

January 10, 2006

*A Report on Textbook
Purchasing Practices and
Costs in the Commonwealth*



State Council of Higher Education for Virginia

Advancing Virginia through Higher Education

EXECUTIVE SUMMARY

Background

HJ 668, passed by the 2005 Virginia General Assembly, directed the State Council of Higher Education for Virginia (SCHEV) to study both the costs of textbooks and the textbook purchasing practices of the public institutions of higher education in the Commonwealth. The resolution specifically requested SCHEV to (i) conduct a sample survey of public and private college students in Virginia regarding the costs of textbooks each semester; (ii) review and analyze the textbook purchasing policies of the public institutions of higher education and develop and disseminate best practices for textbook purchasing; and (iii) review unique laws and alternatives being considered or that have been implemented by institutions of higher education in Virginia and other states to reduce the financial burden of textbook costs to students and their families.

SCHEV took seriously both the language and the spirit of the resolution and, thus, engaged in a number of activities designed to review the national landscape, as well as to examine current practices in Virginia. First, the agency conducted two surveys: the first, as the legislation mandated, of public and private postsecondary students; and the second, a survey of bookstore managers. Second, SCHEV staff convened a meeting of relevant stakeholders engaged in textbook purchasing, retailing, and publishing, including representatives from the student advocacy group VA21, SCHEV's Student Advisory Committee (SAC), the National Association of College Stores (NACS), Barnes and Noble College Bookstores, the Association of American Publishers, the Faculty Senate of Virginia, and the Virginia Community College System (VCCS). Third, SCHEV reviewed the current textbook purchasing practices of the Commonwealth's public institutions of higher education, as well as popular national purchasing practices. (SCHEV will disseminate these practices directly to the institutions through wide-spread distribution of this report.) Fourth, the agency reviewed national trends, as well as legislation on the horizon in textbook purchasing.

Conclusions

The activities and research in which SCHEV engaged to fulfill the legislative requirements yielded a number of conclusions, including:

- 1) The cost of textbooks is rising. The results of SCHEV's student survey indicate that students who purchased textbooks in Spring 2005 paid, on average, just under \$300, while Fall 2005 students paid, on average, between \$300 and \$400. Further, the number of students who paid \$500 or more on textbooks increased by almost 8% in Fall 2005 over Spring 2005.
- 2) Higher education institutions within the Commonwealth are aware of the rising costs of textbooks and course materials, and most have endeavored to take proactive steps to reduce these costs.

- 3) According to students, faculty, publishers, and retailers, the keys to reducing the rising cost of textbooks and course materials are (a) an abundant used book market, and (b) clear communication between bookstore managers and faculty members.
- 4) The emphasis on used textbooks indicates that course materials are not viewed as long-term investments by either students or bookstores. In fact, 75% of students in SCHEV's student survey reported that they will try to sell back their books at the end of the semester.

In addition to continuously striving to increase used book sales, the Commonwealth's institutions of higher education have implemented a number of innovative practices in attempts to lower the cost of textbooks. A few of the practices implemented include:

- Virginia Commonwealth University facilitates competition through sharing the campus bookstore's textbook adoption listing with private retailers upon their request. Such competition often leads to a reduction in book prices.
- To encourage faculty to provide timely textbook adoptions, Virginia Commonwealth University awards textbook scholarships to the best performing academic departments. The departments then award the scholarships to the students of their choice.
- Old Dominion University has formed a Bookstore Advisory Committee, comprised of faculty and students, to encourage communication between faculty and bookstore management in an effort to better serve the needs of students.
- The University of Virginia's College at Wise provides a payment-plan option whereby students make payments for their textbooks throughout the semester rather than paying all at once at the beginning of the semester.
- James Madison University offers a raffle contest each semester to reward faculty for submitting their book adoptions in a timely manner.
- Radford University instituted the "Deal Program" whereby any book with a "Deal" sticker is guaranteed to be bought back at 50% of the original retail price, regardless of whether the bookstore has already secured all of the used books needed in that title for the next semester
- To increase textbook availability, the Virginia State University library maintains a copy of textbooks for basic courses, such as English, History, and Psychology, as well as older editions of many other textbooks.

- The Virginia Tech bookstore discounts textbooks by 10% of the suggested retail price of new books. Used books are marked down to 75% of the original price before applying the 10% Virginia Tech discount.
- Pepsi Bottling Company sponsors a textbook scholarship program at Mary Washington University. Those departments at the university with the highest on-time adoptions are randomly chosen to receive the scholarships. The departments then choose the student recipients of the scholarships.

Recommendations

Beyond the conclusions and exemplary practices outlined above, the recommendations below have been developed from SCHEV's work on the textbook-cost issue and are offered for consideration. Some of the practices recommended here have been implemented already in varying numbers and degrees at some institutions. ***SCHEV recommends that those institutions that have not adopted the following practices, or have not fully applied them, should consider doing so where appropriate and feasible.***

- 1) All institutions surveyed by SCHEV indicated a commitment to a thriving used textbook market as the key to mitigating the cost of textbooks for students. The industry standard, according to the Government Accountability Office's (GAO) July 2005 report, is "a price that is equal to 75 percent of the new price of the same book, so that if the new book price increases by 3 percent, the used book also increases by 3 percent." **Those institutions which are not practicing at least at the industry standard should seek to adopt such standards.**
- 2) A consensus exists across publishers, retailers, students, and faculty alike that clear communication between bookstore managers and faculty members is critical to ensuring that both new and used textbooks are available to students. **Bookstore managers should continuously encourage faculty throughout the year to order textbooks as early as possible, typically at least 10 to 12 weeks prior to the start of the semester.**
- 3) The practice among publishers of adding supplemental materials to textbooks, often called "bundles," has elicited concerns from student, parents, faculty, and the bookstore community. **Faculty should ensure that most, if not all, supplemental materials within a bundle are necessary for the course that the materials are intended to support. Further, all bookstores should follow the example of the current practice of a few, which is to offer some books unbundled so that students have a choice in buying the textbook only.**
- 4) **Bookstore managers should continuously remind faculty of the high costs to students of adopting a new textbook, especially when only insignificant changes to the text occur. If bundled materials are**

requested, bookstore managers should caution the professor of the difficulties that students may face if they attempt to return or sell the textbook.

