# 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 NUMBER 2007-116, AUGUST 2008**

*Responses from the University of California and the California State University as of October 2008, and the California Community Colleges as of December 2008*

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 the University of California (UC), California State University (CSU), and the California Community Colleges (community colleges) use to keep the costs of textbooks affordable.

**Finding #1: Publishers have increased the prices they charge retailers, and bookstores add their markup to those prices.**

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 markups campus bookstores apply to publishers' invoice prices for textbooks range from a low of 25 percent to a high of 43 percent at the nine campuses we reviewed. Campus bookstores generally use the proceeds resulting from these markups to cover their operating costs and, in some cases, to support campus activities and organizations.

*Audit Highlights . . .*

*Our review of the affordability of college textbooks at the University of California (UC), California State University (CSU), and the 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 on-line 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.*

» *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.*

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 from wholesalers or buyback 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.

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 instance, in fiscal year 2006–07, the auxiliary that manages the bookstore and food services operation at one campus we reviewed made a contribution of $100,000 to the university to support various student activities. However, in that same fiscal year 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. 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.

To increase awareness and transparency about the reasons campus bookstores add markups to publishers' invoice prices for textbooks, we recommended that UC, CSU, and the community colleges require campuses to 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. Further, 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's Action: None.*

UC did not address these recommendations in its 60-day response to our audit report. However, UC acknowledged that it is still in the process of developing more specific action plans for implementing many of the recommendations, which it plans to include in its six-month response to our audit report.

*CSU's Action: Pending.*

According to CSU, it is in the process of determining the best methods to use to evaluate the competing factors that lead to textbook pricing. It asserts that campuses will evaluate the existing contracts they have with bookstores. Further, CSU states that it is exploring ways to seek input, beyond the elected student representatives, from the general student body when bookstore profits are used to fund other campus activities, and whether

such purposes, particularly if they result in higher textbook prices, are warranted. In addition, CSU reports that it is in the process of determining whether there is a more explicit mechanism, other than the annual disclosure of net income from bookstore operations contained in the campus auxiliaries' audited financial statements, for disclosure of bookstore contributions to other campus operations.

*Community Colleges' Action: Pending.*

According to the community colleges, it plans to initiate consultation with college chief executive officers, chief business officers, and bookstore managers to encourage them to implement this recommendation. The community colleges also states that it will initiate a conversation with the Association of College Business Officers on the contents of this recommendation and the best way for it to be implemented on local campuses. Furthermore, the community colleges indicated that it will recommend to colleges that transparency in bookstore pricing policies be addressed by local textbook taskforces that are already in existence or that were created in response to recommendations that were adopted in May 2008 by its board of governors.

**Finding #2: Many faculty members do not understand how their decisions and priorities affect the textbook costs to students.**

Nearly all the faculty members we interviewed about state laws encouraging them to participate in efforts to reduce textbook costs were unaware of them, and many did not understand how their textbook adoption decisions and priorities could affect students' textbook costs. For instance, 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. Specifically, 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.

Further, 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, one professor listed 10 factors he considers more important than cost and cited only the availability of the textbooks as less important than cost. 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 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.

We recommended that UC, CSU, and the community colleges issue systemwide guidance on the textbook adoption process to ensure that faculty members are aware of factors affecting textbook costs. This guidance should direct campuses to communicate the provisions contained within recent state laws regarding textbook affordability; to advise faculty to submit their textbook adoption information to the bookstores by the due dates; to 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; and to instruct faculty to consider adopting textbooks that are not bundled with supplementary products, unless all the components are required for the course.

*UC's Action: None.*

UC did not specifically address this recommendation in its 60-day response to our audit report. However, UC acknowledged that it is still in the process of developing more specific action plans for implementing many of the recommendations, which it plans to include in its six-month response to our audit report.

*CSU's Action: Corrective action taken.*

In October 2008 CSU's executive vice chancellor/chief academic officer distributed an official "coded" memorandum to campus presidents requesting that they distribute a message to all faculty regarding our recommendations and that they renew their message to all faculty at appropriate times in order to remind them each academic term to take actions that may result in lower costs to students for textbooks and learning materials. CSU included a "draft text of a message to faculty regarding textbook affordability" for presidents to use at their discretion in communicating the recommendations in our report that relate to ensuring faculty members are aware of factors affecting textbook costs.

