cengage Learning said its sales were in the low single digits as a percentage of total sales. Of the students we surveyed, roughly 12 percent stated that they had purchased e-books, and many said that they would not purchase e-books in the future.

The sales of e-books may be low in part because the publishers generally restrict the number of pages students can print and the life of the e-book can be limited. Publishers like Wiley, McGraw-Hill Education, and Pearson Education indicated that they place some type of limitation on the availability of content or printing. For instance, Wiley explained it allows students to access the digital copy of a textbook only for a specified period, depending on the duration of the course. McGraw-Hill Education also indicated that it limits the number of e-book pages a student can print. Thus, unlike the unlimited and discretionary access available with traditional textbooks, generally students' access to e-books ends after a certain date because of limitations imposed by publishers.

Those limitations also prevent students from selling their e-books to campus bookstores during buyback periods. Thus, e-books can end up costing students more than if they had purchased traditional textbooks. For instance, a campus bookstore might price a new traditional textbook at \$100 compared with the e-book version priced at \$65. If the student purchased the traditional textbook and was able to sell it back to the bookstore at the end of the term for \$50, assuming the bookstore was able to purchase the textbook, the net cost of the traditional textbook to the student would have been \$15 less than that of the e-book, which the student could not sell at buyback. These reasons may explain why campus bookstores offering e-books during the fall 2007 academic term sold very few. For instance, according to the manager of the bookstore at CSU Chico, it offered multiple copies of 48 e-book titles in the fall 2007 academic term but sold a total of only 57 copies.

Students are not able to sell their e-books back to the campus bookstore and this can end up costing them more than if they had purchased traditional textbooks.

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Chapter 3

FACULTY AND CAMPUS BOOKSTORES HAVE NOT CONSISTENTLY PARTICIPATED IN EFFORTS TO CONTROL TEXTBOOK COSTS

Chapter Summary

Nearly all the faculty members we interviewed at campuses of the University of California (UC), California State University (CSU), and California Community Colleges (community colleges) were unaware of state laws encouraging them to participate in efforts to reduce textbook costs, and many did not understand how their textbook adoption decisions and priorities could affect students' textbook costs. This lack of awareness may partially explain why, according to campus bookstore managers, most faculty members submit textbook orders after the initial deadlines. According to bookstore managers, timely textbook adoptions enable them to offer students higher prices for more of their used textbooks during buyback⁹, and the bookstores can procure more used books for sale in the next term. Many faculty members stated that textbook prices played a minor, if any, role in their textbook selection processes.

Further, some faculty members we interviewed admitted to adopting textbooks that come bundled with other materials, even though they do not use the supplemental material in their courses. Many students expressed frustration with having to purchase textbooks bundled with supplementary materials they never use and campus bookstore managers stated the supplemental materials can limit the resale value of the entire textbook package. To the extent that publishers increase textbook prices to cover the development and production costs associated with these unused supplementary materials, the practice of bundling these items unnecessarily increases textbook costs to students.

Campus bookstores have implemented various strategies to reduce students' textbook costs, but with little consistency. For instance, although all the bookstores we reviewed operate buyback programs, only four guarantee at the point of sale that they will buy back certain textbooks at the end of the term for 50 percent of the original purchase price. Additionally, five of the nine bookstores we reviewed offer low-price guarantees to students. Specifically, the bookstores guarantee that if a student provides evidence that a textbook required for a course is available at another vendor

⁹ The term *buyback* refers to a bookstore's practice of buying back, at the end of an academic term, textbooks that students purchased from the bookstore at the beginning of that term.

for a lower price, the bookstores will match that vendor's price as long as specific conditions are met. However, some bookstores accept price comparisons from online retailers while others do not. Further, some bookstores have developed incentives that encourage faculty to submit their textbook choices on time and thus increase the likelihood that the bookstores can procure used books and pay higher amounts to students during buyback. If campus bookstores implemented more consistent strategies that are equally effective, students across all three systems might have a greater opportunity to realize cost savings.

Finally, few campuses we reviewed have developed initiatives to reduce textbook costs for students. For example, only one of the nine campuses we reviewed had implemented a textbook loan program and none had implemented a textbook rental program. That no other campus we reviewed has implemented either of these programs may reflect the initial and ongoing monetary investment they require. Another possible cost-saving program campuses could implement—student book exchanges—was evident at only three of the nine campuses. Finally, despite campus bookstores' insistence that timely adoptions increase their ability to offer textbook cost savings, only CSU Long Beach has adopted, and the administration plans to enforce in fall 2008, a policy requiring faculty to comply with the bookstore's deadline for adopting textbooks. By not adopting initiatives to reduce students' textbook costs, most campus bookstores are missing opportunities to provide students with cost savings.

Recent State Laws Encourage Faculty and Campuses to Help Reduce Textbook Costs for Students

Over the past several years, the State has enacted two state laws to encourage faculty and campuses to mitigate the impact of textbook costs on students. Assembly Bill 2477 (AB 2477) signed by the governor and effective January 1, 2005, requires CSU trustees and the board of governors of the community colleges, and encourages UC regents, to work with their respective academic senates to encourage faculty to consider the least costly practices in assigning textbooks. Signed by the governor and effective January 1, 2008, Assembly Bill 1548 (AB 1548) also encourages faculty to consider cost in the adoption of textbooks.

In keeping with the intent of AB 2477, the three system offices reported some efforts to inform campuses of the resulting law, as well as the more recent provisions of AB 1548. For instance, the UC academic senate included a brief description of AB 2477 in its newsletter, *The Senate Source*, in November 2004. Additionally, in January 2008, CSU's associate vice chancellor of academic affairs

Over the past several years, the State has enacted two state laws to encourage faculty and campuses to mitigate the impact of textbook costs on students.

distributed a memorandum to all campus presidents regarding the provisions of AB 1548. According to the CSU university auditor, the chair of the academic senate distributed the memorandum widely throughout CSU using e-mail and other normal faculty channels that include the members of the statewide academic senate and the respective chairs of each campus academic senate. Further, according to the specialist for the Student Services and Special Programs Division of the community colleges, the system office has taken steps to discuss and inform local colleges and advocacy groups of the provisions of AB 2477 and AB 1548.

Despite these efforts, most faculty members we interviewed about these laws stated that they had not heard of them. In fact, we asked 28 deans, department chairs, and faculty members whether they had received any notification or guidance from campus officials or systemwide administrators related to AB 2477 and AB 1548, and only three responded that they had received any such notification or guidance. Thus, as we describe later in the chapter, it is not surprising that many faculty members we interviewed do not understand how their decisions and priorities affect textbook costs to students.

Additionally, state law requires CSU trustees and the board of governors of the community colleges, and requests the UC regents, to encourage campuses to provide as many forums as possible for students to access as many used textbooks as possible. Programs specifically mentioned in this section of the law include textbook rental programs, student on-campus and online book exchanges, and textbook loan programs. The law also encourages university bookstores to actively promote and publicize any existing buyback programs that they operate. Although the nine campuses we reviewed have not implemented all these programs, we discuss some of the programs they operated during academic year 2007–08 later in this chapter.

Many Faculty Members Do Not Understand How Their Decisions and Priorities Affect the Textbook Costs to Students

During the course of our visits to the nine campuses, we interviewed 30 deans and department chairs and 25 other faculty members about their experiences during the textbook adoption process, as well as their personal textbook selection practices. Although each discussion varied with respect to the specific issues addressed, in general we found that many faculty members did not understand how their decisions and priorities affected the textbook costs borne by students. Bookstores rely on the cooperation of faculty to minimize textbook costs to students, yet nearly half the faculty members we asked specifically about this issue did not know that adoption deadlines

Despite efforts to inform campuses of recent state laws encouraging the reduction of textbook costs, most of the faculty members we interviewed stated that they had not heard of these laws.

serve that purpose. Although a few faculty members acknowledged that textbook costs pose a financial burden to some students, many of the faculty members we interviewed indicated that the cost of a textbook is secondary to other factors, such as quality and readability. In addition, some faculty members adopted textbooks bundled with supplementary materials that students were never required to use, and some did not realize that bundled textbooks generally have no resale value at campus bookstores. State law encourages faculty to consider the least costly practices in assigning textbooks as long as doing so is educationally sound. Thus, faculty members who fail to adjust—without compromising the quality and effectiveness of the textbooks they adopt—their practices and decisions during the textbook adoption process may be unknowingly increasing textbook costs for students.

Many Faculty Members Are Not Aware That Prompt Submission of Their Textbook Choices Can Increase Cost-Savings to Students

According to the bookstores' records, most faculty members at the nine campuses in our review failed to meet the bookstores' submission deadlines for textbook adoptions.

State law encourages faculty to place their orders in a timely manner with their campus bookstores, and bookstore managers agree that prompt orders enhance their ability to provide students with opportunities for cost savings. However, according to the bookstores' records, most faculty members at the nine campuses in our review failed to meet the bookstores' submission deadlines for textbook adoptions. As Table 8 shows, campus bookstores received on average just 20 percent of the required textbook adoptions by the stores' deadlines, which typically fall in the middle of the preceding academic term. Only two of the nine campus bookstores reported receiving more than one-quarter of the adoptions on time. Several bookstore managers said that in some cases instructors receive teaching assignments after textbook adoption due dates have passed. Although we acknowledge that these late assignments might contribute to the low submission rates previously noted, our finding that nearly half of the faculty members we spoke to were not aware of the importance of submitting their textbook choices in a timely manner suggests that lack of faculty awareness is likely a dominant factor.

Several faculty members reported missing the bookstores' deadlines because they attached a low priority to meeting them, and others did not understand the relationship between early textbook adoptions and their effect on students' textbook costs. For example, one department chair stated that he assumed the deadline served only as a convenience to the bookstore and added that his entire department probably does not understand the effect that early adoption has on textbook prices. Other faculty members, also unaware of the deadlines' purpose, said they thought the due dates were too early and did not understand why the deadlines came

so far ahead of the term. For instance, the liberal studies chair at CSU Chico admitted having difficulty submitting her adoptions on time but stated that in spite of her tardiness, the campus bookstore always managed to have her textbooks on the shelves on time. Faculty’s misunderstanding or lack of awareness of the purpose of meeting the textbook adoption deadline can directly affect students’ textbook costs, especially by impacting the used-textbook market.

Table 8
Percentage of Textbook Adoptions Submitted by the Due Date and by the Beginning of the Buyback Period for the Spring 2008 Academic Term

SYSTEM AND CAMPUS	PERCENTAGE SUBMITTED BY THE DUE DATE	PERCENTAGE SUBMITTED BY THE BEGINNING OF THE BUYBACK PERIOD*
University of California		
Berkeley	25%	80%
Davis	10	97
Los Angeles	53	94
California State University		
Chico	21	51
Long Beach	31	51
Sacramento	6	65
California Community Colleges		
DeAnza	10	90
Grossmont	5	75
San Francisco	18	70
Averages Across All Campuses	20%	75%

Source: Adoption rates compiled by the nine campus bookstores reviewed for the spring 2008 term.

* Percentage of all the textbook titles adopted for spring 2008 courses that faculty submitted early enough for the bookstores to offer the maximum buyback price to students who sold their textbooks during the week of final exams for either the fall semester or the winter quarter. For eight of the nine campuses, the date corresponding to this percentage typically is about the beginning of finals week. For City College of San Francisco, this date corresponds to an earlier buyback due date that occurred 21 days prior to the beginning of final exams.

According to the bookstore manager at UC Davis, because campus bookstores compete on the national wholesale market for a limited supply of used textbooks, the timing of adoption submissions directly impacts the number of used textbooks a bookstore can acquire by the first day of instruction. The manager further explained that the wholesale supply of used textbooks is fluid, stock changes daily, and wholesalers often ration the number of copies of each textbook they will provide to each bookstore on a daily basis. Thus, according to the UC Davis bookstore manager, it is to the bookstore’s advantage to begin submitting daily requests for textbooks to the wholesalers as soon as possible to edge out competition from other campus bookstores across the nation.

Campus bookstores also procure used books by buying them directly from students generally at the end of each academic term during buyback. If a faculty member submits textbook adoption information for the following academic term in time for the bookstore to place that textbook on the buyback list, then a student can generally sell that book to the bookstore for up to 50 percent of the new version's retail price—depending on the bookstore's buyback policy, which we describe later in this chapter. Thus, buyback programs provide campus bookstores with used textbooks for the following academic term and reduce students' net textbook costs in the current term. However, if a faculty member does not submit his or her adoption information on time to make the buyback list, a faculty member chooses a different textbook for the same course from term to term, or a publisher discontinues an edition of a textbook and the faculty member adopts the new edition, a student will generally receive only the wholesale value for that book, which according to one of the major wholesalers is 10 percent to 33 percent of the new-textbook price, or nothing if there is no national demand. Results from our survey suggest that students generally receive far less than the maximum price for the books they sell to campus bookstores. Specifically, students participating in their campus bookstores' buyback programs in the fall 2007 academic term reported recovering an average of only 18 percent of the total amount they originally spent on textbooks.¹⁰

Typical Textbook Adoption Due Dates by Campus Academic Calendar

Semester: Sometime in October and April for instruction held in the spring and fall terms, respectively.