- 5) As reported by the GAO, the current standard revision cycle for textbooks is every four years on average. Revision cycles vary across disciplines and some disciplines, such as calculus, may require less frequent revisions. Faculty have noted instances where revisions to the text have been unnecessary because changes to the book have been minute, such as new pagination, charts, and graphs. **In such a case, rather than adopting a new textbook and rendering used copies obsolete, older editions should still be utilized with an accompanying supplement from the internet or other sources.**
- 6) According to SCHEV's student textbook survey, over 40% of respondents could not afford to purchase textbooks for one or more semesters. As the costs of textbooks rise, college libraries have difficulty keeping textbooks on reserve because more students seek to utilize library reserves in lieu of purchasing their textbooks. Further, SCHEV's bookstore-manager survey found that some university libraries have adopted a policy of not including textbooks as part of their collections. **Publishers could assist in alleviating this issue by agreeing to send desk copies of textbooks to libraries specifically to be placed on reserve.**
- 7) While it is standard practice for federal and state need-based financial aid programs to take the cost of textbooks and supplies into consideration when awarding student financial aid, **SCHEV would support the consideration of state tax credits by the Commonwealth** such as the College Textbook Tax Credit Act proposed by Representative Tim Ryan (D-OH), or the Higher Education Affordability and Equity Act, proposed by Representative Phil English (R-PA).
- 8) **The National Association of College Stores (NACS) reports that textbook rental programs could save students as much as 50% of the cost of course materials per semester, as compared to the cost of purchasing those same materials new.** However, it is important to note that rental programs would restrict the ability of faculty to change textbooks from year to year. Faculty expressed concern that such restrictions will negate their academic freedom, particularly when students do not respond well to the text because of problems such as difficulty with overall readability, understanding of the text and its techniques, and complex language. Further, the bookstore managers SCHEV surveyed viewed such programs negatively. Also, such programs may be inappropriate for large, research-oriented public universities because of prohibitive start-up and maintenance costs related to inventory, staffing, and administration.
- 9) **An alternative to printed textbooks is digital textbook subscriptions.** Digital textbook subscriptions could save students up to 50% off the

suggested list price of the equivalent print edition, since much of the cost associated with a textbook is related to production.

- 10) **Textbook financing programs, such as the program implemented at UVA-Wise, allow students to receive their textbooks prior to the start of classes, and to pay for them over the course of a semester.** However, such programs may carry prohibitive start-up costs for larger research-oriented institutions due to the volume of textbooks sold and more expensive specialized textbooks assigned. Such programs have proven to be an effective alternative in smaller institutions, especially community colleges.
- 11) **Custom publishing allows instructors to customize their course materials by adding or deleting chapters from textbooks.** According to a number of publishers, this practice curtails student complaints that the instructor only uses a few of the chapters in a given book. The custom text may cost more or less than a traditional textbook depending on its contents, but it is important to note that one custom book may cost less than several books a professor would otherwise require. However, as indicated in the Government Accountability Office's (GAO) report on college textbooks, no national used textbook market exists for custom books, which may limit students' ability to purchase or sell back used books.

Impetus for the Textbook Study

In 2005, the Virginia General Assembly passed HJ 668, requesting the State Council of Higher Education for Virginia (SCHEV) to study both the costs of textbooks and the textbook purchasing practices of the public institutions of higher education in the Commonwealth. The resolution specifically requested SCHEV to (i) conduct a sample survey of public and private college students in Virginia regarding the costs of textbooks each semester; (ii) review and analyze the textbook purchasing policies of the public institutions of higher education and develop and disseminate best practices for textbook purchasing; and (iii) review unique laws and alternatives being considered or that have been implemented by institutions of higher education in Virginia and other states to reduce the financial burden of textbook costs to students and their families.

Implementation of the Study

SCHEV took seriously both the language and the spirit of the resolution, and, thus engaged in a number of activities. First, the agency conducted two surveys: the first, as the legislation mandates, of public and private postsecondary students, and the second a survey of bookstore managers. Second, SCHEV staff convened a meeting of relevant stakeholders engaged in textbook purchasing, retailing, and publishing, including representatives from the student advocacy group VA21, SCHEV's Student Advisory Committee (SAC), the National Association of College Stores (NACS), Barnes and Noble College Bookstores, the Association of American Publishers, the Faculty Senate of Virginia, and the Virginia Community College System (VCCS). Third, SCHEV reviewed the current textbook purchasing practices of the Commonwealth's public institutions of higher education, as well as popular national purchasing practices. (SCHEV will disseminate these practices directly to the institutions through wide-spread distribution of this report.) Fourth, the agency reviewed national trends, as well as legislation on the horizon in textbook purchasing.

Student Survey

In Fall 2005, SCHEV requested that public and private institutions in the Commonwealth notify their students about the agency's textbook survey and provide the link to the survey on SCHEV's web page. The survey remained open from August 29 to September 18, 2005. A total of 12,650 students-- or approximately 3% of college students in Virginia-- responded to the survey.

Twenty-one percent of respondents were freshmen, 25% were sophomores, 22% were juniors, 20% were seniors, and 12% were in graduate or professional schools. Eighty-four percent were enrolled full-time. Respondents were from a broad array of majors, with the highest representation in: Business & Administration – 13%, Education – 10%, Engineering – 12%, and Health Professions and Related Clinical Skills – 9%.

