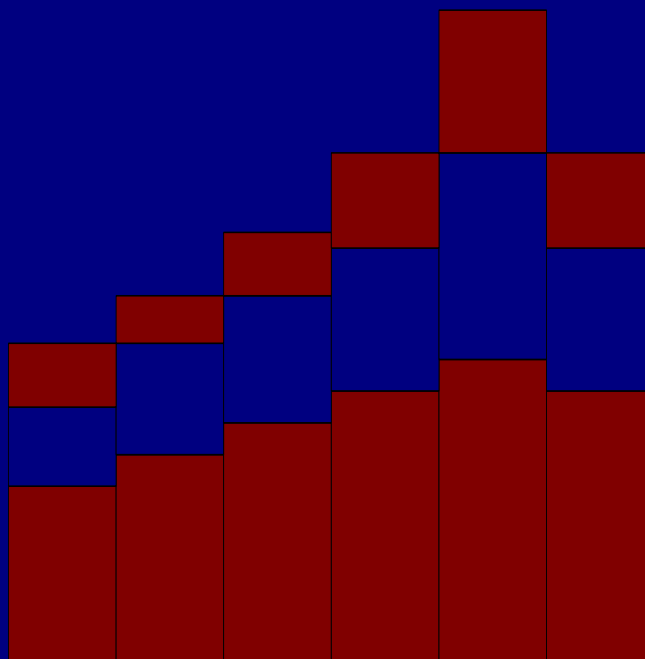


TURN THE PAGE

MAKING COLLEGE TEXTBOOKS MORE AFFORDABLE

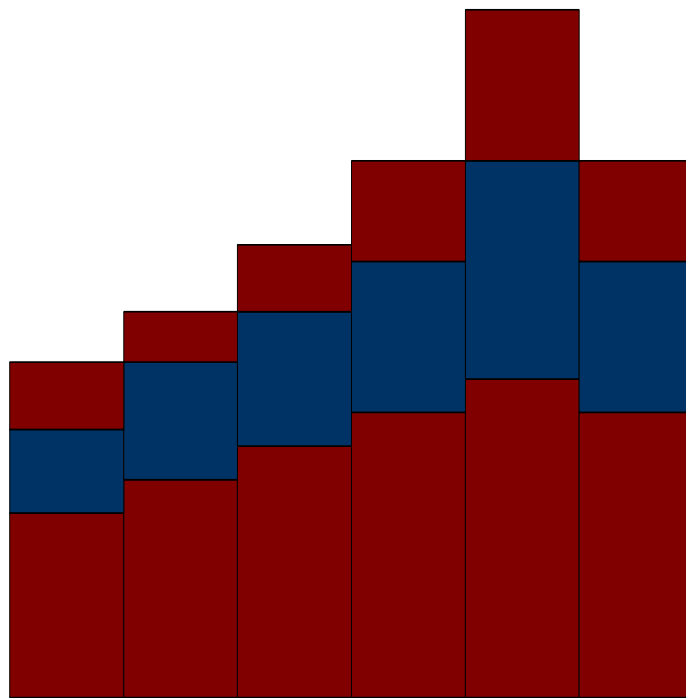


A REPORT OF
THE ADVISORY COMMITTEE ON
STUDENT FINANCIAL ASSISTANCE

MAY 2007

TURN THE PAGE

MAKING COLLEGE TEXTBOOKS MORE AFFORDABLE



**A REPORT OF
THE ADVISORY COMMITTEE ON
STUDENT FINANCIAL ASSISTANCE**

MAY 2007

**ADVISING CONGRESS AND
THE SECRETARY OF EDUCATION
FOR NEARLY 20 YEARS**

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The Advisory Committee on Student Financial Assistance (Advisory Committee) is a Federal advisory committee chartered by Congress, operating under the Federal Advisory Committee Act (FACA); 5 U.S.C., App. 2). The Advisory Committee provides advice to the Secretary of the U.S. Department of Education on student financial aid policy. The findings and recommendations of the Advisory Committee do not represent the views of the Agency, and this document does not represent information approved or disseminated by the Department of Education.

EXECUTIVE SUMMARY

The price of college is on nearly everyone's mind these days. Until now, the share of family income required to pay for a four-year public college has risen significantly only for low- and moderate-income families, but there is a growing sense across the nation that a college education may be moving beyond the financial reach of many middle-income families as well. Governors, state legislatures, and college presidents feel relentless pressure to restrain increases in the price of college, especially for those students who can least afford it.

Rising prices of textbooks and other learning materials – and steady increases in the total amount that students must pay for them each year – comprise just one component of the price of college, and a secondary expense for many students. But these outlays are very visible and especially frustrating to millions of students and parents. While the share of family income required to meet yearly textbook expenses has not risen much, prices are already too high for low- and moderate-income families and are pressing middle-income families as well. The resulting groundswell of criticism against colleges, bookstores, and publishers has translated into action across the nation to do something about it. The political imperative to turn the page and restrain increases in the price of textbooks – indeed, to lower them if possible – cannot be overstated.

A Search for Solutions. From a policy perspective, rapid price increases and lack of affordability are best understood as symptoms of a structural imperfection in the market for textbooks and learning materials – a market driven by supply rather than demand. Faculty select textbooks from publishers, bookstores order them, and students must pay. The end consumer has no direct influence over the price, format, or quality of the product. Treating both the symptoms and the underlying cause of the problem thus requires a dual and simultaneous approach:

- **In the short term**, steps must be taken to increase affordability for all students, but especially for those from low- and moderate-income families.
- **In the long term**, a supply-driven, producer-centric market must be transformed into a demand-driven, college- and student-centric market.

Pursuing short-term improvements in affordability without addressing the problem of market failure is likely to undermine the quality and accessibility of learning resources in the future.

Today's Solutions. The good news is that states and colleges are already taking steps to increase affordability. A variety of actions is under way across the country to lower the burden on students and parents of yearly outlays for textbooks and learning materials (**Exhibit 1**). These initiatives range from textbook rental programs, to the use of no-cost content whenever possible, to ensuring sufficient financial aid to cover textbook expenses for students who cannot afford them. While these short-term efforts have some disadvantages – limited application across institutional sectors, program costs indexed to the rising price of textbooks, and over-reliance on textbook resale that could exacerbate price increases – stakeholders who have undertaken them are to be highly commended. Certain efforts in particular, such as collaboration among faculty and institutions, innovations in alternative textbook formats among traditional and nontraditional publishers, and the increasing use of digital technology to meet student and faculty demands for appropriate learning materials, will benefit students and families greatly.

EXHIBIT 1: TODAY'S SOLUTIONS

- 1. Strengthen the Market for Used Textbooks**
 - Used Textbook Initiatives
 - Guaranteed Buy-back Program
 - Book Swaps
- 2. Utilize Faculty Textbook Guidelines**
 - Submit Textbook Orders on Time
 - Retain Textbooks for a Longer Period
 - Know the Price of Textbooks
 - Consider Less Expensive Alternatives
 - Use the Same Textbook for Multiple Courses
 - Retain Older Editions
- 3. Provide Key Information to Students and Parents**
 - Send Information before Term Starts
 - Post Textbook Lists and ISBNs Online
- 4. Increase Library Resources**
 - Textbook Reserve Programs
 - Faculty Use of E-reserves
 - Donations of Textbooks to Libraries
 - Textbook Lending Libraries
- 5. Adopt Alternatives that Lower Price**
 - No-frills Textbooks (Format Alternatives)
 - Custom Textbooks (Content Alternatives)
 - Buying Consortia
 - Profit Margin Reduction
- 6. Implement a Textbook Rental Program**
 - Full Rental Programs
 - Partial Rental Programs
 - Hybrid Rental Programs
- 7. Improve Related Financial Aid Policies**
 - Provide Emergency Vouchers, Credits, or Loans
 - Create Need-based Grants for Textbooks
 - Increase Financial Aid to Cover Textbook Expenses
- 8. Utilize 21st Century Technology**
 - Electronic Textbooks
 - No-cost Online Textbooks
 - Open Educational Resources (OER)
 - Print on Demand
 - Electronic Readers
 - Online Collections of Educational Content

Tomorrow's Challenge. The bad news, however, is that most of the short-term solutions now underway – while well-intentioned and sorely needed – are not aimed at, and will not eliminate, the underlying structural imperfection in the market for textbooks and learning materials. All stakeholders – students, faculty, colleges, bookstores, and publishers as well – are victims of the failure of this market. Blaming or punishing any stakeholder for market failure is not the answer. What is needed is a collaborative effort to build a true 21st century solution – a national digital marketplace – that can meet the needs of *all* stakeholders, particularly students and families.

The centerpiece of such a marketplace (**Exhibit 2**) must be an enabling infrastructure of technology and support services with which institutions, students, faculty, bookstores, publishers, and other content providers can interact efficiently. This infrastructure would consist of a transaction and rights clearinghouse, numerous marketplace Web applications, and hosted infrastructure resources. The transaction and rights clearinghouse would process each multi-part transaction; collect funds from the purchaser; distribute royalties, fees for resources, and/or commissions; secure rights through a digital rights management capability; and track content. Marketplace Web applications would enable transactions with content providers and institutional portals. The hosted infrastructure would ensure that all systems interface, support a registry of millions of learning items, provide marketplace services to thousands of campuses and millions of users, and process hundreds of millions of transactions for both fee-based and no-cost content.

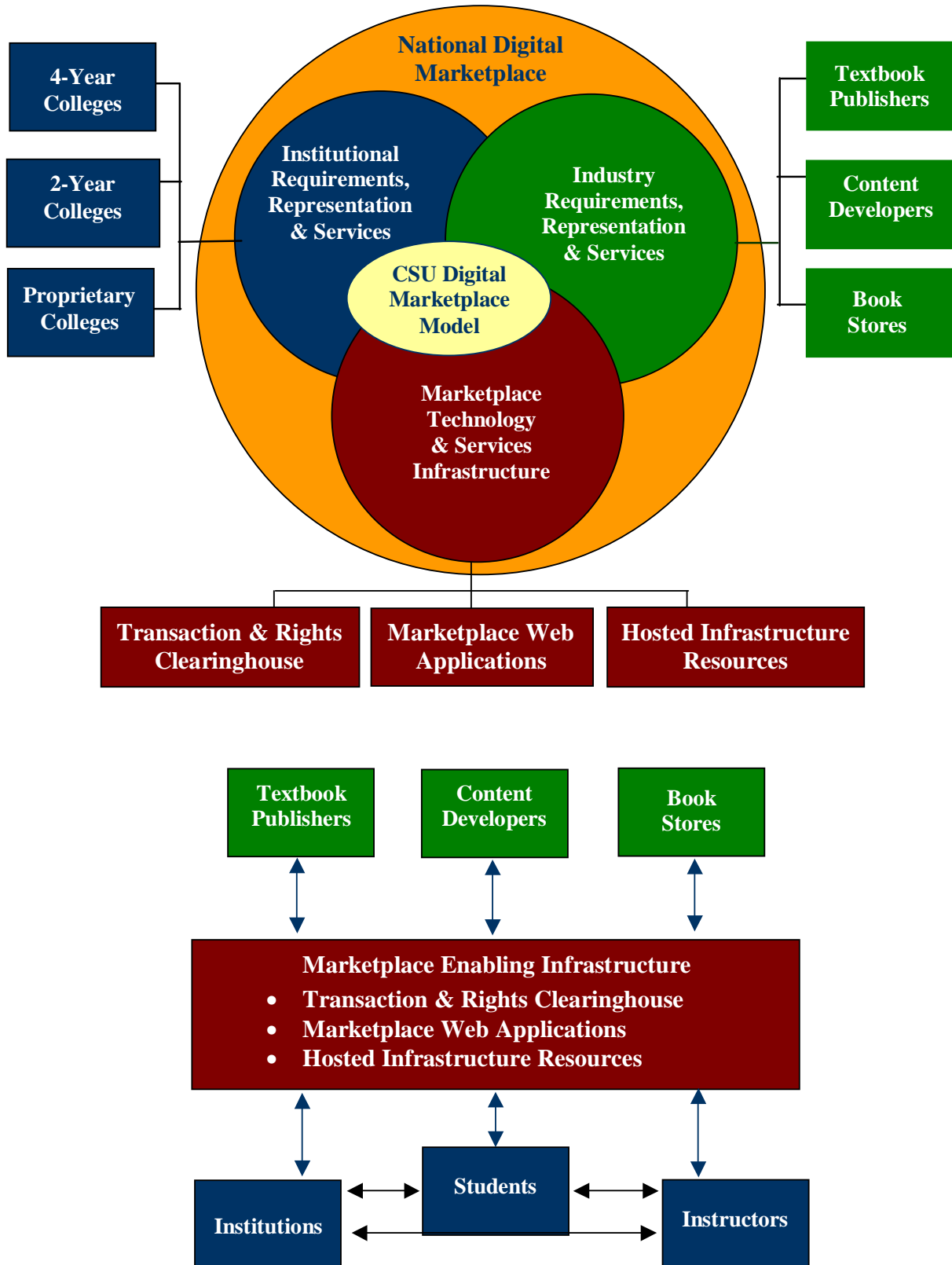
While potential obstacles to development exist in the areas of agreement on a single system, technological standards, copyright policy to address digital content, and start-up resources, they are clearly surmountable. Furthermore, groundbreaking work has been done by California State University (CSU). When fully developed, CSU's statewide solution can be the first step toward a national digital marketplace for voluntary use by other states, colleges, faculty, and students.

Next Steps. Short- and long-term efforts to improve textbook affordability must be led by the higher education community with the close involvement and cooperation of the publishing and technology industries. However, the federal government can foster the most effective and promising efforts by states, colleges, and other stakeholders in several ways:

- Encourage states and colleges to adopt those short-term solutions already identified that best suit their needs.
- Partner with states, colleges, and the private sector to ensure grant aid is sufficient to cover textbook expenses for needy students.
- Support experiments to assess the costs and benefits of alternative approaches under consideration by states and colleges.
- Provide for the timely prototyping of the market enabling infrastructure needed for implementation of a national digital marketplace.
- Promote creation of a voluntary national textbook information clearinghouse as an early product of the prototyping and testing effort, to build support and momentum.
- Provide incentives to states and institutions to use the national digital marketplace once designed and implemented.

A federal strategy designed to advance, complement, and integrate the best state and college initiatives could improve the affordability and quality of learning resources for *all* stakeholders.

**EXHIBIT 2: TOMORROW'S CHALLENGE:
CREATING A NATIONAL DIGITAL MARKETPLACE**



FOREWORD

In a bipartisan letter from Congressmen Howard P. “Buck” McKeon and David Wu in May 2006, the Advisory Committee was asked to conduct a one-year study of the cost of college textbooks and to make recommendations on increasing the affordability of textbooks. A primary objective of this study was to “continue to shed light on this issue so that consumers are aware” of the rising costs of textbooks. In addition, the letter specifically requested that the Advisory Committee fulfill the following objectives in conducting the study (**Appendix A**):

- Investigate further the problem of rising textbook prices.
- Determine the impact of rising textbook prices on students’ ability to afford a postsecondary education.
- Make recommendations to Congress, the Secretary, and other stakeholders on what can be done to make textbooks more affordable.

As a first step in conducting the study, the Advisory Committee asked Dr. James Koch, an economics professor and former college president, to provide an economic analysis of the textbook market and factors pertaining to textbook pricing, and to suggest an initial design for the study.

In September 2006, the Committee held a public hearing to officially launch the study. A distinguished panel of representatives from the policy, higher education, publishing, and research communities commented on the proposed study design and offered further suggestions on the study. Over the next eight months, three field hearings were held across the country to hear from all stakeholder groups who were engaged in efforts to make textbooks more affordable. These hearings were held in Chicago, Illinois in December 2006; Santa Clarita, California in March 2007; and Portland, Oregon in April 2007. Information from the hearings was used to inform the findings and recommendations in this report. In addition to the hearings, the Committee conducted an extensive review of the literature – including state legislative initiatives – and reached out to all stakeholders.

