

**Office of Operations Review and Audit**



**Program Review**

**Textbook Costs in Higher Education**

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## TABLE OF CONTENTS

Executive Summary	i
Scope	1
Background	1
Discussion and Recommendations	2
Textbook Sources in the UW System	3
Textbook Costs	4
Variability in Cost Estimates	4
Components of the Cost of a Textbook	6
Used Textbook Costs	7
Factors Driving Textbook Costs	7
Bundling and Supplemental Materials	7
Frequent Revision of Textbooks	9
Potential Approaches for Controlling Textbook Costs	9
Rental Textbooks	9
Purchased Textbooks	11
Conclusion	16
Bibliography	17

## **EXECUTIVE SUMMARY**

In August 2006 the Board of Regents Business, Finance, and Audit Committee requested that the Office of Operations Review and Audit review the issue of increasing textbook costs. To conduct the review, we reviewed institutional efforts to control costs in Wisconsin and elsewhere and examined legislative initiatives to control textbook costs. We also interviewed textbook rental and bookstore managers at UW institutions. The review covered textbook costs, factors driving textbook costs, and approaches for controlling costs.

### **Textbook Costs**

We found substantial disagreement among studies that describe the average amount students pay for textbooks. A July 2005 U.S. Government Accountability Office (GAO) report found that students spent nearly \$900 for books and supplies in 2003-04, while publishing industry experts said that the average was closer to \$644 per year.

The National Association of College Stores reports that the largest portion of textbook costs is attributable to producing a textbook and bringing it to market. Publishers' costs comprise approximately 78 percent of the final book price and include author advances, content development, copyrights and permissions, and printing costs. Textbooks are generally priced using a net pricing strategy, through which publishers sell textbooks to bookstores at an established price and the bookstores establish the final price, including overhead costs. The margin on textbooks at bookstores on UW campuses ranges from 17 to 25 percent. Bookstore managers note that there is usually little difference between bookstores in the price of a new textbook.

Used textbook sales are more competitive. College bookstores typically sell used textbooks for 75 percent of the cost of a new textbook. They acquire used textbooks either from students or from the wholesale market. When they buy textbooks from students, they may offer as much as 50 percent of the new textbook price when an instructor plans to use the textbook again in the future. Since university bookstores may offer 50 percent of the new textbook cost whether or not the student originally purchased the textbook new or used, a student may have a net cost of 25 percent of the new textbook price, if the student originally purchased the textbook used. If the textbook will not be used again, the bookstore offers the wholesale value of the textbook or may not buy the used textbook at all. Publishers do not receive revenues from the sale of used textbooks.

### **Factors Driving Textbook Costs**

In addition to noting the overall cost of textbooks, the GAO found that textbook and supply costs increased at more than twice the rate of inflation. The GAO found that price increases were primarily due to the cost of producing materials that supplement textbooks, such as CD-ROMs and web-based tutorials. Publishers maintain that these additional materials meet a market demand; advocates for lowering textbook costs believe that many of these materials are unnecessary and simply drive up costs.

Bundling, or the practice of shrink-wrapping and selling a textbook as a package along with supporting materials, is particularly controversial. According to publishers, bundles represent a good value for students, because they provide discounts for the supplemental materials when sold as a package. However, in many cases, bookstores will not buy back used textbooks that were ordered as part of a bundle, because the bundle included consumable materials. In other cases, the bookstore may buy the used textbooks and sell the used books along with new supplemental materials. Since publishers do not discount the price of the supplemental materials when they are sold separately from the original bundle, this practice minimizes any cost savings to students. Several states have considered legislation that would regulate the sales of textbook bundles.

Some student advocates also believe that publishers have increased the frequency with which they revise textbooks. They believe that changes in the new revisions are often insignificant, but that publishers may charge more for the new edition, while also reducing or eliminating the value of older editions in the used textbook market. Publishers maintain that instructional needs and the demand for new textbooks drive the revision cycle and that instructors prefer the most recent edition of a textbook.

### **Approaches for Controlling Costs**

Several UW institutions operate textbook rental programs, which are often cited as a model for controlling textbook costs. However, other institutions, including some UW institutions, have considered but decided against establishing a textbook rental program. Staff at some of these institutions cite what they believe are drawbacks to textbook rental programs: significant start-up costs, potentially limited book choices, and the possibility that renting textbooks does not encourage students to accumulate a professional library.

The report identifies strategies that faculty, students, and individual institutions could use to control textbook costs at UW institutions without textbook rental. In addition, the report suggests that UW System seek ways to help students and families pay for textbooks and consider establishing a buyback consortium. The report recommends that individual UW institutions, particularly those without textbook rental programs, involve faculty, students, bookstore managers, and others in an examination of textbook selection and selling practices, with the goal of identifying and implementing cost-saving strategies.

## **SCOPE**

In August 2006 the Board of Regents Business, Finance, and Audit Committee requested that the Office of Operations Review and Audit review trends in textbook costs and approaches to control those costs. To conduct the review, we reviewed articles describing textbook costs, reviewed approaches legislatures and higher education institutions in other states have used to control textbook costs, and interviewed textbook rental and bookstore managers at UW institutions. We examined textbook sales and rentals at UW institutions, textbook costs, factors driving textbook costs, and possible approaches for controlling costs within UW System.