Cost of Course Materials

Table 1 below highlights the textbook costs for student in Virginia for Fall 2005. On average, Virginia students spent between \$300 and \$400 on textbooks and related course materials. Freshman and juniors reported slightly higher expenses than did sophomores and seniors. Comparing students' expenses in Fall 2005 with the previous semester's costs, one finds that that costs have increased. Seventeen percent of students who were enrolled in Spring 2005 reported spending \$500 or more on textbooks, while 24% of students enrolled in Fall 2005 indicated that they spent \$500 or more.

Table 1: Total Spent on Textbooks and Course Materials Fall 2005						
	Class Standing in Fall 2005					Total
	Freshman	Sophomore	Junior	Senior	Grad/Prof	
\$0	0.3%	0.3%	0.1%	0.8%	2.4%	0.6%
\$1 to \$50	0.0%	0.3%	0.3%	0.5%	2.0%	0.5%
\$51 to \$99	1.2%	1.3%	0.5%	2.3%	7.3%	2.0%
\$100 to \$199	5.3%	6.7%	4.8%	9.2%	20.5%	8.1%
\$200 to \$299	11.1%	16.2%	15.2%	20.3%	23.2%	16.6%
\$300 to \$399	24.3%	25.7%	25.5%	27.4%	18.8%	24.9%
\$400 to \$499	27.5%	24.4%	25.0%	20.8%	11.5%	23.0%
\$500 or more	30.2%	25.0%	28.6%	18.7%	14.3%	24.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Additionally, some variation of course material costs by discipline is evident. Students pursuing degrees in Biological & Biomedical Science, Engineering, Health Professions & Related Clinical Skills, Legal Professions, Physical Sciences, Psychology, Science Technologies and Technicians, Social Sciences, and Business Administration had the highest costs. Students studying Library Science had the lowest expenses.

Sellers of Course Materials

Seventy-seven percent of students purchased their course materials at the campus bookstore, while 8% used local, off-campus establishments. Fifteen percent of respondents purchased their books online. Amazon.com has the largest share of the market, with 7% of students using the service and an additional 3% mentioning Amazon.com in conjunction with other online sellers. Students indicated that they utilized a large variety of online sellers. The top sources included: half.com, ebay.com, ecampus.com, mbsdirect.com, abebooks.com, bigwords.com, campusbooks.com, alibris.com, and bookbyte.com.

Students who indicated that they purchased their course materials online spent less than students who stated that they purchased their textbooks at the campus bookstore. Table 2 displays the total costs to students who purchased course materials at the campus bookstore, at local bookstores, or online. Students who purchased at local bookstores spent slightly less than students who purchased at the campus bookstore, while students who bought their textbooks online spent the least. Statistical analysis showed these group differences to be significant.

		Type of Bookstore			Total
		Campus Bookstore	Local, off-campus Bookstore	Online Bookstore*	
Cost of Course Materials Fall 2005	\$1 to \$50	0.3%	0.5%	1.2%	0.5%
	\$51 to \$99	1.4%	2.2%	5.3%	2.0%
	\$100 to \$199	6.4%	6.8%	18.2%	8.2%
	\$200 to \$299	14.6%	16.5%	27.3%	16.7%
	\$300 to \$399	24.8%	30.6%	23.5%	25.0%
	\$400 to \$499	25.0%	24.3%	12.7%	23.1%
	\$500 or more	27.5%	19.2%	11.7%	24.5%
Total		100.0%	100.0%	100.0%	100.0%
*Online includes: Amazon.com; Barnes & Noble Online; Borders Online; and others such as half.com; ebay.com					

In addition to shopping around for the best price, students also noted that they borrowed books from friends. However, nearly half of the respondents indicated that they were unable to borrow a book because the professor required a new edition. On a positive note, just over 50% of students responded that they had used the same textbook for more than one semester.

Ability to Purchase and Availability of Course Materials

Twenty percent of students noted they had not been able to buy their books during a previous semester. An additional 22% indicated that such had happened in more than one previous semester. Thirty percent of students enrolled in the following disciplines were not able to afford their books for two or more semesters: Personal and Culinary Services, Science Technologies/Technicians, Legal Professions and Studies, Security and Protective Services, Philosophy and Religious Studies. Two of these majors, Legal Professions and Science Technologies/Technicians, are also fields where students reported the highest semester costs for books.

Nearly 50% of students reported that all of their textbooks were available at the beginning of the semester.

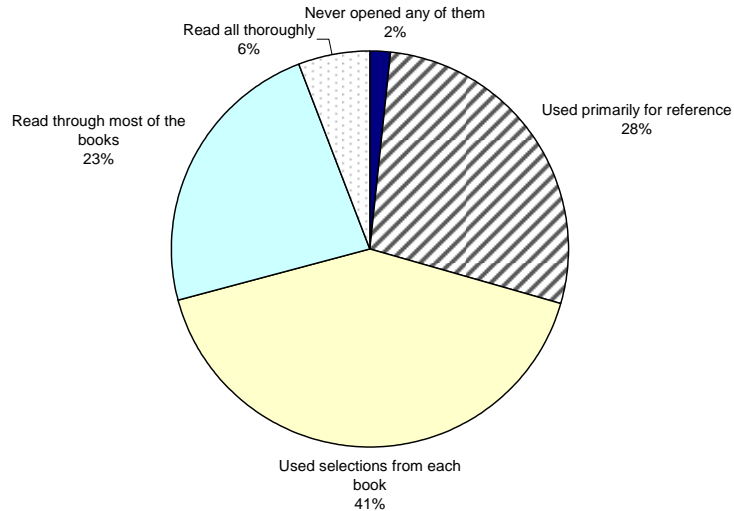
Used Textbooks and Buy-Back Programs

Seventy-one percent of students indicated that used books were available for at least some of their classes. Another 6% noted that used books were available for all of their courses. Only 16% said used books were not available for any of their courses this semester. The majority of students (55%) stated that it was 'somewhat to very inconvenient' to sell their textbooks at the end of the semester. If students were able to sell back their textbooks, 53% noted that they received between 1% and 20% of the original price. Only 11% received between 41%-59% of the initial value.