As the study progressed, it became apparent that most of the solutions currently being implemented by states and colleges did not and could not address the underlying structural imperfections identified in Dr. Koch’s initial paper and study design. Indeed, some of the short-term solutions could very well exacerbate the failings of the existing market for college textbooks and learning resources. Accordingly, the Advisory Committee made a special effort to identify long-term approaches, such as that of California State University, aimed at designing and implementing a 21st century digital marketplace. To guide our efforts, we commissioned a paper from Mr. Patrick McElroy, CEO and founder of Learning Content Exchange, who has nearly 30 years of experience in education, technology, and publishing, to assess the need for such a marketplace, delineate its basic features, outline the nature of the effort that implementing such a system would require, and identify the associated challenges.

The Koch and McElroy papers are available on our website at www.ed.gov/acsfa.

ACKNOWLEDGEMENTS

The Advisory Committee is indebted to many individuals for their important contributions to the completion of this study and report. Dozens of experts across the country provided us with extensive guidance and support. Many served as panelists during our hearings in Washington DC; Chicago, Illinois; Santa Clarita, California; and Portland, Oregon. Included in **Appendix B** is a complete list of these individuals.

For graciously hosting the three regional hearings, we are indebted to:

- The University of Illinois, Chicago
- College of the Canyons, Santa Clarita, California
- Portland State University, Portland, Oregon.

In addition, for their invaluable technical advice, we give special thanks to:

- Dr. James Koch, President Emeritus and Professor of Economics
Old Dominion University, Norfolk, Virginia
- Mr. Patrick McElroy, CEO and founder of Learning Content Exchange.

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A SEARCH FOR SOLUTIONS

The outcry over rising prices of college textbooks and instructional materials is a manifestation of the growing frustration with the escalating price of college. There is a very strong feeling across the nation that this basic student expense – like most other college expenses – has become unaffordable for millions of students and families. This, in turn, has triggered a flurry of activity and potential remedies in state legislatures and on college campuses aimed at lowering these outlays by students and parents. Unfortunately, these well-intentioned initiatives have been punctuated far too often by an unproductive debate among stakeholders, dominated by claims and counterclaims as to who is most responsible for rapidly rising prices of textbooks:

Publishers have been the target of charges that they take excessive profits, set wholesale prices too high, spawn new editions far too often, bundle textbooks with expensive supplements that add little value, and seek to ban re-importation of textbooks they sell for less abroad.

Bookstores have been accused of exacerbating the problem by not selling components of bundles separately; stocking too few used textbooks, previous editions, and lower-cost options; not paying students enough for used textbooks; and setting profit margins too high.

Faculty have been faulted for largely ignoring price, routinely assigning textbooks only partially relevant to the course, switching from textbook to textbook on a whim, selecting lower-priced alternatives very rarely, and failing to use all the material in the bundles students are required to buy.

Colleges have been taken to task for failing to guide faculty in textbook selection, not providing students and parents with guidance on planning for textbook expenses or venues for textbook purchase other than the college bookstore, failing to keep enough reserve copies at the library, providing insufficient financial aid to cover textbook costs, and not disbursing financial aid before students need to purchase textbooks.

Students have even been held partially responsible for placing more importance on the price of a textbook than on how it improves the learning experience, not acknowledging that the price of a textbook is actually the purchase price minus the amount for which they sell it, and not being smart shoppers by taking advantage of options readily available to them.

Focus of the Study. To improve the tenor and quality of the debate, our one-year study took a different tack: a focus not on who is responsible for rising prices, but rather on a search for solutions. In this vein, the report first examines the problem from the viewpoint of each major stakeholder. It then analyzes whether textbooks in fact have become unaffordable over time and, if so, for whom and what might be done about it. Most important, it shows how higher education can lead an effort to make textbooks more affordable for *all* students in both the short term and the long term, and how Congress and the Secretary of Education might help to achieve that end.

**Claims and
Counterclaims
about Who Is
Responsible**

Stakeholder Perspectives

Three regional hearings and an extensive review of the literature have revealed that rapidly rising prices of college textbooks are a symptom of a complex underlying problem in the market for textbooks and learning materials. To accurately define the full dimensions of this problem, it is essential to start with an examination of the perspectives of the individual stakeholders. While often in conflict, these points of view include valid concerns and legitimate interests that must be addressed if comprehensive solutions are to be found. It is especially important to include in this assessment of the problem any actions that are already underway to solve it – efforts that can become models for other stakeholders to emulate.

Student and Parent Concerns

Students and parents are experiencing sticker shock when it comes to college textbooks. After assessing family resources, applying for financial aid, and often taking out additional public and private loans, students enroll in college, select courses, and go about the process of purchasing required textbooks and other course materials. Students and parents often pay the textbook bill out of pocket. What they see is often out of line with the price of books in other venues. Since the textbook bill comes last, it can strain or exceed remaining financial resources. In such cases, textbook expenses can become the final barrier to college.

The cost of textbooks is often the final barrier to college

Some students are much more affected by price than others. For students enrolled at community colleges, where annual textbook expenses are often nearly equivalent to the price of tuition, the low-cost option of community college is effectively doubled in price.¹ For other students, the timing of financial aid disbursement can result in gaps between the start of classes and the ability to purchase textbooks and course materials. These students especially would benefit from lower price options.

Students are interested in the application of digital technology to instructional materials

Many students are more focused on their inability to purchase materials that meet their individual learning needs. Publishers' bundling practices in which textbooks, CDs, and other supplemental materials are offered for a single non-negotiable price, are irritating to those who prefer to purchase only the components relevant to their needs. Similarly, many students prefer to purchase used books because they do not plan to keep them, yet used book supplies are often inadequate in part due to frequent edition changes by publishers.²

Students are interested in the appropriate application of digital technology to instructional materials. For some, portability is a benefit, and for most, schooled in computer technology and Internet use, the Web beckons as a source of research and easily accessible no-cost materials.³ Across the board, students are frustrated by the seemingly rapid depreciation of textbooks when they attempt to sell them to the college bookstore during end-of-term buy-back.

The primary interest of faculty members has been choosing textbooks and course materials that provide the best available learning tools for their students. Over time, many faculty have come to understand that the educational value of particular texts must be balanced with their prices.⁴ But when selecting textbooks for course adoption, faculty can be frustrated by the perceived difficulty of acquiring pricing information. In addition, some instructors have become increasingly disenchanted with the choice of a single textbook for a particular course, and have expressed a desire to assemble modular materials from multiple sources, thus allowing them to pick the best of available resources for each topic a course will cover. Faculty find that each publisher's natural desire to protect its own proprietary materials has made combining material from two or more publishers nearly impossible. Increasingly, faculty are turning to Internet resources, no-cost materials, used books, and no-frills textbooks in order to satisfy student demand for low-price materials.⁵

Faculty Priorities

**Many
instructors are
disenchanted
with use of a
single textbook**

Publishers are aware of the growing affordability problem and are taking important steps to make textbooks more affordable by producing electronic textbooks, as well as multiple types of no-frills and custom texts. Individual publishers are moving into the digital and multimedia markets, but investments in technology infrastructure and research remain high as competition among publishers depresses collaborative effort.

Publisher Interests

The significant investments in proprietary materials and the integrity of their peer-reviewed textbook development processes can inhibit publisher flexibility to student demand.⁶ Publishers stress that they are dedicated to producing and bundling supplemental materials as learning enhancements, which clearly add value to instruction. They argue that frequent edition changes in many subjects are necessary to keep up with the pace of research and knowledge acquisition. Finally, publishers maintain that the unbundling of textbook packages does not necessarily reduce price because development costs are attached to each piece, and they are able to offer a discount only when a student purchases the materials as a group.⁷

**Publishers
argue that
supplemental
materials add
value to
instruction**

Public two- and four-year college systems have become particularly sensitive to the rising price of textbooks and the increasingly vocal reaction of students and parents. In several states, such as Connecticut, Virginia, Illinois, and Minnesota, studies have been conducted to determine what can be done to make textbooks more affordable. Many institutions across all sectors have created taskforces to evaluate the situation as it pertains to their individual campuses and to develop recommendations to reduce textbook prices.⁸ Some have already implemented major changes to improve textbook affordability. Solutions

College and Bookstore Views

Many college bookstores are trying to make college textbooks more affordable

involve recommendations to faculty and students on book selection and purchase, rental programs, used book initiatives, and other efforts.

Many college bookstores are participating in efforts to make college textbooks more affordable. Bookstore managers report initiatives to increase the stock of used books, compare prices across used and retail book distributors and wholesalers, offer textbook scholarships, as well as share tips on book shopping with their customers.⁹ Some bookstores have reduced profit margins on textbooks.

Policymaker Imperatives

State lawmakers have identified textbook prices as a significant concern for students and have initiated legislative efforts to address the problem. Although only a minority of the proposed bills have passed, the effort is a clear indication that reducing textbook expense is a high priority for policymakers. Over the last three years, 34 states have proposed a total of more than 100 bills related to textbook expenses.¹⁰ Proposed bills have included eliminating state sales tax on textbooks, providing guidelines for stakeholders, recommending rental programs, and improving the process of financial aid distribution as it affects textbook purchase, among other initiatives. A widely referenced statute is Connecticut's, which requires that textbook publishers reveal to faculty information on pricing and the length of time a new edition will be viable.¹¹

Over the last three years, 34 states have proposed over 100 bills related to textbook costs

Federal lawmakers have also been hearing complaints about this issue from their constituents. Congressman David Wu responded by asking the Government Accountability Office (GAO) to investigate the causes of rising textbook prices. In 2005, the GAO released *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*. The GAO report provided a comprehensive overview of the textbook industry in an attempt to explain the many factors contributing to the rise of college textbook prices. As federal lawmakers absorbed the report's implications and listened to constituent pleas, both Congressman Wu and Congressman Howard P. "Buck" McKeon requested that the Advisory Committee study the issue in-depth for one year and provide recommendations on making textbooks more affordable.¹²

An assessment of concerns, interests, and actions already underway is an essential first step in defining the problem and searching for solutions. The problem involves much more than textbook prices and their rate of increase over time. It involves the valid concerns and legitimate interests of all stakeholders. The underlying issues are complex and include not only the finances of students and parents, but also the faculty's understandable interest in the highest quality, up-to-date textbooks and instructional materials to drive learning. They include not only the advance of technology and its application to college instruction, but also the need to maintain a robust private publishing industry to meet the future needs of higher education. To be effective and comprehensive, solutions must match the full dimensions of the problem.

Affordability: What Do the Data Show?

A major objective identified by Congress in the letter requesting this study (see Appendix A) was to determine the impact of rising textbook prices on students' ability to afford a postsecondary education – a primary concern of their constituents. Assessing affordability depends on how the term is defined. Consider the following policy questions, each of which is related to a particular aspect of affordability:

- How much do students spend annually on textbooks and learning materials?
- Has the total amount students pay each year risen faster than the prices of other commodities?
- Has the total amount students pay each year risen as a percentage of family income over time?
- Does total grant aid from all sources, on average, cover the amount that low- and moderate-income students pay annually?

Four Policy Questions

Taken together, the answers to these questions help to define affordability.

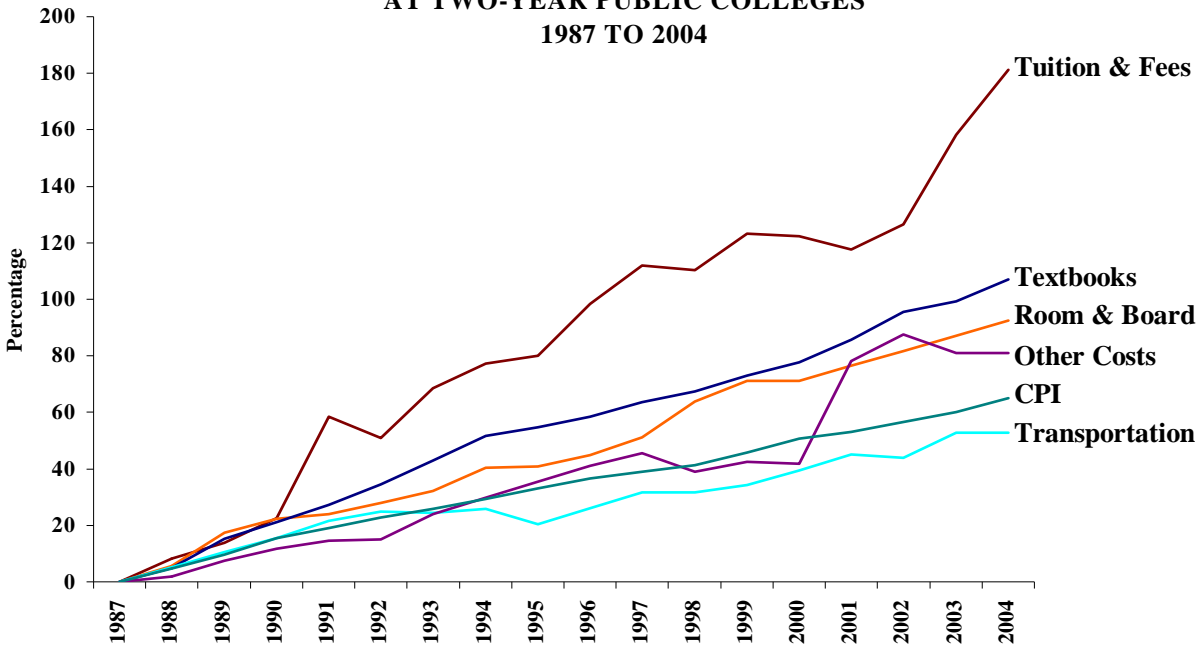
Annual Textbook Expenses. Estimates of total annual expenditures per student vary by source. The following estimates have figured prominently in the recent debate about affordability:

- According to GAO, first-time, full-time students spent a total of **\$898** at four-year public colleges and **\$886** at two-year public colleges on books and supplies in 2003-04.¹³
- According to the College Board, sample average undergraduate budgets for 2003-04 put annual expenditures on books and supplies at **\$817** at four-year public colleges and **\$745** at two-year public colleges.¹⁴

**Annual
per student
expenditures on
textbooks can
easily approach
\$700 to \$1,000
today**

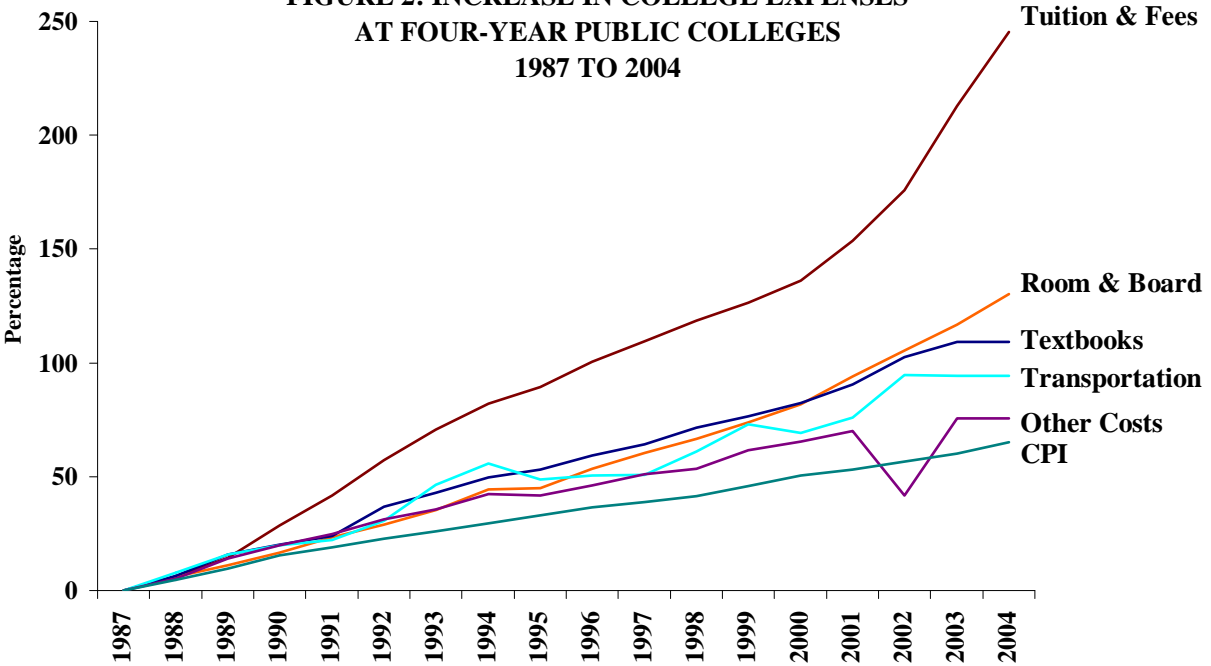
While other estimates of annual expenses on textbooks vary depending on the year, type and control of institution, and subset of students sampled, it seems reasonable to conclude that these expenditures can easily approach **\$700 to \$1,000 today** even after supplies are subtracted.¹⁵ However, whether the estimate is \$700 or \$1,000, affordability cannot be assessed by examining the absolute level of total expenses alone. It depends on how much expenses have risen over time, what share of family income they represent, and whether they are typically covered by grant aid for students from low- and moderate-income families.