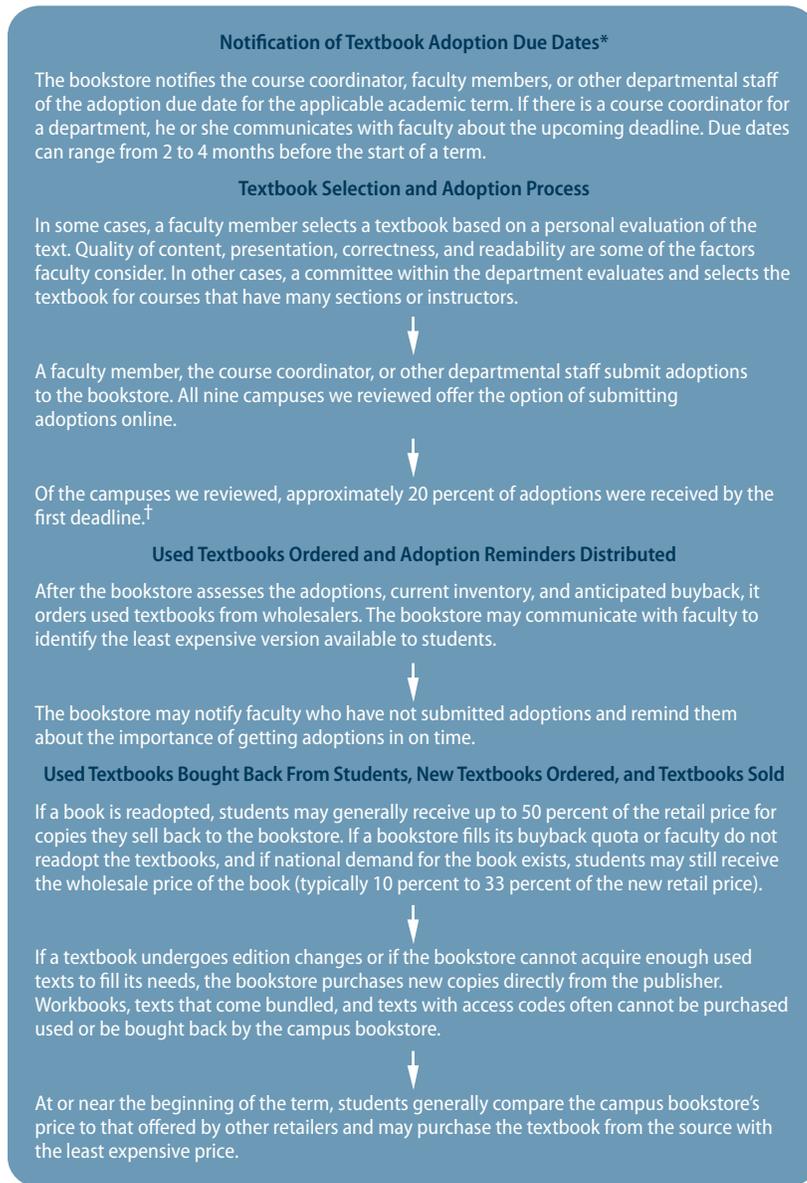
Quarter: Sometime in October, January, and May for instruction held in the winter, spring, and fall terms, respectively.

Established by campus bookstores, textbook adoption deadlines for all nine campuses in our review occur two to four months before the start of an academic term. The initial due dates differ according to the campus's academic calendar, as shown in the text box. As shown in Figure 4, the textbook adoption process begins several weeks before the initial due date, when the bookstore notifies those responsible for textbook adoption of the approaching deadline for submitting orders. To inform instructors about the deadline and the importance of timely adoptions, the campus

bookstores we reviewed used various strategies, as discussed later in the chapter. Generally, the faculty we interviewed either submit their textbook adoption information directly to the bookstore or work with the designated administrative staff member responsible for coordinating textbook adoptions for an entire academic department.

¹⁰ As described in the Appendix, any amounts or percentages related to student perspectives specified in this chapter are our estimates based on responses we received from students enrolled in the University of California, California State University, and California Community Colleges systems in the fall 2007 academic term.

Figure 4
Overview of the Typical Steps That Campuses Follow to Order and Sell Textbooks



Sources: Textbook adoption procedures at campus bookstores, campus deans, department chairs, faculty, and various reports relating to textbook costs.

* *Textbook adoption* is the process of faculty selecting instructional materials for the courses they teach.

† Overview covered the spring 2008 academic term. See Table 8 for the percentage of faculty who submitted their textbook adoptions by the due date and by the beginning of the buyback period.

According to our survey, less than half of the students at each of the three systems sold their textbooks back to the campus bookstore at the end of the term. As shown in Table 9 on the following page,

although nearly all students in each of the systems were aware of their bookstores' buyback programs, 49 percent of CSU students, 32 percent of UC students, and 28 percent of community college students participated in those programs during the fall 2007 academic term. According to their survey responses, students had several reasons for limiting their participation in buyback. A few students noted that the prices they received from the bookstores were a fraction of the prices they initially paid for the new textbooks. Others said their textbooks had no value on the used-textbook market because the books had become obsolete: either a new edition had come out or their textbooks came bundled with consumable pieces like workbooks and compact discs (CDs) that lost their value when opened. Although more than 60 percent of students at all three systems kept some of their textbooks from fall 2007 courses for future reference, between 38 percent to 49 percent of students kept some textbooks because they could not sell them back.

Table 9
Student Awareness of and Participation in Campus Bookstores' Buyback Programs

	UNIVERSITY OF CALIFORNIA	CALIFORNIA STATE UNIVERSITY	CALIFORNIA COMMUNITY COLLEGES
Percentage of students who were aware of their campus bookstore's buyback program before or during their first year on campus	95%	92%	88%
Percentage of students who sold books back to the bookstore at the end of the term	32	49	28

Sources: Responses to the Bureau of State Audits' survey of students enrolled during the fall 2007 academic term.

Cost Is Generally the Last Factor That Faculty Consider When Selecting Textbooks

Although state law encourages faculty to consider the least costly practices when selecting and assigning textbooks, many faculty members, department chairs, and deans we interviewed at nine campuses stated that cost is the last factor they consider or that they do not consider cost at all during the textbook adoption process. For instance, a psychology professor at CSU Long Beach listed 10 factors he considers more important than cost and cited only the availability of the textbooks as less important than cost. The department chair of political science at UC Davis stated that cost is secondary to relevance and content. Many faculty members expressed similar priorities, explaining that they choose textbooks by considering factors like quality, readability, and relevance of

content rather than cost. Although we acknowledge the importance of providing students with a quality education, faculty's failure to consider less-costly textbooks that do not compromise quality may play a role in increasing students' textbook costs.

Additionally, some faculty members stated that they place a high value on the utility that textbooks provide to instructors. A few of these faculty members judged textbooks according to the quality and quantity of teaching aids that the publisher provided free of charge, and some considered how closely the content matched the material to be covered in the course. For example, the foreign language department chair at City College of San Francisco stated that he and the faculty working with him to select textbooks may choose a more expensive textbook over other options if that textbook comes with better instructional aids. A professor of communication studies at CSU Long Beach said she placed a high priority on the services one publisher offered instructors in preparing for and teaching a particular course. She explained that the publisher provided workshops for reviewing course materials and demonstrations and step-by-step instructions on using all the online products available to students enrolled in the course. This professor also indicated that the workshops were particularly important because the teachers of this basic course are typically graduate students and part-time instructors. Publishers generally incorporate the cost of instructional aids into the price of textbooks, as described in Chapter 2, so faculty's choice of materials with instructional support may be one more factor that increases textbook prices for students.

Faculty's varying consideration of textbook costs may partly result from their differing perceptions of textbook costs posing a financial burden to students. The text box shows some of the opinions expressed by the faculty we interviewed. Their opinions ranged from serious concern about students' textbook costs to disbelief that textbook costs are burdensome to students. Only a few faculty members acknowledged that some students at their campus come from low-income households. These varying perspectives, combined with the discretion faculty have in deciding which textbooks they adopt, suggest that many faculty members will continue to consider the relevance

Examples of Faculty Perspectives on Whether Textbook Costs Pose a Financial Burden to Students

Yes

- "The burden is a heavy one in terms of cost. Students pay \$60 for a three-unit course [at a community college] and as much as twice that for a textbook required in the course."
- "Absolutely, and this is particularly important during this time of economic hardship. Many students are having a hard time covering all of their school expenses."
- "Students complain about the price of the textbook at the beginning of every semester, and about half of my students say they cannot afford to buy the textbook until three or so weeks have passed."

No

- "Textbook costs pose a burden for some students, but not all. Many students that attend [this respective campus] come from affluent communities."
- "Students are more sensitive to and displeased by irrelevant and out-of-date materials than they are to the cost of those materials."
- "Textbook costs are part of the price of an education, and a well-chosen text should be kept long after graduation. Publishers are in a tough spot as they must compete with the used-book markets and still remain profitable. I see many costs involved in developing textbooks, and I feel blessed that I can choose from four Psychobiology textbooks for my class. Publishers provide a valuable service to teachers and students."

Source: Excerpts from interviews of 55 deans, department chairs, and faculty members at the nine campuses we reviewed.

Bookstore managers explained that publishers bundle textbooks most often with items that cannot be reused, such as CDs with expiring access codes or workbooks with removable pages.

of textbook costs a low priority unless the three postsecondary educational systems can better encourage faculty to consider cost during the textbook adoption process.

Some Faculty Members Are Unaware That Students Often Cannot Resell Bundled Textbooks or They Require Students to Purchase Unnecessary Supplementary Materials

Some faculty members we interviewed did not know that bundled textbooks frequently have no resale value. Bookstore managers at the campuses we reviewed stated that they accepted few or no bundled textbooks or their components during buyback at the end of the academic term. Although some bookstore managers stated they sometimes purchase bundled items from students, they explained that usually publishers bundle textbooks with items that cannot be reused, such as CDs with expiring access codes or workbooks with removable pages. However, according to bookstore managers, even a bundle consisting of several separate textbooks may have no buyback value because the publisher has changed the components of the bundle in a revised edition that faculty adopt for the next academic term. Thus, bundled textbooks prevent buyback and limit the used-textbook market, depriving students of short-term cost savings they might otherwise realize if faculty had not required them to purchase a textbook bundled with other items.

Although a faculty member can ask the publisher not to include the supplementary material and provide only the textbook, some faculty members adopt textbooks bundled with supplementary materials that are not required for the course. For instance, a professor of physiology at UC Davis stated that the curriculum committee for his course adopted a textbook bundled with animations, student companions, quizzes, and a CD that the course generally does not require and that students normally do not use. According to the professor, some faculty members use these supplementary products when they incorporate the products' figures and slides into classroom lectures. In another case, a professor of chemistry at UC Davis stated that the committee for a general chemistry class adopted a textbook bundled with similar supplementary materials. The professor was not aware that students generally cannot sell bundled materials back to the bookstore, and although he did not state that students do not use the supplementary materials, we confirmed with the campus bookstore that the bundled version of the textbook is not required for the course.

Further, results from our student survey suggest that faculty often adopt textbooks bundled with materials that are not used during the course. Between 69 percent and 75 percent of the students responding to our survey stated they had to purchase supplemental materials (such as CDs, workbooks, and access codes for online material) for at least one class in which the instructor never required their use. In addition, depending on how long they have been in college, these students reported they had taken two to five courses for which they had to purchase bundled items the instructors never asked them to use. An example of the frustration several students expressed in their survey responses is displayed in the text box. To the extent that publishers increase textbook prices to cover the development and production costs associated with these unused supplementary materials, the practice of bundling these items unnecessarily increases textbook costs to students.

**One UC Student's Frustration
with Bundled Textbooks**

"Bundles are the worst. You're forced to buy a bunch of stuff and half of it is useless. So are all of those random CDs that come in the backs of textbooks—I don't know anyone who has ever used those."

Source: Excerpt from responses to the Bureau of State Audits' survey.

Campus Bookstores Use Inconsistent Methods to Reduce Textbook Costs for Students

Although a single campus bookstore might implement several strategies to reduce students' textbook costs, the bookstores across the three postsecondary educational systems we reviewed are inconsistent in the types of strategies they use. For instance, some campus bookstores guarantee they will buy back certain textbooks at the end of an academic term for 50 percent of the books' retail prices—even if faculty do not readopt the books or the publishers issue new editions. Other campus bookstores do not offer such guarantees. Likewise, some but not all campus bookstores have developed incentives that encourage faculty to submit their textbook choices on time and thus increase the likelihood that the bookstores can procure used textbooks and pay higher amounts to students during buyback. By implementing consistent strategies that are equally effective, campus bookstores could provide greater opportunities for all students across the three systems to realize similar cost savings.

Campus Bookstores Offer Several Cost-Saving Programs to Students

Table 10 on the following page shows five types of cost-saving programs that campus bookstores across the three postsecondary educational systems offer students. Five of the nine campus bookstores in our review offer some form of low-price guarantee to students. Under this strategy, the bookstore guarantees that if a student provides evidence that a textbook required for a course

is available from another vendor for a lower price, the bookstore will match that lower price if specific conditions are met. However, some bookstores accept price comparisons from online retailers while others do not. For instance, although Grossmont College and UC Berkeley have a low-price guarantee in place, their campus bookstores will only match prices from off-campus retailers. In contrast, the low-price guarantees offered by CSU Chico and UC Davis stipulate that the bookstores will accept prices from off-campus retailers as well as online vendors like Amazon.com (Amazon). Further, some bookstores use unique marketing strategies to entice students to sell their textbooks back to their respective campus bookstores rather than to private vendors. For instance, according to its manager, the bookstore at UC Berkeley raffles off prizes, such as bicycles, to students during buyback. Campus bookstores that do not offer low-price guarantees or other incentives to attract students to participate in buyback could be forgoing the opportunity to increase student business.