## **BACKGROUND**

Across the nation, there is growing concern about rising college textbook costs. In January 2004 the State Public Interest Research Groups' Higher Education Project released a report highlighting the issue of the high price of college textbooks. The organization's campaign brought national attention to the issue, resulting in numerous media reports and federal legislative interest in textbook costs. For example:

- At Congress's request, the U.S. Government Accountability Office issued a report in July 2005 that described factors that drive textbook costs. The GAO report found that from December 1986 to December 2004, textbook and supply costs increased by 186 percent, which was more than twice the 72 percent increase in overall inflation during that same period.
- The U.S. House of Representatives passed a bill in March 2006 that encouraged the involvement of textbook publishers, students, faculty, college bookstores, and colleges and universities in implementing approaches for addressing textbook affordability. This bill did not become law. However, the Senate is considering a separate bill which, among other things, would require publishers to provide faculty with written information about the price of a textbook or supplementary material, the history of revisions of the textbook, and whether the textbook or supplemental material is available in any other format.
- In September 2006 the Advisory Committee on Student Financial Assistance, which is an independent source of counsel on student financial aid policy to Congress and the Secretary of Education, requested another one-year study of textbook costs. The purpose of the report will be to further investigate rising textbook costs, to determine the impact of rising textbook prices on access to postsecondary education, and to make recommendations to make textbooks more affordable.

In a September 2006 presentation to the Advisory Committee on Student Financial Assistance, Representative David Wu from Oregon noted that there are three basic choices for controlling textbook costs: Live with the situation as it is, encourage stakeholders to make voluntary changes, or enact new government regulations. He indicated that while government regulation would be a severe action, public pressure may mandate that approach if changes are not made voluntarily.

The legislatures in approximately half of the states have considered at least one piece of legislation regarding textbook costs, according to information from the National Association of College Stores. A few examples of legislation that has been signed into law include the following:

- Connecticut requires boards of higher education to develop policies allowing students eligible for financial aid to buy textbooks at campus stores before the students' aid arrives and requires publishers to provide a complete list of all textbooks, their wholesale prices, and estimated length of time on the market.
- Virginia requires the state's boards of higher education to encourage efforts to minimize textbook costs.
- Eighteen states exempt university textbooks from sales taxes. Since 2000, an additional 20 states have considered, but rejected, proposals to institute or expand a sales tax exemption for textbooks. (Five states do not levy sales taxes for any purpose.) In 2001, the Wisconsin legislature introduced a proposal that would have exempted textbooks from sales tax, but the proposal did not pass. The fiscal estimate for the proposed legislation projected a \$4.2 million decrease in sales and use tax revenue to the state from the loss of sales tax for textbooks purchased by students through the UW System, Wisconsin's independent colleges and universities, and the technical college system.

Several states, university systems, and individual institutions also conducted their own comprehensive reviews of textbook costs in recent years. These initiatives include reviews by the California Postsecondary Education Commission, the Connecticut Taskforce on the Cost of College Textbooks, the University System of Georgia, the State of Illinois Board of Higher Education, the University of North Carolina Board of Education, and the State Council of Higher Education for Virginia.

In response to growing public concern about college-level textbook costs, publishers began actively countering student groups' and others' claims about rising textbook costs. Publishers argue that costs are not as high and have not risen as quickly as some believe, especially when compared to increases in tuition and other university fees. Further, they maintain that the cost to develop a textbook is significant and that they must recover those costs through sales to a small niche market. It can cost more than \$1 million to develop a single textbook, and a textbook that sells only 40,000 copies is considered a best seller, according to the Association of American Publishers.

## **DISCUSSION AND RECOMMENDATIONS**

The purpose of this review was to summarize the major issues highlighted in the national debate about textbook costs in light of current practices within the UW System. We examined UW bookstores and textbook rental programs, textbook costs and pricing strategies, factors driving textbook costs, and potential approaches for controlling those costs.

## TEXTBOOK SOURCES IN THE UW SYSTEM

Some UW institutions require students to purchase textbooks, and others operate textbook rental programs. UW-Madison, Milwaukee, Green Bay, Oshkosh, Parkside, Superior, and all but two UW Colleges require students to purchase textbooks. Table 1 displays textbook sales amounts at UW institutions without textbook rental. As the two largest institutions in the UW System, Madison and Milwaukee have the largest total textbook sales.

**Table 1: Total Textbook Sales at UW Bookstores  
Academic Years 2004-05 and 2005-06**

UW INSTITUTION	2004-05	2005-06
Green Bay	\$2,842,733	\$2,817,765
Madison*	\$11,582,390	\$11,922,675
Milwaukee	\$7,117,844	\$7,532,012
Oshkosh	\$4,314,632	\$4,470,062
Parkside	\$2,200,000	\$2,190,000
Superior	\$1,343,816	\$1,336,879

Source: UW affiliated bookstores. Other local bookstores sell university textbooks in some cities.

\*Source: University Book Store sales figures.

Most of these institutions either operate or contract with an outside business to operate a campus bookstore. However, UW-Madison does not own or operate the University Book Store. The bookstore is a for-profit, private company organized as a trust, with a mission to provide goods and services to UW-Madison students at the lowest price consistent with sound business policy.

