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Strategies for Reducing Students' Textbook Costs



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About the Minnesota Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to post-secondary education. The agency serves as the state's clearinghouse for data, research and analysis on post-secondary enrollment, financial aid, finance and trends.

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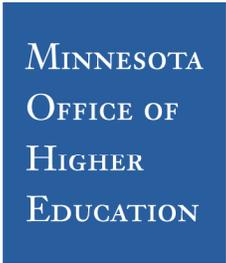
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Introduction and Background

The 2006 Minnesota Legislature considered a bill directing the Minnesota Office of Higher Education to convene a task force to study and report on the cost of required textbooks at postsecondary institutions. Although the proposal was not included in the higher education omnibus bill, the Office of Higher Education determined this to be an important public policy concern and decided to evaluate and report on the issue. The agency assembled a group to advise the agency on the preparation of this report. The task force's membership and scope of work were modeled after the proposed legislation.¹

Nationally, textbook pricing has become a prominent public policy issue. Last year, 17 state legislatures considered measures addressing textbook affordability.

- Illinois convened a task force primarily to study textbook rental programs.
- A Connecticut task force surveyed faculty, finding that they are less aware of textbook prices than expected. The Connecticut report concluded that improved communication at all levels and between different sets of stakeholders is crucial; effective change cannot be mandated.
- A Virginia survey of students reached conclusions similar to Connecticut's report.

The federal General Accounting Office and state Public Interest Research Groups also have issued reports on textbook pricing. The United States Department of Education's Advisory Committee on Student Financial Assistance currently is studying the issue and will release findings later this year.

The purpose of this report is to inform the Minnesota legislature and the public on the issues affecting textbook costs and how costs might be mitigated for students. The 20-member task force included representatives from public and nonpublic institutions, faculty, publishers, institutional bookstores and administrators. (See appendix for a list of participants.)

The Process

The task force met monthly from August 2006 through January 2007. Meetings provided an opportunity for stakeholders to share their diverse perspectives on this complex issue. With this report, the agency wanted to capture the essential points of each stakeholder group's interests and to establish best practices for each group to help mitigate textbook costs. Members also submitted supplementary material for discussion during task force meetings; many of those reports are posted on the Office of Higher Education Web site at www.ohe.state.mn.us (click on *Agency Initiatives*).

The Price of Textbooks

Minnesota students have expressed a growing concern about the price of textbooks. In its national study of the issue, the General Accounting Office's 2005 points to a source of students' growing concern:

[T]he average estimated cost of books and supplies per first-time, full-time student for academic year 2003-2004 was \$898 at 4-year public institutions, or about 26 percent of the cost of tuition and fees. At 2-year public institutions, where low-income students are more likely to pursue a degree program and tuition and fees are lower, the average estimated cost of books and supplies per first-time, full-time student was \$886 in academic year 2003-2004, representing almost three-quarters of the cost of tuition and fees.²

The College Board’s Annual Survey of Colleges finds that nationally colleges report an increase in textbook costs of about 19 percent over three years, from academic year 2003-04 to 2006-07 as shown in the following chart:

Average Textbook Prices Nationally

	2003-2004 academic year	2006-2007 academic year	Percent change over 3 year period
2-year public	\$727	\$850	17%
4-year public	\$786	\$942	20%
4-year private	\$807	\$935	16%

Source: College Board Annual Survey of Colleges, average prices for full-time, full-year students

Colleges construct budgets for their students each year and use that budget as one component of the financial aid calculation. For consistency, institutions use the price of new textbooks when constructing their budgets, though many students purchase at least some used books. The books and supplies financial aid budget item used by specific colleges in Minnesota is shown below:

Average Textbook Allowance Used for Financial Aid Purposes in Minnesota

	2003-2004 academic year	2006-2007 academic year	Percent change over 3 year period
Anoka Ramsey Community College	\$800	\$960	20%
St. Cloud State University	\$800	\$876	10%
University of Minnesota – Twin Cities	\$730	\$900	23%
Augsburg College	\$800	\$1,000	25%

Most textbooks are ordered and purchased through college bookstores. According to the National Association of College Stores, Inc., the bookstore markup over the wholesale price is an average of 26 percent. This is less than the markup of 36 percent on student supplies and 31 percent on insignia items and other merchandise.³

