A Report on the Feasibility of Textbook Rental Programs and Other Textbook Cost-Saving Alternatives in Illinois Public Higher Education

DRAFT

Illinois Board of Higher Education
December 2006

EXECUTIVE SUMMARY

Growing apprehension about college affordability has fueled public and legislative interest in seeking remedies to the financial burden college students face in purchasing textbooks. Eighteen states considered measures to curtail the rising cost of college textbooks in 2006, and Colorado, Connecticut, Virginia, and Washington passed textbook-related legislation. Proposed and adopted legislation has focused primarily on sales tax exemptions, ending the practice of bundling of textbooks with supplementary materials, provisions concerning new editions with few substantive changes, and faculty textbook selection guidelines.

In spring 2006, the Illinois Senate adopted Senate Resolution 692 directing the Illinois Board of Higher Education (IBHE), in conjunction with the Illinois Community College Board (ICCB), to study the feasibility of implementing textbook rental programs at Illinois community colleges and public universities and/or other textbook cost saving alternatives.

IBHE and ICCB surveyed all community colleges and public universities to examine the feasibility of implementing textbook rental programs. Twenty-seven community colleges and 11 public universities responded. IBHE also distributed questionnaires to 49 third-party bookstores and received 10 responses. In addition, the Board sent questionnaires to the Association of American Publishers, Follett Corporation, Illinois Retail Merchants Association, and the National Association of College Stores, all of whom responded to the survey.

The study also involved an extensive review of recent publications concerning textbook prices and cost-saving measures, including studies by the U.S. Government Accountability Office (GAO), various state student public interest groups (PIRGS), and trade associations.

The following entities provided information to IBHE over the course of the study:

- Association of American Publishers, Inc.;
- Barnes and Noble College Bookstores;
- Follett Corporation;
- Illinois Board of Higher Education Faculty Advisory Council;
- Illinois Board of Higher Education Student Advisory Committee;
- Illinois community colleges;
- Illinois Department of Revenue;
- Illinois Department of Commerce and Economic Opportunity;
- Illinois Finance Authority;
- Illinois public universities;
- Illinois Retail Merchants Association;
- National Association of College Stores;
- National Advisory Committee on Student Financial Aid; and
- third-party bookstores.

Findings

- According to the Government Accountability Office (GAO), textbook costs increased 186 percent between 1987 and 2005, an average of 6 percent annually.

- The 2006 survey conducted by IBHE found that the average annual textbook cost to students at community colleges was between \$941 and \$1,027. This range covers the initial cost for textbooks and does not take into account the return students may get from selling their books back at the end of the semester.

- The 2006 survey conducted by IBHE found that the average annual textbook cost to students at public universities was between \$735 and \$891. This range covers the initial cost for textbooks and does not take into account the return students may get from selling their books back at the end of the semester.

- A survey conducted by the IBHE Student Advisory Committee in 2005 found that for a representative course schedule for a first-time, full-time student, the annual cost to buy new textbooks at the University of Illinois at Urbana-Champaign was \$932 if purchased from the university bookstore. The annual cost for used texts for the same representative course schedule was \$699 at the university bookstore. Other surveys have estimated that students pay between \$600 and \$700 annually for textbooks. The 2006-07 edition of The College Board's *Trends in College Pricing* reports that the national average costs for textbooks *and supplies* are \$850 at community colleges and \$942 at public universities.

- Among the most important factors affecting textbook price increases are:

    - Bundling – the practice of packaging supplemental course materials with textbooks for a single price;
    - Publication of new editions – publication and adoption of a new editions with short life cycles; and
    - Textbook adoption practices – the timing of textbook selection by faculty often determines whether bookstores have adequate supplies of used texts for students.

- Approximately 25 institutions nationally offer textbook rental programs (less than 1%), including five in Illinois.

Textbook Rental Programs

Approximately 25 colleges and universities in the United States offer textbook rental programs – less than 1 percent of degree-granting institutions. Five public community colleges and universities in Illinois offer full or partial textbook rental programs. After an extensive review of current market trends, textbook rental programs in Illinois, cost estimates, funding options for textbook rental start-up costs, cost-saving alternatives, economic impacts, and legal issues, the Board of Higher Education has concluded that the following considerations would be instrumental to the success of a textbook rental program:

- Mandatory rental fees should be sufficient to cover the annual operating costs of a textbook rental program.

- Since the state's need-based Monetary Award Program (MAP) covers mandatory student fees, additional MAP funding would be needed to ensure that MAP awards shielded low-income students from increased fees.

- Faculty members, administrators, and students must reach a consensus that a textbook rental program is an effective method for reducing textbook costs without adversely affecting quality.

- Start-up cost of implementing a textbook rental program must be addressed.

- Sufficient storage space must be found or acquired to house the additional textbook inventory that comes with a rental program.

- Textbook adoption policies and procedures must be established.

If textbook rental programs were implemented at community colleges, the average estimated annual mandatory textbook rental fee, excluding debt service to repay money borrowed for start-up costs, would be between \$325 and \$377. If textbook rental programs were implemented at public universities, the average estimated annual mandatory textbook rental fee, excluding debt service to repay money borrowed for start-up costs, would be between \$318 and \$396.

TEXTBOOK RENTAL PROGRAM

	Community Colleges	Public Universities	Total
Estimated Start Up Cost	\$ 119,071,293	\$ 98,273,087	\$ 217,344,380
Estimated Annual Cost	\$ 63,624,880	\$ 37,623,598	\$ 101,248,478
Estimated Total	**\$ 182,696,173**	**\$ 135,896,685**	**\$ 318,592,858**
Estimated Average Annual Fee Per FTE, Excluding Debt Service	\$ 334.00	\$ 305.00	-
Estimated Average Annual Fee Per FTE, Including Debt Service (Three-Year Schedule)	\$ 547.45	\$ 637.76	-
Estimated Average Annual Fee Per FTE, Including Debt Service (Five-Year Schedule)	\$ 460.82	\$ 502.71	-
Estimated Average Annual Fee Per FTE, Including Debt Service (Seven-Year Schedule)	\$ 415.71	\$ 432.38	-

Options for Alternative Cost-Saving Measures

The IBHE study also examined cost saving alternatives other than textbook rental. Options available to the state, institutional administration and faculty, and publishers include:

<u>State</u>

- Require faculty and staff members to consider the most cost-effective practices in textbook decision making.

- Require sample copies of textbooks to be available free of charge for student use on reserve in the academic department or university library.

- Prohibit community college and public university faculty, staff, and academic departments from benefiting financially from the selection of required textbooks.

- Require textbooks to be sold separately when a textbook is sold as a package with other study materials (unbundling).

- Require publishers to provide faculty members with the price of course materials sold at the bookstore and the revision history of course materials.

- Facilitate website links for students to access book swaps.

- Support a public information campaign to increase awareness among faculty regarding textbook prices and the timely submission of textbook selections.

<u>Administration</u>

- Adopt policies to promote existing book buy-back programs, including encouraging faculty to reuse textbooks and enforcing deadlines for textbook adoption orders to maximize the quantity of used textbooks available to students.

- Place course materials on reserve at academic departments and/or libraries for students.

- Post a list of course materials, including the ISBN number (a universal book identifier) and new and used textbook prices, at least 60 days before classes begin to enable students to comparison shop for textbooks.

- Establish Textbook Advisory Committees to set and enforce textbook author profit caps, new edition adoptions, and other policies.

<u>Faculty</u>

- Adhere to the textbook selection deadline to help ensure an adequate supply of used books is available.

- Place course materials on reserve at academic departments and/or libraries for students.

- Adopt new editions only when significant changes occur.

- Offer e-books, e-reserves, i-chapters, and custom books to students.

<u>Publishers</u>

- Provide complimentary copies of selected textbooks to be used in the classroom or library.

- Offer bundled materials as separate items for purchase.

- Provide faculty members with the price of course materials sold at the bookstore and the revision history of course materials.

Conclusion

Textbook rental programs and alternative cost-saving measures could help reduce the financial burden on students and families from escalating textbook costs. For such efforts to be successful, however, they will need the support of institutional administrators, students, faculty, and publishers. Some states have found legislative action an effective tool to encourage efforts to curtail textbook costs.

INTRODUCTION

Across the nation, the cost of college textbooks is a common and growing concern for students, parents, legislators, administrators, and faculty members. Students are faced with financial constraints that may deter them from purchasing course materials. Parents who pay for their children's education often see textbook purchases as "piling on" after they have been sacked by tuition, fee, and room and board payments. Faculty and administrators are faced with the pressure of providing quality education while keeping costs down. In many states and at the federal level, legislation has been proposed – and in some instances passed; task forces have been formed; and studies have been undertaken with the goal of reducing textbook costs to students without sacrificing educational quality.

Against this backdrop, the Illinois Senate of the 94th General Assembly passed Senate Resolution 692 directing the Illinois Board of Higher Education (IBHE), in conjunction with the Illinois Community College Board (ICCB), community colleges and public universities, to conduct a study of the cost and feasibility of implementing textbook rental programs at community colleges and public universities as well as identifying other textbook cost saving alternatives. The resolution required the study to examine funding options to cover start-up costs, legislation from other states, the economic impact of rental programs, and cost-saving alternatives to textbook rental programs.

This report addresses the requirements of SR 692. It begins with a survey of recent research on textbook market trends and a summary of recent state and federal legislative activities regarding textbook costs. Next, it reports on existing textbook rental programs in the nation and in Illinois. Finally, it reports on the findings of a study conducted by the IBHE and ICCB on the cost and feasibility of creating new textbook rental programs in Illinois and on potential cost saving alternatives to rental programs.

THE TEXTBOOK MARKET

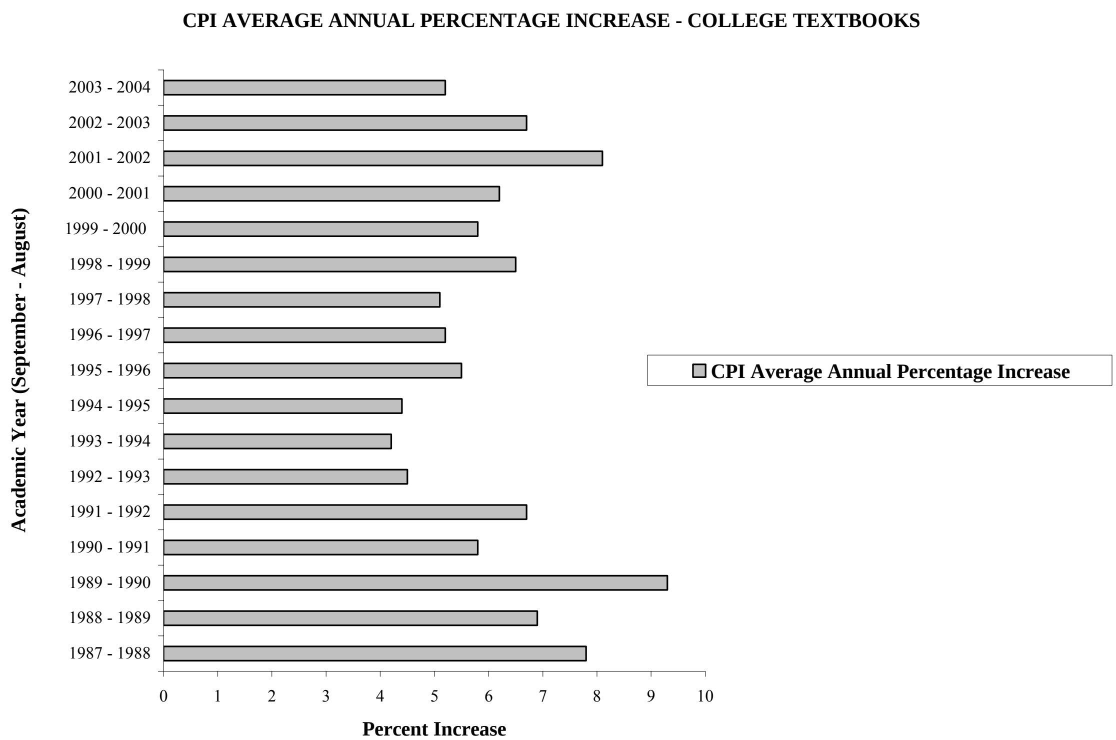
Market Issues

The salient consideration in examining the textbook market is the disjuncture between seller and consumer. During a hearing of the U.S. Department of Education's National Advisory Committee on Student Financial Assistance (ACSFA) held in September 2006, Dr. James V. Koch, Professor of Economics and President Emeritus of Old Dominion University, noted: "The textbook market is unusual in that the primary individuals who choose textbooks (faculty) are not the people who pay for them (students)." Consequently, the separation between choice and payment results in price inelasticity, meaning that students have limited ability to respond to increasing costs. Dr. Koch noted that studies have found even a 10 percent increase in price results in only a 2 percent drop in sales.