**FIGURE 1: INCREASE IN COLLEGE EXPENSES
AT TWO-YEAR PUBLIC COLLEGES
1987 TO 2004**



Source: Analysis of data from the College Board *Annual Survey of Colleges* and Bureau of Labor Statistics

**FIGURE 2: INCREASE IN COLLEGE EXPENSES
AT FOUR-YEAR PUBLIC COLLEGES
1987 TO 2004**



Source: Analysis of data from the College Board *Annual Survey of Colleges* and Bureau of Labor Statistics

Annual Textbook Expenses Over Time. The cumulative percentage increase of tuition and fees, room and board, transportation, other expenses, and books and supplies for two-year and four-year colleges are displayed in Figures 1 and 2.¹⁶ These increases are compared to the Consumer Price Index (CPI) over the same period. Nearly all the components of college expenses outpaced the CPI from 1987 to 2004 for both two-year and four-year public colleges. Although tuition and fees dominated the growth in expenses, textbook expenses rose more quickly than every other component at two-year public colleges, and every component but room and board at four-year public colleges. Textbook expenses rose far more rapidly than the prices of other commodities nationwide: **107%** at two-year public colleges and **109%** at four-year public colleges, compared to **65%** for the CPI. According to this measure alone – annual expenses per student over time – policymakers might conclude that textbooks have become increasingly unaffordable.

Textbook expenses have risen more rapidly than prices of commodities nationwide

Annual Textbook Expenses and Family Income. Although total annual expenditures per student for textbooks increased significantly over the period, they changed very little as a percentage of family income. Figure 3 shows textbook expenses over time as a percentage of family income at two-year and four-year public colleges.¹⁷ Overall, expenses for textbooks stated as a percent of family income have been trending upward, but only very slightly:

But textbook expenses have not risen much as a percentage of family income

- For low-income students (at the 25th percentile of family income) at four-year public colleges, textbook expenses as a percentage of family income grew slightly from **2.0 percent** of family income in 1987 to **2.2 percent** in 2004.
- For high-income students (at the 75th percentile of family income), textbook expenses as a percentage of family income also increased slightly from **0.7 percent** in 1987 to **0.8 percent** in 2004.

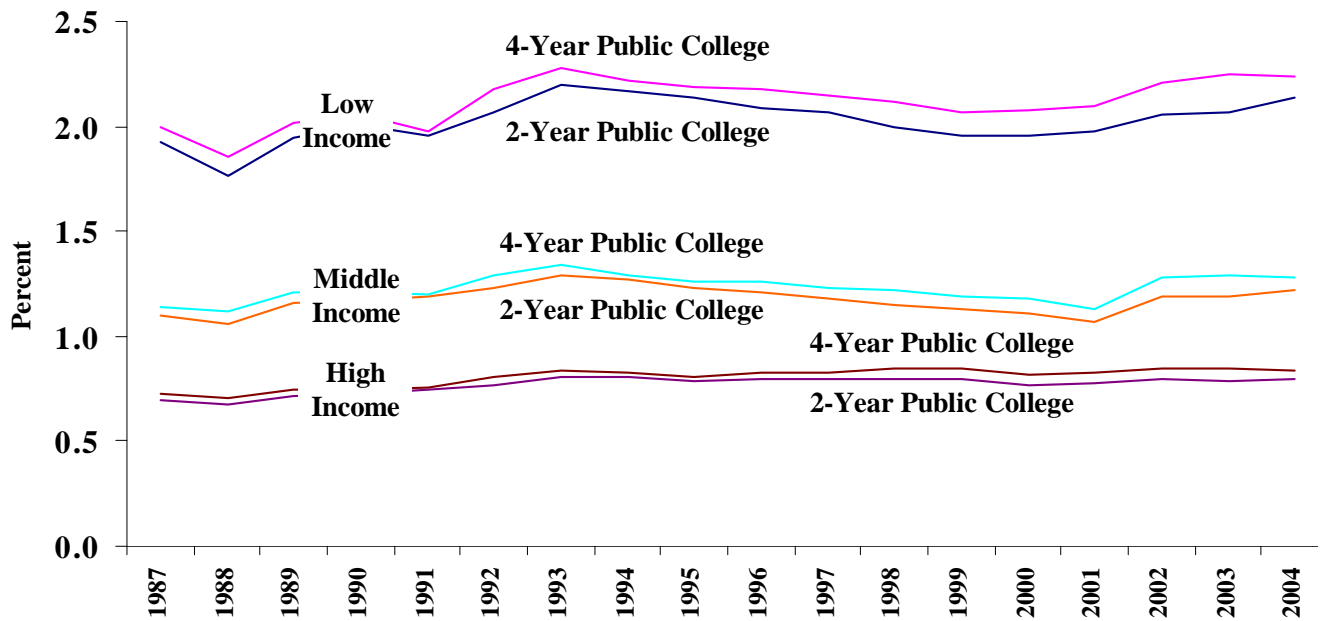
Policymakers might thus conclude that, as a percentage of family income, annual expenses per year for textbooks today appear to be only marginally less affordable than nearly twenty years ago.

Annual Textbook Expenses and Grant Aid. Shown in Figure 4 is the total amount of grant aid per student from all sources by family income at two-year and four-year public colleges. This amount is compared to total tuition and fees, transportation, and other expenses in their institution's cost of attendance, *excluding* room and board and books and supplies.¹⁸

Grant aid is not sufficient to cover textbook expenses for low- and moderate-income students

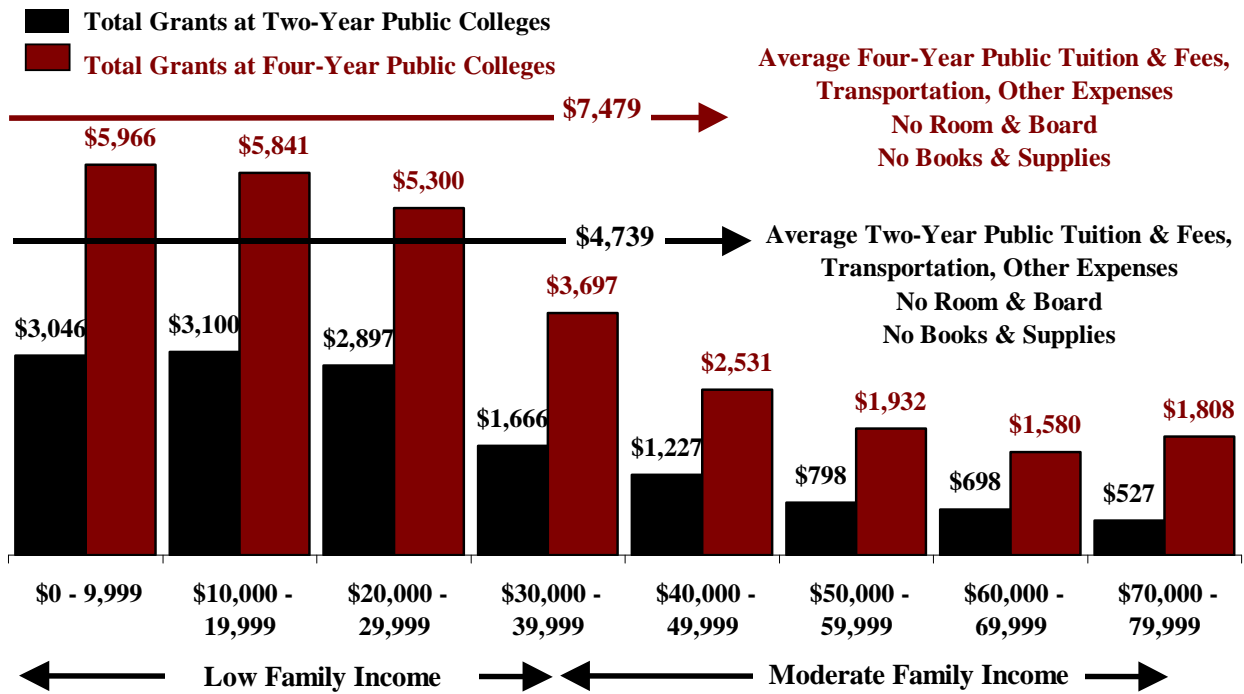
- Even for the lowest income students at four-year public colleges, total expenses *minus* room, board, books, and supplies exceeded total grant aid in 2004 by **\$1,513** (\$7,479 - \$5,966).

**FIGURE 3: TEXTBOOK EXPENSES
AS A PERCENT OF FAMILY INCOME
1987 TO 2004**



Source: Analysis of data from the College Board *Annual Survey of Colleges and Postsecondary Education Opportunity, Bachelor's Degree Attainment by Age 24 by Family Income Quartiles, 1970 - 2004*.

**FIGURE 4: TOTAL GRANT AID AND COLLEGE EXPENSES
2004**



Source: Analysis of data from the College Board *Annual Survey of Colleges and Postsecondary Education Opportunity, Financial Aid Packaging for Full-Time, Full-Year, One Institution, Dependent Undergraduate Students*.

- Likewise, even for the lowest income students at two-year public colleges, total expenses *minus room, board, books, and supplies* exceeded total grant aid by **\$1,693** (\$4,739 - \$3,046);

The bottom line is that for students from low- and moderate-income families, total grant aid from *all* sources does not typically cover textbook expenses, much less room and board, at either two- or four-year public colleges. Even for students who live at home with parents, these expenditures must be financed through earnings from work and/or borrowing. Thus, while textbook expenses over time have not increased much for these students as a percentage of family income, they can represent a significant barrier to access and persistence.

Textbook expenses are not affordable for students from low- and moderate-income families

Improving Affordability for All

Even after accounting for total grant aid, textbooks and other learning materials appear to be unaffordable for students from low- and moderate-income families at both two- and four-year public colleges. Whether they are affordable or not for middle-income students depends on the definition of affordability used. However, perhaps the most important policy question remains: can annual expenditures on textbooks and learning materials be reduced for *all* students without diminishing the quality and diversity of those resources in the process? The answer is yes, both in the short term and in the long term as well.

Short-term solutions are those that can and should be implemented today. These solutions will make textbooks more affordable by reducing annual per student expenditures on textbooks – a major symptom of the problem. While effective and laudable, the vast majority of these initiatives do not address the underlying imperfection in the market for textbooks – a market driven by supply rather than demand. Indeed, pursuing short-term improvements in affordability alone, without simultaneously addressing the problem of market failure, is likely to undermine the quality and accessibility of learning resources in the future.

Today's Solutions

The market for textbooks and learning resources is broken. Faculty select textbooks from publishers, bookstores order them, and students must pay. The end consumer has no direct influence over the price, format, or quality of the product. In the long term, the supply-driven, producer-centric market of today must be transformed into the demand-driven, college- and student-centric market of tomorrow. Doing so will require the development and implementation of a national digital marketplace serving all stakeholders and all sectors of higher education. Fortunately, the necessary technology is available today and a robust institutional model for such a marketplace is being developed by California State University.

Tomorrow's Challenge

TODAY'S SOLUTIONS

The study hearings and literature review revealed a long list of actions currently underway in states and on college campuses across the nation aimed at lowering the annual outlays on textbooks by students and parents. That such a wide variety of initiatives exists is testament to both the perceived immediacy of the problem and the ingenuity of the stakeholders. While these short-term efforts do have some disadvantages, and may not in each case be suitable for all stakeholders, those who have undertaken them are to be highly commended. Stakeholders who have yet to act are best advised to review the efforts of their peers and implement those most suited to their particular needs. The initiatives have been organized into eight categories that represent the entire range of emerging short-term solutions.

Used textbooks offer perhaps the most direct way for students to save on textbook expenses. Used books are typically 25 percent less expensive than new ones and many students prefer to purchase textbooks used.¹⁹ But the demand for used books often exceeds the supply. Used textbooks comprise only 25-30 percent of all those in the market.²⁰

The used textbook market has become highly competitive, involving both traditional wholesalers and online retailers. College bookstores typically order as many used textbooks as they can, as early as possible, to ensure availability to meet student demand because supply is limited. Bookstores obtain their supply from two main sources: students and used book wholesale companies, with former – buy-back from students – being the most direct means of obtaining stock.

In addition to purchasing used textbooks at the campus or local bookstore, students also have the option of purchasing them from online retailers such as Amazon.com or from online student book swap sites. The Internet accounts for a substantial and growing percent of all sales of used textbooks.²¹

There are three major means of strengthening the market for used textbooks, described in more detail below: used textbook initiatives, guaranteed buy-back programs, and online book swaps.

A used textbook initiative is a multi-faceted approach implemented by institutions to increase used book availability. The main emphasis is on increased communication between the campus bookstore and faculty regarding text selection options and ordering procedures. Specifically, the bookstore provides faculty with information on deadlines, the effects of switching editions or using different textbooks, and the impact of ordering bundled materials.

**Solution #1:
Strengthen
the Market for
Used Textbooks**

**The used book
market is highly
competitive among
wholesalers and
online retailers**

**Used
Textbook
Initiatives**

Faculty have a critical impact on the price and availability of used textbooks, and can save students money by submitting orders to the bookstore by the deadline. If the bookstore knows prior to buy-back which textbooks will be used in the upcoming term, the store is guaranteed buyers, and resale value for students is higher. Early notice of re-adopted textbooks allows the bookstore to determine the number of textbooks that can be purchased at buy-back, and the number that must be located through wholesale distributors. Faculty who use the same edition for multiple terms ensure a higher resale value for their students.