The remaining UW institutions operate textbook rental programs. Under these programs, institutions charge students a segregated fee that covers the use of most required textbooks for one semester. Table 2 lists the UW institutions with a textbook rental program, along with the textbook rental fees for the 2004-05 through 2006-07 academic years.

**Table 2: Textbook Rental Fees at UW Institutions  
Academic Years 2004-05 through 2006-07**

UW INSTITUTION	2004-05	2005-06	2006-07
Eau Claire	\$154.00	\$161.00	\$168.00
La Crosse	\$148.61	\$152.00	\$157.00
Platteville	\$136.00	\$140.00	\$140.00
River Falls	\$118.00	\$118.00	\$123.30
Stevens Point	\$130.80	\$130.80	\$130.80
Stout	\$129.05	\$135.14	\$141.23
Whitewater	\$120.00	\$124.80	\$127.68
Barron	\$120.00	\$120.00	\$121.36
Richland	\$123.00	\$123.00	\$127.00
<b>Average</b>	<b>\$131.03</b>	<b>\$133.83</b>	<b>\$137.91</b>

Source: UW System Operating Budget.

## TEXTBOOK COSTS

The National Association of College Stores reports that in 2004 a new textbook cost an average of approximately \$52, and a used textbook cost \$40, but we found substantial disagreement in studies describing the average total amount students pay for textbooks. We reviewed: the variability in cost estimates, components of the cost of a textbook, and used textbook costs.

### Variability in Cost Estimates

Citing statistics from the College Board, the National Association of College Stores reports that the cost of new textbooks and supplies for the 2005-06 academic year ranged from \$801 to \$904, depending on the type of institution attended. In its July 2005 report, the GAO also reported that students spent nearly \$900 for books and supplies in 2003-04.

Publishing industry experts dispute GAO's contention that students spend \$900 per year on textbooks, noting that the GAO estimate of textbook costs included the cost of supplies, such as computers, lab equipment, and other materials. They believe that the average amount students spent on textbooks is closer to \$644 for the academic year, citing data collected by the Student Monitor in 2004-05. The Student Monitor is a market research firm that specializes in studying the college-aged market and, according to the GAO, developed its estimate based on student-reported expenditures. Student expenditure data may not reflect the total cost of required textbooks; a National Association of College Stores study found that 60 percent of students reported that they had not purchased a required textbook because of its cost.

Given the disparity between estimates of textbook costs, we asked bookstore managers at UW institutions without textbook rental to provide an example of the actual cost of a sample of textbooks for a typical freshman course load for one semester. We asked for the actual cost of textbooks for a freshman-level English course, freshman-level history course, an introductory chemistry course, and an introductory foreign language course. The courses and actual textbooks used differed between institutions. If students were to purchase all new textbooks, the cost estimate ranged from nearly \$410 to \$581, as shown in Table 3. If students were to purchase used textbooks, to the extent used books were available, the estimated cost ranged from \$345 to \$518.

**Table 3: Sample Freshman Semester Course Load Textbook Costs\***  
**Fall Semester 2006-07**

<b>UW INSTITUTION</b>	<b>NEW PURCHASE PRICE</b>	<b>PRICE WITH USED BOOKS INCLUDED</b>
Green Bay	\$409.60	\$349.50
Madison	\$413.30	\$345.20
Milwaukee	\$557.25	\$510.95
Oshkosh	\$437.05	\$407.25
Parkside	\$581.00	\$518.25
Superior	\$469.10	\$364.30

Source: UW affiliated bookstores.

\* Courses and books vary across institutions.

In reality, individual costs will vary widely depending on the number and type of courses taken and year in college, as well as the extent to which used textbooks are available. Bookstore managers reported that some of the textbooks in this example, such as for foreign language classes, could be used for a second semester if the student chooses to take the next level course. As a result, they believed textbook costs might not be as high for second semester students.

A student survey of 12,650 college students in Virginia, conducted by the State Council of Higher Education for Virginia, found that students spent between \$300 and \$400 on textbooks and related course materials in fall 2005. The survey found a wide disparity in the amount students spent, based on year in college. While 24.4 percent of students overall reported spending more than \$500, more than half of freshmen and half of juniors spent more than \$500 in the fall of 2005.

The GAO report relied, in part, on textbook cost information institutions reported to the Department of Education’s Integrated Postsecondary Education Data System (IPEDS). This data system includes information about the cost of attendance for all higher education institutions in the United States. Cost-of-attendance estimates, which include the cost of textbooks and supplies, are used as a basis for determining institutions’ financial aid awards to students. Table 4 displays estimates of annual textbook costs and supplies as reported in IPEDS by UW institutions.

**Table 4: Estimated Annual Textbook and Supply Costs at UW Institutions  
Academic Years 2004-05 through 2006-07**

<b>UW INSTITUTION</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>% CHANGE SINCE 2004-05</b>
Eau Claire*	\$400	\$400	\$450	12.5%
Green Bay	\$600	\$700	\$700	16.7%
La Crosse*	\$300	\$300	\$300	0.0%
Madison	\$830	\$860	\$890	7.2%
Milwaukee	\$800	\$950	\$950	18.8%
Oshkosh	\$800	\$800	\$800	0.0%
Parkside	\$784	\$784	\$784	0.0%
Platteville*	\$320	\$320	\$320	0.0%
River Falls*	\$200	\$200	\$300	50.0%
Stevens Point*	\$450	\$450	\$450	0.0%
Stout*	\$306	\$314	\$324	5.9%
Superior	\$750	\$860	\$860	14.7%
Whitewater*	\$680	\$640	\$640	-5.9%
Colleges	\$680	\$740	\$780	14.7%
<b>Average</b>	<b>\$564</b>	<b>\$594</b>	<b>\$610</b>	<b>8.2%</b>
<b>Rental Programs Average **</b>	<b>\$379</b>	<b>\$375</b>	<b>\$398</b>	<b>4.8%</b>
<b>Purchase Programs Average**</b>	<b>\$761</b>	<b>\$826</b>	<b>\$831</b>	<b>9.2%</b>

Source: National Center for Education Statistics, Integrated Postsecondary Education Data System.