Congressman David Wu of Oregon made the same point when requesting that the ACSFA undertake a study of textbook costs and cost-saving alternatives. Congressman Wu stated that "it's a classic broken market…the professor is making the decision, the publishers and bookstores are setting the prices and the student has no choice in the product" (Powers 2006).

Textbook Costs

According to the U.S. Government Accountability Office (GAO), textbook costs, on average, increased 6 percent annually between academic years 1987 and 2004. (GAO 2005). The following chart provides a historical overview of the average annual percent increase in the cost of college textbooks.

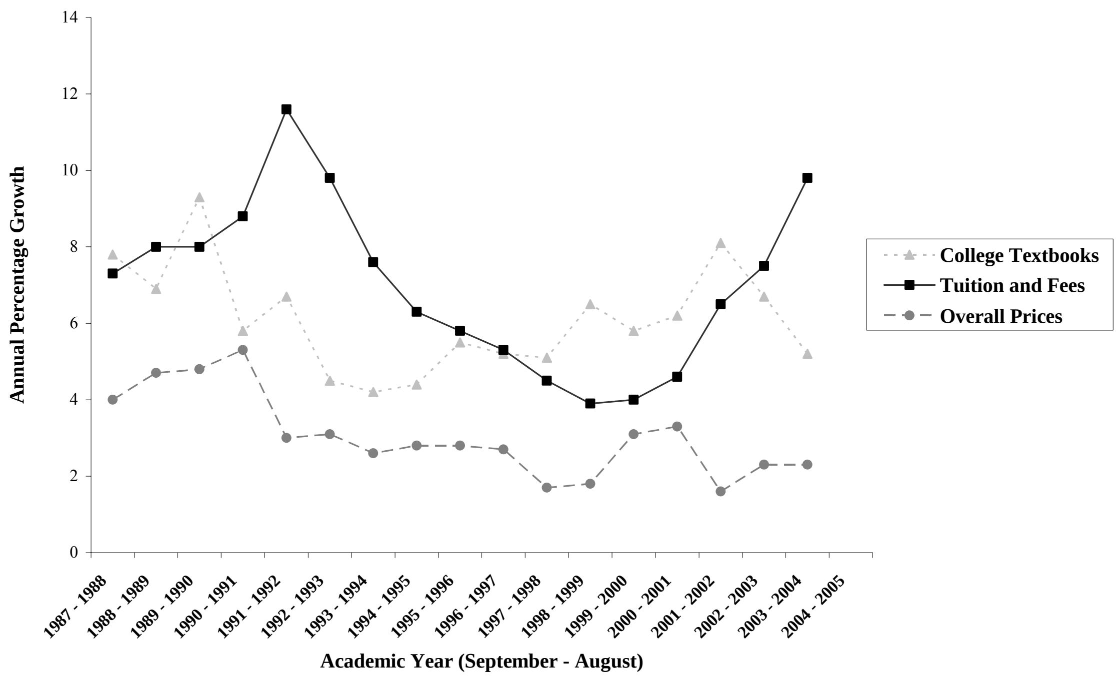


"College textbooks include any book, which, according to the outlet, has been designated by the college, department, or professor, as a required text for a course offered by the college during the academic period. Only new books are priced. Used books are included in the item category's weight, but are excluded from pricing to avoid the difficulty finding comparable items over time" (U.S. Department of Labor, Bureau of Labor Statistics).

Source: Government Accountability Office 2005

The chart on the following page compares annual changes in the Consumer Price Index (CPI) to annual changes in college textbook prices and tuition and fees. Since 1984, college textbook costs and tuition and fees have outpaced overall prices; however, the annual average increase in tuition and fees (7 percent) has outpaced increases in both college textbook costs (6 percent) and overall prices (3 percent).

CONSUMER PRICE INDEX AVERAGE ANNUAL PERCENTAGE GROWTH



Source: Source: Government Accountability Office 2005

Pricing

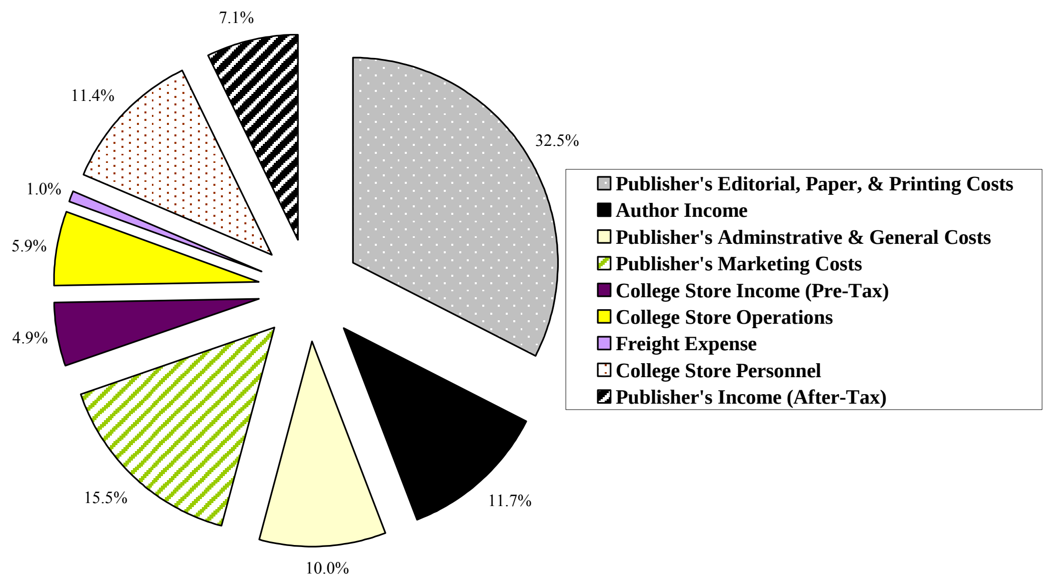
According to the Association of American Publishers, various factors impact textbook pricing, including:

- customization;
- integration of materials, such as online tutors and online tests;
- investment, such as intellectual costs;
- options, such as black and white or two-color paperback;
- online books and resources;
- production costs;
- subject; and
- teaching packages.

When selecting textbooks, faculty members generally have multiple options for one textbook. According to the Association of American Publishers, “learning material choices offered for a single course by a single publisher may include, for example, a textbook in 10 or more formats, each at a different price, 10 or 20 optional student supplements, and dozens of optional instructional and management tools for faculty” (Association of American Publishers response to IBHE letter 2006).

Nearly 60 cents of every dollar spent to purchase a new textbook covers publishing costs. The chart on the following page exhibits, on average, the distribution of revenue from sales of a new textbook for 2004 – 2005 (National Association of College Stores 2006).

TEXTBOOK DOLLAR DISTRIBUTION

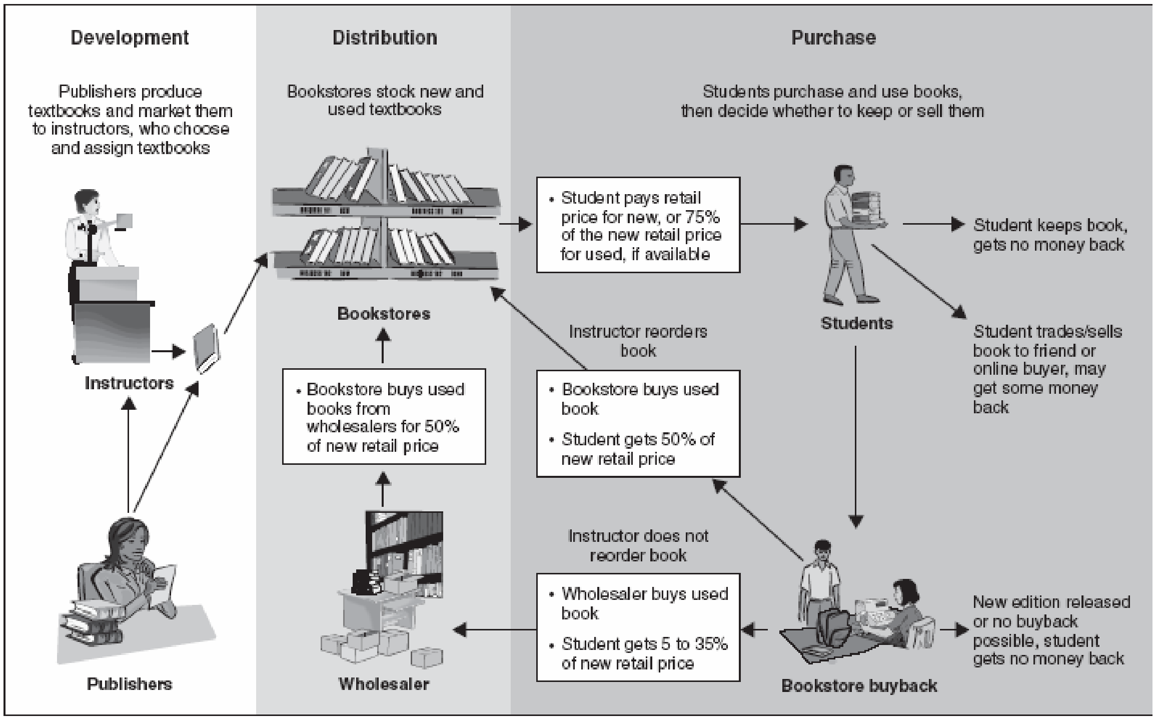


Source: National Association of College Stores 2006

Although the pie chart above provides a general overview, the College Store Income and Publisher's Income is based on pre-tax and after-tax figures, respectively. According to the GAO, in 2005 the average margin – defined as the percentage of the selling price that goes to the bookstore – on new textbooks was 23 percent (National Association of College Stores 2006). The margin is established by the bookstores to cover bookstore costs and to achieve a profit. Generally, 75 cents of every textbook dollar goes to the publishers. The remaining 25 cents is the margin which is comprised of the bookstore profit, usually 5 cents, and the commission to the institution and operating costs, generally 20 cents.

Life Cycle

The life cycle of a college textbook is a complex process involving various entities and steps. The chart on the following page illustrates the development, distribution, and purchase process of new and used textbooks. The chart highlights the role of textbook buy-back programs in the process of textbook buying, selling, and reselling.



Source: Government Accountability Office 2005

Bundling

Bundling refers to packaging supplemental materials, such as CD-ROMs, consumable workbooks, and access codes to online quizzes and resources, with a required textbook. Students often do not have the opportunity to purchase the textbook separately when course materials are sold as a bundle. Bundling affects the used textbook market because the practice limits the ability to purchase used course materials and sell back all course materials in the bundled package.

CALPIRG, a public interest advocacy group based in California, reports that bundled textbooks and course materials account for half of all textbook sales. “When a bundled book is available for purchase unbundled…the bundled book is on average, 10 percent more expensive than its unbundled counterpart” (CALPIRG 2005).

CALPIRG reports that students did not have the option to purchase unbundled materials for 55 percent of bundled textbooks studied in their survey (CALPIRG 2005). An Illinois community college reports that it was seldom offered a choice from publishers to order bundled items separately (IBHE Survey 2006).

In an August 2006 survey of 502 professors at two-year and four-year institutions conducted for the Association of American Publishers, polling firm Zogby International found that 53 percent of respondents required use of supplemental materials in their classrooms, 33 percent recommended that their students use supplemental materials, 12 percent did neither, and 3 percent were not sure what they do with supplemental materials (Zogby 2006). Interestingly, the percentage of faculty requiring textbooks dropped from 87 percent to 81 percent from a similar survey conducted by Zogby International in 2004, while the percentage of faculty requiring the use of supplemental materials increased from 46 percent to 53 percent.

New Editions

New edition adoptions increase student costs because new textbooks are more costly than used textbooks. New editions close the market on used textbooks because students are unable to sell older editions when new editions are adopted.

The amount of time between the release new textbook editions has become shorter. Currently, new editions are generally released every three to five years. The standard 10 to 20 years ago for the release of new editions was generally every four to five years (GAO 2005). Zogby International asked students whether the timing for the release of new editions was "about right, too frequent, or not frequent enough" (Zogby 2004). The students responded:

- about right (48 percent);
- too frequent (35 percent);
- not frequent enough (8 percent); and
- uncertain (9 percent) (Zogby 2004).