Instructional Usage of Course Materials

Chart 1 displays the extent to which students used the course materials they purchased. Nearly 30% of respondents at least read through most of the materials. Only 2% never opened any of their textbooks. Twenty-eight percent used their course materials primarily as reference books.

Chart 1: Utilization of Assigned Course Materials



Bookstore Survey Findings

In addition to the student survey described above, SCHEV sent a brief questionnaire to college bookstores at public 2- and 4-year institutions. The survey was conducted from September 21 to November 1, 2005.

A total of 46 college bookstores were contacted. The regional office responded for all 15 Barnes and Noble college bookstores in Virginia. Eighteen other bookstores responded, resulting in a response rate of 72%.

Bookstore Affiliation

As indicated in Table 3, the majority of public college bookstores in Virginia are outsourced. Of the public 2-year institutions, 73% are outsourced; of the public 4-year institutions, 67% are run by outside companies.

	Barnes & Noble	Follett	College Bookstores of America (CBA)	Institution-run or affiliated	Total
Public 2-year	9	15	1	8	33
Public 4-year	6	4	0	5	15
Total	15	19	1	13	48

Textbook Purchasing and Pricing Policies

Those individuals responding to the survey indicated that purchasing as many used books as possible is the key policy of all bookstores, regardless of the operational control of the store. One Follett-administered store indicated that it was contractually obligated to ensure that at least 25% of the titles it offers are used. Once bookstore personnel receive the book adoption form from either the faculty member or the instructional division, the majority of bookstores indicated that they first purchase as many books as possible through student buy back programs, then utilize used book wholesalers, and finally purchase from the publisher or distributor.

The number of textbooks to have on hand is determined by a variety of factors. Components in the equation include the quantity indicated on the textbook adoption form, course enrollment histories, prior history of the course sales, the age of title edition, and publishers' policies. Bookstore administrators were asked to estimate the percent of textbooks not available at the beginning of the semester. The majority indicated that between 1% and 10% of textbooks were not available at the start of classes. The stores noted that the causes were primarily late textbook adoptions by faculty and/or delays from publishers due to change in due dates, out-of-stocks, or shipping delays.

For Barnes and Noble college bookstores, pricing policy is dictated by individual contracts. Follett stores also indicated that they are governed by policies put in place by the company. However, the majority of Follett respondents and institution-related stores follow a standard pattern of pricing new books at a 25% margin and used books at 75% of new book prices. One public 4-year, institutionally-affiliated bookstore noted that it prices new textbooks approximately 10% below national standards.

Even though bookstores attempt to purchase as many used books as possible, the percent of courses for which used books are available differed greatly from bookstore to bookstore. Responses varied from a low of 10% of courses with used books to a high of 75% of courses with used-book availability. On average, 40% of courses have used books available to students. Factors affecting used-book availability included timing of faculty textbook adoption, nationwide used book demand, new editions, bundles, course packets, custom published titles, electronic titles, and other one-time use items.

Alternatives to Reduce Textbooks Costs

All administrators of institutionally-affiliated college bookstores who responded to the survey noted that they have examined the financial burden of textbook costs to students. The bookstores owned by outside contractors could not speak for the institutions, but were aware of the growing concern over the cost of textbooks. According to one institution, the key to the discussion of textbook costs is educating the university community.

Thirty-two bookstore managers were asked if they had considered various alternatives to reduce textbook costs. Table 4 represents a breakdown of their responses. All stores make used textbooks available for interested students. Textbook adoption policies and faculty education programs are utilized by 97% of respondents. Such practices often impact institutions' used book policies. The earlier that faculty submit their textbook orders, the faster bookstores can search used-book wholesalers and buy back the books from their own students. Methods employed by institutions to increase their supply of used books and educate faculty vary.

Table 4: Alternatives to Reduce Textbooks Costs				
	Yes	Percent Yes	No	Percent No
Used textbooks	32	100%	0	0%
Textbook adoption policies	31	97%	1	3%
Rental textbook systems	9	28%	23	72%
Book swap programs	20	67%	10	33%
Digital textbook subscriptions	19	63%	11	37%
Textbook financing programs	20	67%	10	33%
Faculty education	29	97%	1	3%
Rules for professors	10	33%	20	67%
Rules for bookstores	27	84%	5	16%

Rental programs are viewed negatively by the majority of bookstores. Both bookstores that are no longer considering this option and those currently reviewing this alternative find rental programs lack economic feasibility and are opting not to pursue this venue.

The Barnes and Noble group strongly suggested that any legislation requiring bookstores to provide rental programs would present significant problems for educational institutions, bookstores, faculty, and authors. Barnes and Noble College Booksellers

believes that the problems with rental programs include:

- Elimination of faculty academic freedom
- Use of outdated educational materials
- Reduction in author creativity
- Misperceptions about the actual, final cost of textbooks
- Investment of inventory
- Cumbersome bookstore procedures
- Loss of revenue to the institutions

The use of digital textbook subscription/options is dependent on teaching faculty requesting this option. The Barnes and Noble stores indicated that they are in the process of working with their sister company, MBS Textbook Exchange, to bring more digital editions to their campuses.