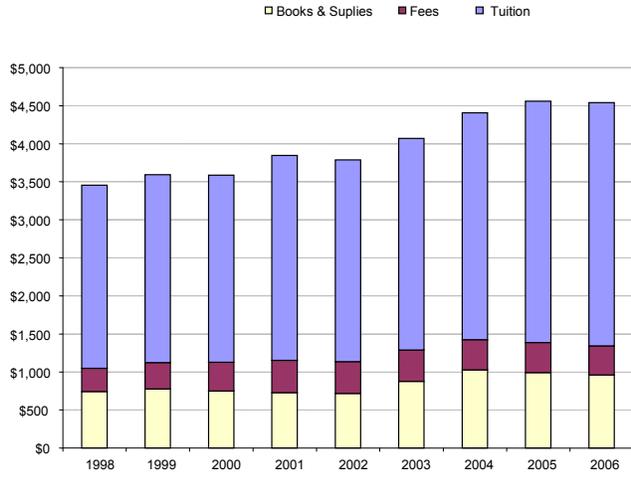
Publishers and some bookstores site the Robinson-Patman Act, which prohibits certain price discrimination practices, as a significant barrier to negotiating volume discounts or different pricing structures for different colleges or college consortia.⁴

Minnesota currently exempts textbook purchases from sales tax⁵ to mitigate expenses for postsecondary students. The share of overall educational expenses needed to cover textbooks has changed little over time, but students face the financial pressures noted in the GAO’s report.

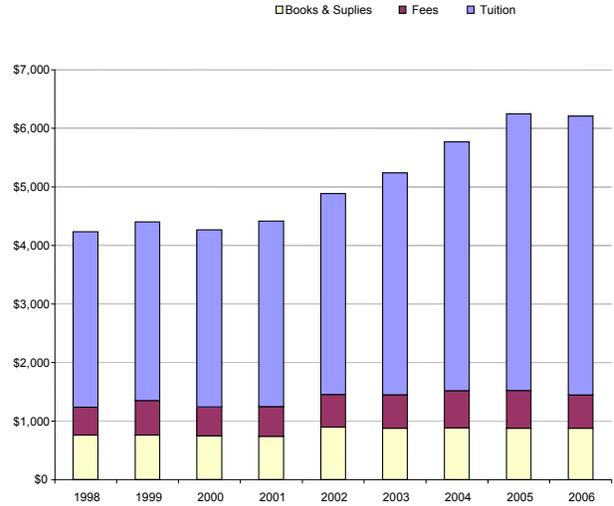
The following charts show the educational expenses of tuition, fees, books and supplies used to build the financial aid budgets at selected colleges from different higher education sectors in Minnesota. They exclude room and board costs experienced by students. The charts show how book and supply costs have changed over time compared to tuition and fee charges. Data are in constant dollars.