There is a strong correlation between the life of a textbook and revenue from sales. The longer the life of a textbook, the lower the revenue generated from sales. A longer life means more used copies are available, thus reducing revenue from sales. According to the GAO, "publishers estimated that in the second year of an edition, they might sell 25 percent to 70 percent of the textbooks that were sold the first year" (GAO 2005).

Textbook Spending

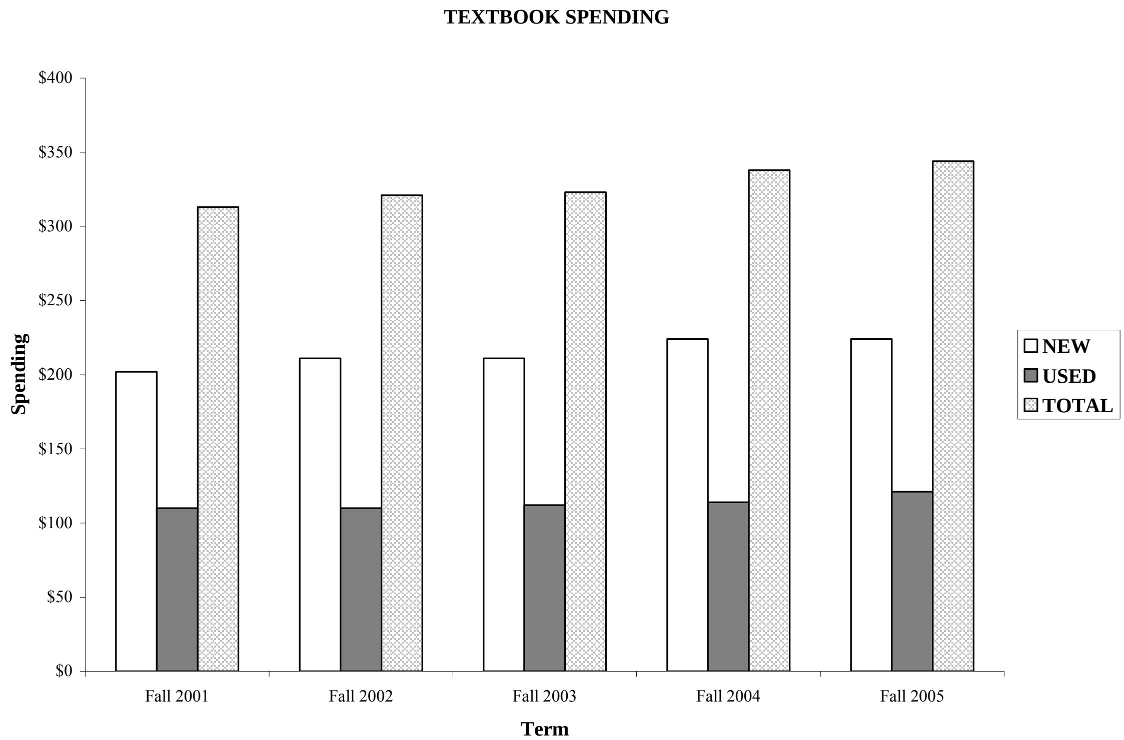
There is a debate about the total cost students actually pay for textbooks. According to GAO, first-time, full-time students at four-year public institutions spent $898 on textbooks and supplies during academic year 2003–2004 (GAO 2005). The Association of American Publishers disputes the GAO figure and asserts the cost was closer to $650 (Anne Marie Chaker 2006).

The 2006 survey conducted by the IBHE found that the average annual textbook cost to students at community colleges was between $941 and $1,027. These figures are the initial cost for textbooks and do not take into account a student selling back textbooks at the end of the semester. In comparison, if textbook rental programs were implemented at community colleges, the average estimated annual mandatory textbook rental fee, excluding debt service to repay money borrowed for start-up costs, would be between $325 and $377.

The IBHE's 2006 survey found that the average annual textbook cost to students at public universities was between $735 and $891. As with the community college estimates, these figures are for the initial cost of textbooks and do not take into account a student selling back textbooks at the end of semester. In comparison, if textbook rental programs were implemented at public universities, the average estimated annual mandatory textbook rental fee, excluding debt service to repay money borrowed for start-up costs, would be between $318 and $396.

According to the College Board, the 2006-07 national averages for books *and supplies* at two-year and four-year public institutions are $850 and $942 respectively. The Midwest averages for books *and supplies* at two-year and four-year institutions are $817 and $877 respectively (College Board 2006). Finally, according to the National Retail Federation, students spent an average of $702 annually for textbooks in 2005 (National Retail Federation 2006).

The Student Monitor, a market research service, reports that total textbook spending has seen a slight increase since 2001 (Student Monitor 2006). The table below, taken from the Student Monitor report, illustrates new, used, and total textbook spending per semester among all students from fall 2001 to fall 2005.



Source: Student Monitor 2006

As students are faced with increasing financial constraints, many choose to comparison shop and often turn to online sources, such as Amazon.com. According to the Student Monitor, in spring 2006, 69 percent of students purchased textbooks from on-campus bookstores, approximately 4 percent less than spring 2005. Freshmen comprised the largest segment of students purchasing textbooks from on-campus bookstores. The number of students who chose to purchase online doubled since spring 2004 from 7 percent to 14 percent. Some types of financial aid, such as certain institutional scholarships, may limit the ability for students to do comparison shopping by providing students with book vouchers to purchase textbooks that generally must be used at the campus bookstore.

Financial Aid

Students' ability to use financial aid to pay for textbook expenses differs by the source of the aid. The State of Illinois' cornerstone student aid program, the Monetary Award Program (MAP), does not permit awards to be used for book purchases; rather, MAP funds may only be used to pay tuition and mandatory fees. Mandatory textbook rental fees, however, are eligible for MAP support. Another state program administered by the Illinois Student Assistance Commission, the Silas Purnell Illinois Incentive for Access (IIA) Program provides MAP-eligible freshman students having a zero Expected Family Contribution (EFC) with an annual $500 grant that may be used for college costs including textbook charges. In FY2006, 17,821 students received $7.0 million from this grant program. The FY2007 appropriation is $8.2 million.

Unlike the Monetary Award Program, awards made to low-income students under the federal Pell grant program can be spent on various college-related costs, including textbook purchases. Nevertheless, despite the support provided by state, federal, and institutional aid sources, many students still face a financial gap or unmet costs. This occurs in large part because neither the maximum Pell grant nor the maximum MAP grant have kept pace with increases in tuition and fees that began around 2002. “The reality is that students have little aid left to cover their textbook costs” (Schroeder 2006).

Used Market

According to GAO, the margin – defined as the percentage of the selling price that goes to the bookstore – on used textbooks was 33 percent in 2005. Bookstores typically purchase used textbooks at 50 percent of the retail price of new textbooks, then sell them to students at 75 percent of the new textbook price. The price a student receives for selling a used textbook depends on whether or not the textbook has been adopted at the same institution for a subsequent semester. If a textbook has not been adopted at the same institution for a subsequent semester, the textbook is likely to be purchased by the wholesale market, which pays between 5 and 35 percent of the new retail price. If a textbook has been adopted for a subsequent semester, the student will typically receive 50 percent of the new retail price (GAO 2005).

Used textbooks are more economical for students. However, the availability of used textbooks depends on the timing of textbook selection by faculty members and whether the bookstores have sufficient time to place an order for them. Two significant ways to reduce the cost of textbooks, according to the Follett Corporation, are through the promotion of the used textbook market and the timely selection of course materials by faculty members (Follett Corporation response to IBHE letter 2006).

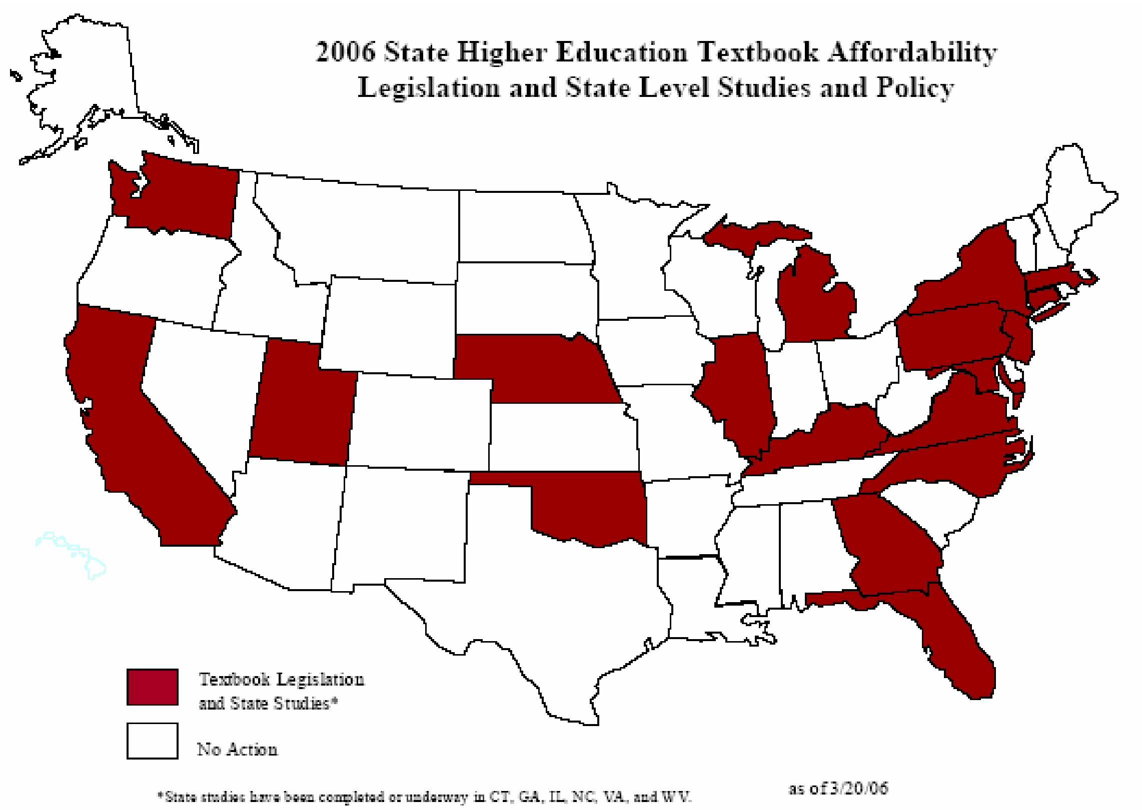
According to the Student Monitor, approximately 69 percent of students in 2006 chose to sell back textbooks at the end of the semester (Student Monitor 2006). Of this number, 79 percent sold textbooks to on-campus bookstores, 20 percent to other students, 18 percent to off-campus bookstores, 17 percent to friends/relatives, and 9 percent to online bookstores. Students who chose not to sell back their textbooks gave the following reasons for their decisions:

- buyback prices were too low (75 percent);
- student chose to keep all of her/his textbooks (67 percent);
- selling textbooks back was not convenient (61 percent);
- student chose to give textbooks to friends/relatives (51 percent);
- student chose to donate textbooks to organizations (18 percent); and
- student received textbooks from a scholarship (12 percent).

LEGISLATIVE INITIATIVES ON TEXTBOOK COSTS

Eighteen states considered measures to alleviate the financial burden on students resulting from textbook purchases in 2006, and Colorado, Connecticut, Virginia, and Washington ultimately passed such legislation. Proposed and adopted legislation has focused primarily on sales tax exemptions, ending the practice of bundling of textbooks with supplementary materials, provisions concerning new editions with few substantive changes, and faculty textbook selection guidelines.

The following map illustrates which states were involved in legislation, policies, and/or studies regarding textbook affordability in 2006. A comprehensive list of proposed legislation is included in the appendix.



Source: National Association of College Stores 2006

Colorado

House Bill 1024 was signed into law on June 1, 2006. The law will require the governing board of each higher education institution to consider implementing an online textbook library so students may purchase only materials needed for the applicable coursework. Creation and implementation of the online library is at the discretion of the governing boards. According to the Colorado Legislative Council, House Bill 1024 has no fiscal impact to the state.

Connecticut

Public Act 06-103 (HB 5527) was enacted on June 2, 2006. It requires publishers to provide faculty members with the price of course material sold at the bookstore. In addition, the Act requires the revision history of course material to be provided to faculty members. According to the Connecticut Office of Fiscal Analysis, Public Act 06-103 has no fiscal impact on the state.

Virginia

House Bill 1478 was signed into law on April 4, 2006. The bill provides guidelines for Virginia public institutions of higher education to minimize the cost of textbooks. Employees of Virginia's public colleges or universities may not benefit financially from the selection of required textbooks.