Sixty-seven percent of respondents noted that they have explored textbook financing programs. Five institutions mentioned programs involving financial aid. Barnes and Noble College Booksellers provide textbook scholarships as part of their contracts with some institutions. Two 4-year public, institutionally affiliated bookstores have set up innovative financing programs. One established a Student Honor Charge that allows students to charge their book purchases based on financial aid awards that have not yet been distributed. The other bookstore has introduced a Textbook Scholarship Program using promotional funds from an exclusive beverage contract.

The majority of bookstores indicated that they operate under rules governing the textbook process. Most stores noted that they had strong policies to promote and reach used textbook percentage targets.

Cooperation with Campus Library

The majority of college bookstores do not work with the college library to have copies of required textbooks on reserve for students. However, three institutions noted that they provide a master list of current textbooks to the library. Two bookstores indicated that faculty members often work with the library to have books available and put on reserve. One institution responded that the library has textbooks for the top 25 enrolled courses. The library supervisor at another institution indicated that a policy of not adding textbooks to the library collection.

Virginia Textbook Market Fairness Act

Respondents were asked if they noticed any effect on textbook sales following the enactment of the *Virginia Textbook Market Fairness Act* on July 1, 2005. Six bookstores stated that they did notice a slight change. Some noticed an increase in online ordering from their store; otherwise, they noted, it was too early to determine the impact of the legislation.

Nearly all bookstores publicized and listed the textbook information on their website. Additionally, campus posters, flyers, ads in student newspaper, and emails notified students of the textbook information.

Textbook Buy-Back Programs

The majority of bookstores reported the same policy for textbook buy-back programs. Bookstores will pay 50% of the new price when the textbook is adopted for the coming semester until they reach the limit for a course. Once the limit is reached, or the book is not being used on campus, bookstores check the national wholesaler's database. The price listed in the wholesaler's database is determined by national demand, inventory levels, and whether or not a new edition is pending. The wholesaler's price increase ranges from 0% to 30%. One bookstore indicated it searches up to five national used book databases and pays the students the highest listed price for their books, while other bookstores appeared to work with one or two wholesalers.

Management at Barnes and Noble and at least one Follett and institution-affiliated bookstore noted that they buy back books year round. However, the majority of bookstores sponsor official buy backs during the week of finals. A few responded that they have buy backs both at the beginning and end of the semester. Some offer buy backs at more than one location on campus. Buy-back periods are heavily advertised to students through posters, emails, and ads in campus newspapers.

One institution-affiliated bookstore encourages the establishment of a statewide advisory committee to examine textbook options for students.

Conclusions Drawn from the Student and Bookstore Surveys

On average, Virginia students spent between \$300 and \$400 on textbooks and course materials in Fall 2005. The percent of students spending \$500 or more per semester on textbooks is rising. In addition, 42% of students reported that there had been at least one semester where they could not afford to purchase their books.

The vast majority of students purchase their course materials from the campus bookstore (77%). However, students who purchased their course materials online spent less than students who purchased their books at their campus bookstore.

Campus bookstores, whether outsourced or institutionally-affiliated, have examined the financial burden of textbooks costs to students. Their primary method of combating these costs is through used books. All bookstores employ buy back programs which are heavily advertised and promoted to students. The majority of bookstores report that they pay students 50% of the new price when the textbook is adopted for the coming semester, thereby reducing the total textbook cost for students. In addition, all bookstores strive for early faculty adoption of textbooks. The earlier faculty members submit their textbook requests, the earlier bookstores can buy textbooks back from their students and search the used book wholesalers for appropriate textbooks before other colleges purchase the same used book.

This emphasis on used textbooks leads to the conclusion that course materials are not viewed as a long-term investment by either students or bookstores. In fact, 75% of students reported that they will try to sell their books back at the end of the semester.

Textbook Stakeholder Meeting

On October 12, 2005, SCHEV staff convened a meeting of textbook purchasing and publishing stakeholders, including representatives from Virginia21, student representatives from SCHEV's Student Advisory Committee, representatives from the National Association of College Stores (NACS), representatives from Virginia Tech's independent bookstore, representatives from the Association of American Publishers, members of the Faculty Senate of Virginia, and a representative from the Virginia Community College System (VCCS).

The meeting agenda included a review of both the student and bookstore surveys, a review of the VCCS's recent findings from their March 2005 "Report of the Task Force on College Textbooks," a review of national trends and legislation on the horizon in textbook purchasing, followed by a roundtable discussion among all of the stakeholders.

During the roundtable portion, the majority of the discussion centered on hypotheses of why textbook costs have risen. The publishing representatives suggested that their prices cannot be lowered substantially because the faculty members are requesting more services, including prefabricated tests and practice questions. Publishers maintain that they are the only entity committed to providing the software and supplemental materials that save professors time and energy in an educational environment where faculty are faced with greater demands on their time and ever increasing class sizes. However, these services increase the cost to students.

Virginia college students said they were frustrated that they do not have other options and must pay for expensive books, not knowing whether they will actually be given assignments in all of them. They say students are in a unique situation where they are consumers who do not choose the product they buy and cannot make decisions about its cost and what they are willing to pay it. The Virginia21 representative was particularly concerned about the practice of bundling, which often leads to students having to pay for supplemental materials they neither need nor want.

The Virginia Tech bookstore representatives discussed the need for campus bookstores to incorporate a solid mission to serve students. The representatives also remarked that it is essential for faculty to understand the importance of the calendar for buying, selling, and ordering textbooks, and that bookstores should double check with instructors to ensure that all of the supplemental materials are actually needed by the instructor.

The faculty members present agreed that more frequent and effective communication with bookstore personnel would help them make better choices when it comes to selecting a textbook. To summarize the discussion, one faculty member stated that "maximizing student success no matter what the cost" should be on the mind of faculty, booksellers, and publishers alike.