Average Tuition, Fees, Books and Supplies in Minnesota

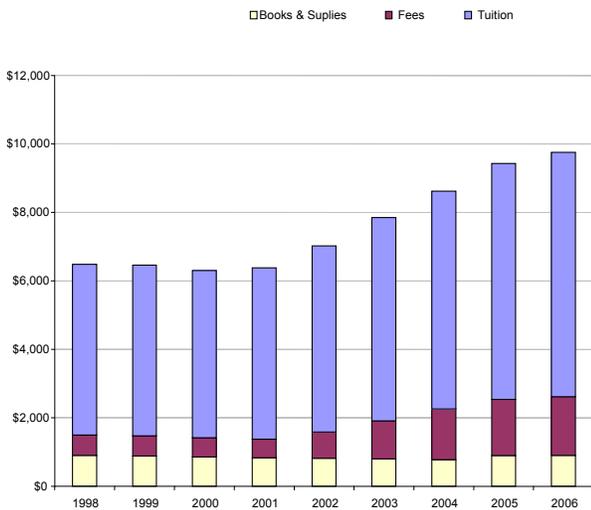
Community College Student



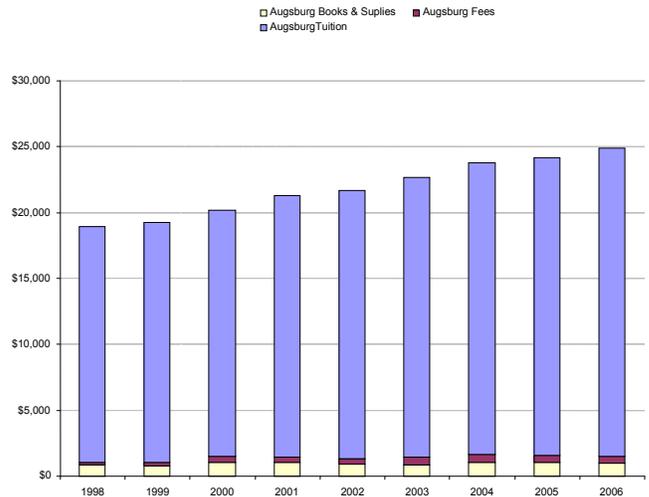
State University Student



University of Minnesota Student

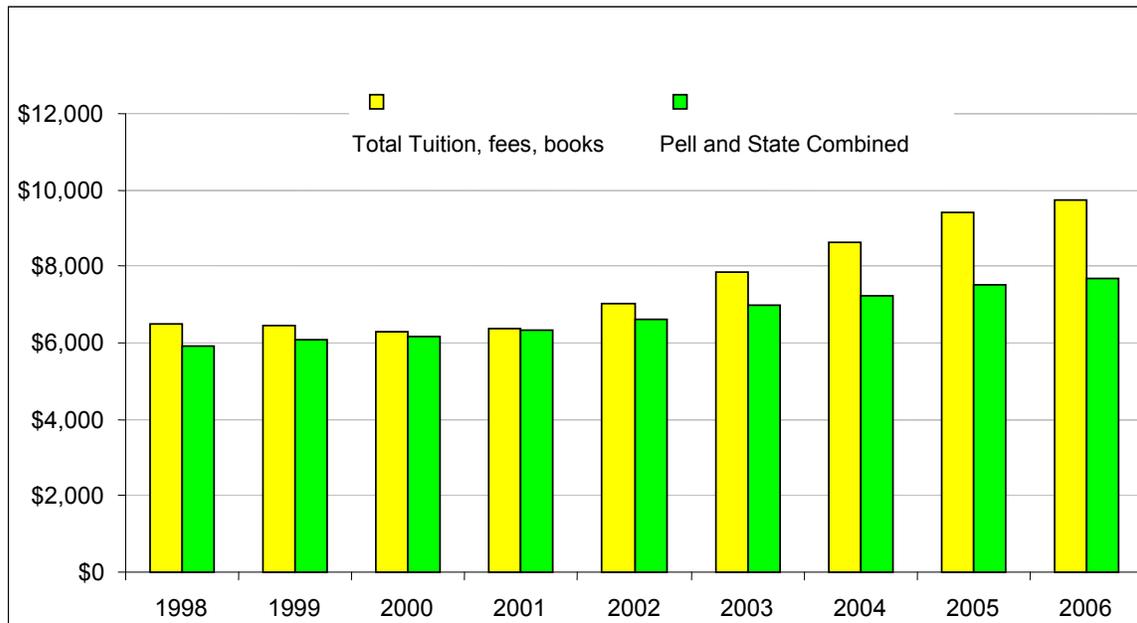


Private, Four-Year College Student



Source: Minnesota Office of Higher Education

A University of Minnesota Student's Total Educational Cost Compared with the Maximum Combination of Pell Grant and Minnesota State Grant



Source: Minnesota Office of Higher Education

The chart above shows how the educational expenses of tuition and fees and books and supplies compare to the grant money that the lowest income dependent students would receive from a combination of the Pell Grant and the State Grant. Grant funds have not increased as fast as these educational expenses, placing more pressure on students to cover all costs, including textbook.

Textbook expenses may be particularly burdensome to students because those expenses are incurred at the beginning of the semester and are sometimes not factored into a student's understanding of his or her budget. Often, students must buy the textbooks before financial aid in the form of grants and loans has been disbursed. Students who intend to "work their way" through college have not had time to accumulate enough earnings to cover this up front expense. Students who receive financial aid experience textbooks as more of an "out of pocket" expense than tuition and fees.