\*Textbook rental program. Includes textbook rental fee plus estimates for additional textbook and supply expenses.

\*\*UW Colleges are excluded, since two institutions have textbook rental and the others do not.

Given that cost-of-attendance figures are used to calculate financial aid for students, any disparity between the estimated and actual costs could leave some students who rely on financial aid without sufficient resources to pay for all of their textbooks and supplies. Textbook costs for the sample freshman semester included in our review do not represent average textbook costs for all undergraduates. However, these figures suggest that textbook costs alone for an entire academic year may exceed the textbook and supply cost estimates included in the cost-of-attendance figures developed by UW institutions.

### **Components of the Cost of a Textbook**

The National Association of College Stores estimates that the largest proportion of the cost of a new textbook results from producing the textbook and bringing it to market. Publishers make a substantial investment in producing a textbook, according to the GAO. Some of these costs include author advances, development of content for the textbook and supplements, copyrights and permissions for illustrations and photographs, and the cost of typesetting and printing. Bookstores then add an additional charge to cover overhead costs, such as rent, employee wages, and utilities. Table 5 displays a typical breakdown of those costs.

**Table 5: Components of the Cost of a Textbook**

<b>Publisher's Costs</b>	
Publisher's expense - paper, printing	32.5 %
Publisher's expense - marketing	15.5 %
Author's income - paid by publisher	11.7 %
Publisher's expense - operations	10.0 %
Publisher's income	7.1 %
Freight - paid to freight company	1.0 %
<b>Publisher total</b>	<b>77.8 %</b>
<b>Bookstore's Costs</b>	
Store personnel	11.4 %
Store operations	5.9 %
Store income	4.9 %
<b>Store total</b>	<b>22.2 %</b>

Source: National Association of College Stores,  
*2006 College Store Industry Financial Report*

Bookstores establish the final price for new textbooks through what is referred to as a net pricing strategy. Under net pricing, the publisher sells the textbook to the bookstore at an established price. A selling price is not printed on the textbook, and the bookstore marks up the textbook to the final price. Our interviews indicate that the margin on new textbooks at UW-affiliated bookstores ranged from 17.5 to 25 percent.<sup>1</sup> While the margin may vary, in general, bookstore managers reported that since vendors all pay the publisher the same price for new textbooks, there is usually little difference between bookstores for the price of a new textbook. The real competition is in the used textbook market.

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<sup>1</sup> Terms commonly used to describe the difference between the price paid to publishers and the retail price of a textbook are margin (or sometimes gross margin) or markup.

## **Used Textbook Costs**

College bookstores typically sell used textbooks for 75 percent of the cost of a new textbook. They may acquire used textbooks either by buying used textbooks from students or from the wholesale market. When they buy textbooks from students, they may offer as much as 50 percent of the new textbook cost in cases in which professors notify the bookstore that the professor plans to reuse a textbook in the future. The bookstore will pay 50 percent of the new textbook cost whether the student originally purchased the textbook new or used. Under the scenario in which a student buys a used textbook and sells back that book to a university bookstore, a student would have paid a net cost of 25 percent of the new price for the textbook. Bookstores also realize a higher profit margin from selling used textbooks than from new textbooks.

However, if a faculty member chooses not to reuse a textbook or fails to notify the bookstore in a timely manner that he or she plans to use the textbook, then the bookstore will pay less for used books. The bookstore may offer only the general wholesale price which, according to the GAO, may range from 5 to 35 percent of the new textbook price, or the bookstore may not buy the book at all.

Bookstore managers we interviewed reported that the used textbook market has become very efficient at increasing the availability of used textbooks to students through online dealers. Students are no longer restricted to used books available in local bookstores.

## **FACTORS DRIVING TEXTBOOK COSTS**

According to the GAO, the publishing industry has seen a substantial consolidation in the number of publishers in recent years, with sales at the five largest publishers representing more than 80 percent of the textbook market in 2004. Several sources noted the similarity between the textbook market and that of prescription drugs. As with medical doctors who prescribe drugs, instructors do not have to pay for the books they require, and they may be isolated from the cost. Publishers may not compete for the instructors' business based on cost, but by providing additional supplemental materials or by using elaborate binding and color graphics.

We found that two practices were most commonly identified in studies as practices that may unnecessarily add to textbook costs. These are: 1) bundling or adding supplemental materials, and 2) frequent textbook revisions.