Table 10
Existing Bookstore Strategies to Provide Cost Savings for Students and to Encourage Faculty Members’ Timely Adoptions of Textbooks (by System and by Campus)

STRATEGIES	UNIVERSITY OF CALIFORNIA			CALIFORNIA STATE UNIVERSITY			CALIFORNIA COMMUNITY COLLEGES		
	BERKELEY	DAVIS	LOS ANGELES	CHICO	LONG BEACH	SACRAMENTO	DEANZA	GROSSMONT	SAN FRANCISCO
Methods Developed to Provide Students with Cost Savings and to Attract Business									
Low-price guarantee	✓*	✓†		✓†	✓*‡			✓*	
Buyback program	✓	✓	✓	✓	✓§	✓	✓	✓	✓
Guaranteed 50 percent buyback price established at point of sale	✓			✓	✓			✓	
Regardless of whether textbook was initially purchased as new or used, buyback price set at 50 percent of new copy’s price		✓					✓		✓
Electronic books (e-books)	✓	✓	✓	✓		✓	✓	✓	
Methods Developed to Encourage Timely Submission of Faculty Textbook Adoptions									
Option to adopt textbooks online	✓	✓	✓	✓	✓	✓	✓	✓	✓
Faculty incentives for timely adoptions			✓		✓			✓	

Sources: Campus bookstores’ pricing and buyback policies and interviews with bookstore managers.

Note: Bookstore operations at CSU Sacramento and UC Berkeley are leased to Follett Higher Education Group while the one at Grossmont College is leased to Barnes & Noble College Booksellers, Inc.

✓ = Bookstore implements this strategy.

* Bookstore matches prices from off campus stores only, not online vendors.

† Bookstore matches prices from both off-campus bookstores and online sources but will not match the prices offered by private individuals selling at auction sites such as eBay or Amazon Marketplace.

‡ This strategy only applies to used textbooks.

§ Students selling their books back at CSU Long Beach could receive up to 55 percent of a new copy’s price if they purchased it new, whereas students at the other campuses could receive up to 50 percent of a new copy’s price.

Additionally, some campus bookstores give students the opportunity to realize additional cost savings during buyback. As Table 10 shows, four of the nine campuses in our review offer students a guaranteed buyback price of 50 percent of the retail prices of certain textbooks at the time students first purchase the books. For example, the CSU Chico bookstore labels certain textbooks with a sticker guaranteeing that the bookstore will buy back the books during finals week for 50 percent of the purchase prices. According to the director of the bookstore at CSU Chico, to identify the textbooks the store will label as guaranteed buybacks, the director assigns a knowledgeable employee to perform a speculative analysis of each textbook’s past adoption history to estimate the likelihood that the same book will be readopted by faculty for the following academic term. The director also indicated that occasionally a few textbooks with the guarantee are not readopted, and the bookstore absorbs the loss without passing it on to the students. By providing students with a guaranteed buyback amount, the CSU Chico bookstore not only offers students guaranteed savings but also implements a strategy that could be effective in increasing student business.

Some bookstores have implemented buyback policies that may be more effective than others in attracting student participation. Specifically, some bookstores’ policies stipulate they will purchase books from students at the end of an academic term at 50 percent of the retail price of a new book if certain conditions are met, including whether the book has been readopted for the subsequent term. For instance, UC Davis is one of three campuses we reviewed that has such a policy in place and will buy back an adopted textbook at 50 percent of the new-version retail price regardless of whether the student purchased the book in new or used condition. As shown in the text box, a student who purchases a used copy of a textbook for \$75 at UC Davis, when the new version of the same textbook retails for \$100, can effectively save \$75—or incur a total net cost of just \$25—by selling the book back at the end of the semester.

The UC Davis buyback policy differs from that of bookstores at UC Los Angeles and CSU Sacramento in that those bookstores buy back an adopted textbook from a student at 50 percent of the price at which the student originally purchased the book; therefore, students purchasing used textbooks receive less at buyback than those purchasing new books. Using the example in the text box, a student who purchases a used textbook at CSU Sacramento for \$75 receives

Comparison of Buyback Benefits at UC Davis and CSU Sacramento

Example of potential cost-savings that UC Davis and CSU Sacramento students can realize by participating in their campus bookstores’ buyback programs, assuming the bookstore buys books back at 50 percent of the retail prices of new books.

	UC Davis	CSU Sacramento
Retail price, new	\$100	\$100
Retail price, used	75	75
Buyback value, new	50	50
Buyback value, used	50	37.50
Net cost to student:		
Student purchased new book	50	50
Student purchased used book	25	37.50

Source: UC Davis and CSU Sacramento textbook pricing and buyback policies.

only \$37.50 at buyback rather than the \$50 the UC Davis student receives. Those bookstores that do not have a buyback policy similar to UC Davis's do not provide students with as great an opportunity to realize cost savings.

Most campuses we reviewed also give students the option of purchasing some textbooks in digital format (e-books), which some publishers offer for certain textbooks at prices lower than the retail prices of traditional textbooks. However, the campus bookstore managers we interviewed stated sales for these books are minimal. As we described in chapters 1 and 2, the popularity of e-books is likely diminished by limitations publishers impose, such as a limited time in which students can access the digital content and certain printing restrictions, as well as by students' preference to study or read printed material. Sixty-eight percent of UC students, 62 percent of CSU students, and 52 percent of community college students reported they have not purchased e-books because they prefer to study or read printed material.

Some Cost-Saving Programs Target Faculty Responsible for Textbook Adoption

In addition to providing students with cost-saving opportunities, bookstores have implemented various strategies to encourage timely submission of faculty textbook adoptions. As described earlier in the chapter, faculty's timely submission of adoptions can reduce students' textbook costs. We found that different campus bookstores use different approaches to inform faculty about the importance of submitting their textbook adoption information by the due date. For instance, two of the bookstores we reviewed meet with department staff twice a year about adoption deadlines. According to the director of the bookstore at CSU Chico, the bookstore holds a luncheon with department coordinators to convey new information and to stress the importance of adoption deadlines and how they affect the bookstore's ability to obtain used textbooks from wholesalers and buy back used textbooks from students. The bookstore at Grossmont College sends out fliers reminding faculty of the importance of submitting adoptions promptly. In addition, a faculty member at CSU Sacramento said the campus bookstore e-mails faculty directly about the impact of late adoptions on textbook prices.

Further, as shown in Table 10 on page 58, all nine of the bookstores we reviewed operate Web sites to assist faculty in submitting their textbook adoption information on time. For example, according to the bookstore director of CSU Chico, that campus bookstore streamlined the adoption process by offering faculty "one-click"

We found that different campus bookstores use different approaches to inform faculty about the importance of submitting their textbook adoptions information by the due date.

adoptions, in which bookstore staff e-mail faculty the necessary information on the textbooks they adopted the previous term and ask faculty simply to reply that they will use the same books for the subsequent academic term.

Some bookstores also provide faculty with incentives for turning in their textbook adoptions on time. For instance, according to the manager of the bookstore at UC Los Angeles, for faculty who submit their adoption information by the deadline, the bookstore grants a 20 percent discount on books for sale in the bookstore; likewise, for department coordinators who submit timely adoption information for at least 75 percent of the faculty in their department, the bookstore grants a 20 percent discount off many items in the store. These strategies seem to be working well because, as Table 8 on page 51 shows, the UC Los Angeles bookstore received 53 percent of all adoptions by the initial deadline for the spring 2008 academic term. This rate surpasses all eight of the other campuses we visited by at least 22 percent. If all campus bookstores adopted this type of incentive program, the increase in the timeliness of faculty adoptions that could result would enable the bookstores to obtain more used textbooks and increase buyback opportunities for students.

Finally, some campus bookstores use more effective methods to advertise their cost-saving programs than do other bookstores. For instance, CSU Chico's bookstore developed advertisements that it posts not only in the bookstore but also in dining service areas. UC Davis uses several techniques to increase student participation in its buyback program. For example, it distributes fliers to faculty who had adopted textbooks that were among the top-50 sellers reminding faculty that prompt adoption submissions affect how much students can receive for their used textbooks. In turn, to each faculty member who submitted textbook adoption information on time, the bookstore sends a letter asking the faculty member to inform students on the last day of class or on the day of the final exam how much money they can receive at buyback for the textbook used in that course. Additionally, according to the bookstore's advertising manager, the UC Davis bookstore posts buyback advertisements in high-traffic locations throughout the campus as well as in the campus newspaper.

Some Campuses Have Developed Initiatives to Reduce Students' Textbook Costs

All the campuses we reviewed enable faculty to place copies of required textbooks on reserve at the library, and some have implemented strategies specifically intended to reduce the cost of textbooks for students. Table 11 on the following page lists all the

Some bookstores provide faculty with incentives for turning in their textbook adoptions on time.

initiatives currently in operation at each of the nine campuses we reviewed. In reviewing these initiatives, we found that City College of San Francisco is the only campus that operates a textbook loan program for low-income students, three other campuses operate student book exchanges, and only CSU Long Beach has developed a policy to enforce the bookstore adoption deadline by requiring others within the department to select educational materials for faculty who do not meet the deadline. Campuses that have not developed initiatives to decrease the cost of textbooks for students are missing opportunities to provide students with cost savings.

Table 11
Existing Initiatives to Reduce Textbook Costs for Students

INITIATIVES	UNIVERSITY OF CALIFORNIA			CALIFORNIA STATE UNIVERSITY			CALIFORNIA COMMUNITY COLLEGES		
	BERKELEY	DAVIS	LOS ANGELES	CHICO	LONG BEACH	SACRAMENTO	DEANZA	GROSSMONT	SAN FRANCISCO
Textbook loan program									✓
Student book exchange	✓	✓					✓		
Enforced adoption deadline					✓				
Textbooks held on reserve in library	✓	✓	✓	✓	✓	✓	✓	✓	✓

Source: Interviews with campus administrators and bookstore managers.

Note: Bookstore operations at CSU Sacramento and UC Berkeley are leased to Follett Higher Education Group while the one at Grossmont College is leased to Barnes & Noble College Booksellers, Inc. While none of the nine campuses we reviewed currently operate a textbook rental program, we became aware of and interviewed staff responsible for operating rental programs at CSU Fullerton and the San Mateo County Community College District campuses.

Although textbook loan and rental programs are strategies that could make textbooks more affordable for students, few colleges have implemented either program. According to the director of the bookstore at CSU Fullerton, his university was the first to implement a textbook rental program, and CSU San Diego has also started a rental program. Further, according to its director of auxiliary services, the College of San Mateo implemented a textbook rental program in 2001. Very few students that responded to our survey indicated they rented books through an on-campus rental program, which is not surprising given few campuses across the three systems have implemented such programs. The specialist for the Student Services and Special Programs Division of the community colleges stated that about six colleges within the community college system have implemented textbook rental programs (none of which we reviewed). According to the National Association of College Stores, less than 3 percent of its member stores in the U.S. and Canada offered textbook rental programs as of spring 2008. The director of the CSU Fullerton bookstore, who also oversees that campus's rental program, indicated that students typically pay from 25 percent to 45 percent of the new retail price to

rent a textbook. Further, as the administrator of student activities, the associate dean at City College of San Francisco to his knowledge oversees the only book loan program in the three systems. He indicated that students may borrow up to three textbooks at no charge for an entire academic term.

Textbook rental and loan programs typically require initial startup costs and may demand ongoing funding to continue operating. These requirements might explain the low participation rates among colleges in these programs. For example, the associate dean at the City College of San Francisco indicated that the college has used \$72,000 annually to fund the book loan program since 2001 and that because of increasing costs, a total of \$80,000 in annual contributions are currently needed to continue it. The director of the CSU Fullerton bookstore stated that although the rental program does generate revenue each semester, initially the program required funding from the nonprofit auxiliary that runs the bookstore, and the program breaks even on individual textbooks only in the second year of the two-year rental cycle.

Textbook cost savings from rental programs also rely on faculty's commitment to adopting textbooks for a minimum of two years, because typically, as was the case with the CSU Fullerton rental program, it takes from one to two years to break even on the initial purchase price. However, some faculty are not always willing or able to make that commitment. For example, CSU Fullerton's bookstore director stated that some faculty were initially resistant to committing to a textbook title for a fixed number of years because they felt such a commitment infringes on their academic freedom. Additionally, most part-time faculty have one-year employment contracts and thus cannot commit to a textbook title for multiple years, according to the director.

Student book exchanges may also offer opportunities for students to reduce their textbook costs. UC Davis, UC Berkeley, and DeAnza College reported hosting student book exchanges, operated by the associated students organization on each campus. Of the three campuses, UC Davis offered unique support to the program through the cooperation of the campus bookstore. According to the associated students' business manager, the UC Davis bookstore gives the book exchange access to its entire textbook-ordering database, which includes information on adopted textbooks and new and used textbook prices. Students at all three book exchanges are able to set their prices. However, faculty's decisions to adopt a different textbook, or the publishers' decisions to release new editions, play a role in the success of student book exchanges.

Student book exchanges may also offer opportunities for students to reduce their textbook costs.