Current Exemplary Textbook Purchasing Practices

In response to a legislative inquiry in fall 2003, SCHEV surveyed the public institutions of higher education to discern practices they had implemented to combat the rising costs of textbooks. SCHEV's inquiry illuminated the proactive stance that most institutions had undertaken without legislative or executive mandate.

Institutions overwhelmingly agreed through their independent responses that the single most effective way for college bookstores to make textbooks more affordable was through the used textbook market. Several institutions surveyed stated that the sale of used books represented approximately one-third of their total textbook sales.

In fact, two institutions reported that used textbooks accounted for more than half of their textbook sales.

Further, a critical component of a successful used book market is effective and timely communication. Faculty are strongly encouraged at the institutions to complete textbook orders for the next semester as early as possible. For instance, textbook orders for the fall semester are due to the bookstores by mid-April, allowing ample time for the bookstore to purchase used books from students or procure used books from distributors. Two examples of this type of communication can be found as an addendum to this report. In addition, several institutions surveyed stated that the sale of used books represented approximately one-third of their total textbook sales.

The following examples represent some of the more innovative practices used at the time of the survey by our institutions to provide more reasonably priced textbooks to students:

- Virginia Commonwealth University facilitates competition through sharing the campus bookstore's textbook adoption listing with private retailers upon their request. Such competition can lead to a reduction in textbook prices.
- To encourage faculty to provide timely textbook adoptions, Virginia Commonwealth University awards textbook scholarships to the best performing academic departments. The department then awards the scholarships to the students of their choice.
- Old Dominion University has formed a Bookstore Advisory Committee, comprised of faculty and students, to encourage communication between faculty and bookstore personnel, in an effort to better serve the needs of students
- The University of Virginia's College at Wise allows students to pay for their books throughout the semester on a payment plan rather than all at once at the start of the semester.
- James Madison University offers a raffle contest each semester to reward faculty for submitting their book adoptions in a timely manner.
- Longwood University had a goal of increasing used textbook sales by 20% in 2004.
- Radford University has instituted the "Deal Program" whereby any book with a "Deal" sticker is guaranteed to be bought back at 50% of the original retail price, regardless of whether the bookstore has already secured all of the used books needed in that title for the next semester.

- To increase textbook availability, the Virginia State University library maintains a copy of textbooks for basic courses, such as English, History, and Psychology, as well as older editions of many other textbooks.
- The Virginia Tech bookstore discounts textbooks by 10% of the suggested retail price of new books. Used books are marked down to 75% of the original price before applying the 10% Virginia Tech discount.

In response to HJ 668, SCHEV returned to the institutions in spring 2005 to determine if additional measures had been taken since the initial survey in the fall of 2003. Institutional personnel again emphasized the importance of an abundant used textbook market as the key to mitigating textbook costs. The College of William and Mary's bookstore, for example, has increased used book availability/sales by over 20% over the last two years by "working with faculty to determine their adoptions as early as possible." At Christopher Newport University, used books account for 55% of their overall textbook sales. Institutions also remain committed to providing the best buy back price for students as they sell their books back. At James Madison University, for example, national book wholesalers are polled three times each weekday to maximize their ability to acquire used textbooks for every course.

Institutions expressed strong agreement that ample communication with faculty is the key to lowering textbooks costs for students. At Old Dominion University, bookstore representatives frequently attend departmental meetings and regularly send pertinent information to department contacts regarding textbook ordering deadlines. Many institutions also encourage faculty to retain the same textbooks from semester to semester, thus enabling the bookstore to buy back books from current students and have more used books available for new students. Several institutions, in fact, are encouraging faculty to utilize the same book for at least three years. Other institutions are limiting faculty to one primary textbook per subject.

A number of institutions responded that they communicate often with their faculty concerning bundled books, educating faculty about elevated pricing for the packages, requesting that they are sure that their students need all of the components, and corresponding regularly with faculty to authorize the buying back and selling of the text only. Buying back the textbook only enables the bookstore to purchase used copies of the textbook as an alternate to new bundles. Some institutions, such as Virginia Tech, offer both bundled and unbundled versions of textbooks, so that students have a choice in which version to purchase.

SCHEV's inquiry also yielded a number of new innovative initiatives implemented by the institutions, including:

- Pepsi Bottling Company sponsors a textbook scholarship program at the University of Mary Washington. Those departments at the university with the highest on-time adoptions are randomly chosen to receive the scholarships. The departments then choose the student recipients of the scholarships.

- James Madison University has implemented a “Buyback Bucks” promotion whereby students receive one “buyback buck” for every \$10 they receive for the sale of their used books. Students can then use one buyback buck for every \$5 spent in the bookstore.

However, as innovative and proactive the institutions have been, this study would be remiss if it did not offer suggestions for further improvement. To that end, this report proposes the following suggestions for consideration.

Additional Recommendations for Consideration

In addition to the conclusions and exemplary practices outlined above, SCHEV has a number of further recommendations for consideration. It should be noted, however, that some institutions have already implemented such practices in varying number and degree. SCHEV recommends that those institutions which have not adopted the following practices or have not fully applied them, should consider doing so where appropriate and feasible.

Used Books

As noted earlier in this report, all of the institutions surveyed by SCHEV indicated a commitment to a thriving used textbook market as the key to mitigating the cost of textbooks for students. The July 2005 Government Accountability Office (GAO) report details that, “wholesalers and retailers agree that the industry standard pricing practice for used books is to assign a price that is equal to 75 percent of the new price of the same book, so that if the new book price increases by 3 percent, the used book also increases by 3 percent.” Institutions that are not practicing at least at the industry standard should seek to adopt such standards.