### **Bundling and Supplemental Materials**

Bundling is one of the most controversial practices in the debate about textbook costs. Bundling is the practice of shrink-wrapping and selling a textbook as a package along with supporting materials, such as workbooks, CD-ROMs, and other consumable materials. In many cases, publishers promote bundles by providing the additional materials at a lower cost than if students purchased each of the materials separately. Faculty may be inclined to adopt bundles, believing that they are saving money for students.

However, bundling reduces or eliminates the value of the materials in the used textbook market. In many cases, bookstores will not buy back textbooks that they sold as a bundle because the bundle included consumable materials. In other cases, the bookstore may buy back the textbook portion of the bundle and, if a publisher agrees to sell the consumable portions separately, then the bookstore may sell these separately. Since the original discount no longer applies to the consumable portion of the bundle, the cost of the used textbook with new consumables may be the same or more than the cost of a new textbook bundle. As a result, this practice minimizes or eliminates any cost savings to students for purchasing used materials, thus making them more likely to purchase the new bundled materials.

Publishers maintain that bundled packages provide students with a good value, since a bundle costs a student less than the separate items would. They also contend that these instructional resources are valuable for improving student learning, especially for those students who may be less academically prepared.

Bundling has become so controversial that some state legislatures have considered regulating the practice. For example, the State of Washington passed legislation in 2006 that requires bookstores affiliated with state and regional universities to provide students the option of purchasing bundled materials as separate items when possible. Conversely, if bundles would deliver cost savings to students, the law requires faculty to work with publishers and local bookstores to create bundles. The Pennsylvania legislature introduced legislation that would have prohibited publishers and retailers from selling bundles unless they provide students with the option to purchase items individually. West Virginia also proposed legislation that would have prohibited state institutions from requiring students to purchase textbook bundles.

While bundling has received significant attention, another more recent, but similar, strategy is the practice of including a card in a textbook with a web access code. Students use the code to log into an Internet site that provides access to supporting material for the book. The code is valid for only one semester, which may make the textbook obsolete or reduce the textbook's value after one student uses the code. Some publishers may agree to sell a new web access card at an additional charge so that a bookstore may sell a used textbook with a new access code. The cost of the new code diminishes the savings from buying a used textbook. For example, one UW bookstore manager reported that students in one of the institution's math courses are required to purchase a code that is used to access a website that scores math tests. The cost of a used textbook and a card with a new access code is the same as the cost of a new textbook that includes the code.

Bookstore managers also described other supplemental resources that publishers provide to students and faculty that may add to the development costs of textbooks. These include resources to help students with homework; teaching aids, such as instructor web sites, test materials, and overheads; and sample copies for faculty. The GAO concluded that the investment costs associated with new features, such as websites and other instructional supplements, are the primary factor for increasing costs. Publishers reported to the GAO that they developed supplemental materials and resources to meet the changing needs of higher education and that these resources enhance student learning. However, some advocates for

lowering textbook costs believe that publishers develop these resources primarily to enhance their sales.

### **Frequent Revisions of Textbooks**

Another concern described in the studies we reviewed is the belief that textbook publishers have increased the frequency with which they revise textbooks as another strategy to protect their market. Once a new edition becomes available, the older editions have little value in the used textbook market. Publishers' revenues come solely from the sale of new textbooks; they do not receive compensation from the sale of used textbooks.

The State Public Interest Research Groups believe that revisions are often insignificant, and they cite their 2000 survey of faculty, which showed that three-fourths of respondents believed new editions were justified only half the time or less. Frequent revisions might be expected for textbooks for upper-division courses in technical fields in which information changes rapidly. However, according to the GAO report, retailers and wholesalers have observed that books for introductory-level classes are on a shorter revision cycle than other textbooks. Bookstore managers we interviewed shared the same observation, also noting that publishers appear to be more likely to bundle textbooks used in large introductory and general education courses that generate the most sales.

Publishers agree that many textbooks are revised more frequently than they were in the past. Publishers reported that textbooks are now generally revised every three to four years, compared with the four to five years that was the industry standard 20 years ago. However, publishers state that instructional needs and the demand for new textbooks, and not efforts to maximize sales, drive the revision cycle. They argue that most instructors prefer the most recent edition of a textbook and cite the 2004 poll conducted by Zogby International for the Association of American Publishers, which found that 80 percent of college faculty agreed with the statement that it was important that material in a textbook be as current as possible. The poll also found that 62 percent of faculty agreed that they generally prefer to adopt textbooks with the most recent copyright date.

## **POTENTIAL APPROACHES FOR CONTROLLING TEXTBOOK COSTS**

We reviewed approaches for controlling textbook costs identified in a variety of studies, including reports prepared by textbook cost taskforces and committees at UW institutions and in other states, studies by advocacy groups, and legislative proposals from other states. Textbook rental programs are discussed as one means of containing costs. We also identified options that could be considered when textbooks are purchased, rather than rented.

### **Rental Textbooks**

The studies we reviewed often cite the University of Wisconsin's textbook rental programs as a model for controlling textbook costs for students. The UW textbook rental managers we interviewed reported that they receive numerous requests for information about their programs

from institutions in other states. In fact, the textbook rental manager from UW-River Falls testified before Congress about that institution's program during a hearing about textbook costs.

In addition to the cost benefits of textbook rental, textbook rental managers noted that textbook rental programs assure faculty that all students in a course have copies of required textbooks. They also noted that textbook rental is popular among students and parents and that it is an effective recruiting tool for attracting new students who are seeking cost-effective higher education options.