CSU Long Beach is the only campus in the process of implementing a policy that requires faculty members to submit textbook adoptions by the deadline.

Of the campuses we reviewed, CSU Long Beach is the only one in the process of implementing a policy that requires faculty to submit textbook adoptions by the deadline. According to the CSU Long Beach academic senate chair (senate chair), the policy will go into effect in fall 2008, affecting the adoption of textbooks for the spring 2009 academic term. The senate chair explained that the policy is part of the Accessible Technology Initiative of the CSU system and seeks to ensure that students with disabilities have access to their instructional materials in a timely manner. According to the senate chair, because disabled students often require customized versions of textbooks that require extra time to create, such as a version in Braille, campus bookstores must receive textbook adoption information with enough lead time to ensure that the customizations are available on the first day of class. As an unintended benefit, the implementation of this policy may increase the campus bookstore's ability to obtain used books for all students and allow the bookstore to pay the maximum price to more students selling their textbooks at buyback.

The enforcement mechanism included in this policy may lead to significant improvements in faculty's compliance with adoption deadlines. The policy states that if a faculty member does not submit textbook adoption information by the deadlines, the responsibility to make the submission falls to others within the department, such as the department chair. Although the effectiveness of this requirement has yet to be tested, to the extent that the policy leads to increasing rates of timely adoptions, other campuses could implement similar enforcement mechanisms to improve the effectiveness of their bookstores' cost reduction strategies.

Recommendations

To ensure that faculty are aware of factors affecting textbook costs, UC, CSU, and the community colleges should issue guidance on the textbook adoption process. In developing this guidance, they should direct campuses to do the following:

- Communicate the provisions contained within recent state laws regarding textbook affordability to ensure that all faculty are aware of the existence of these laws and steps they can take to possibly reduce textbook costs.
- Advise faculty to submit their textbook adoption information to the bookstores by the due dates to make certain that the bookstores can obtain as many used books as possible and purchase books back from students at higher prices.

- Encourage faculty to consider price in the textbook adoption process and, without compromising the quality of the education students receive or the academic freedom of faculty, to consider adopting less costly textbooks whenever possible.
- Instruct faculty to consider adopting textbooks that are not bundled with supplementary products, unless all the components are required for the course.
- Advise campus bookstores to evaluate the feasibility of implementing cost-saving strategies, such as low-price guarantees and guaranteed buyback on certain titles, to the extent they have not already done so.
- Evaluate the feasibility of implementing book rental programs or student book exchange programs to the extent they have not already done so.

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Chapter 4

OPEN EDUCATIONAL RESOURCES AND CALIFORNIA STATE UNIVERSITY'S DIGITAL MARKETPLACE MAY ULTIMATELY HELP REDUCE TEXTBOOK COSTS

Chapter Summary

With the development and implementation of open educational resources and the Digital Marketplace, students at California's public colleges and universities could soon obtain free or relatively affordable educational materials. Offering no-cost, online educational content that is similar to that of traditional textbooks, open educational resources could change the ways in which instructors and students access instructional and research materials. The Digital Marketplace, a Web-based project conceived by California State University (CSU), would allow faculty to substitute digitized educational materials for traditional printed textbooks, and instructors could select either free or fee-based materials. The California Community Colleges (community colleges) support both initiatives, which are in the early stages of development, the University of California (UC) is in the process of collaborating with the community colleges to increase the use of open educational resources, and CSU is investing resources to advance the Digital Marketplace. If fully implemented, these strategies will likely change the role of campus bookstores and decrease textbook costs for students.

Success of these initiatives largely depends on the credibility of their educational content and faculty members' acceptance and adoption of these materials. This type of content is new to the academic arena, and some faculty we interviewed expressed reluctance to endorse it because they thought it might compromise the quality of students' educations. Further, most students responding to our survey who had purchased textbooks in digital format (e-books) in the past said they would not do so again because of the format's built-in limitations, including restrictions on the number of pages students can print. Additionally, California's three postsecondary educational systems need greater clarification of the course requirements for students intending to transfer between systems to ensure that other institutions accept the credits from courses using digitized educational content. If the two projects are successful, college students' increased use of open educational resources and the Digital Marketplace could result in cost savings and possibly enhance the accessibility of California's postsecondary institutions over the long term.

Community Colleges Recently Proposed Ways to Reduce Textbook Costs and Increase Faculty Awareness of Their Role in Textbook Pricing

Recently, community colleges have explored various avenues for reducing textbook costs for students and increasing faculty's awareness of their role in textbook pricing. As part of the community colleges' strategic plan implementation, the system office has been looking at access and affordability not only to increase the availability and the awareness of financial aid but also to lower educational costs, including the cost of textbooks. According to the vice chancellor of student services and special programs, there is consensus that textbooks have become a prohibitive cost for community college students, preventing access and hampering student success. This notion was confirmed through our student survey, which revealed that 34 percent of community college students took fewer units for an average of about three academic terms because of high textbook prices.¹¹ Some of these students noted that they tend to select their classes based on the number of required books and the prices associated with those books. Other students stated that the cost of their textbooks exceeded their tuition

costs. According to the responses we received, some community college students may be taking longer to achieve their academic goals than they otherwise would if textbook costs were not such a financial burden.

During the fall 2007 and spring 2008 academic terms, the system office of the community colleges joined with the Community College Committee of the California Association of College Stores to launch a systemwide effort to address textbook affordability by bringing together interested parties at a series of two textbook summits. As the text box shows, summit participants included representatives from various groups. The summit participants heard presentations from various stakeholders, including students, faculty, bookstore managers, and publishers. Also among the participants were proponents of open educational resources, which are teaching, learning, and research resources that reside in the public domain or have been released under intellectual property licenses that permit their free use by others. These presentations included

Groups Participating in the California Community Colleges' Summits

- Statewide academic senate
- Student senate
- State public interest research groups
- Campus chief executive officers
- Trustees
- Bookstore managers
- Librarians
- Publishers
- Wholesalers
- Faculty
- Campus's chief officers over business, instruction, and student services

Source: Summaries of the textbook summit meetings developed by the system office of the California Community Colleges.

¹¹ As we describe in the Appendix, any amounts or percentages related to student perspectives specified in this chapter are our estimates based on responses we received from students enrolled in the University of California, California State University, and the California Community Colleges systems in the fall 2007 academic term.

information regarding the used-textbook market, the importance of timely faculty textbook adoptions, and various long-term strategies like the Digital Marketplace—which we discuss later in this chapter—to reduce the cost of textbooks.

At the second summit meeting, participants collaborated to develop strategies to reduce textbook costs. Participants evaluated the value and feasibility of implementing potential strategies in the community college system using three criteria: the potential savings to students, the potential to improve student learning, and the feasibility and time frame for implementation. While strategies such as systemwide volume discounts on custom textbooks were deemed less feasible solutions, the promotion of open educational resources as well as the support of the community college systems' participation in CSU's Digital Marketplace were considered possibilities for the future.

In early May 2008, as a result of the summit meetings, participants compiled a list of 11 recommendations for consideration by the board of governors—the entity that sets policy and provides guidance for the community college system of 72 districts and 110 colleges. In May 2008 the board of governors approved the nine short-term and two medium- to long-term recommendations. Some of the short-term recommendations, such as implementing a textbook rental program and textbook adoption guidelines, are discussed in Chapter 3. According to the specialist for student services and special programs with the community colleges, the system office is currently working on strategies to implement these recommendations.

According to the action item presented to the board of governors, the short-term solutions fell into the category of those that could be implemented fairly easily but may be of limited usefulness in the future. For example, according to an analysis of the textbook cost reduction strategies prepared by summit participants, volume discounts from publishers on custom books that could be used throughout the community college system have the potential to provide students with a cost savings of roughly 40 percent on those books receiving the discount. However, although the action item indicated this would be one strategy that could be easily implemented, faculty we interviewed questioned the feasibility of doing so. Although the manager of the bookstore at City College of San Francisco suggested that faculty could leverage their buying power to negotiate lower prices on commonly adopted titles, several of the faculty we interviewed felt the strategy could limit their academic freedom.

The promotion of open educational resources as well as the support of the community college systems' participation in CSU's Digital Marketplace were considered possibilities for the future.

According to summit participants, to negotiate volume discounts on textbooks with publishers, faculty across the community colleges would have to consolidate their demands for textbooks into a few common titles for each class. The result would be lower-cost custom editions for the participating schools. However, according to the chair of biology at Grossmont College, that process would interfere with faculties' right to academic freedom. She also stated she could not imagine collaborative adoption ever happening in higher education. Further, the department chair of psychology at UC Berkeley explained that there are enough great scholars who will refuse to accept the approach to finding the "lowest common denominator" of quality, if it does not turn out to be the very best textbook, in their opinion. Thus, although some of the short-term recommendations arising from the summit meetings may prove to be more feasible than others, summit participants believe the two long-term recommendations are more likely to provide textbook cost reductions. These long-term goals could be realized through the exploration and implementation of open educational resources and the Digital Marketplace.

Open Educational Resources Could Provide Long-Term Cost Savings to Students

As part of its efforts to enhance textbook affordability, one long-term recommendation that the system office of the community colleges made to the board of governors in a May 2008 meeting was to "promote awareness, development, and adoption of free, open educational resources in the community colleges as alternatives to high-cost textbooks and learning materials." As we describe in the Introduction, to produce a traditional textbook, publishers must pay various costs such as author royalties, production, and development costs and, according to several publishers, these costs affect the final price of the textbook. Open educational resources can provide content similar to that of a traditional textbook in a paperless, online format. The William and Flora Hewlett Foundation, which is active in promoting open educational resources, defines them as teaching, learning, and research resources that reside in the public domain or have been released under intellectual property licenses that permit their free use or repurposing by others. Open educational resources include full courses, course materials, modules, textbooks, streaming videos, tests, software, and any other books, materials, or techniques used to support access to knowledge. According to a professor at DeAnza College who uses open educational resources in her classroom and participated in the summit meetings, these resources offer an alternative approach to content delivery, as well as the potential for improved student learning and long-term cost savings to students.

Open educational resources can provide content similar to that of a traditional textbook in a paperless, online format.

In an effort to increase awareness, interest, and demand for open educational resources, the California Public Interest Research Group—a 30-year-old advocacy group involved in textbook affordability research—participated in a joint campaign with other interested groups to develop a statement of intent for which they collected signatures from more than 1,000 professors and other faculty. By signing the statement, professors declared their intent to seek and consider open textbooks and other open educational resources when choosing their course materials, to give preference to low- or no-cost educational resources such as open textbooks over expensive, commercial textbooks if they best fit the needs of their classes, and to encourage institutions to develop support for the use of open textbooks and other open educational resources.

Open educational resources have also gained the attention of the Legislature. In February 2008 Assembly Bill 2261 was introduced which, if approved, would authorize the board of governors to establish a competitive grant pilot program to provide faculty and staff around the State with the information methods and instructional materials to establish open educational resource centers at community colleges. The program would enable community colleges to offer open educational resources to students instead of traditional educational materials. Grant recipients would develop open educational resources such as textbooks, videos, tests, and software that can be used or repurposed without fees or permissions. Grantees also would create a development course at the community colleges to introduce faculty, staff, and others to the concept, creation, content, and production of open educational resources. However, the effect this bill could have on reducing students' textbook costs is unknown because the bill was placed on suspense as of the beginning of August 2008.

According to its chancellor, the Foothill-DeAnza Community College District (Foothill-DeAnza) is at the forefront of the open educational resources movement on behalf of the community college system. In March 2008 the trustees of the William and Flora Hewlett Foundation approved \$10.1 million in open educational resource grants, including \$530,000 to Foothill-DeAnza to plan and pilot the Community College Open Textbook Project. The goal of that project is to identify, organize, and support the production and use of high-quality, accessible, and culturally relevant open textbooks for community college students. Foothill-DeAnza is joined in its efforts to promote open educational resources by 64 colleges in California; Maryland; Nevada; New York; Washington; and Ontario, Canada, as well as various public and private entities as part of the Community College Consortium for Open Educational Resources.

In March 2008 the trustees of the William and Flora Hewlett Foundation approved \$10.1 million in open educational resource grants, including \$530,000 to the Foothill-DeAnza Community College District to plan and pilot the Community College Open Textbook Project.

The chancellor of Foothill-DeAnza stated that open educational resources cannot be successful unless contributions from faculty and reviewers are supported through existing sabbatical and professional growth programs or specifically compensated if state funding becomes available in the future. She also emphasized that the shift from traditional learning materials to open educational resources involves a startup investment in the infrastructure to support and store the materials. With regard to California's role in open educational resources, the chancellor believes it is in the State's best interest not to compete with commercial publishers but to fund the creation and use of open educational resources through the existing budget process for the three systems. The chancellor stated that ownership of the open educational resources should reside with UC, CSU, and the community colleges and that they should be jointly charged with oversight. The chancellor also noted that in addition to increasing access to higher education, open educational resources could create revenue for the State by allowing more students to enroll full time and by streamlining and simplifying the articulation process—a process to develop a written agreement that identifies courses on a “sending” campus, such as a community college, that are comparable to, or acceptable, at a “receiving” campus, such as a UC or CSU.