Textbook Market Participants

Like most goods, textbooks are priced according to market conditions. The textbook market has multiple types of suppliers (e.g. publishers and used book wholesalers) and consumers (e.g. students and faculty). As elaborated upon below, each stakeholder group has a different perspective and set of interests.

Faculty

Faculty select textbooks and other learning materials to complement in-class instruction and to help students learn. Some faculty structure courses around a specific text. Quality tends to be a more important factor than price when faculty select textbooks, but many faculty try to reduce students' expenses as much as possible while preserving the quality of the course. Faculty have a stake in students' access to textbooks because course quality depends on students completing required readings. Faculty view independent textbook selection as an important aspect of academic freedom.

College Book Stores

Campus book stores are expected to carry the learning materials students need to complete their course work. Campus stores are typically owned and operated by the college but some colleges contract out store operations. Larger colleges or universities often have competing textbook stores nearby that carry books for the larger enrollment courses. Stores obtain new textbooks directly from publishers and used books from both students and used book wholesalers. Stores charge students less for used books but the availability of used books may be limited. Stores are more interested in the percentage of stocked items sold than in volume of sales, and they tend to make more profit from other merchandise than from textbook sales.

Colleges and Universities

Institutions want textbooks and learning materials to support learning and teaching while keeping instructional costs reasonable. The institution typically owns and operates its own bookstore. Some campuses contract out the operation of the store in return for annual lease payments which would come from the store's profits.

Publishers

Publishers create print and digital textbooks as well as integrated course materials. These learning materials are developed with authors, designers and other experts. Publishers also provide training and technical support to faculty members and provide supplemental resources and materials. Revenue from new textbook sales is the sole source of funding for the development and production of these materials. Publishers and authors get no income or royalties from used book sales.

Used Book Wholesalers

Used book wholesalers work with campus bookstores to buy back textbooks from students at the end of each term and then sell the used textbooks in following terms. That transaction depends on the same edition of a textbook being used in the course. Used books become less valuable when the publisher produces the next edition of a textbook.

The State of Minnesota

The State of Minnesota wants students to have access to a high quality education while ensuring that educational expenses remain reasonable for students, families and taxpayers. Because of interstate commerce laws and restrictions, the state cannot institute price controls.

Students

Students want textbooks and other learning materials that are relevant to their coursework and that are used in class. They are frustrated when books are assigned but are not heavily used in the course. When some students choose not to purchase required textbooks due to cost concerns, the quality of the learning experience for all students in the course suffers. Students may use a variety of strategies to contain textbook costs, such as buying online, borrowing from friends, using the reserve books in the library and buying used books. Students benefit from knowing all their options. In some cases, financial aid policies might limit where they can purchase their books requiring students who use financial aid to purchase books to buy books from the campus bookstore and not from other sources.

Strategies to Reduce the Cost of Textbooks

The textbook market is a national market with faculty and students as consumers. The following pages list strategies for reducing the cost of textbooks for students. The recommendations include increasing faculty awareness about the textbook market and how they can make choices that keep costs down for students while maintaining access to high quality instructional materials.

Strategies for Faculty

- Consider cost when selecting textbooks for each course and review alternative texts.
 - Make sure that a significant part of required textbooks is used for the class.
 - If supplemental material is sold with the text (a practice commonly called bundling), make sure that all parts of the bundle are used for the course. If not all pieces are used, work with bookstore to order only what is needed.
- Communicate with the campus bookstore:
 - Get textbook orders in on time. When possible, place textbook orders before the bookstore's book buyback. Placing orders before the bookstore's scheduled shipment also lowers costs.
 - If bundled items are not required in future years, inform the bookstore so that students can sell back just the book.
 - Clearly identify which books are required and which are recommended so that students can buy only the required textbooks.
 - Talk with the bookstore about potential textbook changes early in the process so the bookstore can order adequate supplies of books and try to get as many used books as possible.
 - Work with the bookstore to determine the availability of cheaper editions of the textbook (e.g. printed on less expensive paper or without color).
 - Monitor the price of textbooks via the bookstore's webpage. The price of a specific edition might rise from term to term.
 - Actively participate in the campus bookstore advisory committee.
- Communicate with Students
 - Explain to students why specific textbooks are chosen for each class.
 - When registration is complete, email students the ISBN of the textbooks required for the course, thereby giving students the option to purchase textbooks online.
 - Obtain anonymous feedback from students on how the required material aided their learning.
- When possible, allow multiple editions to be used for a course (particularly introductory level). The faculty will have to make reading assignments and homework assignments specific to each edition. Evaluate new editions carefully before adopting them to be sure that changes are significant.
- Consider putting copies of textbooks (particularly recommended titles) on reserve in the campus library.