Despite the benefits of textbook rental, the National Association of College Stores estimates that only one percent of institutions nationally offer a textbook rental program. In most cases, students purchase their textbooks from the university bookstore; from another local, private bookstore; or, in more recent years, from online bookstores. Several institutions, both in Wisconsin and elsewhere, have considered but rejected the concept of establishing a textbook rental program. The most common reasons cited for deciding against a textbook rental program include:

- *Cost of establishing a new rental program:* Some studies found that starting a textbook rental program may require a multi-million-dollar investment to build an initial inventory of textbooks, which could be cost prohibitive. However, some of the textbook rental managers we interviewed suggested that institutions could phase in a rental program by beginning first with freshman or lower-level courses. Institutions could also do a massive buy-back of used books from students as a cost-effective way to build the initial inventory for a textbook rental program.
- *Unavailability of the books in the future:* Some studies reported that faculty are concerned that renting textbooks does not encourage students to build a professional library. As a counter to this argument, textbook rental managers we interviewed noted that most UW students will not use textbooks as reference guides in their careers, especially for general education courses. Even in technical fields, most textbooks eventually become outdated. However, students may purchase their textbooks from textbook rental programs and are given discounts to do so.
- *Reduced book selection:* Some studies suggested that textbook rental programs may reduce the ability of faculty to select textbooks for their students. Textbook rental programs are cost-effective because they require that faculty use textbooks for a minimum number of semesters to spread the cost of the textbook over several semesters. Typical guidelines for textbook use in a rental program require that faculty use textbooks for six semesters for lower-level courses and four semesters for upper-level courses. However, the textbook rental managers we interviewed indicated that these are guidelines only, and that it is possible for faculty to replace a textbook earlier than the guidelines suggest, as long as the bookstore's budget allows. They note that changing a textbook frequently may also be undesirable, since faculty must change their syllabus, as well.

One approach that has not yet been used to any measurable degree in higher education would be to include the cost of textbooks as part of tuition and fees, as a per-credit fee. Under this

proposal, institutions would give instructors a budget to use to purchase textbooks for students. This approach could provide some of the benefits of textbook rental, such as making textbook costs predictable for students and assuring that all students in a course have the same textbook, without the overhead costs associated with textbook rental. Proponents of this approach also suggest that it would make higher education institutions more aware of, and responsive to, textbook costs, since cost increases would impact the institutions' budgets. While we could not find an example where this approach has yet been tried, an October 2005 press release from the chief executive officer of textbook publisher Thomson Higher Education reported that the company was willing to work with higher education institutions to pilot business models to include textbook costs in tuition.

### **Purchased Textbooks**

Although textbook rental appears to provide a solid approach for controlling textbook costs, it may not be feasible to establish such a program, given start-up costs, concerns that textbook rental could limit textbook choices, and a strong belief by some that students should keep their textbooks. The studies we reviewed identified several other strategies that institutions could adopt to make textbooks more affordable. We found that faculty, students, institutions, and the UW System can all play a role in controlling textbook costs.

### **Faculty**

Studies consistently identify faculty as critical to any effort to reduce textbook costs, since university instructors are ultimately responsible for adopting textbooks. In many cases, faculty are aware of textbook costs and have taken steps to control costs for students. For example, 700 physics and math professors from 150 leading research institutions recently led an effort to reduce the costs of commonly-used textbooks in their fields of study. Many individual professors also implement cost-saving options for students. Some strategies that faculty may use to control textbook costs include:

- *Make textbook adoption decisions early:* Several of the bookstore managers we interviewed reported that they believed the single most effective strategy to help students save money on textbooks would be for faculty to make textbook adoption decisions as early as possible. Early textbook decisions give bookstores time to extensively shop the used textbook market in order to maximize the number of used textbooks they may offer students. In addition, bookstores are able to offer students the maximum amount for their used textbooks if the bookstores are informed that an instructor plans to use a textbook again.
- *Be aware of how much students will pay for required textbooks:* We learned that instructors may not always be aware of the cost of the textbooks that they require students to purchase. Given the practice of using net pricing, even if an instructor requests pricing information from the publisher, the sales representative may not know the actual selling price of a book. Before placing an order, instructors could either request pricing information from the bookstore, or the bookstore could provide that information to the instructor. Washington State's recent textbook law requires bookstores affiliated with state and regional universities to disclose to faculty and staff the costs of materials they require students to purchase.