One example of a used textbook initiative is the **San Mateo County Community College District Bookstores**, which entails sending weekly emails to faculty with reminders, updates, and information about the textbook ordering process. As a result of the initiative, nearly 90 percent of faculty now turn in their orders on time, and used textbook sales increased by 27 percent between 2004 and 2006. The bookstore works with faculty to extend text adoption timeframes and encourages faculty to use bundled materials only when absolutely necessary. To provide as many used textbooks as possible, the bookstore works with multiple wholesale companies and commercial online sites.²²

Textbook reports from several states have highlighted recommendations for enhancing used textbook markets and have described best practices, including used textbook initiatives.²³ A new advocacy group, the Used Book Association, was created in August 2006 to promote the use of used textbooks.²⁴

Guaranteed Buy-back Programs

A guaranteed buy-back program identifies for students, at the time of purchase, which texts the campus bookstore will accept for buy-back and often guarantees a buy-back price if faculty book selection is known. Such a program may increase the supply of used textbooks by disseminating accurate and timely information to students. Approximately two-thirds of students sell back at least one textbook to the campus bookstore, and many students, particularly at community colleges, sell back all of their books.²⁵ Yet students often have no buy-back guarantee or information on buy-back prices. Typically, if a textbook will be used again, the buy-back price is up to 50 percent of the retail price. If it will not be used again, the bookstore pays the student between 5 percent and 35 percent of the retail price, but only if the textbook can be sold to a wholesaler.²⁶ Some bookstores cross-reference wholesale distributors' price lists against course textbooks in order to offer students the best price.

The University Book Store at the **University of Washington (UW)** provides a number of services to assist students with selling back their textbooks, including guaranteed buy-back. The flagship bookstore serving UW's Seattle campus operates its textbook buy-back service year-round.

The bookstore has committed to paying students 50 percent of the current price of a new textbook adopted for a future UW class whether the student bought the textbook new or used. Students are able to look up buy-back prices online to determine in advance how much they will receive for their textbooks. In addition, the bookstore has an online buy-back service called "Buy-back Alerts" that notifies students via email when buy-back prices increase after a faculty textbook adoption is received.²⁷

Online book swaps allow students more control over used textbook resale by connecting student buyers and sellers directly, usually via the Internet, and enabling them to set their own prices. Online book swaps, which can be specific to a single school or national in scope, are operated by institutions, students, or outside organizations. The majority serve just one school or school system.

ExchangeHut.com is an example of a student-run, national online book swap. The site allows students to compare posted textbook prices with online retail sites that also offer used textbooks, such as Amazon.com and Half.com. ExchangeHut.com estimates that students save an average of \$150 per semester by using its service and receive 40-70 percent of the original purchase price for the textbook.²⁸ Another example is an online non-profit book swap site, **CampusBookSwap.com**, sponsored by The Student Public Interest Research Groups' (PIRGs) Make Textbooks Affordable campaign. The site allows students enrolled in a particular college or university to buy and sell textbooks from each other. Two hundred fifty campuses are currently registered on the site.²⁹

Book Swaps

Although not all faculty members are aware of it, their actions and choices can have a major effect on textbook affordability. Several institutions have developed faculty guidelines pertaining to selecting and ordering textbooks.³⁰ Many states have also proposed or implemented legislation or state recommendations that require or encourage faculty to be proactive on affordability.³¹ Due to academic freedom issues, states and institutions cannot impose strict regulations pertaining to faculty selection and use of texts. However, they can develop guidelines that provide information to faculty and encourage them to act in the best interest of students whenever possible.

Faculty guidelines recommended by states and institutions include:

- **Submit Textbook Orders on Time.** Faculty can make textbooks more affordable simply by turning in their orders to the bookstore by the requested deadline. This allows bookstores enough time to find used textbooks, comparison shop for the best prices, and avoid

Solution #2: Utilize Faculty Textbook Guidelines

additional shipping fees. In addition, it enables bookstores to offer higher buy-back prices to students for textbooks that the bookstore knows will be used again.

- **Retain Textbooks for a Longer Period.** Faculty can commit to using the same textbook for multiple terms or years so that students have the opportunity to purchase the text used rather than new, and receive a greater return upon buy-back.
- **Know the Price of Textbooks.** College faculty can become more knowledgeable about the retail prices of available texts in their discipline and consider price when making a selection.³²
- **Consider Less Expensive Alternatives.** Among textbooks of equal quality, a faculty member can select the least expensive. Faculty can also seek information on low-price alternatives, such as custom and no-frills textbooks.
- **Use the Same Textbook for Multiple Courses.** Faculty can work with others across the department who teach the same course in order to jointly select a text in order to increase the supply of used books.
- **Retain Older Editions.** Faculty can communicate with the publisher about differences between old and new editions of a textbook, and continue to use the older edition if the new one does not contain significant changes. This would enable students to have continued access to used textbooks.³³

In addition, other guidelines seek to prohibit faculty from selling their complimentary sample copies of textbooks,³⁴ receiving royalties on textbooks they have authored when used for their own courses, and assigning a textbook if they do not plan to use at least 50 percent of its content in the course.

**Solution #3:
Provide Key
Information to
Students and
Parents**

Educating students and parents is an essential component of making textbooks affordable. While returning students are more likely to be prepared for textbook expenses and know how to reduce expenses, incoming freshman and their parents are often ill-equipped for this task. Although colleges include textbooks in the cost of attendance, many new students and their parents do not understand that they need to plan for this expense because college is often the first time that students are responsible for buying their textbooks. Two steps can be taken to ensure that information is made readily available:

First, information can be sent early to students and parents about the amount to budget for textbooks, as well as information on available alternatives, such as Internet textbook sites, online book swaps, off-campus bookstores, and the use of library reserves. This information should be provided to all students, but a particular effort should be made to provide it to incoming freshmen and their parents. Institutions can better assist students with this process by posting links to online book swaps and Internet vendor sites on the bookstore or college websites.

**Send
Information
Before Term
Starts**

Second, information about textbook selection for courses can be made available prior to the start of the term. Many colleges have begun making course syllabi and textbook lists available online.³⁵ This information usually includes textbook edition information and ISBNs – numbers used by the publishing industry to identify each edition and printing of a textbook. Having this information available early allows students more time to comparison shop and ensures purchase of the correct edition of each textbook.

**Post
Textbook Lists
and ISBNs
Online**

Offering textbooks and other course materials on reserve at the campus library is already a well-established practice and an excellent way to provide students with free access to necessary or supplemental materials. However, libraries often face budget and space limitations when it comes to reserve textbook volume. In addition, libraries often cannot purchase for reserve a quantity of textbooks reasonably proportional to course enrollments. This makes immediate reserve availability an uncertain prospect for most students. College administrators, libraries, and faculty have implemented several ways to deal with these limitations.

**Solution #4:
Increase
Library
Resources**

In 2005, the **University of Wisconsin, Madison**, implemented a textbook initiative to supplement the library reserve program as recommended by a 2004 university textbook taskforce. The program specifically focuses on making high-priced textbooks available, that is, those that cost more than \$100. Funded by a special gift account through the university development office, the program costs \$1,500 to \$3,000 per semester in addition to the regular reserve budget. The program makes an effort to place these high-priced textbooks at multiple libraries around campus, particularly at those with extended hours. Over time, textbooks have averaged between 30 and 50 student checkouts per semester. Certain math and science textbooks had between 300-500 checkouts over the past two years.³⁶

**Textbook
Reserve
Programs**

Another approach is to place some course material on e-reserve through the campus library or course website. E-reserves are chapters, articles, or entire texts made available online with free access to students.³⁷

**Faculty
Use of
E-reserves**

Donations of Textbooks to Libraries

Other efforts include the donation by interested parties of textbooks to the library. A policy of the campus bookstore at the **College of San Mateo** is to donate a copy of each major textbook to the library using bookstore revenue.³⁸ **Bedford, Freeman, and Worth Publishing Group** has donated copies of its textbooks to college and department libraries after learning of the needs of low-income students.³⁹ **Rutgers University** has recommended that faculty donate copies of complimentary textbooks for library reserve use.⁴⁰

Textbook Lending Libraries

Although not common due to high start-up costs, another approach is to create a textbook lending library. **The 1914 Memorial Library at Williams College**, in operation for nearly 100 years, is an example. The purpose of the library is to reduce textbook expenses for students who receive financial aid. The library serves about 900 students and is estimated to save each of them \$200 in textbook expenses. As a supplement, each student on financial aid receives a \$60 voucher to purchase any necessary textbook unavailable through library holdings. If a student requires a textbook that costs more than \$100, the voucher may be converted into an Expensive Book Voucher that will pay for the book, regardless of price. At semester's end, students must give the textbooks purchased with vouchers to the library. The 1914 Memorial Library is open for one month at the beginning of each semester exclusively for the use of financial aid students. Any textbooks that remain in the library after the first month are made available to the general student population. The library stocks 35,000 textbooks and related course materials.⁴¹

Solution #5: Adopt Alternatives that Lower Price

Publishers, bookstores, and institutions have multiple methods at their disposal to lower the price of textbooks. Publishers can produce low-price options by altering either the format or content of a textbook. Institutions and bookstores can work collaboratively to form buying consortiums for custom texts. Finally, bookstores and the institutions affiliated with them can work together to reduce textbook profit margins.

No-frills Textbooks

Format alternatives, known as no-frills textbooks, include paperbacks, limited color texts, spiral bound versions, and loose-leaf hole-punched versions. No-frills textbooks are cheaper than regular textbooks, usually by 25 to 50 percent.⁴² However, while certain types of no-frills textbooks can enter the used book market, others, such as loose-leaf textbooks, have no resale value. Faculty selection of no-frills textbooks is often dependent on publishers providing information on such options.

Examples include Thomson Higher Education, which offers no-frills textbooks through the **Thomson Advantage Program**. These textbooks are one-color, text-only books that sell for 25 percent of the price of a traditional textbook.⁴³ All of the major publishers offer no-frills options.⁴⁴

Content alternatives, known as custom textbooks, are created when a publisher combines specific chapters from one or multiple texts and other forms of educational content into a single custom text. Eliminating portions of books that will not be used allows publishers to sell custom textbooks for lower prices. Faculty enjoy the ability to select the exact materials needed and students appreciate paying only for what will be used.⁴⁵ Due to consumer demand and new technology that reduces production costs of custom textbooks, custom publishing is one of the fastest growing areas in the industry.⁴⁶ Drawbacks to custom textbooks include the fact that they have little or no buy-back value and that such books can only be created currently from the materials of one publisher, rather than from multiple publishers.

Custom Textbooks

Publishing representatives at the study hearings reported widespread industry offering of custom texts. Bedford, Freeman, and Worth Publishing Group offers a new program called **Bedford Select**, a database of course materials that allows faculty to select content for a custom textbook that can sell for as little as \$20. In addition, other Bedford, Freeman, and Worth custom publishing programs enable faculty members to integrate their own material into the custom book. Furthermore, Bedford's **Portable Series** offers numerous smaller, less expensive volumes of anthologies, as well as "split" editions that enable students to purchase only needed portions.⁴⁷

Another way to reduce textbook expenses is through a buying consortium that enables multiple institutions and/or bookstores to work together to identify textbooks used in common and use group purchasing power to place large orders for custom textbooks at reduced prices. This option is only available for custom textbooks; leveraging purchasing power to negotiate on regular textbooks violates anti-trust regulations, specifically the Robinson Patman Act.⁴⁸

Buying Consortia

One example, the **Bay 10 Buying Consortium**, consists of 16 higher education institutions in 10 districts in the San Francisco Bay Area working together to identify textbooks from which they could select content for custom books. It is anticipated that this will enable them to negotiate lower prices.⁴⁹

Bookstores can also reduce profit margins on textbooks. Many bookstores are run either by commercial for-profits such as Barnes and Noble or Follett, or as institutional entities that bring in additional revenue. Any institution-owned bookstore can lower profit margins on textbooks in order to better serve students, and independent bookstores can switch to non-profit status to make it easier to lower profit margins.

Profit Margin Reduction

The independently operated campus bookstore at **Portland State University** converted from a cooperative to a nonprofit in 2005. One of the steps it took as a nonprofit was reducing profit margin on textbooks. The reduction in textbook prices provided a total savings to students of more than \$60,000 last year alone.⁵⁰

Another example is the University Book Store at the **University of Washington**, organized as a corporate trust for the benefit of its students, faculty, and staff. Profits from the bookstore's sales are directed toward providing significant benefits to students in the form of lower prices on course materials, annual patronage rebates, and need-based textbook scholarships.⁵¹

**Solution #6:
Implement
a Textbook
Rental Program**

There are currently 25 textbook rental programs in the United States operated by both two- and four-year institutions, from small colleges with as few as 400 students to large schools with as many as 15,000 students.⁵² At least five states have considered mandating rental programs or implementing pilots at their public institutions.⁵³ Textbook rental programs may be full or partial models. Full rental programs provide instructional materials for most courses offered at an institution, and partial rental programs offer textbooks for certain departments or courses. In addition, either full or partial programs may include a hybrid option, in which students may opt to purchase textbooks rather than rent. The majority of existing programs are full rentals, operated through the institution's bookstore and funded by student rental fees.⁵⁴

**Rental programs
instantly reduce
price to students**

Rental programs provide one of the most significant forms of savings to students as they instantly reduce textbook expenses. Estimates indicate that students can save hundreds of dollars each year through rental programs.⁵⁵ Rental fees can be assessed on a per book, per credit hour, or per course basis. Another option is to charge a flat fee per academic term included in tuition or billed individually at the time of rental.⁵⁶ In addition, these programs promote access and reduce textbook-related student aid gaps by allowing *all* students to have textbooks, not just students who are able to afford new or used books. Rental programs can increase bookstore efficiency in that textbooks need not be ordered every semester and unsold textbooks need not be returned to publishers.

**The primary
drawback of
rental programs
is the cost of
program start-up**

The primary drawback of a rental program is the cost of program start-up, which includes acquiring and storing inventory, and establishing staff and computer resources.⁵⁷ This is especially true for institutions that are underfunded.⁵⁸ A secondary concern is that such programs limit the academic freedom of faculty as they require agreement to adopt a textbook for a prescribed length of time, usually between two and four years.

Furthermore, in some disciplines, subject matter is updated regularly. Students who rely on rental programs may save money on their textbooks at the expense of having the most up-to-date materials available.

Examples of full and partial rental programs, as well as hybrids, include:

Southern Illinois University, Edwardsville (SIUE), a public four-year residential college in Illinois, began its rental program at the inception of the college in 1957. The program currently serves 11,000 undergraduate students and stocks over 70,000 textbooks. Students can also rent supplemental materials, such as e-books, computer codes, and CDs, among other items. The program is run separately from the campus bookstore, and students have the option to purchase textbooks. Course adoption is for three years or nine terms, with certain exceptions, and most faculty participate. The rental fee for students is \$8.55 per credit hour, which translates into \$128 per semester for 15 credits. Rising textbook prices have caused program costs to increase by 12 percent over the last two years. The program spends \$2.5 million per year on textbook purchase, but expects that amount might double in five or six years due to increasing textbook prices. These increases will cause rental fees to rise by 15 percent each year.⁵⁹

**Full
Textbook
Rental
Programs**

Rend Lake College in Illinois instituted a partial textbook rental program in 1998 in response to student complaints about textbook prices. Prior to beginning the rental program, the institution realized that a large percentage of students were not buying textbooks or were sharing books as a result of semester book expenses roughly equivalent to tuition. Because 70 percent of its students receive financial aid, the college decided that implementing a rental program would conserve institutional aid resources. Rend Lake did not sustain heavy start-up costs because it already owned the bookstore and all of the textbooks. The rental program began by offering only general education texts, but has expanded to include upper division texts. At this time, 60 to 65 percent of required textbooks are available for student rental. Student fees for the rental program are on a per book rather than per credit hour basis. The charge per book is \$28 plus a \$20 refundable deposit, but students also have the option to purchase textbooks. To keep costs down, faculty are encouraged to adopt textbooks for at least three years. However, some departments such as technology and nursing do not participate as texts in those areas are updated and revised almost annually.⁶⁰

**Partial
Textbook
Rental
Programs**

The **San Mateo Community College District**, consisting of Skyline College, Cañada College, and College of San Mateo, has implemented a hybrid rental program, in which students have the option to rent or purchase, and faculty may opt in or out of the program. The district book rental fee is set at 25 percent of the retail price of the textbook. At

**Hybrid
Textbook
Rental
Programs**

Cañada College, the program focus is on providing course materials for the nearly 2,000 students enrolled in the Early Childhood Education program. The goal of both Skyline College and College of San Mateo is to identify books that will meet the needs of certain courses, and then use funds raised through donations along with state and federal grants to deal with the issue of start-up costs. All of the textbook rental titles in the district have been procured with funds raised by the bookstore. This model allows stores to get into the rental business without incurring the often prohibitive start-up costs of the program.⁶¹

**Solution #7:
Improve
Related
Financial Aid
Policies**

Financial aid policies impact many students' ability to purchase course materials. Every college includes textbooks in its cost of attendance, though methods for determining how much to allocate for textbooks vary by institution and state.⁶² Even students who receive enough financial aid to cover textbook purchase may still encounter difficulties. In addition, inadequate financial aid leaves some students without the means to purchase books.

