



500 E. Lorain Street

**National Association of College Stores**

Oberlin, Ohio 44074

**Testimony for the Advisory Committee on Student Financial Assistance  
“College Textbook Cost Study”**

**Richard Hershman, Director of Government Relations  
National Association of College Stores  
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On behalf of the National Association of College Stores (NACS), I thank you for the opportunity to join in this panel discussion on the important issue of college course material affordability and accessibility. We are very pleased the Advisory Committee on Student Financial Assistance has taken a proactive interest in further studying these issues and is placing a priority on developing a study design that will achieve the goals Congress has set out and that we whole-heartedly share.

Headquartered in Oberlin, Ohio NACS is the professional trade association representing the collegiate retailing industry. Our membership includes 3,170 collegiate retailers, plus 1,100 associate members who supply products and services to college stores.

The role of all college stores, regardless of their ownership or management structure, is to contribute to the educational mission and function of higher education. They seek to provide the highest level of service to faculty, and students by listening and responding to their needs and interests. Today’s college bookstores are efficient, professionally run retail operations that are self-sustaining and return vitally important dollars back to students and the campus community. At the same time, they maintain lower margins on course materials than those found in most other retail businesses as illustrated in the attached chart.

As confirmed in several recent state studies, including Connecticut and Virginia, college stores continuously work to find ways to reduce costs for students and ensure student success. This is accomplished through such activities as buying and selling used books; working with faculty to factor cost into their course material adoption decision making; supporting improved communications between publishers, faculty, and students on course material requirements; and providing practical education for students and parents on budgeting and buying course materials. In addition, college stores employ an estimated 30,000 students in the U.S., provide millions of dollars in course material savings through used book and other cost savings programs, as well as fund scholarships, loan programs, student services, student government, and other grants that make higher education more affordable.

For the purpose of this hearing, you asked us several questions related to the four stated objectives of the study: (1) shed additional light for consumers, (2) investigate the problem of rising textbook prices, (3) examine the relationship between textbook prices and affordability of post-secondary education, and (4) make recommendations for various stakeholders on what can be done to reduce costs.

Given the wide-ranging nature of Dr. Koch's *Economic Analysis of Textbook Pricing and Textbook Markets* white paper and his policy recommendations, NACS plans to submit at a future date a detailed analysis and commentary of this document. For the purpose of this hearing I will make a few brief comments on how we hope the committee will approach the development of the study design and what changes NACS thinks are needed to build a greater understanding of the issues and how to effectively develop best practices and scale them up.

In short, while Dr. Koch's paper presents several valid issues for study and recommendation, including several that we agree with, we simply do not see a study design nor research methodology proposed here today. The proposed study plan and the longer paper it references presents an incomplete and inaccurate picture of the economics of the textbook industry, a lack of understanding of the academic mission and structure of college bookstores, and underdeveloped or faulty assumptions of how various factors impact course material costs. That the study should start with a set of policy options based on the incomplete and inaccurate picture of the economics of the textbook industry presented in the paper and then work backwards to validate them, is a suggestion we believe will limit the ability of the study to achieve its four stated objectives.

NACS urges the committee to look beyond this paper and its recommendations on what to study, so at the end of the day the report will improve the knowledge base on this issue, provide sound policy recommendations, and promote promising scalable practices.

To accomplish this, NACS believes the committee must ensure that all the major stakeholders are at the table on an equal basis in discussing course material affordability and access issues. In several places in the proposed study design and white paper, college bookstores and other stakeholders are conspicuously not mentioned, or the paper seems to imply that college bookstore directors might be unaware of the economics of course material affordability. I assure you that our college bookstore directors and textbook managers are not only well aware of the issues of textbook affordability, but are on the front lines working tirelessly to address the issues in real terms within the limits of their control and influence, often butting heads and ruffling feathers in the process as they work on behalf of students' interests.

The committee needs to ensure that students, parents, faculty, college bookstores, administrators, publishers, and used textbook wholesalers (misidentified as new book wholesalers in the paper) are part of the discussion. In particular, it is imperative that faculty be part of the conversation. Regrettably, faculty were not included in the GAO study, and the ACSFA has a great opportunity to engage faculty and study the roles faculty play in course material development, selection, and utilization, all of which can impact costs.

In addition, the committee should hold focus groups and round table discussions with stakeholders in lieu of, or in addition to, the regional field hearings proposed. Hearings are less conducive to the type of in-depth conversations and exchanges of ideas and information needed to build a knowledge base and formulate best practices that are scalable. Further, as Dr. Koch suggests one focus, though not the only focus should be on what institutions can do—including providing college bookstores the opportunity to voice their suggestions for cost reduction strategies, identifying what barriers and challenges exist to those strategies, and what help is needed to overcome and implement them. Such information and thought is critical if the goal of the committee is to propose best practices that can be scaled up across a variety of institutions and settings.