*Community Colleges' Action: Pending.*

According to the community colleges, it developed recommendations to colleges on textbook affordability in a report that it presented to its board of governors in May 2008 that address several of the bureau's recommendations. It indicated that one of the primary recommendations in its report was for colleges to create local textbook affordability taskforces that would include academic senates, faculty, and other stakeholders to address these issues. According to the community colleges, campuses began working on implementing the recommendations in its report at the start of the 2008–09 academic year. Further, the community colleges indicated that management and staff of its system office have made several presentations at statewide conferences of various community college stakeholders on textbook affordability between March and November 2008 that address the bureau's recommendations. It plans to have staff continue to make presentations at statewide conferences in the coming year whenever the opportunity presents itself. In addition, the community colleges stated that its system office is in the process of developing an on-line archive and Web site of research, policy, legislation, links, and other useful information to assist local college textbook affordability taskforces in implementing our recommendations. Once the Web site is complete, the community colleges plans to email an announcement of its contents to the distribution lists of all major community colleges constituent groups, including faculty. The community colleges indicate that it has begun the planning phase of this Web site and anticipates a completion date of February 2009.

**Finding #3: 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.

We recommended that UC, CSU, and the community colleges issue guidance directing campuses to advise their 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.

*UC's Action: Pending.*

UC did not specifically address this recommendation in its 60-day response to our audit report; however, it did acknowledge that it has shared the audit report widely and is encouraging all campuses to consider one campus bookstore's practice that has resulted in a higher proportion of faculty meeting the textbook adoption due dates, and other notable practices mentioned in the report because of their success. Further, UC stated that several of the bookstore managers have reported their individual efforts to address the objectives of the recommendations, as well as their efforts to share their practices with their colleagues. Finally, UC asserted that it is still in the process of developing more specific action plans for implementing many of the recommendations, which it plans to include in its six-month response to our audit report.

*CSU's Action: Pending.*

Although CSU did not specifically address this recommendation in its 60-day response, it reported that organizational conversations have commenced with campus bookstores to evaluate alternative ideas that could reduce textbook costs, including buyback, rental, or exchange programs.

*Community Colleges' Action: Pending.*

The community colleges addressed this recommendation in its response to finding number 2.

**Finding #4: 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. For instance, we found that one of the nine campuses in our review operates a textbook loan program for low-income students and three other campuses operate student book exchanges. Although few colleges have implemented textbook loan and rental programs, these are strategies that could make textbooks more affordable for students. For example, the director of one campus 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 another campus indicated that to his knowledge he 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. However, textbook rental and loan programs typically require initial startup costs and may demand ongoing funding to continue operating, which might explain the low participation rates among colleges in these programs.

Student book exchanges may also offer opportunities for students to reduce their textbook costs. Three campuses we reviewed reported hosting student book exchanges, operated by the associated students organization on each campus. One of the three campuses offered unique support to the program through the cooperation of the campus bookstore. According to the associated students' business manager at this campus, the 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.

We recommended that UC, CSU, and the community colleges issue guidance directing campuses to evaluate the feasibility of implementing book rental programs or student book exchange programs to the extent they have not already done so.

> *UC's Action: None.*
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> UC did not specifically address this recommendation in its 60-day response to our audit report. However, UC acknowledged that it is still in the process of developing more specific action plans for implementing many of the recommendations, which it plans to include in its six-month response to our audit report.
>
> *CSU's Action: Pending.*
>
> Although CSU did not specifically address this recommendation in its 60-day response, it reported that organizational conversations have commenced with campus bookstores to evaluate alternative ideas that could reduce textbook costs, including buyback, rental, or exchange programs.
>
> *Community Colleges' Action: Pending.*
>
> The community colleges addressed this recommendation in its response to finding number 2.

**Finding #5: Open educational resources could provide long-term cost savings to students.**

The community colleges have recently explored various avenues for reducing textbook costs for students and increasing faculty's awareness of their role in textbook pricing. During the fall of 2007 and spring of 2008 academic terms, the system office of the community colleges 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 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.