Many students, particularly at two-year colleges, register for class shortly before or at the start of the academic term. As a result, financial aid for which they are eligible may not be available when classes start due to disbursement delays, leaving students without the means to purchase course materials. This delay can result in increased expense if used textbooks are no longer available at the time that students receive their financial aid funds.

**Provide
Vouchers,
Credits, or
Loans**

One way to address this problem is for institutions to provide emergency book vouchers or loans to students whose financial aid has yet to be disbursed. There is no risk to such loans as the institution knows prior to their issue that aid will be available to repay them. Alternatively, the campus bookstore can offer a credit until funds become available.⁶³

**Create
Need-based
Textbook Grants**

Institutions or bookstores can create need-based scholarships for students who lack adequate aid and are having trouble paying for textbooks. For example, The University Book Store at the **University of Washington**, the bookstore at **Portland State University**, and **Cañada College** all offer need-based textbook scholarships.⁶⁴

**Increase
Financial Aid
to Cover Costs**

Need-based aid can also be increased at the federal, state, and institutional levels, as such an increase would protect low- and moderate-income students against textbook and other educational price increases. States such as **Connecticut** and **Illinois** have attempted to address this issue through additional need-based grants.⁶⁵

Technology now plays a key role in providing faculty and students with new options for learning materials. Many stakeholders—from publishers to institutions to faculty—are working to use technology to create and distribute instructional materials in ways that are more affordable. Such technological innovations include electronic textbooks, no-cost online textbooks, open educational resources, and print-on-demand services. As more faculty members discover and take advantage of these options, more students will benefit.

**Solution #8:
Utilize 21st
Century
Technology**

Electronic textbooks, also known as e-books or digital textbooks, are one alternative to high-priced traditional textbooks. E-books are the replication of traditional textbooks in digital format made available to students through coded, online access. Publishers typically limit student access to an e-book to one academic term and may also limit the number of pages a student can print from the e-book. A variety of publishers now offer more than 3,000 e-books and new titles are added regularly.⁶⁶

**Electronic
Textbooks**

E-books cost approximately 50 percent of the retail price of a new hard copy textbook. These savings arise because publishers do not incur printing or production costs. Other benefits include easier updating, and the ability for students to make electronic notes in some texts, as well as search, print, and bookmark. Although e-books have been available for several years, there has yet to be a significant increase in demand for them.⁶⁷

McGraw-Hill Higher Education currently sells more than 800 different types of e-books and plans to increase the number of electronic titles. **Pearson's SafariX Textbooks Online** site also offers about 800 of its most popular titles electronically. **Thomson Learning's** site, **iChapters.com**, makes available for student purchase individual chapters of textbooks in digital form. In addition, students can also purchase complete e-books and hard copy textbooks on that site at a discounted rate.⁶⁸

A new publisher has started offering no-cost digital textbooks to students. The company, **Freeload Press**, was created in 2004 to help reduce educational expenses for students. Textbooks are available online at no charge to students because the books are subsidized by academically appropriate advertisements placed at the beginning and end of each chapter. Students can print directly from the website or order paperback alternatives that range in price from \$9 to \$35. Professors at over 1,000 institutions are using Freeload Press.⁶⁹

**No-cost Online
Textbooks**

Open educational resources (OER) are the sharing of digital learning resources at no charge over the Internet, primarily by faculty engaged in course development and collaborative teaching and research. OER can be

**Open Educational
Resources**

OER has become increasingly popular among faculty, students, and institutions

used and adapted for non-commercial purposes by teachers, educational institutions, and students. These resources rely on open source applications, which are software programs that can be shared or distributed. OER has become increasingly popular among faculty, students, and institutions both within the U.S. and internationally.⁷⁰

In addition to instructional materials that are developed using open source software, educational content in the public domain is often included in open source applications. Public domain content is information that is ineligible for copyright protection or that has an expired copyright. Works published prior to 1923 are included in the public domain, and works published after 1923 can be included in the public domain if copyright licenses such as Creative Commons are applied to them.⁷¹

The **Foothill-De Anza Community College District** in Silicon Valley, California is providing state and national leadership as the result of its public domain policy on the creation and use of open educational resources. The policy encourages faculty to develop and use public domain and open content materials for their classes to provide affordable, high-quality alternatives to traditional textbooks. Foothill-De Anza is also providing training for its faculty to better use OER tools and materials, and is supporting the new Community College OER Consortium.⁷²

The District Academic Senate for the **Los Angeles Community College District** has recommended that faculty use educational materials in the public domain as well as no-cost courseware, when possible.⁷³ Some faculty members have made the switch from traditional textbooks to online textbooks with few problems.

A wide variety of high quality OER materials exists

A widely known OER initiative is **OpenCourseWare**, started by the **Massachusetts Institute of Technology (MIT)** in 2001 to make MIT courses and course materials available online at no-cost—accessible to anyone. Over 100 institutions have partnered with MIT to share educational content, and many other efforts are underway to further develop and promote OER around the country and the world.

Another well-known OER project is **Connexions**, through which educational professionals and others can develop their own instructional materials on-site or make use of Connexions' existing educational materials, all of which are open-licensed. Connexions attracts more than 600,000 users per month from 200 countries. Students and other users can read Connexions material online, print it out, or order a hard copy through a new print-on-demand service at a fraction of the price of a regular textbook. Many professors and departments are using Connexions as their main source for virtually no-cost instructional materials.⁷⁴

Another significant OER project is **MERLOT** (Multimedia Educational Resource for Learning and Online Teaching), a Web-based resource developed by **California State University** (CSU) and implemented in 1997. MERLOT is a no-cost digital library and interactive collection of 16,000 online digital course materials that have been created to meet students' different learning styles. The system infrastructure allows faculty collaboration on teaching and learning materials. Editorial boards in 16 different disciplines have been selected to carry out a peer review process to ensure high quality content.⁷⁵

Print on demand is another technological innovation that can be used to reduce the price of textbooks by utilizing a machine to digitally download, print, bind, and cover a textbook within a matter of minutes. Many print-on-demand machines can easily print 200 to 300 textbooks in one day, each of which costs only a few dollars.⁷⁶ The technology is often used by publishers to print small batches of textbooks because it is usually cheaper than traditional printing processes. Colleges and bookstores can purchase these machines to print course materials available in print-on-demand format, or those available in the public domain.

**Print on
Demand**

The **University of Texas Co-op Bookstore** has a print-on-demand machine that is used to print course packs and textbooks with content consisting of materials in the public domain. Students pay only for the cost of printing the materials, typically just a few dollars.⁷⁷ Another example comes from the **University of Queensland** in Australia, which has received permission from publishers to use portions of proprietary materials for a fee. The university prints custom textbooks from the publishers' content at their print-on-demand center. The center also prints course packs and lecture notes, all at significant savings to students.⁷⁸

Benefits of Short-term Solutions

Many of the short-term efforts to solve the textbook affordability problem (summarized in **Exhibit 1**) show an emerging consensus on educational needs. These include: an interest in collaborative efforts among faculty and institutions, innovations in alternative textbook formats among traditional and nontraditional publishers and OER content developers, and the increasing use of digital technology to meet student and faculty demands for appropriate learning materials.

Collaborative efforts such as online book swaps, buying consortiums, and open educational resources show the willingness of the higher education community to become engaged in solutions that have implications and effects beyond the walls of any one institution. Buying consortiums pool financial resources that would allow institutions that serve a variety of student populations to work together, holding low-income students harmless. Online book swaps and open educational resources demonstrate the existence of electronic infrastructure that could allow institutions,

**Increased
Interest in
Collaborative
Efforts**

EXHIBIT 1: TODAY'S SOLUTIONS

- 1. Strengthen the Market for Used Textbooks**
 - Used Textbook Initiatives
 - Guaranteed Buy-back Program
 - Book Swaps
- 2. Utilize Faculty Textbook Guidelines**
 - Submit Textbook Orders on Time
 - Retain Textbooks for a Longer Period
 - Know the Price of Textbooks
 - Consider Less Expensive Alternatives
 - Use the Same Textbook for Multiple Courses
 - Retain Older Editions
- 3. Provide Key Information to Students/Parents**
 - Send Information before Term Starts
 - Post Textbook Lists and ISBNs Online
- 4. Increase Library Resources**
 - Textbook Reserve Programs
 - Faculty Use of E-reserves
 - Donations of Textbooks to Libraries
 - Textbook Lending Libraries
- 5. Adopt Alternatives that Lower Price**
 - No-frills Textbooks (Format Alternatives)
 - Custom Textbooks (Content Alternatives)
 - Buying Consortiums
 - Profit Margin Reduction
- 6. Implement a Textbook Rental Program**
 - Full Rental Programs
 - Partial Rental Programs
 - Hybrid Rental Programs
- 7. Improve Related Financial Aid Policies**
 - Provide Emergency Vouchers, Credits, or Loans
 - Create Need-based Grants for Textbooks
 - Increase Financial Aid to Cover Textbook Expenses
- 8. Utilize 21st Century Technology**
 - Electronic Textbook
 - No-cost Online Textbooks
 - Open Education Resources (OER)
 - Print on Demand
 - Electronic Readers
 - Online Collections of Educational Content

students, and faculty to better communicate among themselves, as well as share access to up-to-date, valuable instructional materials. Collaborative efforts enhance student access to education in two ways: by reducing financial barriers across income levels, and by making available top-quality educational materials for all at lower costs.

Second, the interest in alternative textbook formats has clear positive implications for reducing expenses. Even low-tech alternatives, such as unbound texts, reduce price. Custom textbooks not only reduce price, but allow for selectivity, or modular content: students pay only for the materials they need, and faculty have greater latitude to develop appropriate course materials. This latitude allows faculty to develop materials that are up-to-date and of the highest quality possible, with less compromise than can be achieved by relying on a single text. As noted above, however, low-tech alternatives are still tied to the rising price index of traditional textbooks.

High-tech alternatives present a different model. E-books and other digital and online resources, such as OER, do not have publishing, printing, and inventory costs as high as traditional textbooks, making their price index much lower. And digital resources are far more easily combined, produced, and accessed than their physical counterparts.⁷⁹ A lower industry price index and access to top quality instructional materials in formats that are increasingly convenient to ever-more technologically savvy students benefit the entire student population.

Third, the increasing use of digital technology has broader applications than price reductions. Contemporary students are the most technologically savvy and knowledgeable of all consumer groups, and colleges and universities increasingly provide computer access to even the lowest income students. Computer and Internet use is high among students.⁸⁰ Flash drives, which cost a fraction of a laptop computer, enable students to digitize and make portable papers, course materials, and even textbooks. Many publishing groups restrict access to e-books, but others allow students to download their own copies in PDF format directly to their computer desktops or flash drives. The poorest students, and those with the most limited computer access, can still benefit from digital educational materials if they are available in print-on-demand format and their institution has the appropriate hardware. In addition, as the development of OER and other online resources show, the application of technology increases the success of collaborative efforts by institutions and faculty.

Innovations in Alternative Textbook Formats

Increasing Use of Digital Technology

TOMORROW'S CHALLENGE

While short-term solutions can reduce textbook expenses, they can be limited in their application across different types of institutions and have program costs indexed to the high and rising price of textbooks. To the extent that such solutions also rely heavily on textbook resale, they could exacerbate price increases in the long term. Their most important shortcoming, however, is that they are not designed to address the underlying structural imperfection in the market for textbooks and learning materials. In particular, they will not transform the current supply-driven, producer-centric market into a demand-driven, college- and student-centric market fully responsive to the needs of higher education. What is required is a 21st century marketplace solution that empowers students, faculty, and colleges while providing a range of benefits for other stakeholders. Such a marketplace could make a major contribution to lowering the price of textbooks and learning materials while enhancing their quality and improving student learning.

What economic and social forces are shaping the need for a national digital marketplace? What might such a marketplace look like and how would it work? What type of effort is required to design and implement it, and what role might each stakeholder play in the process? Perhaps most important, what may stand in the way of its design and implementation? The answers to these questions define what stakeholders must do to transform the market, the appropriate federal role, and steps Congress and the Secretary of Education might take to support the effort.

The Textbook Marketplace in Transition

The forces of supply and demand are influencing the existing market even now, as publishers, institutions, and faculty respond to students' needs for lower prices, better formats, and more accessible materials. Four interrelated market forces are already impacting higher education, and these changes will continue to shape the market, regardless of individual stakeholder actions:

- Digital technology is becoming the new standard.
- Technology is changing classroom needs.
- Prices are rising for an increasingly disposable product.
- Significant changes are occurring in knowledge delivery.

However, if harnessed properly, these catalytic shifts could produce a system designed to meet the 21st century needs of the end consumer, the student.

Parallel to new standards for information distribution in the business and government sectors, a preference is emerging in academia among both students and faculty for digital formats. Digital course materials are portable on computers and flash drives, and are accessible from multiple locations as a result. In addition, they are more easily made accessible for students with disabilities. From the vantage point of publishers and bookstores, production costs and inventory and storage expenses may be lowered significantly.

**Digital
Technology:
the New
Standard**

Digital resources offer potential benefits to students in all three areas of need: lower prices, new formats, and access to up-to-date materials. The proliferation of electronically dispersed materials, such as OER and other digital resources, encouraged now by various institutions, will put pressure on the current textbook marketplace to resolve copyright and fair use issues in order to meet consumer needs. The ease and speed with which data can be transferred by email and downloading means that a source can quickly be lost in the shuffle. Thus, use of digital materials will put pressure on existing copyright laws, and all publishers will need appropriate protections.⁸¹

Technology and Classroom Needs

The classroom/lecture/textbook format of the typical undergraduate course held sway until recent decades when digital technology began to create new learning opportunities. Not only has a distance learning industry thrived, but digital material in the form of CDs, Web pages, and streaming video has been added to the educational tool kit.⁸² Traditional textbooks are now just one of many products in a shifting educational landscape.

Most textbook publishers make available some version of custom textbooks and e-books from proprietary materials, and OER provides instructors with even more options. But many of today's instructors envision an environment in which they can assemble instructional materials from a variety of print, electronic, and video sources for their students, rather than choose all materials from any one publisher.⁸³ Colleges and universities are also responding to student and faculty needs for digital materials by increasing technology infrastructure and digital resources, as well as encouraging the use of OER.⁸⁴

And digital technology has influenced learning patterns. Most of today's students are comfortable with technology, and, if not, the college and university system provides the tools and motivation to make them technologically savvy because course requirements are increasingly geared toward computer use. Digital learning offers the opportunity for "experiential" learning, or learning by doing, which is at the core of the "plug and play," "menu-driven" digital industry that includes computers, MP3 players, mobile phones, and digital cameras.