We disagree with Dr. Koch on the idea that the field hearings should be used as a dissemination vehicle while the study is underway. The committee should *first* conduct its study, collect relevant information and perspectives, and *then* disseminate its findings. A separate dissemination plan, which could include conference presentations, best practice tool kits or other knowledge utilization approaches, should be developed with the cooperation of the various stakeholders to accomplish this objective.

NACS supports the recommendation by this Committee's staff to provide the opportunity for public comments via a dedicated web site, as has been successfully done by the Web Based Education Commission study and the Department of Education's public outreach in developing its five-year technology plan.

In order to accomplish the four objectives of the study NACS urges the committee to consider conducting research on the following three areas:

1. Increase understanding of average student course material costs and recommendations on how to improve collection, reporting, and educating parents and students about these costs.

Unfortunately, despite substantial educational efforts and media attention regarding college course material costs, many students and parents do not embark upon college as well-educated consumers of course material costs, nor are they adequately factored into their budgeting and financial aid planning.

Currently the only national independent sources of annual average college course material costs information are the National Center for Education Statistics' (NCES) Integrated Postsecondary Education Data System (IPEDS), which is required to be collected by the Higher Education Act, and the College Board. Both organizations in turn, rely on individual colleges and universities to submit data. To our knowledge, neither organization provides significant guidance on how to obtain and calculate the estimated costs, nor do they provide much of an explanation or context for these costs when they report on college costs to the public.

In my preliminary research I found that the way institutions calculate these costs varies greatly. In checking with college bookstores, I have found schools may not verify course material costs and student spending with the college bookstore or review actual book prices and class course costs. Nor do they factor in student buy-back — a process that can significantly reduce the net cost of course materials for students who sell their course materials. Further, the College Board and IPEDS only report books and supplies together as a single figure, leaving little understanding of what the required course material costs are versus other more discretionary costs. As a result the current data collection and reporting is not as helpful as it could, and should, be for prospective students comparing college costs and budgeting for college. It further means there are no broadly accepted benchmarks to truly measure cost reduction strategies.

The advisory committee has an opportunity to review the current collection methodology and make recommendations to Congress, the NCES, College Board, and institutions on ways to improve data collection guidance and reporting and explore the best practices in educating students on these costs, such as how factors like course load, subject concentration, and book buy-back influence these costs.

2. Further study supplemental materials, which were identified by the GAO as the primary reason for recent price increases in college course materials.

This effort should entail looking at the needs and uses of supplemental materials by faculty and institutions of higher education, their costs, and most importantly, a review of the available research and other data regarding their efficacy and effective use.

3. Study how students pay for course materials, what support exists for students, and to what extent these costs represent access issues for students in need. If such access issues exist, how can they be overcome?

It may come as a surprise to you, as it has to me, that nationally we do not have any idea how much federal financial aid is being used by students to acquire course materials. Nor do we have a clear understanding of all the available resources that exist to help needy students with purchasing course materials.

While we know needy students are using a variety of financial aid sources to acquire course materials, in most situations, college course material costs are the last ones applied to aid. NACS believes this is being compounded by general increases in other higher education costs, which are partly the result of stagnant federal financial aid and a well-documented reduction of state support for higher education. In fact, textbook costs may be a bell weather for higher education access concerns in general, as the pressures being applied to other aspects of student costs and aid are not keeping up with these costs.

Only two states we are aware of — Georgia and South Carolina — provide a dedicated allowance in state aid to help defray a small portion of annual textbook costs. Some institutions, departments, athletic programs, college bookstores, and foundations further provide textbook scholarships and dedicated grant money to needy students or use grant

and foundation monies to establish credit and loan programs or other initiatives to help the neediest of students with the access to the course materials they need to succeed.

Further, required college course material costs are excluded under the federal Hope and Lifetime Learning tax credits, even though these required costs might be nearly the same as tuition at some public institutions.

NACS strongly believes that the Advisory Committee has an excellent opportunity to address all four of the objectives of the study by beginning to document how students are paying for course materials, what resources are available for students in need, and make recommendations to the various stakeholders on where improvements may be needed.

In conclusion, NACS is fully dedicated to working with the Advisory Committee on the four objectives of this critically important study. We urge the Advisory Committee to craft a study design and a separate dissemination plan that will produce a report that improves the knowledge base on this issue, provides sound policy recommendations, and promotes promising scalable practices. The NACS supports efforts to enhance affordable and equitable access to quality course materials, and will continue to work with all parties concerned as an ally for student interests.

## Average Retail Gross Profit Margins