- When possible, faculty at one institution – or in collaboration with other institutions – can create their own learning supplements or make them available on-line to their students, thus eliminating textbooks for that class.
- Departments could consider using a standard book for all sections of introductory level courses so that used books will have more resale value and the students can receive a higher price for their used books. Explore ways that departmental coordination could reduce costs for students.

Strategies for College Book Stores

- Engage faculty in decisions about which books the store will carry. Those choices will determine, in large part, the price the student will pay. A campus store can work with faculty in a number of ways to help them make decisions that will keep down the cost to students. Examples of ways college stores can work with faculty are:
 - Communicate regularly the importance of submitting textbook choices prior to end of semester buyback period. Books that will be used again will garner a higher used book price for the student.
 - Explain to faculty that bundles can reduce the price on the used book market for students.
 - Provide textbook cost data to faculty: comparative data by course across courses for the current term and historically.
 - Provide faculty industry data by title within disciplines.
 - Assist faculty in planning negotiations with publishers for reduced prices.
- College stores can provide campus libraries with textbook adoption data to enable the library to obtain reserve copies of texts that fit within the library’s collection development policies.
- Essential to keeping textbook markups down is running an effective and efficient operation that is viewed positively by the campus community.
- Obtain a sufficient supply of used books to serve course enrollments.

Strategies for Institutions

- The college administration can instill in faculty and the college bookstore the need to keep cost of attendance down and highlight the role textbooks play in accomplishing that objective.
- Encourage faculty/departments to:
 - be more informed about textbook prices,
 - negotiate textbook costs with publishers,
 - review bundled textbook packages,
 - support library budgets that support the placement of copies of selected textbooks on library reserve,
 - work closely with bookstore staff to explore alternatives and
 - avoid selling examination textbooks to the used book market
- Encourage libraries to communicate closely and regularly with faculty regarding collection development criteria for textbooks and other course materials available in the library.
- Encourage bookstores to build effective communication links with faculty, students and libraries.

- Enforce bans on selling examination copies of textbooks.
- Financial aid offices must use realistic textbook costs in the student's cost of attendance budget and to the best of their ability, award adequate financial aid to cover the cost of attendance.
- Institutions – either individually or as part of a consortia – can explore the relative costs and benefits of establishing a textbook rental program.⁶

Strategies for Publishers

- Explain to faculty, students and bookstore staff how to best use textbooks and supplemental materials.
- Work with faculty to ensure that any supplemental materials provided with a textbook are those a professor believes are most appropriate for his or her students.
- Expand the range of lower-cost options, including digital and custom texts.
- Invest in new delivery methods, particularly those that respond to advances in technology, changing learning methods, and the desire of professors and students for choices that mitigate costs for students.

Strategies for Used Book Wholesalers

- Get faculty book selections for the upcoming semester prior to the end-of-semester buyback period. If a store knows the book will be used next semester it will usually pay students a higher percentage of the new book price.
- Use expertise and national market perspective to encourage operational excellence for college stores.

Strategies for the State

- Explore ways to provide Minnesota students with information that enables them to be better-informed consumers. (State could provide a template for universal tips, alternative textbook sources for students.)
- Encourage Minnesota's public and private postsecondary institutions to educate faculty on how textbook selection and timing of orders can affect prices for students.
- Encourage Minnesota's public and private postsecondary institutions to explore regional book exchanges, rental programs or other collaborative efforts to reduce textbook costs for students.
- Continue the sales tax exclusion for textbooks (see endnote 3 of this report).