The guidelines to minimize textbook costs include the following six provisions:

1. faculty must submit lists of their required textbooks to the university bookstore in sufficient time to enable the bookstore to find used textbooks;
2. when a textbook is sold as a package with other study materials, the textbook must also be available separately;
3. faculty members must affirmatively acknowledge the price of a required textbook before finalizing the order;
4. when prior editions do not significantly differ from new editions, faculty members are encouraged to limit the use of new editions;
5. sample copies of textbooks must be available at no charge to students in the academic department or university library; and
6. revenue generated from textbook sales at institution-owned bookstore or collected by a university from privately contracted bookstores may only be used for on-campus student activities, financial aid, or improvements to existing university bookstore infrastructure and services.

According to a 2006 fiscal impact statement by Virginia's Department of Planning and Budget, the law will have a state fiscal impact. The estimated cost for two sampled institutions, the University of Virginia and George Mason University, is $375,000 and $350,000, respectively. Additional funding may be required to acquire and process the textbooks for their libraries, and identifying space in the libraries for textbooks may also be problematic.

Washington

Washington's House Bill 3087 was enacted June 7, 2006. The bill will provide cost-savings on course materials for students at Washington's regional universities, state universities, and the Evergreen State College. According to the Washington Higher Education Coordinating Board, House Bill 3087 will have no fiscal impact to the state. The five primary provisions of the bill are:

1. provide the option of purchasing unbundled materials to students;
2. disclose the difference between editions to students and faculty;
3. promote and publicize textbook buy-back programs;
4. make retail costs publicly available to students and faculty; and
5. faculty and staff members must consider the most cost-effective practices in textbook decision-making.

TEXTBOOK RENTAL PROGRAMS

Existing Rental Programs in the United States

Textbook rental is not a new concept to postsecondary institutions in the United States, though it is the exception rather than the rule. Approximately 25 postsecondary institutions nationwide – less than one percent of degree-granting colleges and universities – currently provide some type of textbook rental to their students. Textbook rental programs vary among the institutions, and the majority of rental programs have been in existence since the inception of the institutions. Among the institutions with textbook rental programs are:

- Allen County Community College (KS)
- Appalachian State University (NC)
- Central Missouri State University (MO)
- Eastern Illinois University (IL)
- Frontier Community College (IL)
- Highland Community College (KS)
- Lake Land College (IL)
- Lincoln College (IL)
- Missouri Southern State University (MO)
- Oklahoma Panhandle State University, Goodwell (OK)
- Rend Lake College (IL)
- Southeast Missouri State University (MO)
- Southeastern Louisiana University, Hammond (LA)
- Southern Illinois University, Edwardsville (IL)
- Taft Community College (CA)
- Three Rivers Community College (MO)
- University of North Alabama (AL)
- University of Wisconsin, Barron County (WI)
- University of Wisconsin, Eau Claire (WI)
- University of Wisconsin, La Crosse (WI)
- University of Wisconsin, Platteville (WI)
- University of Wisconsin, River Falls (WI)
- University of Wisconsin, Stevens Point (WI)
- University of Wisconsin, Stout (WI)
- University of Wisconsin, Whitewater (WI)
- Western Carolina University (NC)

None of the institutions are research institutions as defined by 2000 Carnegie Classifications. (For comparison, the University of Illinois at Urbana/Champaign is designated as a "Research I" institution by 2000 Carnegie Classifications.)

The sizes of institutions that operate a textbook rental program range from roughly 400 students at the University of Wisconsin, Barron County, to 15,000 students at Southeastern Louisiana University, Hammond. According to the National Association of College Stores, the mean number of students participating in a rental program is 6,015. Approximately 71.4 percent of textbook rental programs have been in place since the institution's founding, while 28.6 percent were adopted after inception (National Association of College Stores 2006).

The mean estimated dollar value of current rental programs is approximately $2.1 million, and if these institutions had to recreate their rental programs, the mean estimated cost would be approximately $2.6 million. For rental programs to be cost-effective, institutions need to have a textbook adoption period (the span of time the textbook is to be used) averaging 9 quarters or semesters. Approximately 62 percent of rental programs allow changes with special exceptions and approval from the department chairperson or from the director of book services. Of rental programs responding to NACS, 9.5 percent prohibited changes during the adoption period. Once the adoption period is complete, used materials are sold to wholesalers and students, donated to Third World programs, or disposed of through other means (National Association of College Stores 2006).

According to the National Association of College Stores, 85.7 percent of rental programs are run by an institutional bookstore, 9.5 percent by a college/university library, and 4.8 percent through other arrangements. The locations of rental programs vary – 38 percent of rental operations are separate from the bookstore, 48 percent are within the bookstore, and about 14 percent are in other venues. The average total space devoted to the rental area is 4,348 square feet. Graduate students are eligible to participate in 42.9 percent of rental programs (about 11 institutions), while 33.3 percent of programs exclude graduate students (about 8 institutions), and 23.8 percent of the institutions (about 6 institutions) do not enroll graduate students (National Association of College Stores 2006).

The National Association of College Stores provides a snapshot of current textbook rental programs in the 2006 Textbook Rental Compendium.

Various models of textbook rental programs exist, including:

- comprehensive rental model for majority of course materials (66.7 percent);
- mandatory student participation (33.3 percent);
- limited rental model by grade level or subject (19.0 percent);
- hybrid model where students may rent or purchase (14.3 percent); and
- other (19.0 percent).

Current rental programs are funded by:

- rental fees/fines (90.5 percent);
- book sales (28.6 percent);
- university monies (14.3 percent); and
- other (19.0 percent).

Student fees are collected:

- as part of tuition (61.9 percent);
- when books are rented (33.3 percent); or
- through other means (4.8 percent).

Rental fees are based on:

- per credit hour (33.3 percent);
- other (23.8 percent);

- per course (23.8 percent); or
- one-time fee per term (19.0 percent).

Rental Program Benefits

The potential benefits of textbook rental programs are significant. Among the benefits mentioned by the community colleges and public universities that responded to the IBHE rental feasibility survey are the following:

Cost Savings. Textbook rental programs offer potential cost savings for students and parents. Existing textbook rental programs at Illinois public universities and community colleges cost students less than half of what they would be expected to pay for textbooks at non-rental institutions. Under rental programs, students can easily budget for textbooks, and mandatory rental fees can be covered by MAP awards to low-income students. In contrast, while selling a textbook back at the end of the semester lowers the net cost to the student, the full price of the textbook must be paid at the beginning of the semester, and a favorable sell back is not guaranteed.

Acquisition of Required Textbooks. A 2006 survey by the Student Monitor of 1,200 full-time undergraduates at four-year institutions found that 26 percent of students surveyed did not purchase all required textbooks (Student Monitor 2006). While various reasons were given by the students for not acquiring all required textbooks, many students reported that they could not afford either new or used textbooks. In contrast to purchasing books or other rental models such as book deposits collected on a per-book basis, rental programs funded through mandatory student fees guarantee that all students have access to all required textbooks.

Recruitment and Retention. Rental programs can be effective recruitment and retention tools since the number of public higher education institutions with rental programs is minimal. A textbook rental program could be a deciding factor for students and parents with financial constraints.

Shipping and Handling. Shipping and handling costs may be reduced under a textbook rental program. Institutions without rental programs estimate the quantity of textbooks needed. When an estimate is too low, more textbooks must be ordered and, conversely, when an estimate is too high, textbooks must be returned, thus having an impact on shipping and handling costs.

Environmentally Responsible. Textbook rental programs are environmentally responsible. Utilizing a textbook over the course of an adoption period, generally three to five years, reduces the amount of paper needed to print additional textbooks. Furthermore, fewer copies of textbooks printed may lead to fewer copies in landfills after they are no longer of value.

Limitations of Rental Programs

While there are many benefits to textbook rental programs, such programs come with significant limitations as well. The following limitations were identified by the institutions that responded to the IBHE survey are the following:

Annotating. Students participating in rental programs are generally prohibited from annotating textbooks. Students who choose to annotate their textbooks are usually required to purchase the textbooks at the end of the semester while still being required to pay the mandatory fee.

Delivery and Retrieval. Institutions with off-campus locations may be negatively impacted by textbook rental programs. Logistics and resources may be difficult and limited in the delivery and retrieval of textbooks. This is especially true for community colleges that may have several locations spread over a large geographical area.

Faculty Concerns About Adoption Periods. Under a textbook rental program, faculty members are required to adopt a textbook for three to five years. The National Association of College Stores indicates that textbook rental programs work best when there is low faculty turnover and when there is willingness of faculty to stay with the same texts for a period of time.

The faculty senate at the University of Illinois at Urbana-Champaign has voted to oppose textbook rental because of "its potential to limit their academic freedom and ability to innovate." In its response to the IBHE survey, the University noted:

> …faculty have spoken clearly and forcefully that requiring them to use the same textbook for a three year period would greatly limit their ability to keep their courses current and fresh. For example, a world politics book selected in August of 2001 would have been immediately out of date after September 11th. And the same is true in biology, chemistry, medicine, etc. where new discoveries change the way we view the world every day. Requiring faculty to teach from a static text for at least three years as the world changes around them is antithetical to higher education.

According to several responses to the IBHE survey, textbook rental programs may become bargaining issues at unionized institutions. Since some faculty members are hired as adjuncts or at the last minute, they would have no input in the selection of the adopted textbook.

Faculty would also have to decide whether they would require students to use access codes for supplemental materials. Access codes allow students to access course materials electronically. In some cases, publishers may not sell access codes separately from new textbooks. Consequently, students would be required to purchase access codes in addition to paying mandatory rental fees.

CURRENT ILLINOIS TEXTBOOK RENTAL PROGRAMS

Five public higher education institutions in Illinois offer textbook rental programs. These institutions are: Eastern Illinois University, Frontier Community College, Lake Land College, Rend Lake College, and Southern Illinois University–Edwardsville.

With the exceptions of Frontier Community College and Rend Lake College, current textbook rental programs at Illinois public institutions have been in existence since the inception of the institutions. Frontier Community College began its program in 1981, and Rend Lake College began its program in the fall of 1998. Fall 2005 full-time equivalent (FTE) enrollment at these five institutions ranged from 591 (Frontier Community College) to 10,753 (Eastern Illinois University). Eastern Illinois University, Frontier Community College, Lake Land College, and Southern Illinois University–Edwardsville charge a mandatory rental fee to students based on credit hours. Rental fees for academic year 2005 ranged from $6.45 per credit hour (Lake Land College) to $10 per credit hour (Frontier Community College). A $28 fee per book plus a $20 deposit per book is charged to students at Rend Lake College. Although rental terms vary among the four institutions, penalties for actions such as highlighting and late returns are common to all programs.

Textbook rental programs are housed in the bookstore at Lake Land College and Rend Lake College, whereas separate facilities are used at Eastern Illinois University and Southern Illinois University–Edwardsville. Students are allowed to purchase textbooks under all programs; however, there are varying guidelines among the programs. At SIU-Edwardsville, nursing students are required to purchase their nursing textbooks. Eastern Illinois University has a two-year adoption cycle unless the department chairperson and the director of textbook rental services approve a different cycle for a particular course. The remaining programs have a three-year adoption cycle unless by an exception. In addition to a minimum adoption cycle, Lake Land College has a five-year maximum adoption cycle unless by exception.

The chart on the following page demonstrates the similarities and differences among five Illinois textbook rental programs.