In recent years, students have increasingly benefited from the Internet in their attempts to sell unwanted books at the end of the semester. Further, if a certain textbook is not going to be used at the institution in following semester, students can sell their textbooks in online book forums to a student in need at another institution. Students may also sell their books to wholesalers who perform the same task of distributing used copies of textbooks. To define the magnitude of the used book market’s impact on the cost of textbooks, one only needs to look at the loss incurred by the publisher in the second year of a new textbook edition. The GAO reported that, “Publishers estimated that in the second year of an edition they might sell 25 to 70 percent of the textbooks that were sold in the first year, depending on level and discipline.” Many of these used books are introductory level books that have sold successfully across the nation, then purchased by a wholesaler at the end of the semester, and resold.

To ensure that each student can take advantage of lower prices, staff at institutions of higher education across the nation are encouraging faculty and bookstore managers to maximize sales of used versus new books. Colleges and universities promote various strategies to supplement used book inventories, including

encouraging faculty to continue using the textbooks from year to year so that more used books will become available. Purchasing and reselling used textbooks seems to be the best way for a student to save money in the short term, while maintaining a high level of educational quality.

Faculty Enlightenment

Publishers, retailers, students, and faculty alike all noted that clear communication between bookstore managers and faculty members is critical to ensuring that both new and used textbooks are available to students. In order to allow adequate time to find as many copies of a used book as possible, bookstore managers should continuously encourage faculty throughout the year to order textbook as early as possible, typically at least 10 to 12 weeks prior to start of the semester. In addition, bookstore managers should continuously remind faculty of the high costs to students of adopting a new textbook, especially when only insignificant changes to the text have been made. If bundled materials are requested, bookstore managers should discuss with professors the difficulties that students may face if they attempt to return or sell the textbook.

Bundles

The practice among publishers of adding supplemental materials, often called “bundles,” to textbooks has elicited concerns from student, parents, faculty, and the bookstore community. Publishers have conceded that CD-ROMs and other supplements do increase the price of a book because these materials are costly to research and develop. They also acknowledge that much of this cost is passed on to the student. Publishers, however, have noted that these materials, often produced at the request of faculty members, reinforce student course work by providing tutorials, practice problems, and tests.

Students often face difficulties returning and reselling textbooks after opening bundles. Faculty should ensure that most, if not all, of the supplemental materials within the bundle are necessary for the course they are intended to support. Further, all bookstores should follow the example of the current practice of a few, and offer books unbundled so that students have a choice in buying the textbook only.

Revision Cycles

As reported in the GAO, the current standard revision cycle for textbooks is every four years on average. Revision cycles vary across disciplines and some disciplines, such as calculus, may require less frequent revisions. Faculty have noted instances where a revision to the text has been unnecessary because changes to the book have been minute, such as new pagination, charts, and graphs. In such a case, rather than adopting a new textbook and rendering used copies obsolete, older editions should still be utilized with an accompanying supplement from the internet or other sources. This would allow students to take an increased advantage of the used book market while still remaining current in their discipline.

Publishers have also noted that students can purchase unused older editions of textbooks, and if they are unable to find the book used, it can be purchased new.

Campus Library Availability

According to SCHEV's student textbook survey, over 40% of respondents indicated that they could not afford to purchase textbooks for one or more semesters. As the costs of textbooks rise, college libraries have difficulty keeping textbooks on reserve because more students seek to utilize library reserves in lieu of purchasing their textbooks. Further, SCHEV's bookstore-manager survey found that some university libraries have adopted a policy of not including textbooks as part of their collections. Publishers could assist in alleviating this issue by agreeing to send desk copies of textbooks to libraries specifically to be placed on reserve.

State Sales Tax Exemption

While it is standard practice for federal and state need-based financial aid programs to take books and supplies into consideration when awarding student financial aid, SCHEV would support the consideration of state tax credits by the Commonwealth such as those proposals outlined below.

Currently, 16 states across the nation have adopted sales tax exemptions in some variation related to textbooks. Some states, such as Massachusetts, Minnesota, New Jersey, and West Virginia, have chosen to limit sales tax exemptions to required textbooks. Rhode Island limits its textbook exemptions to new texts sold by institutions and used books sold by anyone. In New Mexico, the exemption applies to required texts sold at institutionally owned or operated bookstores. Alaska, Delaware, Montana, New Hampshire, and Oregon do not levy sales taxes. Virginia, which limits its exemption to textbooks that are purchased for courses at non-profit institutions, sought during the 2005 General Assembly session, to expand the exemption to students attending any institutions of learning. The legislation was not successful.

In addition, federal legislation on the horizon will seek to provide a tax credit or deduction to student taxpayers, or tax-paying parents claiming a student as a dependent. The College Textbook Tax Credit Act, sponsored by Representative Tim Ryan (D-OH), would amend the Internal Revenue Code of 1986 to provide a tax credit for the cost of college textbooks. The amendment would be valid only on 'qualified college textbooks,' required for the course of study the student is pursuing.

In addition, a similar amendment to the tax code has been proposed by Senator Charles Schumer (D-NY) to permanently extend the deduction for college tuition expenses up to \$1,000 and expand such deductions to include expenses for books.

The Hope Scholarship tax credit provides a student taxpayer or parents claiming a dependent student with a tax credit of up to \$1,500 in the student's first two years of college. Currently, this credit is limited to tuition and fees, but pending legislation, sponsored by Senator Gordon Smith (R-OR) and Representative Dave Camp (R-MI)

would extend this credit to include books, supplies, and equipment expenses, and would also exempt such expenses from information-reporting requirements.

The Higher Education Affordability and Equity Act of 2005, sponsored by Rep. Phil English (R-PA) has several provisions to address textbook costs including expanding the Hope Scholarship program to include book expenses and allowing book expenses to be excluded from gross income for scholarship programs.