One long-term recommendation 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." 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, on-line 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 one professor at a community 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.

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. 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.

We recommended that the system offices of UC, CSU, and the community colleges continue taking steps to promote awareness, development, and adoption of open educational resources as alternatives to traditional textbooks. Further, to ensure that courses taught by faculty who mainly use these alternative instructional materials meet the articulation requirements for transfer to the UC and CSU systems, faculty and the system offices should collaborate to develop acceptable standards and policies related to content, currency, and quality of open educational resources.

*UC's Action: Pending.*

Although UC did not specifically address this recommendation in its 60-day response, it did state that it is partnering with the community colleges in the Hewlett-funded Open Textbook Project (project). According to UC, this effort aims to create free or low-cost, high-quality textbooks for community college students. Further, UC reported that its Strategic Publishing and Broadcast Services, which creates on-line courses targeted to the one million California students with limited access to college prep materials, is publishing an on-line course component for the project's first open textbook, a popular work co-authored by two community college mathematicians. UC stated that these on-line courses are all openly available on the Internet. UC acknowledged that it is still in the process of developing more specific action plans for implementing many of the recommendations, which it plans to include in its six-month response to our audit report.

*CSU's Action: Pending.*

CSU reported that it is continuing conversations with the community colleges regarding smooth articulation for those courses that use open educational resources. Further, CSU asserts that it has been a leader in open educational resources since 1997 with the development of the Multimedia Educational Resource for Learning Online Teaching (MERLOT). MERLOT is a digital library that contains over 20,000 free on-line learning materials across a wide range of academic disciplines. CSU stated that it recently partnered with the Public Interest Research Group to create and support a digital library service for people creating and searching for open educational resources. Further, CSU states that its Academic Technology Services division is delivering a program throughout the system to educate faculty on how best to utilize open educational resources to support use of both the open textbook collection as well as all other free instructional content. CSU reported that this program will include, among other things, workshops on the MERLOT digital library, an incentive program for faculty members to encourage their promotion and training of free MERLOT resources and the electronic core collection of CSU libraries—which is free for campus use due to systemwide licensing of these library resources. Further, CSU asserts that it will monitor campus bookstore pilots of digital textbooks to enable systemwide communication of pilot results.

*Community Colleges' Action: Partial corrective action taken.*

The community colleges stated that it plans to collaborate with the UC Office of the President, CSU Chancellor's Office, and with faculty on issues related to articulation and open educational resources through several existing mechanisms. Furthermore, the community colleges indicated it will continue to promote awareness, development, and adoption of open educational resources through the actions recommended by the community colleges board of governors in its May 2008 meeting. It also stated that its system office 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, and others to discover, create, and deploy these resources. Finally, the community colleges pointed out that AB 2261, which was chaptered in September 2008 and will go into effect January 1, 2009, authorizes the board of governors to establish a pilot program to provide faculty and staff from community college districts around the State with the information methods and instructional materials to establish open educational resources centers.

**Finding #6: The CSU is in the process of developing 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. To provide a clearer definition of what this program will entail, the senior director of academic technology services for CSU (senior director) stated that the Digital Marketplace will be a centrally maintained system administered by individual campuses containing free content, such as open educational resources, as well as fee-based content, such as single chapters in digital format, for faculty to access and adopt as the educational materials they will use in their courses. Using this system 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. 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. The senior director 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.

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. 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. However, current college students have indicated that they prefer to read printed material, and the few copies of digital textbooks 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.

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

*CSU's Action: Pending.*

CSU acknowledged that it will continue its efforts regarding the Digital Marketplace and make necessary modifications to respond to the needs and preferences of students and faculty. In its 60-day response, CSU stated that it is developing and testing a prototype of the Digital Marketplace. Specifically, it reported that the office of the chancellor has partnered with CSU San Bernardino in the testing of the prototype with a focus on faculty in academic year 2008–09. Further, CSU asserts that the Long Beach Center for Usability in Design and Accessibility will be testing the Digital Marketplace prototype with students in academic year 2008–09.