CSU is engaged in a similar effort to expand free online learning materials. Specifically, in 1997, the CSU Center for Distributed Learning developed and provided free access to the Multimedia Educational Resources for Learning and Online Teaching (MERLOT). According to the MERLOT Web site, MERLOT is designed primarily for faculty and students of higher education and includes a searchable collection of peer-reviewed and selected online learning materials on business, mathematics, social science, and other subjects. As of July 2008, MERLOT had 27 partners and affiliates, including the community colleges, the University of Michigan, and Cornell University. MERLOT's strategic goal is to improve the effectiveness of teaching and learning by increasing the quantity and quality of peer-reviewed online learning materials that can be easily incorporated into faculty-designed courses.

According to staff in the UC office of the president, UC is also participating with the community colleges and CSU in an effort to create open courses, which include using open educational resources. The open courses are funded by UC, and the open educational resources aspect is funded by the William and Flora Hewlett Foundation. The first offering will be a statistics course that students enrolled in community colleges can take as well as students in high school. UC staff explained that the UC professor for this class has secured the rights to the textbook from the publisher, and the textbook will be freely available online.

Although open educational resources have received some faculty support, many faculty members are concerned that the content of this learning material may not be as credible as a traditional textbook, which typically undergoes a peer review process. For instance, the chair of the psychology department at UC Berkeley said he refused to sign the petition issued by the California Public Interest Research Group. After reviewing the example of online material for psychology, the chair indicated that he had never heard of the listed authors and that the material itself was abysmal. However, he acknowledged that open educational resources are still in the early phases of development and that they may improve to become a useful tool.

Further, participants in the community college summit discussed potential issues about the compatibility of open educational resources and the requirements of the articulation process. According to the president of the academic senate for community colleges, UC and CSU will not accept transfer credits for certain Web and online classes. However, he stated that the system office of the community colleges, the UC office of the president, and the CSU chancellor's office continue to refine articulation issues. Thus, as open educational resources is being developed as a possible long-term cost-saving strategy for students, the three systems need to clarify its impact on articulation requirements.

A CSU Task Force Identified Several Cost Reduction Strategies, Including the Digital Marketplace

In addition to open educational resources, the Digital Marketplace—a one-stop, Web-based service for selecting, contributing, sharing, approving, procuring, and distributing no-cost and cost-based academic technology products and services—is another long-term strategy in the beginning stages of development by CSU. At the beginning of 2007, the CSU Textbook Affordability Taskforce (task force), composed of students, faculty, campus bookstore managers, and administrators, was charged with advising executive vice chancellors within the chancellor's office on the implementation of effective measures to reduce the cost of textbook content for students. The work of the task force revolved around three key areas: identifying currently available low-cost alternatives from all major textbook publishers, considering new models with the potential to reduce textbook costs, and reviewing state legislation and other higher education system approaches to reducing textbook costs.

While some faculty are in favor of open educational resources, many faculty are concerned that the content of free, online learning materials may not be as credible as a traditional textbook, which typically undergoes a peer review process.

Recommendations of the CSU Textbook Affordability Taskforce

- Implement systemwide, campus-based showcases of cost-recovery strategies.
- Evaluate new models of textbook adoption and delivery.
- Monitor projects in the chancellor's office that are working toward improving accessibility and affordability of textbooks.
- Evaluate proposed legislation related to textbook affordability.

Source: August 2007 report by the California State University Textbook Affordability Taskforce.

To address these areas of interest, the task force issued a report in August 2007 that identified four potential models to reduce textbook costs. The models are described in Table 12. Additionally, the report made four specific recommendations listed in the text box. Intended for consideration by the CSU chancellor's office, the recommendations focused on changing policies and practices and implementing tools and services to enable faculty and students to choose and use the best and most affordable content to achieve the intellectual and academic goals of a CSU education.

Recently, the senior director of academic technology services for CSU (senior director), who is responsible for implementing the Digital Marketplace project, stated that the chancellor's office is certainly investing resources in the development of the Digital Marketplace. However, the senior director added that the chancellor's office is taking deliberate steps based on the four recommendations in the task force's report. According to the senior director, in May 2007 and again in January 2008 at presentations at CSU San Jose, the chancellor's office provided updates on commercial textbook solutions that enable customization, digital delivery, and richer educational features at lower costs than traditional textbooks. The senior director also indicated that the chancellor's office holds bimonthly meetings with four textbook publishers—John Wiley & Sons, Inc.; Pearson Education; Cengage Learning; and Bedford, Freeman & Worth Publishing Group—to discuss new business models with Digital Marketplace work groups.

According to the senior director, although the chancellor's office has been in the process of developing the Digital Marketplace since 2001, it is still in the early development stages. To provide a clearer definition of what this program will entail, the senior director stated that the Digital Marketplace will be a centrally maintained system administered by individual campuses containing free content as well as fee-based content for faculty to access and adopt as the educational materials they will use in their courses. Free content will include open educational resources; open access; journal articles; and faculty-developed lecture notes, exams, and problem sets among other materials. He also indicated that fee-based content will consist of full textbooks and single chapters in digital format as well as other digitized educational material. Using this system

Table 12
Potential New Models to Reduce Textbook Costs Identified by California State University’s Textbook Affordability Taskforce

MODEL AND DESCRIPTION	KEY FEATURES	POTENTIAL LIMITATIONS
<p>Model 1—Licensing Fee</p> <p>In this approach, the California State University (CSU) would collect a licensing fee for the intellectual property contained in each textbook. This fee would go to the publisher and buy students the right to an electronic version of the course material. For those students who wish to have a hard copy of the text, publishers would agree to sell a customized (often abbreviated) version of the book to campus bookstores at close to cost.</p>	<ol style="list-style-type: none"> 1. Publishers would be able to earn money from the licensing fee rather than from the print version of the text, and the economic benefit of text revision would be eliminated. 2. Students would pay the licensing fee as part of their college costs, and this fee would be tax-deductible and could be eligible for financial aid. 3. Cost to students could potentially be 40 percent to 60 percent lower than the costs for traditional textbooks. 	<p>All students, not simply those who choose to purchase the book, would have to pay for the course materials.</p>
<p>Model 2—Revenue Sharing</p> <p>This model entails the publishers selling rental textbooks to the bookstore at a greatly reduced price (or possibly retaining ownership of the book and not charging the bookstore anything). The bookstore would in turn share with the publisher the revenue received from renting the text. Some compare this approach to industries such as video rentals.</p>	<ol style="list-style-type: none"> 1. Cost reductions of 40 percent to 60 percent may be possible. 2. The bookstore would not have to tie up as much capital to procure the books for a self-financed rental program. 	<p>The student would lose access to the book at the end of the rental period.</p>
<p>Model 3—Quantity Discounts</p> <p>Many publishers offer quantity discounts to “for profit” universities in which the university purchases a text directly from the publisher, and the cost of the books is included in the student fees. Although this model does not entail CSU’s purchasing books for classes, it may be possible for CSU to use its leverage as the largest system of higher education in the nation to negotiate quantity discounts for titles that are widely used in the system. CSU could make faculty aware that preferred textbook providers have agreed to offer a discount to the system.</p>	<ol style="list-style-type: none"> 1. For such a model to be legal, CSU may need to buy the text centrally for the entire system, or the book may need to be a custom CSU edition. 2. This approach could lower the cost of text material. However, ascertaining the amount of this model’s cost savings is difficult right now because CSU would need to negotiate costs with publishers. 	<p>It is unclear whether faculty across the system would cooperate enough on book selection to make the model attractive to publishers. Additionally, in developing such a model, CSU and publishers would have to be careful to not violate certain laws.</p>
<p>Model 4—Systemwide Purchase</p> <p>Under this approach, the campus or system contracts with a publisher to make available all educational materials at a single price. Student users are then charged a fee to cover all instructional material costs. Two current CSU initiatives could lend support to this model—the Electronic Core Collection (ECC) and the Digital Marketplace. Currently, CSU libraries cooperatively select and centrally support ECC for all 23 campuses. The ECC is a collection of a wide range of electronic databases and journals, and there may be an opportunity to emulate the ECC and collaboratively define an ECC for textbook content. CSU could leverage its staff’s expertise to extend current publisher contracts to include licensing arrangements for textbook content. In addition, bookstores and possibly the Digital Marketplace could be the supportive technical infrastructure for the delivery of digital and printed textbook content.</p>	<ol style="list-style-type: none"> 1. Those who wish to use the content would bear the cost of such materials. 2. Such a system can result in significant cost savings to students; however, ascertaining the amount of such savings is difficult at this time. 	<p>It is unclear whether faculty across the system would cooperate enough on book selection to make the model attractive to publishers.</p>

Source: *Report of the California State University Textbook Affordability Taskforce: Improving Access and Reducing Costs of Textbook Content*, August 2007.

The Digital Marketplace would allow publishers to provide educational content directly to students, bypassing the campus bookstore as a textbook retailer and eliminating the bookstore's markup on textbooks.

or Web site, faculty will be able to select both free and fee-based digitized content for their courses, and students will no longer be required to purchase printed textbooks. Finally, the senior director also pointed out that CSU's electronic library resources (which includes licensed journal articles) will be available through the Digital Marketplace; these resources are "free" for campus patrons, such as students and faculty, to access and use, but CSU libraries have to pay for them.

Students also will be able to log on to the Web site to purchase the fee-based content and obtain the free materials at their own discretion. For instance, for a calculus course, students will be able to choose to purchase only one chapter of the textbook—for a small fee—if they are already familiar with the remaining content or if the entire book will not be covered in the course. Further, according to the senior director, the Digital Marketplace will provide an easy-to-use direct-to-faculty and direct-to-student distribution channel for publishers to sell their digital resources. He anticipates that each campus will be able to customize their Digital Marketplace services to meet their individual needs. Thus, it will allow publishers to provide educational content directly to students, bypassing the campus bookstore as a textbook retailer and eliminating the bookstore's markup on textbooks.

According to the senior director, the chancellor's office is in the process of launching a pilot project for introductory biology courses at CSU San Bernardino, and student testing of the program is scheduled to begin in the fall of 2008. Additionally, the chancellor's office has a formal memorandum of understanding with the community colleges that communicates the two systems' desire to work cooperatively on the Digital Marketplace project. The senior director indicated that his team will be hosting a prototype for the Digital Marketplace at Butte Community College and will be working with San Bernardino Community College as well during the summer of 2008. He also said his team plans to work with faculty, students, librarians, and staff from the disabled students center at CSU San Bernardino to test various components of the pilot, including determining whether the Digital Marketplace will be easy for faculty to use and how accessible it is for library staff and students, including disabled students.

However, according to the senior director, despite its efforts to involve a broad base of CSU participants, the chancellor's office understands that faculty have diverse opinions of technology. Thus, one of the challenges confronting the Digital Marketplace is faculty resistance to digital teaching resources. For example, the chair of the English department at CSU Long Beach explained that the CSU system invested heavily in a distance-learning program in the early 1990s that was similar to the Digital Marketplace. Over

a period of six years, this professor worked with other faculty members to preview 200 books, programs, and texts. Faculty also used the program in their classes, assigning and grading homework online and responding to students' questions using interactive chat boards on the Internet. In her experience, there was an initial period during which faculty were enthusiastic; however, faculty lost interest after two semesters. The English department chair explained that the loss of interest was largely a result of the amount of work the program entailed, as online grading and interactive chat boards were not as effective or efficient as faculty had once thought. While the chair's concerns are valid, it is important to note that the Digital Marketplace would serve as an online marketplace where students and faculty could access learning material in addition to an interactive learning forum with online grading programs and chat boards.

To address faculty resistance, according to the senior director, the chancellor's office contracted with an outside entity to facilitate focus groups with chancellor office representatives participating to better understand faculty concerns. The contractor also developed the *California State University Digital Marketplace Faculty Use Case Report* on the same issue. Further, the senior director estimates that all campuses will be participating in the Digital Marketplace, to some extent, within the next four to five years. He also explained that over the next few years, numerous faculty members will retire, and the new faculty members replacing them will expect to have information available to them digitally.

Beyond faculty usage, the senior director described how the success of the Digital Marketplace partly depends on its reception by current and future college students. As discussed in Chapter 2, the results from our student survey suggest that current college students prefer to read printed material, and the few copies of e-books available at campus bookstores do not sell well. Thus, resistance from students as well as faculty may pose continuing obstacles for the implementation of the Digital Marketplace. In contrast, CSU believes that digital educational content will be accepted by younger generations. Known as digital natives, students currently in junior high and high school have been raised on the Internet, and the chancellor's office is assuming that the digital delivery of educational material will be more engaging to them, they will expect it as part of a contemporary education, and it will probably prove more effective for them in numerous circumstances. The senior director also stated that the assessment and evaluation of the digital delivery of educational materials must be part of the design and implementation of the Digital Marketplace.

While CSU believes that digital educational content will be accepted by younger generations, the results from our student survey suggest that current college students prefer to read printed material.

While the transition to a Digital Marketplace may be detrimental to the traditional business model of campus bookstores, students could benefit on many levels.