- *Avoid bundled materials or offer students the option to buy the textbook unbundled:* Publishers argue that they offer bundled materials because faculty request them. However, supplemental materials may not be necessary for the course. Some instructors may be unaware of the added cost of a bundled package or the implications for students who want to sell bundled materials. They may not even realize that a product they order will be bundled.
- *Use less expensive textbook editions:* Faculty may not be aware of cheaper alternatives to the textbooks they choose. Publishers argue that they offer a broad range of textbooks at different price points, including low-cost editions, one- or two-color editions, black and white editions, custom books, electronic books, and complete learning packages. However, sales representatives may not be motivated to share lower-cost alternatives, and faculty may not become aware of options beyond those presented by a sales representative. Washington State law requires faculty and staff members to consider adopting the least expensive edition available when educational content is comparable, as determined by the faculty.
- *Commit to using textbooks for multiple semesters:* Efforts to encourage faculty to commit to using the same textbook for multiple semesters could increase the value of used books, because bookstore managers would know that they could buy back textbooks.
- *Inform students if an older edition of a textbook may be used for the course:* In many cases, older editions of a textbook do not vary substantially from new editions. Once a new edition becomes available, older editions lose their market value and are significantly cheaper for students to purchase.
- *Use alternatives to traditional textbooks:* While the majority of university instructors remain committed to using textbooks in their courses, a few have decided to use other resources, such as those found on the Internet, as a substitute for the traditional textbook. Custom textbooks might offer another solution to increasing textbook costs. A custom textbook includes only information needed in a specific course, eliminating or reducing the need for students to buy multiple textbooks. However, custom textbooks do not have a resale value outside the institution, and students may not be able to sell these textbooks at the end of the semester if the instructor does not plan to reuse the same textbook.
- *Require only textbooks that are actively used in the course:* Students become particularly frustrated with the cost of a textbook when an instructor assigns a book and then does not incorporate its use into the course. Instructors could require the purchase of only those textbooks that are essential for the completion of the course and either recommend the purchase of, or provide access to, additional materials through other means, such as library reserve or class handouts.

## **Institutional Efforts**

Bookstores, libraries, and university administrators may also help control textbook costs. Some of the approaches described in studies include:

- Pilot a textbook rental program: In general, UW institutions without textbook rental have considered but rejected the idea of adopting textbook rental, although some UW institutions have expressed interest in piloting a small textbook rental program. Given the growing level of interest in textbook rental nationwide, piloting a small-scale textbook rental program could be valuable for testing the feasibility of a new program, not only for the institution, but as a model for other institutions that might be considering such a program.
- Offer students the opportunity to purchase unbundled packages: The studies and legislative initiatives we reviewed advocated allowing students to purchase or requiring publishers or bookstores to offer unbundled packages that would allow students to purchase only the components of the bundle they need. However, it could be difficult for bookstore managers to find the space to store both bundled and unbundled versions of a textbook, as well as to predict how many of each type to order.
- Increase the availability of used textbooks and promote textbook buyback: Several UW bookstores reported that they try to maximize the number of used textbooks they offer students. In January 2003, UW-Oshkosh initiated a successful program to increase the number of textbooks they buy back from students. Similar efforts at other campuses could save students money.
- Maximize competition: Some states have considered legislation that would require institutions to provide booklists to private booksellers to maximize competition and keep textbook costs low. Many of the studies we reviewed suggested that institutions should encourage efforts such as student-to-student book swaps or privately-owned book exchange services. The University of Montana's bookstore provides a direct link to Amazon.com for the textbooks the university offers in its store, so that students may instantly compare prices. The bookstore receives a payment for every book sold through Amazon.com.
- Post information about required textbooks on the Internet: One approach considered in other states is to require institutions to publish on the Internet the International Standard Book Number (ISBN), which is a number that identifies each unique title, so that students can use the information to shop for the best deal.
- Place textbooks on reserve at the library: Another approach mentioned frequently is for institutions to place textbooks on reserve at the library. The UW-Madison library system sponsors a program to place high-cost textbooks on reserve at the library. According to the library system's website, the goal is to purchase a limited number of copies of textbooks that are required for classes of more than 100 students when textbook costs exceed \$100. Currently, some UW institutions provide reserve materials to students online, but copyright restrictions prevent institutions from providing entire textbooks on the Internet. The University of Illinois-Urbana Champaign is currently negotiating with a publisher to begin an innovative pilot program through which the library would provide students with access to textbooks online and reduce the need to physically store textbooks on reserve in the library.
- Solicit feedback from students about textbooks as part of student course evaluations: Collecting students' opinions about the usefulness of textbooks and other materials used in a

course, as well as students' perception of textbook costs, could provide an excellent opportunity for instructors, departments, and institutions to monitor textbook-cost issues.

- *Regularly update estimated textbook and supplies costs for financial aid purposes:* As Table 4 illustrates, some UW institutions have not adjusted estimated textbook and supply costs as part of their cost-of-attendance budget during the past several years. The cost-of-attendance budget is used to award financial aid to students. Some campus budgets may be adequate to cover student expenses. However, for those that are not, students may be required to fund the additional cost. While students may request an increase in financial aid if their actual textbook costs exceed the budget, many students may not be aware of that option. In addition, providing the most accurate estimate possible could assure that students receive adequate financial aid to cover their costs without the inconvenience of seeking adjustments, and could help other families adequately plan to cover college expenses.

The University of North Carolina textbook study recommended that the financial aid office on each campus in that system regularly review their average textbook costs to assure that the budget used for financial aid packages adequately covers actual costs. Campuses are allowed to use a variety of approaches for estimating textbook and supply costs, such as surveying students or asking bookstores to estimate average costs. While it may not be feasible to conduct a formal cost study each year, at a minimum, UW institutions could increase the estimate to account for inflation each year and periodically do a more thorough assessment to establish a new base.

- *Review the margin on textbooks:* Institutions that contract with outside vendors to operate a bookstore may have an ideal opportunity to negotiate the lowest possible markup for required textbooks. UW institutions could review their bookstore operations to assure that bookstores affiliated and controlled by the institution are using the lowest markup possible for required textbooks to still operate a financially sound bookstore operation.
- *Educate faculty and students about textbook costs:* UW-Madison produced two brochures, one for faculty and one for students, as part of that institution's efforts to control textbook costs. The brochures describe strategies that faculty and students may use to keep the cost of textbooks low.