One caution to providing financial aid for students through the tax code, however, is the delay in receipt of the benefits, which may adversely affect a student's college enrollment decisions. Nonetheless, tax credits and deductions may assist in lessening the overall burden of the increasing costs related to higher education.

Textbook Rental Programs

The Higher Education Act was created to "to strengthen the educational resources of our colleges and universities and to provide financial assistance for students in postsecondary and higher education," particularly among low- and middle-income students who wish to pursue post-secondary education opportunities. Every five years, Congress renews HEA, with the next reauthorization expected to take place this year.

A number of amendments to the Act are currently pending, such as the Affordable Books for College Act, sponsored by Congressman Tim Ryan, and Senator Charles Schumer. If passed, grants and loans would be allocated to a limited number of campuses for the expansion of bookstore services to provide textbook rental programs, and to disseminate findings and best practices in rental programs aimed at reducing college costs. Evaluations of this program would be required at least once per biennium to judge the effectiveness of the program.

The National Association of College Stores (NACS) reports that textbook rental programs can save students money and ensure that each student has all required textbooks. In fact, according to the NACS report, students in rental programs could save as much as 50% of the cost of course materials per semester, as compared to the cost of purchasing those same materials new. However, it is important to note that rental programs would restrict the ability of faculty to change textbooks used from year to year. Faculty expressed concern that such restrictions will negate their academic freedom, particularly when students do not respond well to the text because of problems such as difficulty with overall readability, understanding of the text and its techniques, and complex language. Further, the bookstore managers SCHEV surveyed viewed such programs negatively.

Also, while textbook rental programs would provide a low-cost alternative for students, such programs may be inappropriate for large, research-oriented public universities because of prohibitive start-up and maintenance costs related to inventory, staffing, and administration. The Board of Higher Education for Illinois, for example, estimated start-up costs for smaller institutions would be about \$4 million,

plus an additional \$2 million annually to maintain the program. A larger institution could pay as much as \$16 million in start-up costs, and \$4 million annually to maintain the program. Furthermore, there may be some limitations to the use of rented books, such as location of usage and student accountability if a book is lost or damaged.

Digital Textbook Subscriptions

An alternative to printed textbooks is digital textbook subscriptions. Digital textbook subscriptions could save students up to 50% off the suggested list price of the equivalent print edition, since much of the cost associated with a textbook is related to production.

Publishers began producing digital textbooks in 1993 and are continuing to develop innovative ideas with technological advances. These WebBooks allow students to print pages, make annotations, take notes, quickly and conveniently search the full text, and add bookmarks to organize their study wherever they have browser access. The online books have the same layout, design, and pagination as a printed version, but unlike printed versions that can only be revised every 3-5 years, digital textbooks can be updated continuously and mistakes can be corrected soon after publication. Furthermore, auditory learners can use spoken-word functions to have the book read aloud to them, replacing or reinforcing their own reading of the text. Publishers have noted that current products are in an interim phase, and a new generation of digital products, combining content and additional functionality, will be coming soon.

While no overwhelming demand for digital textbook subscriptions currently exists, the American Association of Publishers has reported that sales for this category grew 5.8 percent from July to August, and overall grew 44 percent for the year.

Textbook Financing

Textbook financing programs allow students to receive their textbooks prior to the start of classes, and pay for them over the course of a semester. Students have the opportunity to work during the semester to pay for their books in increments, rather than bear the burden of making the full payment for books at the beginning of the semester. Such programs also allow students the ability to wait for receipt of their financial aid allotment to pay for their books. The University of Virginia's College at Wise, for example, participates in a textbook financing program whereby students are allowed to charge up to \$500 per semester to their student account. Students who receive financial aid, grants, student loans, or other monies agree to have the amount charged taken from these funds by signing an agreement sheet of the items purchased. In this interest-free program, the charged amount is deducted from the financial aid allotment, after tuition, housing, and student fees are paid, thus allowing students three months to pay for their textbooks.

However, such programs may carry prohibitive start-up costs for larger research-oriented institutions due to the volume of textbooks sold and more expensive

specialized textbooks assigned. Such programs have proven to be an effective alternative in smaller institutions, especially community colleges.

Custom Textbooks

Custom publishing allows instructors to customize their course materials by adding or deleting chapters from textbooks. According to a number of publishers, this practice curtails student complaints that the instructor only uses a few of the chapters in a given book. The custom text may cost more or less than a traditional textbook depending on its contents, but it is important to note that one custom book may cost less than several books a professor would require otherwise.

However, as indicated in the GAO report, no national used textbook market for custom books currently exists, which may limit students' ability to purchase or sell back used books. Also in the GAO report, retailers report that, "publishers place strict return limits—typically 10 percent—on custom textbooks, even though traditional textbooks are usually fully returnable to the publisher. As a result, retailers say that they have to carefully balance their commitment to carrying an adequate supply of custom materials for students against the risk of exceeding the return limit if they do not sell enough copies." Bookstore managers at SCHEV's one-day meeting agreed that it is expensive to return unsold copies of a textbook due to freight and other transaction costs, regardless of whether the book is customized or traditional print. Also noted was the high cost of warehousing inventory.

It is clear from the agency's research and analysis of current textbook practices among retailers, publishers, and the colleges and universities that stakeholders are committed to providing the best textbooks possible for students while remaining cognizant of the rising costs of course materials. The institutions should be commended for their proactive response to mitigating costs, but should remain vigilant in their quest to supply students with appropriate and relevant materials at a reasonable cost.

It is the Council's hope that this study satisfies the requirements inherent in HJ 668. SCHEV, in its capacity as the coordinating body for Virginia's system of higher education, will continue to monitor textbook purchasing practices among the Commonwealth's colleges and universities.