A Disposable Resource, Not a Long-term Reference

Students today see the traditional textbook for many undergraduate courses as a disposable resource, not a long-term reference book, in part because frequent edition updates can render it obsolete quickly,⁸⁵ and the digital era has changed attitudes toward the nature of printed material. Evidence for this is ample in the form of student demands to increase buy-back prices for materials, the proliferation of online book swaps, and the gray market of textbook re-importation.

Faculty, too, have less interest in traditional textbooks, as the growing market for custom texts attests. As, in the past, many faculty supplemented course materials with library reserve items, now many more use the Internet to obtain additional materials through OER and other data in the public domain. The predecessor of these digital course packets was the copy shop course packet, against which publishers successfully sued for copyright infringement in the early 1990s. Thus, consumer choice was only temporarily stymied, and digital media are now filling the void.

As user preferences within the current market shift toward a reliance on used textbooks or available digital materials, publishers often respond by producing new editions to limit the life of used textbook inventory, or by keeping price points high even on content for custom textbooks and alternatives.⁸⁶ Ironically, the very solutions that are providing temporary economic relief to students, such as rental and buy-back programs, may be exacerbating the textbook pricing problem.

Low-income students are disproportionately affected by this as financial constraints often necessitate textbook resale. In addition, frequent new editions add to overall educational expenses, yet an over-reliance by postsecondary institutions on older editions and used textbooks impedes access to up-to-date instructional materials.

The three forces described above combine to create a vacuum in terms of the way knowledge is delivered to students: there is a need for a new knowledge management system.⁸⁷ Under the traditional knowledge management model, textbook publishers collaborate with various academic authors and use a peer review process to produce a group of proprietary materials in various disciplines to be formatted and bundled according to the needs of faculty and students. This produces a series of standard textbooks on different subjects from which faculty can choose in order to teach their courses, whether those courses are at the introductory, advanced, or specialized level. As new technologies have been introduced, publishers have been creating alternative formats, digitizing some of their material and placing it on CD, for example, but always from proprietary materials. These are the familiar “bundled” textbooks now ubiquitous in college bookstores.

But that knowledge management system is becoming increasingly unsatisfactory for students and faculty today. The market is moving toward knowledge in more modular forms; that is, in order to create up-to-date materials, faculty and students need to be able to take advantage of the speed of digital posting and updating. Information that can be used to create satisfactory course materials is more available to stakeholders than ever before via the Internet. Publishers are much more often being displaced as the primary knowledge management system for students.

Solutions providing economic relief to students may be exacerbating the textbook pricing problem

Significant Changes in Knowledge Delivery

The question is what will replace that part of the knowledge management system represented by the traditional textbook.

The inability to develop appropriately priced course materials has turned faculty toward collective Web resources

Colleges and universities are already struggling with student use of the Internet for research, which is increasingly relied upon as an alternative knowledge management resource; however, not all Internet content is of high quality.⁸⁸ Students are engaged in higher education precisely because they must learn how to differentiate between knowledge and mere information, and the Internet's influence and impact on this process cannot be wished away. To do their job and deliver an education, faculty must guide student use of Internet resources, directing them toward quality materials. The inability to develop appropriately priced course materials from modular resources available across a range of publishers has turned faculty toward collective Web resources available at little or no cost, bypassing publishers altogether. Currently, some faculty develop their own content, while others use established OER websites such as Connexions, MIT OpenCourseWare, and MERLOT.⁸⁹ Universities and colleges should become more involved in developing and monitoring a new knowledge management system in order to enhance the value of education at their institutions.

Need for a 21st Century Marketplace

The challenge in managing new resources will be to make them inexpensive

As various market forces put pressure on the textbook marketplace, change is occurring incrementally. A key question is whether incremental, often stop-gap change will ultimately benefit students, or whether the attendant drawbacks will provide anything other than short-term relief. A paradigm shift is needed in the textbook marketplace, and infrastructure should be built so that a level playing field for an instructional materials market can be established.⁹⁰ Such a market is being developed right now in a patchwork fashion by traditional publishers, OER websites, individual faculty members, and others to meet the needs of today's students. And students today must become technologically savvy or risk being left behind in a global, technology-driven economy.

The challenge of managing these new resources will be in making them easily and inexpensively available to students. The ideal system would be accessible to students, faculty, and institutions across the country, creating a national instructional materials marketplace. Leadership will be required of all stakeholders, especially institutions, in order to transform not only the course materials delivery system, but also the quality of education, learning, and training so necessary to U.S. competitiveness in the 21st century global economy.

The Future System: A National Digital Marketplace

How will the emerging patchwork of digital services be transformed into a national digital marketplace with the components and qualities necessary to meet the needs of all stakeholders? Ideally, the future system would provide a role for all stakeholders, restore a consumer-centric focus, broaden the concept of publisher and publication, protect copyright and fair use allowances, and ensure a comprehensive institutional approach. Within the current textbook marketplace, none of the short-term digital solutions meet all of these objectives. Price responsiveness and consumer choice play little, if any, role in the existing textbook market. Current digital offerings by traditional publishers remain proprietary and do not maximize consumer choice. In addition, neither OER systems nor traditional publishers have developed a satisfactory way for faculty to blend no-cost and fee-based materials. Finally, the spate of similar recommendations issuing from the numerous recent studies of textbook expenses show that institutions are recognizing a need to play a greater management and oversight role, which a national digital marketplace would not only allow, but enable.

At the center of a national digital marketplace would be an enabling infrastructure, the central entity with which groups of stakeholders—institutions, students, faculty, publishers and other content providers, and bookstores—would interact. The enabling infrastructure would contain marketplace technology and services support.⁹¹ Two groups would interact with the enabling infrastructure: first, all postsecondary institutional sectors, including students, faculty, college bookstores, and other campus personnel; and, second, all types of content providers, including traditional textbook publishers, commercial content publishers, OER content providers, and other new model content developers. Content providers would be able to connect their existing electronic interfaces with the enabling infrastructure. Institutional sectors would be able to create individual portals to the enabling infrastructure that are customized to their specific needs, and which would facilitate intra- and inter-institutional communications.

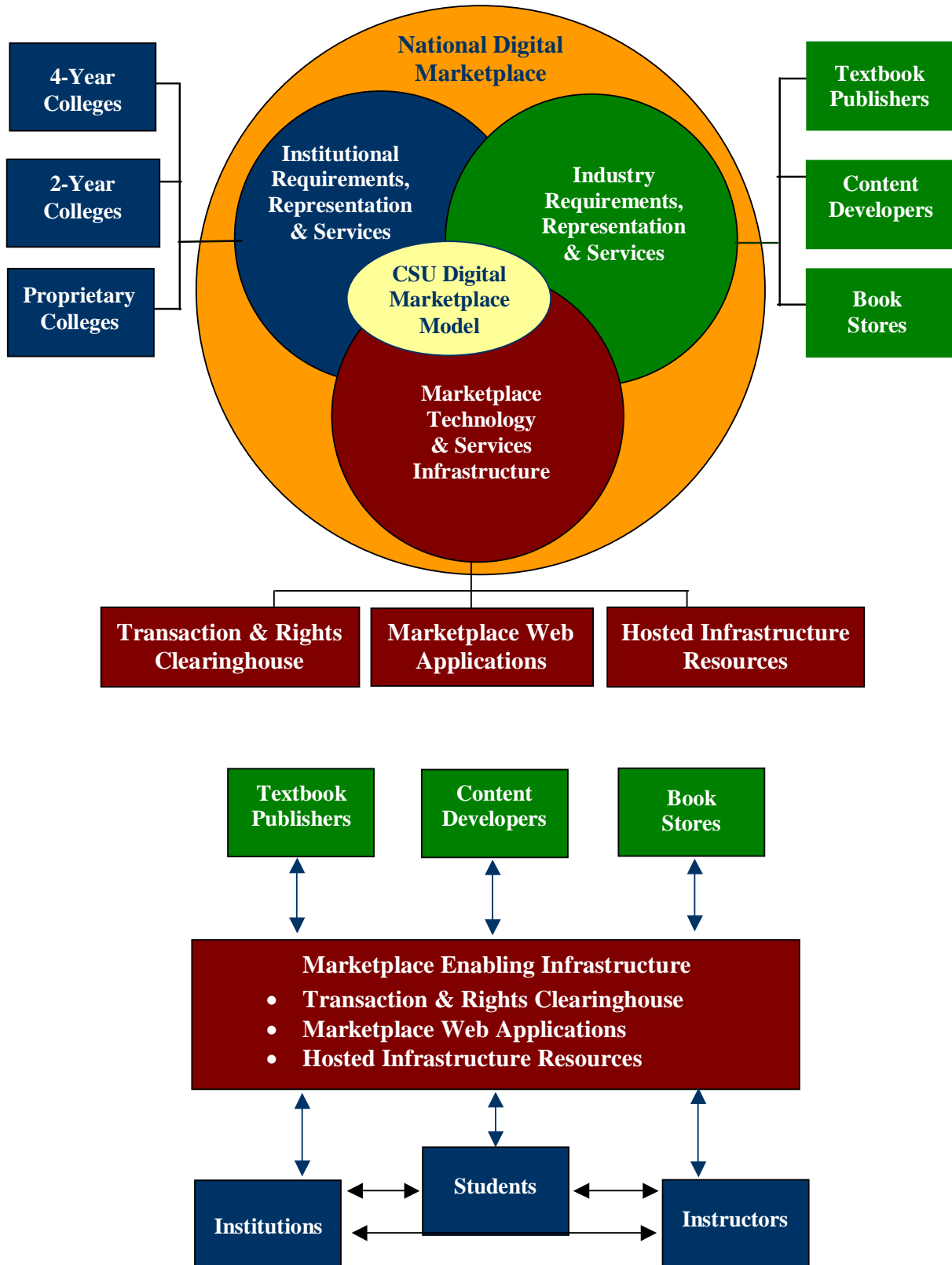
In simplest terms, a national digital marketplace has three components:

- an enabling infrastructure,
- content providers, and
- institutional portals.

The central entity and primary component of the digital marketplace (**Exhibit 2**), the marketplace enabling infrastructure, would consist of a transaction and rights clearinghouse, marketplace Web applications, and hosted infrastructure resources. The transaction and rights clearinghouse, explained in more detail below, would process transactions of instructional materials: sales, purchases, payments, and copyright and fair use protocols. Marketplace Web applications are the group of individual software programs that comprise and make functional different parts of the transaction and rights systems. The hosted infrastructure resources would coordinate the individual software applications, handle volume issues, and make the marketplace run smoothly.⁹²

**Components
of a National
Digital
Marketplace**

**EXHIBIT 2: TOMORROW'S CHALLENGE:
CREATING A NATIONAL DIGITAL MARKETPLACE**



Components of a Marketplace Enabling Infrastructure

The transaction and rights clearinghouse would process each multi-part transaction, collect funds from the purchaser, and pay each content provider or other fiduciary participant.⁹³ For example, a student might select eight or ten learning objects, all of them from different publishers or content providers. The student would make a single financial transaction, as at any store, in which the objects were priced, totaled, and paid for with a single payment. The clearinghouse would distribute among the multiple providers the various payments due: royalties, fees for resources, and/or commissions.

**Transaction
& Rights
Clearinghouse**

The clearinghouse would also provide persistent rights protection for each content provider through whatever digital rights management capability chosen by the content provider. Content would be tracked by the system so that content owners would know, even if provided at no cost, who had used the content and in what context.

Marketplace Web applications are the software programs that enable various features of transactions and interoperability within the enabling infrastructure and with content providers and institutional portals. The Web applications, for example, could be configured by each college and university so that each could establish its own portal with its own logo and design. Web applications could then be integrated with institutional management systems such as those in student affairs, finance, human resources, course management, and library systems. Obtaining these software applications from a common source would be far less expensive than the expenses associated with each institution developing applications on its own. These applications would also allow students, faculty, and other administrators and staff to interact with others across the country, all within a secure environment.

**Marketplace
Web
Applications**

The enabling infrastructure would also host the complex set of Web applications described above on a scalable computing and network infrastructure. These hosted resources would support the registry of millions of learning items, provide marketplace services to thousands of campuses and millions of individual users, and process hundreds of millions of transactions for both fee-based and no-cost content. The underlying technologies of the host resource would be best obtained as a managed service from one of many large technology companies that provide such services to commercial and government entities. As such an outsourced service, the host facility might charge the marketplace by the volume of transactions.

**Hosted
Infrastructure
Resources**

Content Providers

Content providers can be divided into two primary groups:

- hosted content, and
- provider-controlled content.

Hosted content might consist of whatever materials are proprietary to or purchased jointly by the digital marketplace's developers and partners. These might include material purchased from traditional publishers, as well as content from other no-cost entities with which the system administrators have an agreement.

Provider-controlled content might be of two types: fee-based and no-cost content. Fee-based content would consist of digital learning materials proprietary to publishers and developed for sale to students and faculty. These could be brought into the digital marketplace's enabling infrastructure via Internet links to company Web offerings or linked publisher content repositories developed specifically for the marketplace. Copyright protection would be secured by the enabling infrastructure.

No-cost content might consist of links to or customized repositories of existing open educational resources, such as those developed by MIT or MERLOT. Individual faculty members might also have the ability to post no-cost content with appropriate fair use allowance protections provided by the enabling infrastructure.⁹⁴

Institutional Portals

Institutions would interface with the marketplace enabling infrastructure via individualized institutional Web portals. These customized portals would enable each institution to develop an environment or "face" for its own community, and might include library resources, course management systems, and other internal institutional communication systems.⁹⁵ Not only could an institution access and use common enabling infrastructure Web applications to provide its digital marketplace, it could make available its own faculty-generated learning content, as well as its own library resources, to other institutions by linking those services back into the enabling infrastructure. In addition, each institutional portal could provide systems to enable communication and interaction among students, instructors, and the home institution in terms of course, requirements, and syllabi.

How a Digital Marketplace Would Work

The following case studies provide practical, hands-on examples of how individual stakeholders would perceive and experience routine interactions with a digital marketplace.

In the first scenario, a professor at a state university logs onto the digital marketplace through her own university's portal. She plans to teach an introductory course in physics next semester. Her first step is to go to the repository of hosted and provider-controlled content. It knows that she is assigned to teach the introductory physics course, and provides her with a wide range of learning resources organized by the standard learning objectives for her course.

Her search reveals both full textbook and course solutions options, including a variety of more modular materials from dozens of commercial publishers and a list of no-cost resources from MERLOT and Connexions. The content of each is described, as well as the type of resource (textbook, textbook chapter, article, simulation, tutorial, etc.), and the type of format (PDF, Web-based resource, etc.). Prices to students are listed for the fee-based materials, and if the professor's university has negotiated a bulk rate with a publisher for particular materials, the discount is reflected in the price.

To determine which materials to use, the professor accesses and views the fee-based and no-cost materials, and selects the ones that she believes will best help her students master the material. Because the digital marketplace knows she is a physics professor, she can access any fee-based material at no cost at any time for review purposes. Once her review is finished, the professor selects a number of digital textbook chapters, two no-cost content articles from MERLOT, a tutorial on particles, and one or two multimedia simulations. In addition to the required course materials, she makes a number of recommendations for optional materials for her students who may need different types of learning support. She saves the package of these materials as the "course pack" for the class and writes instructions to her students on their use to be posted alongside the materials. She also includes an option to have the textbook chapters custom printed for those students who prefer printed materials.

At the start of the semester, a student taking her course logs on to the digital marketplace through his institution's Web portal and accesses the course list for Physics 101. He surveys the available options and weighs their various costs using an electronic calculator on site. He then buys the required materials online, first submitting the number of an electronic financial aid voucher he has received for textbooks. Once the voucher amount has been subtracted, the student pays for the remaining

How a Professor Would Build Course Materials

How a Student Would Access Course Materials

**How a Faculty
Publisher
Would Use the
Marketplace**

balance with a credit card or his Paypal account. He also makes note of which of the supplemental materials he may be interested in at a later date. With a click of his mouse, he transfers the materials electronically to his set of individual course folders in his student e-locker.