Another concern from the campus perspective is that the Digital Marketplace has the potential of changing the textbook market completely because it could eliminate the role of the campus bookstore. According to some bookstore managers, the Digital Marketplace will effectively reduce or eliminate their role as a textbook retailer. For instance, the bookstore manager at CSU Chico raised concerns about the Digital Marketplace and the chancellor's office's intentions. For example, he told us that some individuals have said that the Digital Marketplace could be offered nationally to other campuses at a fee and thus might increase revenues for the chancellor's office. On the other hand, the senior director of academic technology services from the chancellor's office commented that the bookstore business would change to accommodate the change in the textbook market. He suggested that once the Digital Marketplace is implemented, bookstores could shift their focus to meeting the increased need for print-on-demand services and other forms of customer service, rather than selling textbooks. The senior director added that online marketplaces like Amazon.com and eBay are already a large threat to bookstores and that the bookstore business will change because the world is changing, not specifically because of the Digital Marketplace. While the transition to a Digital Marketplace may be detrimental to the traditional business model of campus bookstores, students could benefit on many levels. Not only would students be able to purchase educational materials with some discretion, but they also would not have to pay the additional markup costs that the bookstores charge on textbooks. Rather, students would be purchasing materials directly from the publisher.

Finally, some players in the textbook industry expressed concerns related to the credibility of the information used through open educational resources or the Digital Marketplace. For instance, the director of the San Mateo County Community College district's bookstores worried that making open educational resources freely available would prompt regulation and review issues. He suggests that the best options for students to save money on textbooks are to purchase them used or to participate in rental programs. The senior vice president of Nebraska Book Company—one of the largest textbook wholesalers in the nation—is also concerned about the credibility of information provided by the Digital Marketplace and further noted that, according to his company's research, current college freshman and digital natives do not respond well to this type of online instructional material. Further, the senior vice president indicated that Nebraska Book Company is collaborating with five other wholesalers to advocate the value of used textbooks as a marketplace solution to textbook affordability.

Thus, although the Digital Marketplace and open educational resources may be viable long-term strategies for reducing textbook prices, some stakeholders still believe that the used-textbook market is a student's best option for acquiring less expensive textbooks. For the Digital Marketplace and open educational resources to gain a foothold and become effective tools for teaching and learning at UC, CSU, and the community colleges, the three systems need to convince faculty of the credibility of their educational content and get buy in from students that digital content can effectively meet their needs: providing a quality education at an affordable price.

Recommendations

To ensure that courses taught by faculty whose main instructional materials are open educational resources meet the articulation requirements for students who transfer to the UC and CSU systems, faculty and the system offices at the UC, CSU, and community colleges should collaborate to develop acceptable standards and policies related to content, currency, and quality of these alternative instructional materials.

The system offices of UC, CSU, and the community colleges should continue taking steps to promote awareness, development, and adoption of open educational resources as alternatives to textbooks and other learning materials.

CSU should continue its efforts to develop, implement, and promote awareness of the Digital Marketplace. While doing this, CSU should monitor any resistance from students and faculty to ensure that the digital education content aligns with their needs and preferences.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of the report.

Respectfully submitted,



ELAINE M. HOWLE
State Auditor

Date: August 12, 2008

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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at (916) 445-0255.

Appendix

SURVEY RESPONSES FROM STUDENTS ENROLLED IN THE UNIVERSITY OF CALIFORNIA, CALIFORNIA STATE UNIVERSITY, AND THE CALIFORNIA COMMUNITY COLLEGES

Table A on the following pages shows the responses we received to a survey of part-time and full-time students enrolled in the University of California (UC), California State University (CSU), and the California Community Colleges (community colleges). To distribute the survey, we obtained from the system offices of UC and CSU a random sample of e-mail addresses for students enrolled in the fall 2007 academic term. The sample was large enough to yield statistically valid results. Because the system office of the community colleges does not have records of students' e-mail addresses, we contacted the presidents of each college to identify whether they maintained records of students' e-mail addresses. Although some colleges did not maintain such records and other campuses did not provide us with a response within the designated time frame, we obtained listings of e-mail addresses from 18 of the 110 colleges. As a result, we distributed the survey to roughly 10,600 students enrolled in each system for a total of about 31,800 students.

We analyzed responses from 1,753 UC students, 1,275 CSU students, and 382 community college students, for a total of 3,410 responses. This analysis excluded responses from students who either did not fully complete the survey or did not complete any courses in the fall 2007 academic term, as well as responses from e-mail addresses to which we did not distribute the survey. Further, because some students responded to our survey more than once, we included only the first complete survey response we received from each student and excluded subsequent submissions. Based on the number of responses we received from students within each of the three systems, our statistical expert calculated the margin of error to determine how precisely the responses we received represent the feelings of all students enrolled in each of the three systems. Generally, the margin of error for the UC survey is plus or minus 2.33 percent and plus or minus 2.71 percent for the CSU. The margin of error for the community colleges survey is plus or minus 4.93 percent. The margins of error are higher for results that are based on a smaller number of responses.

After we concluded that we received a statistically significant response rate from students at each of the three systems, as determined by our statistical expert, we compiled and analyzed the results that are presented in the Appendix. For questions that required numeric responses, we presented the average for students

enrolled in each system. Results for questions 7 and 9, related to textbook expenses and refunds for full-time and part-time students, were calculated by multiplying the amounts students reported for the fall 2007 academic term by the total number of terms for the 2007–08 school year at each campus. Table A presents this information by average for each system.

Table A
Survey Responses From Students Enrolled in the University of California, California State University, and California Community Colleges Systems

QUESTION	UNIVERSITY OF CALIFORNIA (1,753 STUDENT RESPONSES)	CALIFORNIA STATE UNIVERSITY (1,275 STUDENT RESPONSES)	COMMUNITY COLLEGES (382 STUDENT RESPONSES)
1 For fall 2007, how many courses did you complete?*	4	4	3
2 For fall 2007, how many units did you complete?*	15	14	11
3 For your fall 2007 courses, did you buy all the textbooks that were required?			
Yes	85%	88%	90%
No	15%	12%	10%
4 If you did not buy everything that was required, what did you do? CHECK ALL THAT APPLY:			
I borrowed or shared with a friend/classmate.	61%	56%	43%
I used the reserve copy of the textbook in the library.	46%	25%	43%
I did not use the textbook at all.	35%	56%	25%
Other	19%	18%	25%
5 If you did not buy everything that was required, what impact did this have on your experience and performance in the courses?			
Studying/preparing for class meetings, assignments and tests:			
A big impact	27%	31%	40%
A small impact	49%	45%	42%
No impact	21%	24%	15%
No response	3%	0%	3%
Academic performance in the course (i.e., your grade in the course):			
A big impact	14%	20%	37%
A small impact	48%	40%	30%
No impact	35%	40%	30%
No response	3%	0%	3%
How much you learned from the course:			
A big impact	18%	13%	27%
A small impact	46%	50%	45%
No impact	33%	37%	25%
No response	3%	0%	3%
6 For your fall 2007 courses, what strategies did you use for buying textbooks? CHECK ALL THAT APPLY:			
Bought new books at the campus bookstore.	67%	61%	61%
Bought used books at the campus bookstore.	69%	76%	61%
Bought books online (from sources other than the campus bookstore's Web site).	40%	40%	30%
Bought books to share with a friend/classmate.	12%	9%	7%
Bought the electronic version of a book.	3%	2%	5%
Bought books directly from other students.	12%	8%	4%
Rented books through an on-campus rental program.	1%	2%	0.26%
Other	12%	13%	12%

QUESTION	UNIVERSITY OF CALIFORNIA (1,753 STUDENT RESPONSES)	CALIFORNIA STATE UNIVERSITY (1,275 STUDENT RESPONSES)	COMMUNITY COLLEGES (382 STUDENT RESPONSES)
7 Please estimate how much you spent on textbooks for your fall 2007 courses. PLEASE PROVIDE AN ESTIMATE FOR TEXTBOOK PURCHASES ONLY, TO THE NEAREST WHOLE DOLLAR.			
Full-time students (average, annual amount) [†]	\$905	\$812	\$692
Part-time students (average, annual amount) [†]	\$804	\$583	\$401
8 For your fall 2007 courses, what did you do after the term with the textbooks you had purchased? CHECK ALL THAT APPLY:			
Kept the books for future courses/study/reference.	72%	62%	62%
Kept books because I could not sell them back.	49%	47%	38%
Sold books back through the campus bookstore.	32%	49%	28%
Sold books online (through sources other than the campus bookstore's Web site).	11%	10%	8%
Sold books directly to other students.	10%	7%	2%
Other	8%	8%	10%
9 If you sold any of your fall 2007 textbooks, how much did you receive?			
Full-time students (average, annual amount) [†]	\$171	\$171	\$142
Part-time students (average, annual amount) [†]	\$185	\$152	\$132
10 When did you first become aware that the on-campus bookstore will buy textbooks back from students at the end of each term?			
Before or during my first year	95%	92%	88%
During my second year	3%	5%	7%
During my third year	1%	1%	1%
During my fourth year	0.11%	0.47%	0.26%
I was not aware that the on-campus bookstore will buy textbooks back from students	1%	2%	3%
11 Have you ever purchased an electronic textbook (e-book)?			
Yes	12%	13%	11%
No	88%	87%	89%
12 If you have purchased an e-book, why? CHECK ALL THAT APPLY:			
The e-book(s) cost less than the printed version of the textbook(s).	43%	49%	42%
My professor required the electronic version of the textbook(s).	53%	51%	49%
The printed version of the textbook(s) was unavailable.	17%	7%	2%
I prefer to study/read material in an electronic format.	5%	6%	19%
I can easily carry my e-book(s) with me on my laptop.	11%	14%	28%
I can easily access my e-book(s) online.	13%	15%	30%
I thought I would try it out.	19%	19%	21%
Other	11%	6%	21%
13 If you have purchased an e-book, would you do it again?			
Yes	46%	57%	63%
No	52%	42%	35%
No response	2%	1%	2%
14 If you would not purchase another e-book, why not?			
I can't sell e-book(s) back at the end of the term.	54%	48%	60%
I prefer to study/read material in print.	87%	84%	87%
I could not reference an e-book in class because I do not own a laptop.	11%	13%	40%
I could not carry my e-book(s) with me to study because I do not own a laptop.	10%	13%	60%
Access to (some) e-books expires after the term is over.	52%	43%	53%
Other	10%	9%	33%
15 If you have not purchased an e-book, why not?			
I can't sell e-books back at the end of the term.	17%	17%	12%
My professor required the print version of the textbook.	18%	25%	25%
My required textbooks have not been available in an electronic format.	52%	47%	37%
I prefer to study/read material in print.	68%	62%	52%
I could not reference an e-book in class because I do not own a laptop.	5%	12%	16%

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QUESTION	UNIVERSITY OF CALIFORNIA (1,753 STUDENT RESPONSES)	CALIFORNIA STATE UNIVERSITY (1,275 STUDENT RESPONSES)	COMMUNITY COLLEGES (382 STUDENT RESPONSES)
I could not carry my e-books with me to study because I do not own a laptop.	8%	14%	19%
Access to (some) e-books expires after the term is over.	13%	13%	12%
Other	13%	15%	23%
16 Which of the following resources do you use to cover the cost of attending college (tuition and fees, textbooks and supplies, room and board, transportation, and other expenses)?			
Grant or scholarship funds	52%	46%	28%
Student loan funds	43%	39%	9%
Help from parent or relative	76%	52%	47%
Earnings from a part-time job	52%	53%	38%
Earnings from a full-time job	4%	17%	27%
Other	4%	9%	14%
17 How concerned are you about being able to cover the cost of attending college (tuition and fees, textbooks and supplies, room and board, transportation, and other expenses)?			
Extremely concerned	42%	55%	46%
Very concerned	27%	25%	31%
Somewhat concerned	24%	16%	15%
Not concerned at all	7%	4%	8%
18 How big a concern is the cost of textbooks, specifically?			
A big concern	58%	75%	73%
Somewhat of a concern	38%	23%	21%
Not a concern	4%	2%	6%
19 Have you ever been required to purchase textbooks that have not been used during the course?			
Yes (If Yes, please estimate the number of courses in which some required textbooks have not been used)*	40%	69%	47%
First-year student	2	2	2
Second-year student	3	3	3
Third-year student	3	4	4
Fourth-year student	4	4	3
Fifth-year (or more) student	4	5	4
No	60%	31%	53%
20 Have you ever had to purchase additional items because they were bundled with a required textbook, (such as CD ROMs, workbooks, and pass codes for access to online material) that were not used during the course?			
Yes (If Yes, please estimate the number of courses in which some bundled items have not been used)*	74%	75%	69%
First-year student	2	2	2
Second-year student	3	3	3
Third-year student	3	4	3
Fourth-year student	4	4	3
Fifth-year (or more) student	5	5	3
No	26%	25%	31%
21 Have differences in the textbook costs for various majors affected your ultimate choice in major?			
Yes	6%	7%	11%
No	94%	93%	89%
22 Has the cost of textbooks caused you to take fewer units during one or more terms?			
Yes	16%	24%	34%
No	84%	76%	66%
23 If Yes, please enter the NUMBER OF TERMS during which you decided to take fewer units.*			
First-year student	1	2	2
Second-year student	2	2	3
Third-year student	2	2	3

QUESTION	UNIVERSITY OF CALIFORNIA (1,753 STUDENT RESPONSES)	CALIFORNIA STATE UNIVERSITY (1,275 STUDENT RESPONSES)	COMMUNITY COLLEGES (382 STUDENT RESPONSES)
Fourth-year student	3	2	4
Fifth-year (or more) student	3	3	4
24 Have you ever filed a complaint against your instructor or school on issues related to textbooks (such as price or bundling practices)?			
Yes	4%	4%	3%
No	96%	96%	97%
25 What is your current class level?			
First-year student	27%	15%	27%
Second-year student	24%	15%	42%
Third-year student	24%	25%	15%
Fourth-year student	20%	23%	4%
Fifth-year (or more) student	5%	22%	12%

Source: Students responses to the Bureau of State Audits' survey distributed to about 31,800 students enrolled in California's three postsecondary educational systems during the fall 2007 academic term.