	Eastern Illinois University	Southern Illinois University - Edwardsville	Frontier Community College	Lake Land Community College	Rend Lake College Hybrid Model
Start Date	Inception of University	Inception of University	1981	Inception of College	Fall 1998
Enrollment (Fall 05)	12,129	13,460	767	7,181	4,913
Fees	$7.95 per credit hour	$8.55 per credit hour	$10 per credit hour	$6.45 per credit hour	$28 per book plus $20 deposit per book
Rental Terms	Students purchase textbooks if underlined, highlighted, written in, damaged or show excessive wear. Late fines are $10.00 per book. If not returned by 5 days after deadline, all textbook and late charges will be billed and no textbooks will be accepted.	Student must purchase book if it is damaged/highlighted/written in. On the Wednesday following finals the student is charged for replacement cost for unreturned books.	A late fee of $5 per book is charged for books not returned one week after the end of the term. The cost of unreturned books is charged to student accounts.	May be charged for highlighting/writing. A late fee applies if book is returned after deadline. Students must keep book and pay full cost if not returned by subsequent deadline.	Reasonable highlighting is permitted but no writing or other significant damage. Non-returned books are charged to student's account at retail value plus $10 handling fee minus deposit.
Textbook Adoption Cycle	2 years or 3 semesters, whichever is longer unless by exception	3 years unless by exception	3 years	3 years minimum, 5 maximum unless by exception	3 years unless by exception
Guidelines for Faculty	Internal Governing Policy states specifics. $100.00 per course maximum	More than one text allowed with permission, 40% of classes have multiple books.		Faculty request for each course. Approved by Division Chair. Requests must fall within budget.	
Use of Committee	Advisory Committee	Advisory Committee		Advisory Committee	
Different Sections of Course	Multiple sections and honors sections are considered separate courses when choosing textbooks with the exception of introductory courses.	At least 3 sections for each title	Same text in all sections except for courses where books are purchased.	Same text in all sections unless by exception	
Faculty Require Purchase	Through the use of the Supplemental/Student Purchase Item Request with approval by the Department Chairperson and the Director, Textbook Rental Service.	With permission	Supplements such as lab manuals.	With permission	
Rental Space	11800 sq. ft.	7500 sq ft	1500 sq ft	3420 sq ft	1700 sq ft
Location	Separate facility	Separate facility	Bookstore	Bookstore	Bookstore
Size of Inventory	approx 210,000	138,110	6,200	approx 33,000	15000
Value of Inventory	$7,000,000	$6,231,689	245,000	$1,650,000	$680,000
Purchase Options	During a purchase period or they are billed a late fee plus the cost of the text if it is not returned.	Texts are sold to undergraduates at cost, with discounts according to length of time in use.	Students may purchase texts with discounts according to number of terms used.	During a purchase period or they are billed for the purchase price if they fail to return it.	Student may purchase text instead or can keep rental text for additional fee.
Number of Employees	6 full-time, 50 temporary/part-time, up to an additional 60-70 students during distribution and returns.	3 full-time, up to 38 temporary/part-time	1 full-time	3 full-time up to 12 temporary/part-time	1 full-time, 2 temporary/part-time

COSTS AND FEASIBILITY OF IMPLEMENTING RENTAL PROGRAMS

Methodology

SR692 directed the IBHE to seek input on the cost and feasibility of implementing textbook rental programs from public universities, community colleges, faculty, trade associations, publishers, students, and third-party bookstores. Data were collected from the community colleges and public universities via a survey developed by the IBHE and ICCB. Surveys were sent to all public universities and community colleges, and responses were received from 27 community colleges and 11 public universities. The IBHE distributed a questionnaire to 49 third-party bookstores and received ten responses. All potential respondents were contacted multiple times, as were respondents whose returned surveys were incomplete.

Questionnaires also were sent to the Association of American Publishers, Follett Corporation, Illinois Retail Merchants Association, and the National Association of College Stores, all of whom responded. The IBHE Faculty Advisory Council and the Student Advisory Committee also provided responses. In addition, the Illinois Department of Commerce and Economic Opportunity, the Illinois Department of Revenue, and the Illinois Finance Authority contributed to the report.

The survey's primary focus was on the cost and feasibility of implementing textbook rental programs, but questions extended beyond the primary focus to include other benefits and limitations of rental programs as reported in an earlier section of this report. The survey instruments can be found in Appendix B

Cost

The cost of implementing textbook rental programs at community colleges and public universities is significant. The survey of community colleges and public universities requested estimated start-up costs and annual operating costs. The survey asked institutions to itemize costs relating to:

- advertising/marketing;
- commissions/contract/lease loss;
- computer system/software;
- contingency;
- credit card fees;
- education and orientation;
- employee benefits;
- equipment;
- general administration;
- health insurance;
- inventory;
- operations;
- other;
- personnel (full-time);
- personnel (part-time);
- printing;
- project supervision;

- space;
- supplies; and
- system maintenance.

As a benchmark, Southern Illinois University–Edwardsville completed the itemized financial spreadsheet as though it was recreating its existing textbook rental program. An itemized annual estimate also was provided by SIU-E.

Textbook rental programs can apply to undergraduate and graduate courses. Community college responses to the IBHE survey were based on the implementation of textbook rental programs for undergraduate students only, as were the responses from Northern Illinois University and Southern Illinois University–Carbondale. The response from Governors State University was based on the implementation of a textbook rental program for upper-division undergraduate and graduate students. The responses from Chicago State University, Northeastern Illinois University, and University of Illinois at Springfield were based on the implementation of textbook rental programs for undergraduate and graduate students.

Responses to the request for projected cost data were received from 26 community colleges and public universities:

- Black Hawk Community College (Moline)
- Chicago City Colleges (Chicago)
- Danville (Danville)
- William Rainey Harper (Palatine)
- Highland (Freeport)
- Illinois Valley Community College (Oglesby)
- John A. Logan (Carterville)
- Kankakee Community College (Kankakee)
- Kaskaskia (Centralia)
- Lincoln Land (Springfield)
- McHenry County (Crystal Lake)
- Moraine Valley (Palos Hills)
- Rock Valley (Rockford)
- Southeastern (Harrisburg)
- Southwestern (Belleville)
- Spoon River (Canton)
- Chicago State University
- Governors State University
- Illinois State University
- Northeastern Illinois University
- Northern Illinois University
- Southern Illinois-Carbondale
- University of Illinois at Champaign-Urbana
- University of Illinois at Chicago
- University of Illinois at Springfield
- Western Illinois University

Community Colleges. Based on survey responses, the average estimated start-up cost of a textbook rental program at a community college is $2.5 million. Estimated start-up costs range from $454,000 at Kankakee Community College to $3.9 million at Lincoln Land Community College. City Colleges of Chicago estimate the start-up costs at $23.1 million; however, since City Colleges of Chicago is a district consisting of seven colleges, the cost is $3.3 million per individual institution. The total estimated start-up cost of implementing textbook rental programs at the 15 community colleges that responded to the survey is $55.5 million.

All but two of the responding community colleges provided the IBHE with estimated annual operating costs. The estimated average annual cost is $1.3 million per community college, and estimated annual costs range from $32,000 at Kankakee Community College to $3.3 million at Lincoln Land Community College. City Colleges of Chicago estimate total annual costs at $12.1 million, or $1.7 million per individual institution. The total annual operating cost at the responding community colleges is estimated to be $28.1 million.

The itemized table on page 30 provides the estimated average start-up and annual operating costs based on the community college responses. Extrapolating from the returned surveys with complete start-up and annual operating cost information to all community colleges, the estimated start-up cost of implementing textbook rental programs at all community colleges except Frontier Community College, Lake Land College, and Rend Lake College, which currently have rental programs, is $118.7 million. The estimated annual operating cost of textbook rental programs at all the community colleges is $63.4 million.

Public Universities. Based on survey responses, the estimated average start-up cost of a textbook rental program is $10 million per university. Estimated start-up costs at public universities range from $2 million at Northeastern Illinois University to $20.2 million at the University of Illinois at Chicago. These estimates appear to be on par with the estimated $9.8 million start-up costs supplied by Southern Illinois University–Edwardsville for comparative purposes. Using these estimates, the start-up cost to implement textbook rental programs at all the public universities except SIU-E and Eastern Illinois University, which currently have rental programs, is $98.3 million.

All of the responding public universities provided IBHE with estimated annual costs of operating a textbook rental program. Estimates of annual costs at public universities average $3.9 million and range from $748,612 at Chicago State to $10.9 million at the University of Illinois at Chicago. Using these estimates, the annual cost of textbook rental programs at all the public universities except SIU-E and EIU is expected to be around $37.6 million.

The itemized table on page 31 provides the estimated average start-up and annual costs of the 10 public university responses.

COMMUNITY COLLEGES - TEXTBOOK RENTAL

	Estimated Average Start-Up Costs	Estimated Average Annual Costs
Advertising/Marketing	$ 2,091	$ 1,252
Commissions/Contract/Lease Loss	104,750	92,429
Computer System/Software	29,456	5,267
Contingency	19,545	6,429
Credit Card Fees	8,386	9,403
Education & Orientation	1,182	810
Employee Benefits	37,617	40,567
Equipment	27,185	19,275
Fixtures	8,186	-
General Administration	8,591	6,929
Health Insurance	11,074	12,906
Inventory	1,959,500	865,048
Operation	10,388	15,200
Other	42,372	57,405
Personnel (Full-Time)	160,455	170,690
Personnel (Part-Time)	23,266	22,858
Printing	909	795
Project Supervision	2,955	571
Space	37,000	4,724
Supplies	3,773	3,263
System Design/Testing/Implementation	26,030	-
System Maintenance	-	2,507
Total	$ 2,524,710	$ 1,338,328

Source: Institutional Responses to IBHE Survey 2006

PUBLIC UNIVERSITIES - TEXTBOOK RENTAL

	Estimated Average Start-Up Costs	Estimated Average Annual Costs
Advertising/Marketing	$ 18,092	$ 13,097
Commissions/Contract/Lease Loss	142,500	170,222
Computer System/Software	54,111	12,444
Contingency	136,607	83,125
Credit Card Fees	14,563	75,722
Education & Orientation	5,563	1,563
Employee Benefits	11,813	10,582
Equipment	53,300	6,563
Fixtures	115,874	-
General Administration	77,875	76,625
Health Insurance	8,422	7,018
Inventory	8,393,373	2,929,848
Operation	56,889	62,222
Other	31,870	13,256
Personnel (Full-Time)	278,111	254,216
Personnel (Part-Time)	41,778	41,656
Printing	5,150	2,512
Project Supervision	7,500	-
Space	478,221	99,968
Supplies	14,500	9,438
System Design/Testing/Implementation	4,875	-
System Maintenance	-	6,222
Total	$ 9,950,987	$ 3,876,299

Source: Institutional Responses to IBHE Survey 2006

Space. Storage space was identified as a concern by a majority of institutions. Space needs vary based on the number of students, the number of textbooks allowed per course, the number of courses, and the length of time textbooks are kept in inventory. Nearly all institutions that responded to the IBHE survey indicated that new construction or new leased facilities would be needed to accommodate rental programs as present space used for retail operations is insufficient for a rental operation. One public university expressed a concern that space did not exist on campus to add new facilities. Another university estimated that the cost of an adequate storage facility would be at least $1.5 million due to the size of its student population and number of course offerings.

Storage may be a greater obstacle for community colleges that operate extension centers or off-campus sites at multiple locations throughout their districts. Students taking courses at the various regional centers would either have to travel to the main campus at the beginning and end of each semester to pick up and return books or the institution would have to transport books to the various sites where little or no extra space may exist. In addition, logistics would have to be worked out to provide rented textbooks to online students.

Not all responding community colleges reported a need for additional space, but the estimated costs of new construction, remodeling, or leased storage space for those colleges that did report a need ranged from $50,000 to $200,000. The estimated average initial cost of space, including those colleges that estimated no additional cost for space, was $37,000 per college. The cost did not include items such as fixtures.

Public university survey responses reported costs of new construction, remodeling, or leased storage space ranging from $74,710 to $1.5 million. The cost did not include such items as fixtures. The estimated average initial cost of space, including those who estimated no additional cost for space, was $478,221.

Loss of Revenue. According to the National Association of College Stores, "college stores returned a median net income of 7.7 [percent] of net sales to their institutions" (NACS response to IBHE letter 2006). In addition to this percent, the college stores contributed 5.1 percent of net sales to support various campus activities. These activities included such things as advertising dollars to school media, alumni activities, donations of merchandise, non-store administrative salaries, rent paid to the institution, scholarship funds, and store revenue paid to institutional account (NACS response to IBHE letter 2006).

Respondents to the IBHE survey reported that their bookstores serve as sources of revenue for their institutions with funds typically being spent on student activities or student union operating expenses. To the extent that the activities funded by bookstore revenues are indispensable, any loss of revenue would have to be recovered through other revenue-generating methods. In the cases of institutions that have contracted with independent companies to operate their on-campus bookstores, the institutions may have to pay additional fees to sever such contracts and would subsequently lose the commissions provided by these companies.

Other Considerations. Although textbook rental program generally lightens the financial burden on students and parents, in some cases a textbook rental program may cost students more than a traditional purchase system. Under some rental programs, students pay a mandatory rental fee regardless of whether their courses use textbooks. In some rare instances, students may pay more in rental fees if the cost of their textbooks is less than the rental fee. In the rental programs currently in place in Illinois, students typically pay a per credit hour fee.

Under a textbook rental program, each public university would need to develop policies for graduate students. Eastern Illinois University is the only public institution in Illinois to offer a textbook rental program to graduate students. Graduate level textbooks are often more expensive than undergraduate texts and therefore may create a larger financial burden. Upper-division and graduate level courses may be offered less frequently than lower-division undergraduate courses, which may place an additional burden on storage space. In order for the institution to recover the initial cost of these textbooks, the textbooks may have to be used over a longer period of time than the traditional three-year adoption period.