A second scenario might involve a junior faculty member at a private university who has developed some computerized mathematical models that illustrate particularly difficult concepts in advanced mathematics. He is able to “publish” them as a no-cost resource available to all users of the digital marketplace through his institutional portal. He publishes the models with a Creative Commons educational use copyright.

Faculty and students at institutions across the country can search for these models, either to be used as course materials or as individual learning tools. The enabling infrastructure keeps track of how many instructors recommend his models, how many students actually use the models, and allows both instructors and students to rate his models. Pleased with his feedback, the junior faculty member features these models and their use data along with comments from instructors and students in his tenure review process.

A final scenario shows a marketing director for a major publisher who wishes to publish and promote a new series of biology simulations for introductory courses that his company is introducing to the market. He loads the content into his in-house content repository maintained by his company for digital marketplace access and “publishes” the content to the digital marketplace through his company’s secure Web application, giving several use options for the simulations, including a special package price for all ten.

**How a
Traditional
Publisher
Would Use the
Marketplace**

He then searches the digital marketplace to find that over 2,000 faculty members across the country have indicated they want information on new content for introductory biology courses. He creates a marketing email and submits the message and the content link to the digital marketplace to be distributed to these instructors. The digital marketplace bills his company for a small per-instructor fee for sending out the initial email promotion, and an additional fee for each instructor from this group that views the content within a specified period of time.

The report he receives from the digital marketplace after 90 days tells him that 850 instructors viewed the content, and 250 were planning on using the simulations in the next term. He also receives over 200 emails from instructors requesting additional information.

Potential Benefits for Stakeholders

As the case studies above make clear, a national digital marketplace could offer a level playing field and new opportunities for each stakeholder in the current textbook marketplace. The benefits to students have already been described in detail throughout this report, but all stakeholders have stated a desire to help students, and this section details why each should participate. A digital marketplace would offer faculty additional opportunities for publication and career advancement, potentially changing the way in which progress toward tenure is documented. For example, digital articles published by faculty might be evaluated by who accesses the materials and how materials are used, as well as the number of course adoptions accrued. Because digital publishing enables wider distribution of modular content, faculty compensation might increase for chapters or portions of material developed for traditional publishers. In addition, faculty would have better access to a variety of materials for instruction and wider latitude to develop course-specific packages.

**Benefits
to Faculty**

Traditional textbook publishers may find a more complex market for their proprietary materials, but a market that is broader, deeper, and more easily accessed by consumers than the existing one. They will be able to publish their content once, in their own repositories, and securely distribute the content in a variety of forms, from individual chapters to whole textbooks, with a variety of use rights (for the term, or for long-term access). A national digital marketplace would be accessed by institutions across the country through Web portals specifically designed for institutional use. Student consumers would be directed toward a centralized marketplace that allowed access to both paid and no-cost content repositories. Marketing expense to publishers would be reduced as students and instructors would no longer have to seek out specific websites, and comparison shopping would be easier, allowing small publishers and other content providers to promote their offerings equally. A digital marketplace would also provide publishers with persistent copyright and fair use protection for proprietary materials.⁹⁶

**Benefits to
Publishers**

Bookstores may find benefit as well because each student's Web portal access to the digital marketplace would be customized for each participating institution. This would allow bookstores to link their new and used textbook inventories, and promote value-added services such as immediate custom content printing. They could also sell branded merchandise and other complementary products and services to the student and faculty population. College bookstores, like publishers, will need to rethink their business models and define a new value proposition to continue to engage their customers and thrive in the digital age.

**Benefits to
Bookstores**

Benefits to Institutions

Institutions would benefit from the new marketplace because the options for the Web portal would allow institution-specific customization and linking of various institutional services and course management systems. Institutions could also benefit from collective purchasing agreements with other institutions, which would lower administrative expenses and improve library collections. In addition, faculty would have the opportunity to share resources with a broader audience beyond a specific institution, enhancing institutional prestige and faculty innovation. Having access to a national digital marketplace would also provide better resources for smaller and underfunded institutions.

Building a Digital Marketplace: A Collaborative Effort

Models of various full or partial digital marketplaces are currently in use or under development. These include partial marketplaces such as MERLOT, Connexions, and other OER sites, as well as full scale efforts such as a proposed Shared Utility Resource (SRU),⁹⁷ and the Digital Marketplace under development by the **California State University System (CSU)**.⁹⁸ Other states can be expected to follow this lead and begin to develop marketplace functionality on their own. However, despite the worthiness of individual efforts, a single collaborative national digital marketplace would eliminate stratification; reduce access barriers to instructional materials, library resources, and commercial offerings; and create a single, seamless venue for all stakeholders.

The problem inherent in individual states or large institutions developing separate and parallel marketplaces is that of duplicating a series of stovepipe systems with infrastructure and rights management systems useful only within each marketplace.⁹⁹ Commercial publishers would have to negotiate rights management issues with fifty different states, as well as negotiate multiple separate contracts for instructional materials prices. Students who transferred from two-year to four-year colleges might lose access to familiar materials or face higher prices and limited offerings at another institution, or lose access to a digital marketplace altogether. As discussed earlier in this report, the expense of instructional materials is already creating access barriers for students, and the development of parallel marketplaces could exacerbate access rather than enhance it. In addition, faculty might have more difficulty sharing resources with multiple proprietary marketplace systems and institutional systems and sectors.

Developing the Proposed System

The proposed digital marketplace is intended to function at a national level; however, before a national model can be created, a prototype of this system should be designed and implemented in one state to determine its efficiency and effectiveness. Other states and stakeholders can provide input during the process so that when piloted and migrated to the national level it will meet the standards and requirements of each state.

There are two methods of approaching system design, development, testing, and implementation:

- first, starting from the ground up; or
- second, building on an existing model.

It is reasonable to assume that building a national digital marketplace from the ground up could take six to ten years, including three to five years to develop a basic system model, an additional year to develop a state-level pilot, and two to four years to migrate such a system to the national level.

Developing a national digital marketplace by building on an existing model could cut development and implementation time in half. For example, it might take only four to five years if the existing CSU Digital Marketplace served as the basis for the national initiative. By building on CSU's model, an early pilot limited to basic instructor-student use could be in place by the end of 2007. A pilot that operated among multiple institutional types, centralized as described above, might be tested as early as the fall of 2008.¹⁰⁰

Building a system from the ground up would require six stages. The first three stages would take approximately three years, and would result in models for the institutional and content provider components. First, a large public higher education system would need to volunteer to begin and moderate a conversation among all postsecondary institutional sectors in order to understand stakeholder requirements, representational needs, and appropriate services. Fostering and building the conversation would be time consuming, but necessary to a fully collaborative process. Second, publishers, learning content providers, and vendors would be brought into the collaborative discussion to identify their needs and concerns. Third, as these conversations take place, marketplace and business models as well as technology and operability standards would be identified.

**Starting from
the Ground Up**

The following three stages would result in the development of the market enabling infrastructure and its interface with the institutional and content provider systems. Fourth, the marketplace technology and enabling infrastructure would be designed, tested, and implemented in such a way that met both institutional and publisher requirements. This would take approximately three years due to the complexity of settling on and implementing technological infrastructure; however, the design might begin during the last year of model identification. Establishing and implementing a pilot system would be the fifth stage and would take an additional year. The sixth and final stage would be migrating the pilot to the national level, which could take an additional two to four years. These three final steps might take approximately five years.

Building on an Existing Model

Two of the three components of the national digital marketplace – the marketplace enabling infrastructure and the institutional component – could be developed separately, provided that an appropriate model for either component existed. The technical nature of the enabling infrastructure would make it a prime candidate for a public-private nonprofit partnership, joining private sector technology expertise with governmental or institutional oversight and planning. The third component, establishing content provider repositories and links is less complex than the other two since the primary electronic infrastructure for traditional publishers and OER providers exists. Content providers would be heavily involved with the design of the enabling infrastructure.

The CSU Digital Marketplace Initiative

A model for the institutional component, the individual institutional Web portal and interface with the enabling infrastructure, already exists. The CSU digital marketplace initiative is similar in key areas to the institutional component of the national digital marketplace proposed in this paper (**Exhibit 2**). Initiative planning began at CSU in 2003 as a means to increase student and faculty success by reducing expenses for educational content, hardware, and software, along with plans to serve the technological needs of students, faculty, and staff.¹⁰¹ The CSU digital marketplace will contain both no-cost and fee-based educational content.

CSU has established collaborative processes with publishers and learning technology companies

When compared to the timeline above for building a digital marketplace from the ground up, CSU is three to four years into the process.¹⁰² CSU has worked with faculty and administrative constituencies, developed strong relationships with other institutions through its relationship with MERLOT (whose institutional membership is broad),¹⁰³ and has established collaborative processes with many publishers and learning technology companies. In addition, CSU has begun a dialogue on marketplace-specific standards. The CSU institutional component will be unveiled as an instructor-student, institutionally based pilot in fall 2007.

Although CSU has yet to build a marketplace enabling infrastructure, the university system has thought through several concepts relative to its development.¹⁰⁴ For instance, the CSU initiative would center on a proposed clearinghouse/enabling infrastructure that would connect content providers with users and retailers, providing the rights management, transaction applications, and other systems described above. The initiative's management has already begun discussions on a business model that a national approach could emulate, as it brings together various stakeholders, private and public, with the interests of all stakeholders considered. CSU has also established itself as a willing leader of a collaborative effort and potential central player in a broader national conversation. Furthermore, the CSU initiative has taken steps towards developing standards for content and operations, as well as gathering participants for technology operation.¹⁰⁵

Stakeholder Roles in a Collaborative Effort

As the example of CSU demonstrates, institutions have the greatest stake in managing knowledge resources. They are much more responsive to students' needs because they serve students directly. Therefore, a group of institutions representing all educational sectors would need to provide leadership for the development of a national digital marketplace modeled on that of CSU. This group would create the contracts, standards, and licenses necessary to operate the system. It would also take a lead role in establishing consensus among stakeholders.

**Institutional
Role**

Institutions are best positioned to ensure that such a system will make college more affordable and accessible to students and has the potential to increase student academic success. Equally important, the system will greatly assist faculty in providing a wide variety of resources, thereby increasing faculty success in instruction. All sectors of higher education institutions—two-year, four-year, and proprietary institutions—will need to be involved in this effort, so that each can ensure that the specific needs of their students and faculty are met. Associations that represent specific sectors of institutions could also play an important role in communicating the needs of the institutions they represent. Bookstores should also be part of this process.

Because the central purpose of the proposed system is to serve the needs of faculty and students, associations that represent their interests will be key to the development process, specifically those centered on the use of technology to further education, and student groups that have been involved in making instructional materials more affordable. Faculty associations can speak to quality standards for content and organization of content, while student organizations can offer comment on the operability and function of the system, in addition to pricing models and ease of maneuverability within the system.

**Faculty and
Student Roles**

Another group would focus on how to serve the needs of commercial and open source content providers, consisting of content, enabling systems, and marketplace management providers. This organization would work on developing the business and technological functions of the system, possibly with private sector entities with extensive technical expertise. It is essential that all types of content providers participate. This includes traditional publishers of all sizes, groups that provide open and no-cost educational content, and those who sponsor the development, review, and collection of various types of nontraditional/alternative instructional materials. Bringing every type of content provider into the system will guarantee that it provides a fair and competitive environment for all.

**Fee-based and
No-cost Content
Providers**

Systems and management providers will need to be included to oversee the development and operation of the main system infrastructure, ensure that the required software and technological systems can be built and function together, and create the necessary business and legal standards and agreements.

Systems and Management Providers

Private organizations would likely be needed to participate in developing the infrastructure and might manage hardware, software, technology services, and related systems standards. Organizations that represent institutional administrative services could help determine how systems for listing content, purchasing content, and the like would interface and work together. These types of groups and others would be responsible for creating and garnering agreement on the appropriate contracts between stakeholders, establishing purchasing and distribution standards, and determining legal implications of the system in terms of copyright permissions and other related liabilities.

The resulting marketplace must be managed in a neutral fashion that enables it to be open and fair to all stakeholders. The success of a national digital marketplace hinges on its ability to make serving students and faculty the target of the effort, yet take into account the needs of publishers, bookstores, and others. To serve the interests of organizational groups described above, the system will need to create a managing structure that can oversee system development, and, later, run day-to-day operations in a neutral and impartial fashion.

Management Structure

This managing structure would perform certain functions that neither the content providers nor institutions should or can do independently. It could be set up in a variety of ways. One option is to have a private corporation operate it as a for-profit entity. While private corporations would be well equipped for this task, unless operated as a utility with cost and margins transparent and negotiated, a private corporation would require a portion of earnings, thus possibly forcing content providers to raise prices.

The managing organization could be structured as a mutual benefit corporation

An equally interesting option would be to structure the managing organization as a mutual benefit corporation.¹⁰⁶ Such a corporation would be a nonprofit organization that could serve both content provider and institution needs without drawing heavily on their profits or revenue. Since institutions are central to the success of the system from the standpoint of students, institutions should examine how to work together to form a mutual benefit corporation. This corporation would become the core of a national digital marketplace that cuts across states and institutional sectors, providing benefits to all.

Potential Obstacles

The future solution faces several key obstacles that must be overcome before a national digital marketplace can be realized – one that can permanently change the way teaching and learning content is distributed, used, and paid for in higher education. Such challenges include the need for agreement on a single system, the selection of technological standards for a marketplace enabling infrastructure, changes in copyright policy to address digital content, availability of economic resources for the start-up and implementation of the digital marketplace, and potential misconceptions about its likely impact. Once these initial challenges are addressed and met, the national digital marketplace can ensure affordability and access to quality higher education course materials in up-to-date formats.

The marketplace will need to take into account student, faculty, and institutional interests and needs, as well as those of the educational content development industry. All will need to be brought together to agree on one system. The CSU Digital Marketplace has been successful to date in persuading stakeholders to invest by encouraging suppliers of content (publishers, faculty, and suppliers of no-cost content) to work together with content users.

If separate groups, such as institutions or states, pursue their own versions of the marketplace, that will slow the process of making textbooks affordable for students nationwide, as well as create obstacles in the development of a larger system. A *national* marketplace is essential to ensure the affordability of instructional materials because it would increase competition among materials producers and leverage buying power of colleges against providers of content.

**Agreement
on a
Single System**

The marketplace enabling infrastructure, which would provide the national marketplace's transaction and rights clearinghouse, marketplace Web applications, and hosted infrastructure resources, needs to be developed.¹⁰⁷ Its purpose would be to manage software applications, all transactions rights management, and administer shared business components. In addition, it will increase opportunities for producers to place and advertise content and provide consumers with diverse learning materials at an affordable price. Once this clearinghouse is established, it will need testing to ensure it will work. Like MERLOT or Connexions, this utility could provide users with an opportunity to connect with a larger community in the interests of sharing effective materials.

**Marketplace
Enabling
Infrastructure**

The marketplace must be able to enforce the rights of content owners and ensure the rights of users with regard to copyright and fair use policies. Much of the technology exists for digital management of intellectual property rights of content owners. But a framework needs to be built with

**Copyright
Policy and the
Emergence of
Standards**

existing technologies to create additional licenses and standards for users. The rights of users would include how the licensee would use the content, for what length of time, and in what form. Currently, models for digital rights management range from digital rights-protected, fee-based materials (such as e-books) to materials that are available at no cost under a Creative Commons license. So progress is being made. However, the use of digital resources in education requires that copyright law be improved.¹⁰⁸

Specifically, copyright policy applied to higher education's digital content must address three issues. First, content contributors need a tracking system in order to determine content value for professional recognition purposes. Second, the system needs to protect institutions from copyright violations and improper distribution of materials by institutional users and others. Third, and most important, the system needs to establish a fair and efficient business framework so that all content creators and providers are rewarded and continue to contribute. Finally, from a legal liability perspective, the system must protect confidential student information so that students are not subjected to advertising from providers, sale of their contact information, or unsecured websites.