* These numbers represent an average of all the student respondents.

† We considered a student full-time if he or she completed 12 or more units for fall 2007.

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(Agency response provided as text only.)

University of California
1111 Franklin Street
Oakland, California 94607-5200

July 24, 2008

Ms. Elaine M. Howle
State Auditor
Bureau of State Audits
555 Capital Mall, Suite 300
Sacramento California 95814

Dear Ms. Howle:

Thank you for the opportunity to review and comment on the audit report, *Affordability of College Textbooks: Textbook Prices Have Risen Significantly in the Last Four Years, but Some Strategies May Help to Control These Costs for Students*. This thorough assessment does much to illuminate for the legislature and others the complexity of the issues in the publishing industry, the multiple options available to students, and the array of the University of California's (UC's) efforts to contain this element of our students' overall cost of education. We agree with the recommendations and believe they will be helpful, especially in terms of ensuring that we are employing the most successful strategies throughout the University.

We recognize that the broader question of overall affordability of higher education was not within the scope of this audit, but we would like to take this opportunity to put the issue of the increasing price of textbooks into this broader context, since textbook costs are just one component of the overall costs students face.

It is important to recognize the role that financial aid plays in mitigating all of students' educational costs, including the cost of textbooks. An allowance for books and supplies (\$898 for 2008-09), based on the actual average spending patterns students report, is included in the expense budgets used for determining aid eligibility and constitutes about 4 percent of students' total educational costs. The University has one of the nation's premier university financial aid programs, which takes into account the family income of the student and the total cost of attendance and provides low-income students upwards of \$13,000 in scholarships and grants--more than the combined costs of their fees and books and supplies. Two different surveys, CSAC's SEARS surveys and UC's own Cost of Attendance Survey, indicate that low-income students do not spend less on books and supplies than higher income students.

Without diminishing the report's finding that the prices of new textbooks at campus bookstores have increased by 28 percent over the last three years, it should also be noted that such increases have not translated into increases of corresponding magnitude in the actual costs that students report spending on their books and supplies. In general, students report spending significantly less for their books and supplies than the price campus bookstores charge for the new textbooks required for their courses. The BSA survey is very helpful in providing information about the strategies students are using. Most notably, 69 percent of UC students reported buying used textbooks; 32 percent reported selling back their textbooks at the end of the term; and 40 percent reported purchasing textbooks on-line at discounted prices.

Ms. Elaine M. Howle
July 24, 2008
Page 2

These strategies have worked to keep down increases in UC students' actual spending on textbooks. Both CSAC's SEARS surveys and UC's own Cost of Attendance Survey indicate that actual spending on books and supplies increased on average by 3.2 percent per year in nominal dollars between 1996-97 and 2006-07.

As the report recognizes, UC has employed many strategies to ensure that textbooks are available and affordable to our students. The recommendations in the report will help further these efforts and leverage certain effective strategies more fully across the University. We accept the premise of all of the recommendations, and in the coming months, as we provide follow-up responses, you will see that we are continuing to do everything reasonably within our power to hold down textbook costs, as but one element of our overall efforts to keep UC affordable for our students.

With best wishes, I am,

Sincerely,

(Signed by: Mark G. Yudof)

Mark G. Yudof
President

(Agency response provided as text only.)

California State University
Office of the Chancellor
401 Golden Shore
Long Beach, CA 90802-4210

Ms. Elaine M. Howle*
California State Auditor
Bureau of State Audits
Capital Mall, Suite 300
Sacramento, California 95814

Dear Ms. Howle:

The California State University (CSU) appreciates the time and effort dedicated by the Bureau of State Audits (BSA) to the review of textbook affordability at all three segments of higher education in the state. In addition, the CSU appreciates the comprehensive consultation and consideration of the BSA in recognizing and articulating the complex issues of textbook affordability.

The audit recommendations will assist the CSU in monitoring the cost of textbooks and support the existing efforts of the California State University to find open resource alternatives for students. Please do not hesitate to contact me if you have questions.

With kind regards,

Sincerely,

(Signed by: Charles B. Reed)

Charles B. Reed
Chancellor

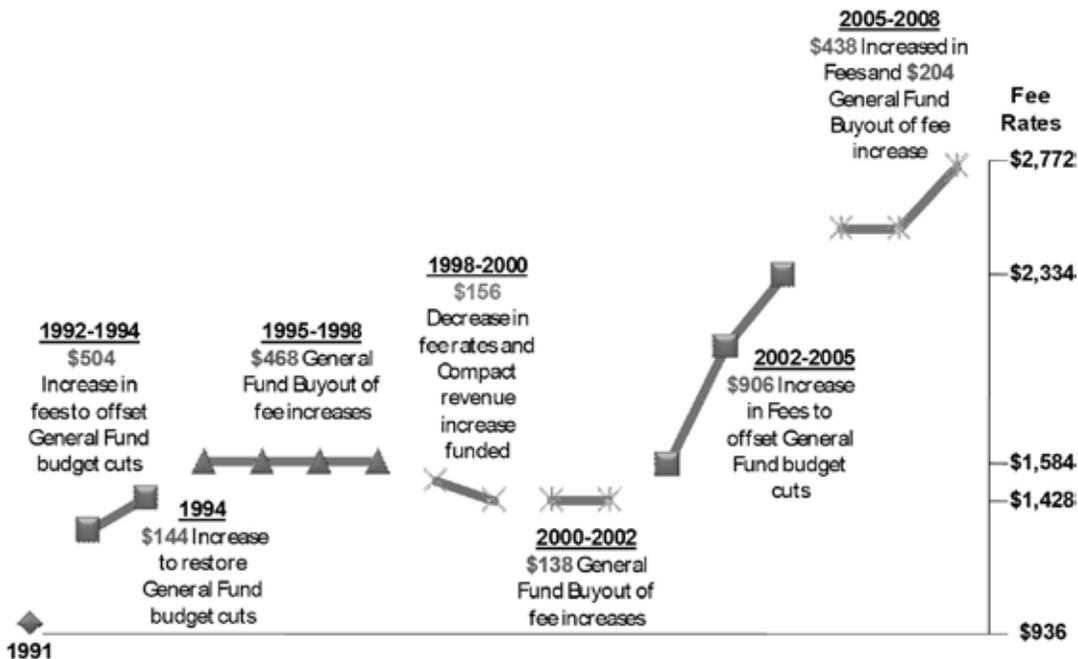
* California State Auditor's comment appears on page 95.

California State University Response to the Bureau of State Audits Report on Textbook Affordability

Overview

We have reviewed the draft report and offer some additional facts to clarify the impact of state funding reductions, student fee increases, and financial aid programs.

There is much emphasis in the overview about how students' sensitivity to textbook prices is exacerbated due to increased fee rates within each of the higher education segments. It is important to put fee rate increases in the context of reduced state support for California's higher education systems. The realities of the state budget have changed dramatically since the Master Plan for Higher Education was adopted in 1960. In the last 15 years, based on the amount of General Fund revenue allocated to the California State University (CSU) by the Governor and legislature, fee levels have been very erratic. For instance, in the 1990's, there was an eight-year period where there was no increase in student fees; and for two years in a row, undergraduate fees were reduced by 5 percent each of those years. Earlier this decade, student fees increased dramatically to partially mitigate reductions that resulted in the loss of \$522 million to CSU as a result of California's fiscal crisis. In the last three years, student fees, on average, have increased by a modest 6 percent per year. Even though fees have risen over the last 15 years, 81.3% of total fee increases since 1992 have been used to offset or restore General Fund budget cuts at CSU. The following chart demonstrates the erratic nature and reasons for fee increases and decreases.



The highs and lows of the state economy have greatly affected state General Fund allocations to the CSU, and the resulting rollercoaster in fee rates does make it difficult to plan for the expense of attending college in California.

As fee rates have increased, the CSU has worked diligently to ensure that needy students have not been affected by the additional cost. In 2006-07 (the most recent year for which data is available), 47% of all CSU students received need-based financial aid. Recent fee increases have been offset dollar-for-dollar for 59,000 students receiving Cal Grants and 111,000 students receiving the CSU State University Grants (SUG). Seventy-four percent (74%) of all need-based financial aid recipients have not paid any fee increase, and 26% of the remaining need-based recipients are offered loans and employment to offset fee increases. Not only has the amount of financial aid increased, Cal Grant and SUG aid as a percent of the total financial aid package is increasing, while loans as a percent of total aid are decreasing. All students receiving financial aid have an allocation included in their budget for books and supplies.

The review of publishing house practices usefully overviews the economics that help to explain frequency of textbook revisions, the “bundling” of various media with textbooks, and the apparent impact that used books have on both. CSU recognizes that various experiments in the sale of e-books appear to limit their embrace by students, including limitations on printing, and time-limited access. We are hopeful that e-books may yet prove to be a mode of content provision that students will find attractive both as to the format and the price of the material.

CHAPTER ONE: RISING TEXTBOOK PRICES PROMPT STUDENTS TO USE DIVERSE METHODS TO LIMIT COSTS

To increase awareness and transparency about the reasons why campus bookstores add significant markups to publishers’ invoice prices for textbooks, the UC, CSU, and the community colleges should consider requiring their campuses to do the following:

RECOMMENDATION: Reevaluate bookstores’ pricing policies to ensure that markups are necessary to support bookstore operations. If the campuses determine that bookstore profits are needed to fund other campus activities, the campuses should seek input from students as necessary to determine whether such purposes, particularly if they result in higher textbook prices, are warranted and supported by the student body.

CSU RESPONSE: While campus bookstores provide an essential service to their campuses, they are highly capital intensive. The costs of providing the infrastructure for selling textbooks as well as the requirement that a campus bookstore offer all texts required by a campus’s faculty results in a business that must markup its inventory, including textbooks, to cover its costs. Bookstores generally apply a higher margin to their general merchandise and trade books than they apply to textbooks. The business is highly competitive, and for the most popular texts, students do have alternatives; so campus bookstores cannot afford to markup textbooks in such a manner that they are placed in a non-competitive position. The CSU now self-operates less than half its bookstores, with the majority now operated by companies like Follett and Barnes & Noble. These commercial operators, who are under contract to a campus auxiliary organization, have economies of scale in textbooks that the individual campus, self-operated bookstores have difficulty achieving. Nevertheless, they are subject to the same competitive pressures as are campus self-operated bookstores, so they must maintain textbook margins that keep their prices competitive. Often textbook margin is dictated by their contract with the auxiliary. Since auxiliary organizations are required to include students in the voting membership of their governing boards, representatives of the student body are included in the review and decisions regarding how any net revenues of an auxiliary organization, and by extension a campus bookstore, are spent.

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RECOMMENDATION: Direct bookstores to publically disclose on an annual basis any amounts that they use for purposes that do not relate to bookstore operations, such as contributions they make to campus organizations and activities.

CSU RESPONSE: Campus bookstores, whether self-operated or commercially operated, typically exist within a campus auxiliary organization. All auxiliary organizations are chartered as non-profit, public benefit corporations, and are subject to Attorney General oversight. Campus auxiliary organizations are formed under statutory authority in the Education Code, with written agreements to provide functions that contribute to the educational mission of their campuses, be it in services or financial support to the students and greater campus community. Campuses may not subsidize auxiliary organizations or their bookstores with campus funds. Those auxiliary organizations are required to have independently audited financial statements prepared annually, and the sources of revenues, expenses, and uses of any net revenues are spelled out in those financial statements. The disclosure of any net income from bookstore operations will be contained in those statements, and additional disclosures of contributions from bookstore operations to campus organizations and activities would be repetitive. Nevertheless, CSU will review with campus bookstores a mechanism for more explicit disclosure of contributions.

CHAPTER THREE: VARIOUS TACTICS PUBLISHERS USE APPEAR TO LESSEN THE EFFECTIVENESS OF THE USED TEXTBOOK MARKET

To ensure that faculty members are aware of factors affecting textbook costs, the UC, CSU, and the community colleges should issue guidance on the textbook adoption process. In developing this guidance, they should direct campuses to do the following:

RECOMMENDATION: Communicate the provisions contained within recent state laws regarding textbook affordability to ensure all faculty are aware of the existence of these laws and steps they can take to possibly reduce textbook costs.

RECOMMENDATION: Advise faculty members to submit their textbook adoption information to the bookstores by the due dates to make certain that the bookstores can obtain as many used books as possible and purchase books back from students at higher prices.

RECOMMENDATION: Encourage faculty to consider price in the textbook adoption process and to the extent it does not compromise the quality of education students receive or the academic freedom of faculty, to consider adopting less costly textbooks whenever possible.

RECOMMENDATION: Instruct faculty to consider adopting textbooks that are not bundled with supplementary products, unless all of the components are required for the course.

RECOMMENDATION: Advise campus bookstores to evaluate the feasibility of implementing cost-saving strategies, such as low-price guarantees and guaranteed buyback on certain titles, to the extent they have not already done so.

RECOMMENDATION: Evaluate the feasibility of implementing book rental programs or book exchange programs to the extent they have not already done so.