Current Student Textbook Costs and Estimated Rental Fees.

Respondents to the IBHE survey were asked to provide information on the:

- estimated textbook adoption cycle required to make a rental program cost effective;
- estimated amount undergraduate students currently spend on textbooks; and
- estimated rental fee per student required to make a rental program cost effective.

Not all institutions provided complete information. The responses are summarized in charts on the following two pages.

Public Universities – Adoption Cycle and Cost

	Adoption Cycle	Annual Traditional Cost *	Annual Rental Fee Estimate *
CSU	3 years	$800 - $1000 (New Textbooks) $520 - $650 (Used Textbooks)	-
GSU	3 years	$600 - $750	-
ISU	3 years	$590	$432
NEIU	2 - 4 years	$800 - $1200	$300
NIU	2 - 3 years	$478 - $571 **	$200 - $500
SIUC	3 years	$1,000	-
UIC	3 - 4 years	$700 - $900	-
UIUC	2 - 3 years	$1,000	-
UIS	-	$800 - $900	$300
WIU	4 years	$800 - $1000	$360 - $450

* Based on 30 semester hours.

** This reflects the net cost (initial purchase price minus buyback refund).

Source: Institutional Responses to IBHE Survey 2006

Community Colleges – Adoption Cycle and Cost

	Adoption Cycle	Annual Traditional Cost *	Annual Rental Fee Estimate *
Black Hawk	3 years	$800 - $1,000	-
Chicago City Colleges	-	$1,500	-
College of Lake County	3 years	$900 - $1,200	-
Danville	2 - 3 years	-	$450
Elgin CC	2 - 3 years	-	-
Harper	3 years	$1,200	$240
Heartland	-	$100 per course	-
Highland	3 - 4 years	$700 - $800	$600 - $800
Illinois Valley	2 - 3 years	$900 - $1,100	-
Joliet Junior College	2.5 - 3 years	$600 - $700	-
Kankakee	3 - 5 years	$900 - $1,000	$400
Kaskaskia	4 years	$600	$270 - $450
Kishwaukee	-	$900 - $1,000	-
Lewis & Clark	-	$980	-
Lincoln Land	-	-	$450
John Logan	4 - 5 years	$920	$165 - $225
McHenry County	3 years	$1,100 - $1,500	$350
Moraine Valley	3 years	$1,096	$330 - $450
Oakton Community College	3 - 5 years	$1,200	$240
Parkland	3 - 5 years	$1,050	$240 - $450
Rock Valley	5 years	$900	-
Carl Sandburg	3 - 5 years	$1,354	$450 - $600
Shawnee Community College	3 years	$500 - $600	-
Southeastern	3 years	$800	$280
South Western	3 years	$1,080	$251
Spoon River	3 - 4 years	$720	$600

* Based on 30 semester hours.

Source: Institutional Responses to IBHE Survey 2006

Funding

SR 692 directs the IBHE and ICCB to explore funding options for textbook rental programs. Based on information collected from the community colleges and public universities, the estimated start-up costs of implementing textbook rental programs at Illinois community colleges and public universities would be approximately $217.0 million, with approximately $202.0 million going toward textbook inventory. Several of the options could require statutory changes to permit institutional borrowing to finance the purchase of textbook inventory.

Estimated Start-Up Cost

Community Colleges	$	118,684,779
Public Universities		98,273,087
Total	$	216,957,866

Source: Institutional Responses to IBHE Survey 2006

State Appropriations. The State of Illinois could fund textbook rental programs several different ways. First, state appropriations could be made directly to the colleges and universities with no expectation of repayment. Second, the State could set up a grant program, administered by the IBHE or the ICCB or both, for institutions interested in pursuing rental programs. State-funded grants to implement textbook rental programs were proposed in HB 3745 of the 94th General Assembly. Finally, state funds could be used as a source of capital for a revolving loan fund. With the revolving loan fund option, the state would act as the banker, providing a source of low-cost capital to fund the more expensive start-up phase, and ultimately recovering its funds with interest. Depending on the number of institutions choosing to participate in rental programs, this funding option could have a significant financial impact on the State of Illinois.

Illinois Designated Account Purchase Program. The Illinois Student Assistance Commission has been working toward the sale or restructuring of the Illinois Designated Account Purchase Program's (IDAPP) loan assets for some time. A portion of the proceeds from the proposed IDAPP restructuring or sale is obligated to cover fiscal year 2007 appropriations from the Student Loan Operating Fund to the Monetary Award Program and MAP-Plus initiative. With statutory changes, remaining sale proceeds could be made available to cover the start-up costs of implementing textbook rental programs either directly or through the funding of a revolving loan fund. A revolving loan fund could eventually return the initial capital to the Illinois Student Assistance Commission to finance additional affordability initiatives.

Borrowing Under the Public Community College Act. Community colleges would have the ability to cover some start-up costs, though not the cost of the textbooks themselves, through current borrowing authority. Under the Public Community College Act, community colleges could borrow money to build and equip storage facilities. A referendum would be required to approve the bond sale. Bonding for textbook inventory would require statutory change as community colleges currently may borrow money for the following purposes:

> building, equipping, altering or repairing community college buildings or purchasing or improving community college sites, or acquiring and equipping recreation ground,

athletic fields, and other buildings or land used or useful for community college purposes…(110 ILCS 805).

Borrowing Under the Revenue Bond Act. Public universities in need of storage space to accommodate textbook rental programs could finance structures and equipment through revenue bonds. Revenues required for bonding under the Revenue Bond Act could be generated through a mandatory textbook rental fee. As with community colleges, statutory changes would be needed to extend university revenue bonding authority to textbook inventory. The Revenue Bond Act permits institutions to issue bonds to acquire a project defined as the following:

student residence halls: apartments; staff housing facilities; dormitories; health, hospital or Medical facilities; dining halls; student union buildings; field houses; stadiums; physical education installations and facilities; auditoriums; facilities for student or staff services; and facility or building leased to the United States of America…(110 ILCS 525).

Inventory Bond Issuance. Initial inventory costs could be financed with the assistance of the Illinois Finance Authority (IFA), which could issue bonds under a pledge agreement between the IFA and the individual institutions. Debt service could be based on a three-, five-, or seven-year repayment schedule. The estimated total inventory cost to implement textbook rental programs at all the community colleges and public universities not presently offering a rental option would be about $202.0 million including a 10 percent contingency factor. The following debt schedule table is based on the market as of October 2006.

	Three-Year Schedule	Five-Year Schedule	Seven-Year Schedule
Delivery Date	January 1, 2007	January 1, 2007	January 1, 2007
Last Maturity	September 1, 2009	September 1, 2011	September 1, 2014
Average Coupon	4.00%	4.00%	4.00%
Par Amount	$ 202,975,000.00	$ 202,975,000.00	$ 202,975,000.00
Bond Proceeds	202,975,000.00	202,975,000.00	202,975,000.00
Price	100.00	100.00	100.00
Net Interest	15,522,766.67	24,174,966.67	37,409,366.67
Total Debt Service	217,685,866.67	226,338,066.67	239,572,466.67
Average Annual Debt	$ 81,632,200.00	$ 48,501,014.29	$ 31,248,582.61

Institutions could bond as a group and have the same level of credit. Eastern Illinois University, Southern Illinois University–Edwardsville, Lake Land College, and Frontier Community College would not be expected to participate since they have rental programs. Rend Lake College's rental program is established but limited, hence they could participate if they found it beneficial.

Under a joint IFA issue, institutions would be able to choose from four pre-certified banks. Each institution would be responsible to pay back its portion of debt service and would have a separate series so that if an institution defaulted, the rest of the series would not be affected.

A mandatory textbook rental fee would be required at each institution to cover debt service costs. This fee would be charged to each student until the debt was retired. Assuming other non-inventory start-up costs were paid from some other funding source, such as state appropriations, institutional reserves or borrowing, or the sale or restructuring of the Illinois Designated Account Purchase Program (IDAPP), the estimated annual debt service costs per full-time equivalent student range from a high of $333 for public university students on a three-year debt service schedule to a low of $82 for community college students on a seven-year debt service schedule. When combined with estimated rental fees to cover annual operating costs, total estimated annual costs per full-time equivalent student range from a high of $638 for public university students on a three-year debt service schedule to a low of $416 for community college students on a seven-year debt service schedule.

	Three-Year Schedule	Five-Year Schedule	Seven-Year Schedule
Delivery Date	January 1, 2007	January 1, 2007	January 1, 2007
Last Maturity	September 1, 2009	September 1, 2011	September 1, 2014
Average Coupon	4.00%	4.00%	4.00%
Par Amount	$ 202,975,000.00	$ 202,975,000.00	$ 202,975,000.00
Bond Proceeds	202,975,000.00	202,975,000.00	202,975,000.00
Price	100.00	100.00	100.00
Net Interest	15,522,766.67	24,174,966.67	37,409,366.67
Total Debt Service	217,685,866.67	226,338,066.67	239,572,466.67
Average Annual Debt	$ 81,632,200.00	$ 48,501,014.29	$ 31,248,582.61
Community Colleges Annual Debt	40,551,104.25	$ 24,093,062.38	$ 15,522,851.66
Public Universities Annual Debt	$ 41,081,095.75	$ 24,407,951.91	$ 15,725,730.95
Community Colleges FTE	189,980	189,980	189,980
Public Universities FTE	123,456	123,456	123,456
Community Colleges Annual Fee Per FTE	$ 334.00	$ 334.00	$ 334.00
Public Universities Annual Fee Per FTE	$ 305.00	$ 305.00	$ 305.00
Community Colleges Annual Debt Per FTE	$ 213.45	$ 126.82	$ 81.71
Public Universities Annual Debt Per FTE	$ 332.76	$ 197.71	$ 127.38
Community Colleges Annual Debt and Fee Per FTE	$ 547.45	$ 460.82	$ 415.71
Public Universities Annual Debt and Fee Per FTE	$ 637.76	$ 502.71	$ 432.38

Legal

Several legal issues have been identified that may either impede or preclude the establishment of textbook rental programs. The University Credit and Retail Sales Act (110 ILCS 115), which prohibits state postsecondary institutions from operating a retail store carrying "any line of general merchandise" but does not prohibit sales or services related to "goods which are the result of technological advances since 1980 and are required for assignments or classroom activities" (110 ILCS 115), has been cited as a possible impediment to establishing additional textbook rental programs. The University Credit and Retail Sales Act may not prohibit the establishment of textbook rental programs, but could impact their operations.

The practice of charging students a fee for textbook rental and allowing the student to finance the payment of tuition and fees, including the textbook rental fee, through the institution over an extended period of time may be in violation of the University Credit and Retail Sales Act unless private bookstores were allowed to participate in this system. The institution is only allowed to extend a line of credit to a student for the rental of textbooks if third-party bookstores can also rent textbooks to students and allow students to finance the payment of rental fees through the same line of credit extended by the institution. Consequently, this prohibition could significantly impede institutions from efficiently operating a rental program.

Other legal issues may include possible violation of the Robinson-Patman Act – a federal anti-competitive practices law (15 U.S.C.A. 13(a)), issues of digital rights management, and contractual relationships with outside vendors that operate college and university bookstores. As long as publishers do not discriminate in prices charged to bookstores, regardless of whether the colleges and universities operate rental programs or engage in traditional sales, there would likely be no conflict with the Robinson-Patman Act.

According to information provided through the IBHE survey, four universities and at least 15 community colleges in Illinois have contracted with outside vendors such as Follett Corporation and Barnes and Noble College Bookstores to manage bookstore operations. Instituting rental programs before these contracts lapse would have both legal and financial ramifications.

Economic Impact

Impact on Privately Owned Bookstores. Questionnaires were sent to 49 privately owned and operated bookstores that were identified by public universities and community colleges as stores selling textbooks to their students. Follow-up letters were sent to bookstores that did not respond to the initial inquiry. Ten responses were received. Not unexpectedly, one respondent stated "A textbook rental program would most likely put us out of business."

Impact on Employment. Textbook rental programs are unlikely to have an effect on employment on public university and community college bookstores as rental programs require full-time and seasonal employees and campus bookstores would continue to sell textbooks for courses not covered (graduate courses, non-credit courses) as well as supplies, materials, and other items typically sold at college bookstores.

As noted above, however, employment would likely be affected at privately owned and operated bookstores. Nevertheless, according to the Department of Commerce and Economic Opportunity (DCEO),

> it is unlikely that rental programs would have a significant net impact on employment; employment would probably be shuffled around rather than reduced. It is fair to suggest that there would be "economic dislocations" that would hurt individual stores and employees. Traditionally, DCEO uses models to approach problems of this nature. However, because of the complexity and multiple factors that come into play in textbook rental, we were unable to utilize these models. When the models are not applicable, DCEO usually partners with the University of Illinois. However, we found the University to be a conflict of interest in this situation (DCEO Response to Senate Resolution 692).