***We recommend that each UW institution, particularly those without a textbook rental program, involve faculty, students, bookstore managers, and others with relevant experience in reviewing the institution's practices for selecting and selling textbooks, to identify approaches to control textbook costs.*** This review would allow institutions to adopt practices that meet the needs of each individual institution. Some efforts that could be beneficial include: encouraging faculty to make early textbook adoption decisions; providing faculty with cost information for the textbooks they select, including the cost implications of bundled materials; increasing the availability of used books; and assuring that cost-of-attendance budgets provide a realistic estimate of textbook and supply costs. In some cases, institutions have already reviewed their textbook costs. In these cases, institutions could assess whether past recommendations were implemented and review whether additional approaches could be adopted to control textbook costs.

## **Students**

According to studies we reviewed, students can also take steps to control their own textbook costs. While students do not determine which textbooks they are required to buy, studies suggest that students can save money by:

- *Shopping around*: Students have more options than ever to comparison shop and identify textbook bargains through online bookstores, book swaps, and online auctions. Buying textbooks from overseas vendors may offer another opportunity to save money. A textbook offered for sale in the U.S. may cost significantly less in other countries.
- *Buying used textbooks and selling textbooks back whenever possible*: University-affiliated bookstores typically sell used textbooks at 75 percent of the cost of a new textbook, as noted previously. Further savings may be realized by buying a used textbook from other sources. Students may also recover costs by selling textbooks that will be used in future courses.
- *Using electronic textbooks*: Although e-textbooks have not gained popularity with students, they could provide cost savings. E-textbooks provide the content of a textbook electronically, and students may access them online by using a code, which is usually valid for one semester. E-textbooks typically cost half the amount of a traditional textbook. However, they do not have any resale value, and students may find them difficult to use. At least one Internet company is offering free access to online versions of textbooks, which the company funds by selling advertising.
- *Asking the instructor for a list of required textbooks*: Since early textbook adoption decisions help save money, students can facilitate that process by requesting early information from their instructors about required textbooks and encouraging instructors to make their decisions early.

## **UW System**

We also examined approaches that could be implemented at a system level to reduce textbook costs. Several system-level studies in other states recommended establishing a textbook purchasing consortium, through which institutions would pool their purchasing power to negotiate lower prices for textbooks. Maryland passed legislation requiring the University of Maryland System to establish a voluntary purchasing consortium for its institutions; however, a consortium has yet to be established.

While a purchasing consortium was suggested in several system textbook studies, such an arrangement may not successfully achieve cost savings. For example, it could be difficult to coordinate textbook selection across institutions. Even to the extent that similar textbooks are used on multiple campuses, it is not clear that publishers would be willing to negotiate lower prices for bulk purchases. Finally, a consortium could create an administrative structure for ordering textbooks that could make it difficult for individual institutions to order textbooks quickly. However, we identified several other alternatives that could be considered for controlling textbook costs at the system level:

- *Identifying approaches to help students and families pay for textbooks:* Several studies addressed the need for financial assistance to help students and their families afford textbooks. Some suggestions may be more appropriate for individual institutions to consider. For example, some studies recommend that institutions enhance financial aid processes so that students automatically receive credit at the bookstore at the beginning of the term; students can then purchase textbooks even if their financial aid has not arrived. This could also increase the ability of students receiving financial aid to purchase used textbooks, which may be out of stock by the time their aid arrives. Other suggestions could require UW System involvement to implement. For example, some studies advocated providing short-term loans to students who cannot afford textbooks at the outset of the semester. Several studies in other states also suggested advocating for tax credits or sales tax exemptions for textbooks.
- *Establishing a buyback consortium:* Another option could be to consider establishing a buyback consortium, as was recommended in a February 2006 textbook review for the University of North Carolina Board of Governors. Under such an approach, campus bookstore representatives share booklists to find overlapping titles and offer students a higher buyback price for textbooks that would be used anywhere in the system, even if the textbook is no longer used on the campus where the book was purchased. According to a March 2007 follow-up report to the North Carolina Board of Governors, ten self-operated bookstores within the system are participating in the buyback consortium. Such a consortium might have more limited value within UW System than in North Carolina, given the UW's mixture of textbook rental, contracted, and self-operated bookstore operations. However, the consortium reportedly has already successfully returned more money to students through buyback, while also increasing the availability of used textbooks for students to purchase.

## **CONCLUSION**

While there is debate about the average amount students spend per year on textbooks, increases in textbook costs, combined with increases in other educational costs, make it more difficult for some students to afford a college education. Efforts to control textbook costs are important as part of any effort to increase access to higher education.

Wisconsin's textbook rental programs provide one model for controlling those costs, but other strategies may control costs as well. This review has identified actions that UW faculty, institutions, students, and the System as a whole can take to control textbook costs. Institutions may be in the best position to promote collaborative efforts to control textbook costs. We have recommended that UW institutions, particularly those without textbook rental programs, involve faculty, students, bookstore managers, and others in examining textbook selection and selling practices, with the goal of identifying and implementing cost-saving strategies.

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