CSU RESPONSE: The California State University agrees that all the recommendations contained in Chapter 3 would be useful tools in assisting faculty and campus bookstores to mitigate against increased textbook prices by publishing houses. Faculty will be advised about changes in the law and encouraged to adhere to bookstore due dates, consider price when choosing books, and monitor textbook selections that bundle supplementary products to understand how their own actions might influence textbook pricing.

Campus bookstores will be asked to review and evaluate alternative ideas that could reduce textbook costs, including buybacks, rental or exchange programs.

CHAPTER FOUR: OPEN EDUCATIONAL RESOURCES AND CALIFORNIA STATE UNIVERSITY'S DIGITAL MARKETPLACE MAY ULTIMATELY HELP REDUCE TEXTBOOK COSTS

RECOMMENDATION: To ensure courses taught by faculty whose main instructional materials are open educational resources can successfully articulate for students who transfer to the UC and CSU systems, the community colleges should continue working closely with the UC and CSU system offices to clarify language in the articulation policies for student transfer.

CSU RESPONSE: CSU wishes to continue to work with community colleges to assure successful articulation, and is deeply committed to success in transfer. Both the community colleges and the CSU will find it easy to agree that the quality of the content of open educational resources, to include affirmations of that quality obtained via peer review, are the real key to articulation, and not whether materials are in "e" form.

RECOMMENDATION: The system offices of the UC, CSU and community colleges should continue taking steps to promote awareness, development and adoption of open educational resources as alternatives to textbooks and other learning materials.

RECOMMENDATION: CSU should continue its efforts to develop, implement, and promote awareness of the Digital Marketplace. While doing this, CSU should monitor any resistance from students and faculty to ensure that the digital education content aligns with their needs and preferences.

CSU RESPONSE: The CSU agrees with these recommendations. CSU has been a leader in open educational resources since 1997 with the development of the Multimedia Educational Resource for Learning and Online Teaching (MERLOT). The MERLOT digital library provides easy access to a constantly growing collection of over 20,000 online and free teaching and learning resources that can be easily incorporated into faculty designed courses. Since 2001, MERLOT has implemented a peer review process modeled after the peer review of research and scholarship as a means of recommending quality online resources to faculty, students, and any user of MERLOT. MERLOT has recently partnered with the Public Interest Research Group (PIRG) to create and support a digital library service for people creating and searching for Open Textbooks. Beginning in March 2008, MERLOT and PIRG have developed a collection of 40 Open Textbooks. As the collection grows, MERLOT could apply its peer review process to the Open Textbooks collection and provide potential users with recommendations concerning the quality and use of these resources. Additionally, the CSU will continue all its efforts regarding the Digital Marketplace and make necessary modifications to respond to the needs and preferences of students and faculty.

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Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE CALIFORNIA STATE UNIVERSITY

To provide clarity and perspective, we are commenting on the response to our audit report from the California State University (CSU). The number below corresponds with the number we have placed in the margin of CSU's response.

Whether or not the textbook margin, and by extension the markup, is dictated by the existing contract with the auxiliary does not preclude the campuses from reevaluating the pricing policies of future contracts and revising them, if necessary, to ensure that markups are at an appropriate level to support bookstore operations. Additionally, we question the extent to which auxiliaries or their contractors disclose to the auxiliary members the actual amount of their markups in light of the fact that Follet Higher Education Group (Follet) was unwilling to allow us to include CSU Sacramento's markup in our report as described in the footnote to Table 2 on page 27 of our report. However, even if Follet and the bookstore auxiliary disclose this information to the students that are members of the auxiliary, there is no assurance that such information reaches the entire student body. Thus, when bookstore profits are needed to fund other campus activities, in the interest of transparency, we believe it is important that the campuses seek input from their student body to determine whether they support the resulting higher textbook prices.

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(Agency response provided as text only.)

California Community Colleges
System Office
1102 Q Street
Sacramento, CA 95811-6549

July 25, 2008

Elaine M. Howle, State Auditor*
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

The System Office for the California Community Colleges has reviewed your draft audit report, *Affordability of College Textbooks: Textbook Prices Have Risen Significantly in the Last Four Years, but Some Strategies May Help to Control These Costs for Students* (Report 2007-116). We found the report to be informative and believe it will be useful to us in our efforts to improve textbook affordability for our students.

The California Community Colleges launched a major systemwide initiative in November 2007 to identify and promote practices that campuses and the system as a whole can engage in to improve textbook affordability. We undertook this work as a component of implementing our System Strategic Plan because we recognize that textbook affordability is essential to ensuring that students from all walks of life have access to a college education and have the opportunity to succeed in their courses. We convened a "Textbook Summit" group that involved all constituencies from within the community college system, as well as many external parties involved in the production and distribution of textbooks and other instructional materials and others who have developed expertise in cost-reduction strategies, to examine the causes of escalating textbook prices and consider strategies to reduce this cost burden for our students. The many approaches identified by the summit participants were refined and prioritized and the result was a series of recommendations that were adopted by the Board of Governors on May 5, 2008 for immediate and long-term strategies to improve textbook affordability. I am pleased to note that your audit findings support many of the recommendations the Board of Governors has made and I appreciate that some of our important work has been acknowledged in the report.

We have provided responses to each of your recommendations in the enclosure to this letter. We look forward to working with publishers, the University of California, the California State University and members of the Legislature and the Schwarzenegger Administration who are interested in addressing this issue further.

Please contact Linda Michalowski, Vice Chancellor for Student Services and Special Programs, should you have questions or require additional input from us. She can be reached at lmichalo@cccco.edu or (916) 327-5361.

Sincerely,

(Signed by: Diane Woodruff)

Diane Woodruff, Ed.D.
Chancellor

* California State Auditor's comments appear on page 101.

Response by the California Community Colleges System Office to Recommendations Contained in the Draft Audit Report, *Affordability of College Textbooks: Textbook Prices Have Risen Significantly in the Last Four Years, but Some Strategies May Help to Control These Costs for Students* (Report 2007-116)

① Report Recommendation 1, p. 43

To increase awareness and transparency about the reasons why campus bookstores add markups to publishers' invoice prices for textbooks, the UC, CSU, and the community colleges should consider requiring their campuses to do the following:

- Reevaluate bookstores' pricing policies to ensure that markups are necessary to support bookstore operations. If the campuses determine that bookstore profits are needed to fund other campus activities, the campuses should seek input from students as necessary to determine whether such purposes, particularly if they result in higher textbook prices, are warranted and supported by the student body.

Response

We concur that transparency on bookstore pricing policies and profits would be beneficial to campus collaboration concerning textbooks costs. Seeking input of students on the uses of bookstore revenues would also provide an opportunity to help students better understand the issues that influence bookstore pricing and their options related to textbook affordability. The System Office will initiate consultation with college chief executive officers, chief business officers and bookstore managers to encourage them to implement this recommendation. We will also recommend to colleges that transparency in bookstore pricing policies be addressed by local textbook taskforces that are already in existence or that are created in response to recommendations¹ that were adopted in May 2008 by the California Community Colleges Board of Governors. There is currently a high degree of awareness and consensus within the community college system around the significance of textbook affordability for student access and success. We believe that many colleges will implement this approach on a voluntary basis when they consider its value in concert with other efforts to address textbook affordability.

- ② The System Office and the Board of Governors (BOG) does not have the statutory authority to *direct* colleges to provide this information. While it is true that the Board of Governors has authority to develop policy and promulgate regulations which can require certain actions by college districts, draft regulations are subject to consultation with local college constituents as required by Education Code § 70901(e)². *Requiring* districts to take the actions recommended in the report would represent an unusual and extraordinary degree of intrusion into local district affairs on the part of the BOG and would require system consensus, which is highly unlikely without statutory authority. The BOG would also require system consensus to seek legislation to require such actions.

In addition, community college districts are entities of local government governed by locally elected trustees. The Department of Finance is required to review any draft regulations approved by the BOG for State mandated costs on local government, since local governments can sue the State for any costs associated with such mandates. If the Department determines there are such costs associated with BOG draft regulations, it has the authority to disallow those regulations. The Department has, in fact, exercised this authority on various occasions.

Given these limitations, the System Office and the Board of Governors welcomes this recommendation and will work within the extent of its authority and influence to encourage colleges to reevaluate and sunshine their bookstore policies.

¹ See http://www.cccco.edu/Portals/4/Executive/Board/2008_agendas/may/3_6_textbooks.doc for the complete text of those recommendations.

² See <http://www.cccco.edu/SystemOffice/ConsultationCouncil/tabid/522/Default.aspx> for more information.

Report Recommendation 2, p. 43

To increase awareness and transparency about the reasons why campus bookstores add markups to publishers' invoice prices for textbooks, the UC, CSU, and the community colleges should consider requiring their campuses to do the following:

- Direct bookstores to publicly disclose on an annual basis any amounts that they use for purposes that do not relate to bookstore operations, such as contributions they make to campus organizations and activities.

Response

As noted above, the System Office and the Board of Governors does not have the authority to *direct* colleges to provide this information, but the College Finance and Facilities Planning Division of the System Office will initiate a conversation with the Association of College Business Officers (ACBO) Fiscal Standards and Accountability Committee on the contents of this recommendation and the best way for it to be implemented on local campuses.

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Report Recommendations, p. 78

To ensure that faculty members are aware of factors affecting textbook costs, the UC, CSU, and the community colleges should issue guidance on the textbook adoption process. In developing this guidance, they should direct campuses to do the following:

- Communicate the provisions contained within recent state laws regarding textbook affordability to ensure all faculty are aware of the existence of these laws and steps they can take to possibly reduce textbook costs;
- Advise faculty members to submit their textbook adoption information to the bookstores by the due dates to make certain that the bookstores can obtain as many used books as possible and purchase books back from students at higher prices;
- Encourage faculty to consider price in the textbook adoption process and to the extent it does not compromise the quality of education students receive or the academic freedom of faculty, to consider adopting less costly textbooks whenever possible; and
- Instruct faculty to consider adopting textbooks that are not bundled with supplementary products, unless all of the components are required for the course.
- Advise campus bookstores to evaluate the feasibility of implementing cost saving strategies, such as low-price guarantees and guaranteed buyback on certain titles, to the extent they have not already done so.
- Evaluate the feasibility of implementing book rental programs or book exchange programs to the extent they have not already done so.

Response

The System Office and the Board of Governors appreciate the State Auditors recommendations in this area which echo recommendations adopted by the BOG at its May 5, 2008 meeting. Please see http://www.cccco.edu/Portals/4/Executive/Board/2008_agendas/may/3_6_textbooks.doc for the full text of the BOG recommendations. These recommendations were sent to college presidents and trustees with a cover memo

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from Chancellor Diane Woodruff and Board President Lance Izumi on May 28, 2008. We expect that colleges will begin working on implementation of the BOG recommendations at the start of the 2008-09 academic year. However, as described in our response to the report's recommendations on p. 43, the System Office and the Board of Governors does not have the authority to *direct* colleges to take the recommended actions.

Report Recommendation 1, p. 96

To ensure courses taught by faculty whose main instructional materials are open educational resources can successfully articulate for students who transfer to the UC and CSU systems, faculty and system offices at the Community Colleges, UC and CSU should collaborate to develop acceptable standards and policies related to the content, currency and quality of these alternative instructional materials.

Response

The System Office fully supports this recommendation and will seek to collaborate with UC Office of the President, CSU Chancellor's Office and with faculty on issues related to articulation and open education resources through several existing mechanisms. We will:

- Ask the leadership of the Academic Senate for California Community Colleges to consider establishing a taskforce to address these issues and to consider recommending that the Intersegmental Committee of Academic Senates (ICAS) begin a discussion of these issues.
- Raise the issues with the California Intersegmental Articulation Council (CIAC) and seek that group's attention and advice on these issues.
- Request that these issues be scheduled for discussion by the California Community Colleges-California State University Transfer Advisory Board and the California Community Colleges-University of California Transfer Advisory Board.

Report Recommendation 2, p. 96

The system offices of the UC, CSU, and community colleges should continue taking steps to promote awareness, development and adoption of open educational resources as alternatives to textbooks and other learning materials.

Response

The System Office and the BOG will continue to promote awareness, development and adoption of open educational resources through the actions recommended by the BOG during its May 5, 2008 meeting. Specifically, we will

- Support legislation and faculty development related to open educational resources, as well as the continued efforts of organizations like Community College Consortium for Open Educational Resources (CCCOER), and others to discover, create, and deploy these resources.
- Collaborate with the CCCOER and faculty on a pilot to expand the use of OER textbooks and materials in community colleges.

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CALIFORNIA COMMUNITY COLLEGES

To provide clarity and perspective, we are commenting on the response to our audit report from the California Community Colleges (community colleges). The numbers below correspond with the numbers we have placed in the margins of the community colleges' response.

While preparing our draft report for publication, page numbers shifted. Therefore, the page numbers the community colleges cites in its response do not correspond to the page numbers in our final report.

As indicated on page 7 of the Introduction, the board of governors sets policy and provides guidance to the 110 colleges and has the authority to develop and implement policy. Thus, we believe that the system office of the community colleges and its board of governors have the authority to implement these recommendations. However, if they do not believe they have this authority, the system office and the board of governors should seek legislation that gives them the authority to require campuses to implement the recommendations. Further, if the system office and the board of governors believe such legislation would be an intrusion into local district affairs, they should seek legislation that requires the college districts to implement the recommendations.

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cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press