Tax Revenue Loss. Implementation of a rental program would not have an impact on property taxes. If third-party bookstores near campuses were forced out of business by rental programs, property taxes would still be collected on the property currently occupied by third-party bookstores regardless of their future use.

Moving to a rental program would have an impact on state and local sales tax revenues. Under a textbook rental program, institutions would purchase the textbooks, and sales taxes would not be collected since institutions are exempt from paying sales tax. Furthermore, sales taxes would not be collected from students since textbooks would no longer be purchased. The Illinois Department of Revenue estimates the loss in general revenue to the State could be $27.9 million as a result of a textbook sales tax exemption.

COST SAVING ALTERNATIVES TO TEXTBOOK RENTAL PROGRAMS

As was evident in legislation from other states presented earlier in this report, various cost-saving alternatives to a rental program exist. These alternatives could be mandated through legislation or adopted by college and university boards of trustees.

Book Buy-Back Programs

Promoting book buy-back programs could be a significant way to reduce textbook costs for students. At the end of the semester, students are able to sell back their textbooks and in return they receive up to 50 percent of the market price. At the beginning of the next semester, these textbooks are then sold to students at approximately 75 percent of the market price. Disposable items, such as access codes and lab and study books, are generally not included in these programs. The buy-back of a textbook is dependent upon the textbook being used the following semester. The adoption of a new edition forecloses the ability to sell back the textbook.

Educating and raising the awareness of faculty members on the correlation between timely textbook adoptions and textbook costs is fundamental to an enhanced buy-back program. Timely textbook adoptions by faculty members increase the number of textbook buy-backs and the number of used textbooks available for the next semester. Enhanced book buy-back programs would have no financial impact to the State of Illinois or to the institutions.

Book Swaps

Higher education institutions could support student-led book swaps. Institutional support could include advertising, printing, and space. Institutions with third-party contracts may be allowed to organize book swaps but with restrictions, such as prohibiting the use of school e-mail lists.

Community college responses to the IBHE survey reported that there are currently no organized book swaps at the institutions; however, students may advertise on bulletin boards and exchange and sell textbooks among themselves. A public university reported that it supported a book exchange organized by its Student Government Association, including hosting a website (Institution Responses to IBHE Survey 2006). Communication among the book swap, bookstore, and a Textbook Advisory Committee would be instrumental in the success of the book swap.

Financial Aid

The State could increase the amount students receive in financial aid to reduce the financial burden of textbook costs. The Monetary Award Program (MAP) does not cover textbooks. In the event institutions across the state adopt textbook rental model similar to EIU and implement a mandatory textbook fee, there would need to be additional MAP money to cover the cost of textbooks for needy students. Another alternative would be to seek additional funding for the Silas Purnell Illinois Incentive for Access Program (IIA) to expand grants beyond students with zero expected family contributions and to students at all class levels, not just freshman. Often, federal financial aid leaves a financial gap between met and unmet costs for students. These alternatives would have a fiscal impact to the State depending upon the increases of MAP and Silas Purnell IIA needed to cover these costs.

Policies for Administration and Faculty Members

Higher education institutions could establish policies and guidelines regarding cost-saving measures for students. This alternative would have no fiscal impact on the State or to the institutions.

Reserves. A set of course materials could be placed on reserve at individual departments and/or libraries. Unless complimentary copies are provided by the publishers, institutions may be unable to meet the cost of this alternative. Publishers could be required via legislation to provide a free copy of selected textbooks to be used in the classroom or library, mirroring a legislative proposal in Massachusetts. To date, Massachusetts has not enacted this proposal. A program similar to the Massachusetts legislation would have no fiscal impact on the State or to the institutions, but would affect textbook publishers.

The ability to have textbooks for public use is often dependent upon timely textbook selection by faculty members. An Illinois community college that places textbooks on reserve for public use noted it is not possible to place textbooks on reserve when faculty make last minute changes (Institutional Response to IBHE Survey 2006).

Textbook Selection. The deadline for textbook selection could be moved up and more strongly enforced to help ensure used books are available for purchase. According to one community college, faculty members submitted only 20 percent of their book orders on time to meet the bookstore deadline, and another estimated that only 30 percent of orders were submitted on time (Institutional Responses to IBHE Survey 2006). One Illinois public university responded to IBHE survey as follows:

> More than 90% of orders received by the [on campus] bookstore come in well past the preferred due dates. Anywhere from 23 – 40 [percent] of adoptions, depending on the semester, are not submitted to the [on campus] bookstore indicating either that no books are ordered for the class or that the instructor places a text order with a store or source other than the [institution]. This prevents the bookstore from searching out the largest supply of used textbooks from all possible sources (Institution Response to IHBE Survey 2006).

A deadline would allow the institution to publicly post a list of course materials with ISBN numbers, the universal book identifier, in a timely manner. Effective communication among the bookstore and faculty members would assist in meeting the deadline. This alternative would have no fiscal impact on the State or to the institutions.

Public List. A list of course materials, including ISBNs, new textbook prices, and used textbook prices, could be compiled and made public 60 days prior to the beginning of classes. This would allow ample time for students to do comparison shopping. In addition, students should be advised by the institution on how editions vary. In cases in which the variantion between editions is minimal, students could purchase used copies of prior editions. Again, legislation could be enacted to require that ISBNs be made public.

Textbook Advisory Committee. Higher education institutions could form Textbook Advisory Committees consisting of cross-disciplinary teams of faculty members as well as representatives from administration, the bookstore, and the student body. The committees' mission would be to review the adoption of new textbooks and editions as well as weighing the cost-savings to students while ensuring the quality of textbook selection is not compromised. This alternative would have no fiscal impact on the State and little or no fiscal impact on the institutions.

Payment. Employees of higher education institutions and academic departments could be prohibited from receiving payment in exchange for selecting specific course materials. However, certain exceptions could apply such as royalties in relation to one's written work. This alternative would have no fiscal impact on the State and little or not fiscal impact on the institutions.

Policies for Publishers

Complimentary Copies. Publishers could be required, through legislation or institutional policy, to provide complimentary copies of selected textbooks to be used in the classroom or library. This could ensure every student has access to course materials. This alternative would have no fiscal impact on the State or to the institutions, but would increase publishers' costs.

Cost. Publishers could be required, through legislation or institutional policy, to provide the cost of course materials to faculty members in writing. Additionally, the expected textbook life could be provided in writing. Publishers could inform faculty members on the differences between editions. This alternative would have no fiscal impact on the State or to the institutions.

Tax Exemptions

The state could exempt textbooks from sales tax. The Illinois Department of Revenue estimates the loss in general revenue to the State could be $27.9 million as a result of a textbook sales tax exemption.

Technology

Community colleges and public universities could use technology to provide cost-saving alternatives, such as e-books, e-reserves, i-chapters, and custom books. These alternatives would no fiscal impact on the State and little or no fiscal impact on the institutions.

According to the Student Monitor, in 2006 the awareness of availability of digital versions from campus bookstores and/or websites grew by 6 percent over 2005. Students who have purchased digital textbooks from campus bookstores or online companies have grown from 4 percent in 2005 to 6 percent in 2006. Students surveyed by the Student Monitor cited the following reasons for choosing to purchase e-books:

- student likes to try new technology (43%);
- e-book/digital version was recommended to the student (40%);
- e-book was less expensive than the printed version (31%); and
- e-book was more convenient than the printed version (9%) (Student Monitor 2006).

Reasons cited by students for not using e-books include:

- student preferred traditional printed textbooks (54%);
- student preferred to purchase used textbooks (22%);
- printed versions were more convenient to purchase (13%);
- e-book was not available (13%);
- student did not own a computer (7%); and
- student was unaware of e-books (7%) (Student Monitor 2006).

E-books. E-books are digital textbooks that students may view electronically. Approximately 3,000 e-book titles are currently offered by publishers. E-books are less costly because large upfront capital, warehousing, inventorying, and redistribution costs are not required (Schroeder 2006). The standard length of time an e-book is accessible is one semester. According to responses to the IBHE survey, two community colleges and four public universities offer e-books. Another community college previously offered e-books, but ended the practice due to lack of student interest (Institutional Responses to Survey 2006). This alternative would have no fiscal impact on the State and little to no impact on institutions.

Although e-books can be less costly than printed textbooks, there are limitations. Electronic versions may have limited accessibility for individuals with disabilities. Due to the large memory space electronic versions occupy, specific technology is required, such as broadband connection, which may not be accessible in all geographical locations and is usually more expensive than a dial-up connection.

Freeload Press, a Minnesota publisher, offers free e-books that include advertisements. As with all e-books, Adobe Acrobat Reader is required to download a textbook from Freeload Press. Consequently, the aforementioned limitations are applicable to users of Freeload Press.

E-reserves. E-reserves, electronic reserves, also could be promoted by community colleges and public universities. With the use of a password, E-reserves allow students to access their course readings electronically.

I-chapters. The use of i-chapters could be encouraged by community colleges and public universities. I-chapters allow individuals to purchase electronic chapters of textbooks. Similar to e-books, i-chapters are generally accessible for one semester. A broadband connection is suggested since i-chapters maybe large, thus resulting in a limitation to those without this type of connection. This alternative would have no fiscal impact on the State and little or no fiscal impact on the institutions.

Custom Books. Custom books enable faculty members to build textbooks based on a variety of selections. Price is contingent upon the length of selections and the quantity of the custom-printed books. Although custom books may be more affordable to purchase than traditional textbooks, the resale market is minimal because resale is dependent upon the future use of the exact custom book. This alternative would have no fiscal impact on the State or to the institutions.

Unbundling

Publishers could be mandated through legislation or institutional policies to offer bundled materials as separate items for purchase. The cost of course materials bundled and sold separately could be provided to faculty members in writing. This alternative would not have a fiscal impact on the State or to the institutions.

ALTERNATIVES BEING USED IN ILLINOIS

The charts on the following two pages illustrate which alternatives are being used by public universities and community colleges.

Public Universities - Alternatives

	E-book	Custom Books	Public Use	Advisory Committee	Book Swap	Bundling Guidelines	Finance Options
CSU	√	√	75%	√			
GSU	√	√	30%	√			
ISU							
NEIU			limited		√		√
NIU		√	limited	√			
SIUC			5%	√			
UIC			yes			√	
UIUC	√		50-60%	√			
UIS	√		50%				
WIU							√

***** Annual cost
****** Per credit hour, except when stated otherwise.
*** E-books were offered but there was no interest.

According to the public university responses, no institutions participated in I-Chapters, buy-back consortiums, or purchasing consortium.

Community Colleges – Alternatives

	E-book	Custom Books	Public Use	Advisory Committee	Purchasing Consortium	Bundling Guidelines	Finance Options
Black Hawk			<5%				
Chicago City Colleges		Limited	√				
College of Lake County			Limited		√		
Danville							
Elgin CC	***		<5%				
Harper	fall 2006						
Heartland				√		√	
Highland	in the future						√
Joliet Junior College			√				
Kaskaskia				√			√
Kankakee							
Kishwaukee			√				
Lewis & Clark							√**
Lincoln Land		√			√		
John Logan			12%				
McHenry County			5%				√
Moraine Valley		√	<5%				
Oakton Community College				√			
Parkland			√				√
Rock Valley				√			
Carl Sandburg					√		
Shawnee Community College							√
Southeastern			5%		√		
South Western		√	√				
Spoon River			Limited		√		√

***** Annually, except when stated otherwise.
****** Per credit hour, except when stated otherwise.
*** E-books were offered but there was no interest.

According to the Community College responses, no institutions participated in I-Chapters, book swaps, or buy-back consortiums.

Current Status of Voluntary Faculty Efforts

The IBHE's Faculty Advisory Council reports that Illinois faculty members are currently employing many cost-saving alternatives on their own. Among them are:

- informing students about the availability of used textbooks;
- providing syllabi to students in sufficient time to allow comparison shopping;
- rejecting textbooks that inflate costs by bundling workbooks, [CD-ROMS], DVDs and other add ons;
- selecting the least expensive editions;
- utilizing custom publishing;
- utilizing library and electronic reserves; and
- utilizing electronic texts.

It is important to note that these practices have not been mandated by community colleges or public universities. Community colleges and public universities may want to consider broad adoption of the best practices from the list above.