Strategies for Students

- Meet with other stakeholders (e.g. faculty and bookstore managers) to identify issues and determine whether programs such as book exchanges or textbook rental could reduce costs for students at your campus.
- Learn what books will be required in advance of the start of the course, to allow time to locate the required textbooks at the best prices. Go to class first and make sure the professor will be using all the textbooks listed on the syllabus.
- Understand the return policy before buying, especially the deadline for refunds. Save the sales receipt. Keep new books in pristine condition until you are sure you will be using them.
- Consider options such as e-books or used textbooks. If practical, share books with other students in the class.
- Be certain that a textbook purchased online is an acceptable version for class, and follow guidelines for consumer protection online.

Endnotes

¹ Proposed Textbook Task Force language, House File 4032. Language was not enacted into law.

HIGHER EDUCATION TEXTBOOK COST STUDY.

The Minnesota Office of Higher Education shall convene an advisory task force to study the costs of required textbooks for students attending public and nonpublic postsecondary institutions. The task force must, at a minimum, include students, representatives of the Association of American Publishers, the postsecondary textbook publishers, the National Association of College Stores, campus bookstore managers, faculty, and administrators. Student members must be appointed according to section 36A.031, subdivision 4. Faculty members must be appointed from lists of two or more nominees submitted by the Inter Faculty Organization (IFO), the Minnesota State College Faculty (MSCF), and by groups representing faculty at each campus of the University of Minnesota. The study must, without limitation, examine textbook pricing trends and strategies, the practice of textbook rental, policies related to repurchase of textbooks from students, textbook selection policies, and purchasing practices of colleges and universities. The task force must review the findings and recommendations of other existing studies and any state or national laws that have been considered or adopted to reduce the financial burden of textbook costs. The office must report on its findings and present any recommendations by January 15, 2007, to the legislative committees with jurisdiction over higher education policy and finance.

² *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases.* (GAO: July 2005).

³ National Association of College Stores, www.nacs.org/public/industry.asp

⁴ The Robinson-Patman Act dates from 1936 and deals generally with anti-trust and price discrimination, (Robinson-Patman Act, 15 U.S.C. § 13).

⁵ From MN Statutes 2005, Ch. 297A.67 (General Sales and Use Taxes, General Exemptions):

Subd. 13. **Textbooks.** Textbooks that are prescribed for use in conjunction with a course of study in a school, college, university, and private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision (1) a "school" is as defined in section 120A.22, subdivision 4; and (2) "private career school" means a school licensed under section 141.25.

Subd. 13a. **Instructional materials.** Instructional materials, other than textbooks, that are prescribed for use in conjunction with a course of study in a postsecondary school, college, university, or private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision, "instructional materials" means materials required to be used directly in the completion of the course of study, including, but not limited to, interactive CDs, tapes, and computer software.

Instructional materials do not include general reference works or other items incidental to the instructional process such as pens, pencils, paper, folders, or computers. For purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

⁶ Task force members briefly discussed rental programs. Below are some possible advantages and disadvantages of such programs.

Book Rental Programs

Potential Advantages	Potential Disadvantages
<ul style="list-style-type: none">▪ Reduces students' out-of-pocket expenditures for textbooks at the beginning of each term▪ Each student in the class will have a copy of the text(s) being used for the class.▪ Depending on how the rental system is set up, students may have a voice in setting the rental fee each year.▪ Prospective students, and their parents, are attracted by the potential for saving money on textbooks.▪ With the option to buy current and discontinued texts at a discount, students may develop a personal and professional library at minimal cost.	<ul style="list-style-type: none">▪ Textbook rental systems are less flexible than book purchase systems, where the text may be changed each semester, if desired (especially an issue for adjunct faculty). Policies may be designed to allow more frequent selection changes in areas where information changes rapidly and where a new or different professor begins teaching the class.▪ Textbook rental systems tend to be very expensive to establish.▪ Requires ongoing financial support for staff, space and inventory▪ Savings to students may be only short-term.

Textbook Advisory Task Force Participants

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Todd Digby, Minnesota State Colleges and Universities, Libraries

Thomas Eland, Librarian, Minneapolis Community & Technical College

Tony Erickson, University of St. Thomas Bookstore

Mike Goodwin, Nebraska Book Company

Monica Hartmann, University of St. Thomas

Jess Hasken, Student, Macalester College Student

Paula Hauslein, St. Cloud State University

Richard Hershman, National Association of College Stores

J. Bruce Hildebrand, Association of American Publishers

Tom Hoffa, Pearson Education

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