Third-Party Bookstore Recommendations for Addressing High Textbook Costs

The third-party bookstores, which cited bundling, new editions, and slow faculty adoption rates as the primary culprits behind rising textbook prices, provided recommendations to reduce cost as well as. Respondents' recommendations to reduce costs to students include:

- discouraging publishers from bundling materials when materials are not required;
- enacting a 3-to-5-year mandatory shelf life for all books that do not have crucial yearly information updates;
- requiring faculty members to collaborate with book suppliers to ensure the availability of used textbooks;
- requiring faculty members to publicly post a list of required textbook with sufficient lead time to enable to comparison shop; and
- encouraging institutions to establish rules on the frequency of new edition adoptions.

CONCLUSION

Textbook rental programs and alternative cost-saving measures could help reduce the financial burden on students and families from escalating textbook costs. For such efforts to be successful, however, they will need the support of institutional administrators, students, faculty, and publishers. Some states have found legislative action an effective tool to encourage efforts to curtail textbook costs.

APPENDIX A

Legislation

Federal. The U.S. House Committee on Education and the Workforce has requested the U.S. Department of Education's Advisory Committee on Student Financial Assistance (ACSFA) to conduct a one-year study of college textbook costs, the impact on students, and affordability recommendations. The Committee will provide its findings and recommendations to the Committee by May 2007.

Florida. House Bill 15 and Senate Bill 1554 would exempt higher education textbooks from Florida sales tax. An exemption would be available to "degree-seeking" students. Such students would be required to supply documentation showing that the textbooks are recommended or required. The Revenue Estimating Conference estimated that a sales tax exemption for textbooks would result in a general revenue loss of $39.3 million for fiscal year 2007 and $43.0 million the following year. The estimated total local revenue loss was estimated at $8.9 and $9.6 for fiscal years 2007 and 2008, respectively. The bills did not make it out of committee.

Illinois. In addition to Senate Resolution 692, five other legislative proposals were considered by the Illinois 94th General Assembly in the 2006 spring session: House Bills 3725, 3745, and 4867, House Resolution 1080, and Senate Bill 2989. Only Senate Resolution 692 was enacted.

House Bill 3725 would exempt state sales tax on required textbooks of Illinois community colleges and public universities. However, county and municipal sales tax would continue to be collected at a 1.25 percent rate.

House Bill 3745 would require the Illinois Board of Higher Education to create a textbook rental program for Illinois community colleges and public universities. Institutions choosing to participate in a rental program would receive a grant to cover start up costs. This bill would provide students with the option to purchase or rent textbooks. A 20 to 40 percent discount would be available to students wishing to purchase materials. The program would begin with freshman and sophomore level classes, and upper division classes would have been added at a later date.

House Bill 4867 would create the Textbook Pricing and Access Act by requiring publishers to disclose bundled materials, supplemental materials, and textbook prices to faculty members of higher education institutions. The bill also would require bundled materials to be sold separately. Bundling occurs when supplemental materials, such as online tutorials, are packaged with a textbook. When placing a textbook order, faculty members would be required to provide a written statement with the required textbook and the earliest edition which may be purchased. In addition, the bookstore would be required to post a listing of all textbooks and supplemental materials, including the International Standard Book Numbers (ISBN), on the institution's website or at the college bookstore if no website exists.

House Resolution 1080 would require the IBHE to conduct a study on the cost and feasibility of establishing textbook rental programs at Illinois community colleges and public universities.

Senate Bill 2989 would mandate the Illinois Board of Higher Education to establish a textbook rental program for Illinois public universities. The textbook rental program would begin in 2008-2009 academic year at all Illinois public universities.

Kentucky. House Resolution 9 would have required the Legislative Research Commission to conduct a study of the cost of material supplements, supplies, and textbooks at elementary, secondary, and postsecondary levels. The resolution passed the House but remains in the Senate Committee on Education.

Maryland. House Bill 25 would have provided a sales and use tax exemption on textbooks purchased by a full- or part-time student. The Department of Legislative Services and Maryland Higher Education Commission estimated revenue losses of $11.4 million in fiscal year 2007 and up to $15.6 million by fiscal year 2010. The bill was sent to the House Ways and Means Committee, which reported it unfavorably in March 2006.

Senate Bill 214 would require public higher education institutions to post textbooks and ISBNs on their websites. The bill would also prohibit employees of higher education institutions from receiving payment for selecting specific textbooks. The bill was referred to the Senate Education Health and Environmental Affairs in January 2006.

Massachusetts. House Bill 1262 would require cost-saving guidelines for textbook publishers and universities. Publishers would be required to make materials available unbundled, disclose price and variance among editions to faculty, and disclose the estimated edition life to faculty. In addition, publishers would be required to provide faculty with a free copy of selected textbooks to be used in the classroom or library. Faculty would be required to give consideration to the least costly textbooks and disclose the variance among editions and cost to students. Universities would be required to review their textbook selection guidelines. The bill was referred to the Committee on Higher Education.

Michigan. House Bill 5568 would provide a sales tax exemption on textbooks at higher education institutions. House Bill 6356 would provide an income tax credit for textbooks at higher education institutions once the related course is passed. Both bills were referred to the House Committee on Tax Policy.

Minnesota. House Bill 4032 and Senate Bill 3608 would require the Minnesota Office of Higher Education to establish an advisory task force to review the cost of textbooks at nonpublic and public higher education institutions. The bills were referred to legislative committees.

Nebraska. Legislative Bill 556 would require the state to provide the same financial aid to one or more off-campus businesses providing textbooks or supplies. The bill was indefinitely postponed on February 8, 2006.

New Jersey. Assembly Bill 454 would provide an income tax credit for textbooks of full-time undergraduates. Taxpayers would need to meet certain eligibility requirements for the credit. The credit would be limited to 10 percent of the textbook cost and $100 per taxable year. The bill was referred to the Assembly Budget Committee on January 10, 2006.

Assembly Bill 994 would require higher education institutions to establish a textbook rental program if the student government association of the institution votes for its establishment and if existing bookstore contracts permit it. The rental program would be required to be self-sustaining via student fees and tuition. Institutions would be allowed to seek supplemental funding outside State sources. The bill was referred to the Assembly Budget Committee on January 10, 2006.

New York. Assembly Bills 1214 and 1965 would exempt recommended or required textbooks from sales and compensating use taxes. The fiscal impact on local and state government would be unknown. Assembly Bills 1214 and 1965 were referred to the Assembly Education Committee on January 4, 2006 and the Assembly Ways and Means Committee on January 4, 2006, respectively.

Assembly Bill 11494 and Senate Bill 2381 would allow a qualified taxpayer to deduct textbook costs from her/his federal adjusted gross income. Assembly Bill 11494 and Senate Bill 2381 were referred to the Assembly Ways and Means Committee on May 23, 2006 and the Senate Finance Committee on May 24, 2006, respectively.

Assembly Bill 2270 would require higher education institutions to make a list of recommended and required course materials as well as the faculty name available sixty days prior to the beginning of class. Assembly Bill 2270 was referred to the Assembly Higher Education Committee on January 4, 2006.

Assembly Bill 3877 would require higher education institutions and faculty members to provide course material information, when requested, to any retailer selling textbooks. Assembly Bill 3877 was referred to the Assembly Higher Education Committee.

Assembly Bill 4766 would establish an Advisory Review Board consisting of twelve full-time faculty members. The Board would be required to establish cost control policies. Under the bill, publishers would be required to justify the adoption of new editions. Additionally, a cost cap would be established for edition reprints with no text changes. Assembly Bill 4766 was referred to the Assembly Higher Education Committee on January 4, 2006.

Assembly Bill 8355 would have required the New York State Department of Education to study bundling and report the findings to the Governor and Legislature. Assembly Bill 8355 became inactive on May 22, 2006.

Assembly Bill 11759 (SB 6804-Textbook Access Act) would require publishers to provide prospective faculty members with the price of the course materials to be sold at the bookstore. Additionally, course materials would be required to be sold in the manner in which they were ordered. The bill would also require higher education institutions to implement policies to ensure textbook orders are placed in a sufficient amount of time. Under the bill, employees would be prohibited from receiving payment in exchange for adopting course materials. The bill was referred to the Assembly Committee on Higher Education on June 8, 2006.

Senate Bill 7477 would require higher education institutions to post ISBNs on their websites, prohibit higher education employees from receiving payments in exchange of course material selection, and require institutional governing boards to establish textbook policies which would be cost effective. Senate Bill 7477 was referred to the Senate Committee on Higher Education on April 25, 2006.

Oklahoma. House Bill 2380 would require the Oklahoma State Regents for Higher Education to create and implement a system for the distribution, rental, and sale of higher education textbooks beginning with academic year 2007-2008. The bill would also encourage textbook adoption life to be extended, promote online purchasing and require department heads to review textbook adoption life. House Bill 2380 was referred to the House Appropriations and Budget Committee on February 7, 2006.

Utah. House Bill 273 would allow for a sales tax exemption on higher education textbooks. The Office of the Legislative Fiscal Analyst estimated in fiscal year 2007 the exemption would decrease the State general fund by $3.5 million and $1.1 million in local revenue. The same loss would be applicable to fiscal year 2008. The exemption would allow for an annual benefit as much as $52. House Bill 273 was defeated in the House on March 1, 2006.

Washington. House Bill 3034 would provide a sales tax exemption on textbooks when purchased at a bookstore located in Washington or online from retailers based in the State. The Office of Financial Management estimated the fiscal impact of the bill would result in a loss of $12.0 million in the State's general revenue for fiscal year 2007. Thereafter, the loss in general revenue would be $12.7, $13.4, $14.1 and $14.8 million for fiscal year 2008, 2009, 2010, and 2011, respectively. Local sales revenue would experience a $3.7 million loss in fiscal year 2007 and grow to a loss of $4.6 million by 2011. House Bill 3034 was referred to the House Finance Committee on January 18, 2006.

REFERENCE LIST

Association of American Publishers. 2005. *Publishers Refute PIRG Assertions, Show Flawed Data Used by Group to Make Claims.* New York.

Board of Governors for Higher Education Department of Higher Education State of Connecticut. 2005. *Special Act No. 04 – 3: An Act Concerning Student Textbook Purchasing Policies.* Hartford, Connecticut.

CALPIRG. 2005. *Ripoff 101: 2nd Edition: How the Publishing Industry's Practices Needlessly Drive Up Textbook Costs.* Washington D.C.

Chaker, Anne Marie. September 28, 2006. *Efforts Mount To Cut Costs Of Textbooks*. The Wall Street Journal Online.

College Board. 2006. *Trends in College Pricing.* New York, New York.

Hershman, Richard. 2006. *Legislative Updates – Textbook Affordability.* National Association of College Stores. Oberlin, Ohio.

Illinois Board of Higher Education, Student Advisory Committee. August 2005. *Textbook Affordability Recommendations.* Illinois.

Koch, James V. 2006. *An Economic Analysis Of Textbook Pricing and Textbook Markets*, Presented to the Advisory Committee on Student Financial Assistance. Washington D.C.

National Association of College Stores. 2006. *Legislative Update – Textbook Affordability 2006.* Oberlin, Ohio.

National Association of College Stores. 2006. *NACS' 2006 College Store Industry Financial Report.* Oberlin, Ohio.

National Association of College Stores. 2006. *Textbook Rental Compendium.* Oberlin, Ohio.

National Retail Federation. 2006. *Back to College.* Washington, D.C.

Powers, Elia. September 20, 2006. *Textbooks, Barrier and Aid Forms.* Inside Higher Education.

Reese, Mike. 2006. *Hedonic Quality Adjustment Methods for College Textbooks in the U.S. CPI.* U.S. Department of Labor, Bureau of Labor Statistics. Washington, D.C.

Schroeder, Patricia S. September 19, 2006. *Testimony On Behalf Of The Association Of American Publishers.* Presented to the Advisory Committee on Student Financial Assistance. Washington, D.C.

State Council of Higher Education for Virginia. 2006. *A Report on Textbook Purchasing Practices and Costs in the Commonwealth.* Virginia.

State Higher Education Executive Officers. 2006. Survey of SHEEO member states conducted on behalf of the IBHE. Boulder, Colorado.

Student Monitor. 2006. *Lifestyle & Media: Spring 2006 – Selected Highlights.* Ridgewood, New Jersey.

Student Monitor. 2005. *Lifestyle & Media.* Ridgewood, New Jersey.

United States Government Accountability Office. 2005. *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases.* Washington, D.C.

Zogby International. 2004. *The Attitudes of College Faculty on The Textbooks Used In Their Courses.* Utica, New York.

Zogby International. 2006. *Survey of College Instructors Regarding the Use of Supplemental Materials in the Classroom.* Association of American Publishers, Washington, D.C.