The most obvious obstacle to establishment of the future system is financial investment. Over the short term, the development of a marketplace enabling infrastructure would be expensive. Standards development is in its early stages;¹⁰⁹ therefore, it is apparent that resources from all stakeholders will be required to facilitate the collaboration, design, development, and implementation of the digital marketplace. Once the investment is made to support this change, greater economies of scale and the existence of standards will result in operational cost reduction. Digital content has the potential to be very affordable once the initial investment is made and short-term expenses are covered.¹¹⁰

Resources and Investment

The “digital divide” may prevent smaller institutions from participating in the collaborative effort. Smaller, underfunded institutions serve higher percentages of low-income students, and, therefore, would benefit the most from obtaining the affordable content offered by a shared digital marketplace. Initially, these schools may need some additional resources to participate in the system to ensure that their student populations have access to all digital content available. Regardless of size, the establishment of the national digital marketplace would allow all institutions to create instructional and library environments that would allow pooling and sharing of different materials, ultimately leading to effective teaching geared towards diverse student learning styles.¹¹¹

Colleges, regardless of size and funding levels, would experience a reduction in expenses over time after an initial investment is made.¹¹²

Collective purchasing, group licensing, and shared access across the marketplace would result in lower content prices. The system would also enable self-directed and collaborative learning outside of the classroom, help to reduce classroom time, and maximize use of limited facilities, all of which are issues of great concern for underfunded institutions.

Resistance to the prototyping and implementation of a national digital marketplace could occur due to five concerns or misconceptions about its likely impact. In particular, there could be fears that it will:

- eliminate certain stakeholders for the benefit of others,
- undermine faculty control over learning materials,
- eliminate textbooks and other printed materials,
- unleash “free” content to drive out fee-based content,
- require large investments in infrastructure by colleges.

Since the national digital marketplace will be voluntary, designed with the needs of all stakeholders in mind, and allowed to evolve over time alongside existing educational and business models adapting to changing needs, none of the above are likely results.

In the short term, the role of stakeholders – including publishers and bookstores – will remain largely the same. The marketplace will focus on enabling faculty who would like supplements or alternatives to the textbook to find materials in modular forms from a wide variety of sources in an efficient and effective manner. Over time, the marketplace will develop to accommodate the needs of all stakeholders, although some may experience a shift in their role in the process, as has been the case in commercial businesses. This evolution will validate print materials, and confirm a significant role for traditional textbooks in the educational process for years to come. Indeed, many faculty and students will continue to prefer print versions of digital text and graphical materials. Existing custom publishing services by the college bookstore or a local provider, or direct shipment of print-based materials to students can fill this need. What will change in terms of course materials distribution is the ability of faculty to select only relevant materials, and that of students to pay only for materials actually used.

Regarding the concern that “free” content will drive out fee-based content, it is important to keep in mind that “free” content is a misnomer. Such content is actually subsidized and made available at no charge to students and institutions. While no-cost content will continue to grow in importance, and must be an integral part of the new marketplace, there are financial and organizational expenses associated with its production, maintenance, updating, and distribution. For most “free” content today,

**Concerns
about Likely
Impact**

**Marketplace
evolution will
validate the value
of print materials
and traditional
textbooks**

**For most
“free” content
today, long-term
sustainability is a
major concern**

The marketplace should be easy to use with only a computer, a browser and Internet service

long-term sustainability is a major concern because few entities are willing or able to provide permanent financing for its maintenance, updating, and distribution. Accordingly, in the long term, content made available at no charge to students and institutions is unlikely to meet the full range of higher education learning content needs.

Finally, the national digital marketplace – and, particularly, the market enabling infrastructure – must be designed and tested with two key factors in mind:

- the existing technological capabilities of colleges, large and small,
- the current digital divide by family income among students.

In its early stages, to maximize use of the marketplace by faculty and students and minimize investment required by colleges, the marketplace must be easy to use for anyone with access to a computer equipped with a browser and Internet service.

NEXT STEPS

The rising price of textbooks and other learning materials is just one component of the price of college, but it can represent a final barrier to college for millions of students. Textbook expenses are especially troublesome for students from low- and moderate-income families because financial aid rarely covers them. The good news is that states, colleges, bookstores, and publishers are now mobilizing to address this concern. A variety of actions (**Exhibit 1, p. 24**) is underway across the country to lower the burden of yearly outlays for textbooks and learning materials on students and parents. A rapidly growing number of stakeholders have heard the complaints and are responding in ways that best fit their needs.

The bad news is that these short-term steps are not aimed at, nor will they correct, the underlying cause of the problem: a structural imperfection in the market for college textbooks and learning materials. What is needed is a public-private initiative to build a national digital marketplace that can meet the needs of *all* stakeholders, particularly students. A successful effort led by higher education can transform today's supply-driven, producer-centric market into tomorrow's demand-driven, college- and student-centric market. Without such a transformation, further proprietary consolidation in content and course management systems may lead rapidly to *fewer* choices and *higher* prices for students and faculty in the future.

Given myriad current initiatives by states and colleges to make textbooks more affordable, and the complex nature of the problem, is there a constructive role for the federal government to play? Specifically, what steps might Congress and the Secretary of Education consider?

The Federal Role

The federal government should foster the most promising existing efforts by states, colleges, and other stakeholders to make textbooks more affordable. The federal approach might center on six objectives:

- Encourage states and colleges to adopt those short-term solutions already identified by their peers that best suit their needs.
- Partner with states, colleges, and the private sector to ensure grant aid is sufficient to cover textbook expenses for needy students.
- Support experiments to assess the costs and benefits of alternative approaches under consideration by states and colleges.
- Provide for the timely prototyping and testing of the market enabling infrastructure needed for a national digital marketplace.
- Promote creation of a voluntary national textbook information clearinghouse as an early product of the infrastructure.
- Create incentives for states and institutions to use the national digital marketplace once designed and implemented.

**The Federal
Role in
Making College
Textbooks More
Affordable**

Overall, the federal approach should be to advance, integrate, and complement the most effective ongoing state and college initiatives, not to choose one over another, or replace them with federal ones.

What Congress and the Secretary Can Do

In that spirit, Congress and the Secretary of Education might identify voluntary mechanisms that would channel the public pressure that already exists into useful improvements in the short and long term. Legislative and/or regulatory measures that compel stakeholders to adopt specific solutions, impose textbook price controls, or condition Title IV eligibility on particular actions by colleges would be counterproductive. Such measures would risk a backlash among stakeholders most committed to making textbooks affordable, lower the quality of future learning products, and undermine the very students and parents most in need of financial relief.

Create a national clearinghouse on efforts to make textbooks affordable

To help ensure that states and colleges adopt those short-term solutions that best suit their needs, Congress might consider asking the Secretary of Education to provide for the creation of a national clearinghouse of information related to current efforts by states, institutions, and publishers to make textbooks more affordable. Detailed information regarding the purpose and structure of each major effort might be gathered in one central database, including all available information on the effects of alternative programs on textbook expenses. The Department of Education (ED) might issue a series of reports tracking the progress and impact of major efforts and sponsor a series of meetings designed to encourage states, colleges, and publishers to take steps cooperatively to make textbooks more affordable. This effort could forestall the widespread movement towards state-level cost-transparency legislation that might unintentionally increase textbook marketing expenses and lead to higher prices.

Partner with stakeholders to provide sufficient grant aid

This report's analysis of affordability (**Figure 4, p. 8**) shows that, while textbook expenses have not risen significantly over time as a share of family income, total grant aid to low- and moderate-income students is typically insufficient to cover textbook expenses, much less room and board at two- and four-year public colleges. Some colleges and states have begun to address the shortfall with textbook scholarships and increased need-based aid of their own. One way to address the problem nationally is to increase total need-based aid – federal, state, institutional, and private – through a renewed access and persistence partnership.

During the current HEA reauthorization, the Advisory Committee has recommended a national partnership to increase need-based aid from all sources – one that links the federal government, states, colleges, and the private sector across existing Title IV programs in pursuit of measurable gains in access and persistence for the nation's neediest students who are academically qualified. Creation and implementation of such a partnership would be the first step toward ensuring that low- and moderate-income students have sufficient grant aid to cover textbook and other expenses.

There is very little information regarding the effects on student textbook expenses of different approaches by states, colleges, and publishers. There is a need to examine which approaches work best in making instructional materials more affordable while holding constant quality of instruction and educational attainment. Since an important objective of the Institute of Education Sciences (IES) is to produce more accurate evidence on the effectiveness of alternative policy options in higher education, Congress might consider asking the Secretary, in cooperation with states and colleges who wish to participate, to conduct randomized trials to assess the relative effectiveness of alternative approaches to lowering textbook outlays by students and parents. These assessments could include not only effects on affordability but also those on quality and diversity of learning materials, as well as learning.

Authorize and fund experiments to assess costs and benefits

The core of the national digital marketplace is the enabling infrastructure of technology and support services that consists of a transaction and rights clearinghouse, marketplace Web applications, and hosted infrastructure resources (**Exhibit 2, p. 32**). Institutional models like that of CSU cannot be transformed into a national digital marketplace unless this infrastructure is designed, tested, and implemented. Because the marketplace must be demand-driven and college- and student-centric, prototyping and testing it is a good public investment with potentially large payoffs in lower prices for textbooks and other learning materials without sacrificing quality or choice. Congress might consider asking the Secretary of Education to propose a collaborative mechanism for ensuring that this infrastructure is implemented as soon as possible.

Ensure timely prototyping of the market enabling infrastructure

To build support for a national digital marketplace, an early product of the prototyping and testing of the market enabling infrastructure might be the creation of a national information clearinghouse on textbook prices. The clearinghouse would track textbooks for the most important undergraduate courses. Voluntary for both publishers and institutions, such a resource would provide standardized linkages so that institutions could map their courses to the database from the perspective of their course catalogue. The clearinghouse would show publisher options and pricing information. It could link to used textbook resellers and local student bookstores to allow posting of prices. The federal and state governments could encourage its use to ensure that publishers participate. A prototype of this clearinghouse could be created and tested in a short period of time. Many institutions have textbook programs that might be a model for such a clearinghouse.

Promote creation of a voluntary national textbook information clearinghouse

**Create
incentives to
utilize the
national digital
marketplace**

Once the national digital marketplace is in place, it will be very important that states, colleges, faculty, and publishers use it to transform the way that textbooks and other learning materials are created, maintained, updated, and distributed throughout higher education. Congress might also consider asking the Secretary of Education to create incentives to encourage all stakeholders to maximize voluntary use of the new system. This includes incentives to states and institutions to implement whatever internal changes in their systems are necessary to interact with the new marketplace, as well incentives to publishers to make all of their products available through the marketplace.

In the short term, stakeholders already involved in efforts to make college textbooks more affordable should share freely the design and any assessment of the effectiveness of their approach with colleagues who have yet to embark on their own efforts. Stakeholders who have yet to tackle the problem are best advised to study the approaches of their peers and adopt those solutions that best fit their needs. In the long term, all stakeholders should become involved in the effort to build the national digital marketplace of the future, and thereby improve the affordability, accessibility, and quality of a full range of learning materials – both print and digital – available to faculty and students.

ENDNOTES

A Search for Solutions

¹ GAO estimates that books and supplies cost 26 percent of tuition and fees for first-time, full-time students at four-year public institutions and 72 percent at two-year public institutions. For more information, see (Government Accountability Office 2005). An example of textbook cost impact on community college students is a California resident attending the two-year College of the Canyons, where the 2006-07 student budget included tuition and fees at \$768 and books and supplies at \$1,332. For more information, see testimony of B. Asmus (ACSFA 2007a).

² New editions eliminate the supply of used textbooks for students shopping for the next term. Buy-back initiatives and used textbook exchanges are limited in their efforts to reduce textbook prices when new editions are frequently issued. See testimony of B. Major (ACSFA 2006b).

³ (McElroy, Leonard, and Beckerman 2007)

⁴ See testimony of C. Martin (ACSFA 2006b), and testimonies and hearing summaries of D. Watkins and R. Strong (ACSFA 2007a).

⁵ See testimonies and hearing summaries of C. Martin (ACSFA 2006b), M. Kanter and H. Plotkin (ACSFA 2007a), R. Baraniuk (ACSFA 2007b), G. Hanley (ACSFA 2007b), and D. Watkins (ACSFA 2007a).

⁶ (National Association of College Stores n.d.)

⁷ See testimony and materials of P. Schroeder (ACSFA 2006a).

⁸ Some institutions that have created taskforces and implemented some of their recommendations include Kansas University (ACSFA 2006b), Nevada System of Higher Education (Board of Regents 2007), California State University (California State University Academic Senate 2006), Portland Community College (ACSFA 2007b), University of North Carolina (University of North Carolina 2006), University System of Georgia (Board of Regents, 2005), and the Georgia Institute of Technology (Georgia Institute of Technology 2005).

⁹ See testimony of T. Bauer (ACSFA 2007a).

¹⁰ (ACSFA 2007c)

¹¹ See Connecticut House Bill 5527 (ACSFA 2007c).

¹² For more information on the request from Congressman Wu (D-OR) and Congressman McKeon (R-CA), see Appendix A. Senator Richard Durbin (D-IL) has also proposed the College Textbook Affordability Act, which was introduced on March 20, 2007.

¹³ (Government Accountability Office 2005)

¹⁴ (The College Board 2003)

¹⁵ The latest additional national estimates available for textbooks expenses are the following:

- Average expense for books and supplies in 2006-07, as noted in sample undergraduate college budgets, is \$942 at four-year public colleges and \$850 at two-year institutions (The College Board 2006a).
- Average textbook expense in 2006-07 is \$683 for full-time students at four-year public colleges (Student Monitor LLC 2007).
- Average yearly textbook expense is \$900 for college students (State Public Interest Research Groups Higher Education Project 2005).

¹⁶ Analysis of college costs is based on average student expense data collected by The College Board in the *Annual Survey of Colleges* (1987-2004). Adjustment to the consumer price index (CPI) is calculated using Bureau of Labor Statistics data; see Appendix II of (Government Accountability Office 2005). It was necessary to impute five years of data (after 1999) on room and board expenditures at two-year public schools in Figure 1. This was accomplished by calculating a linear, least squares trendline.

¹⁷ Analysis of college costs is based on average student expense data collected by The College Board in the *Annual Survey of Colleges* (1987-2004). Incomes represent the upper bound on the bottom, second, and third quartiles – in 2004: \$36,174, \$63,096, and \$96,560, respectively. For more information, see (Mortenson 2005). Four high-income data points (1997, 1998, 2001, and 2002) had to be imputed assuming linear growth.

¹⁸ Average total grant aid – including federal, state, and institutional grants – was provided by Mortenson and Blunt using NPSAS:04 data (Mortenson and Blunt 2005). Average expenses were provided by The College Board in the *Annual Survey of Colleges* (1987-2004).

Today's Solutions

¹⁹ (National Association of College Stores n.d.): see "FAQ on Used Textbooks" under Industry Information drop bar.

²⁰ (Government Accountability Office 2005)

²¹ (Koch 2006)

²² See presentation and materials of T. Bauer (ACFSA 2007a).

²³ Some examples include Connecticut (Board of Governors for Higher Education 2006); Virginia (State Council of Higher Education for Virginia 2006); Illinois (Illinois Board of Higher Education 2007); and Minnesota (Minnesota Office of Higher Education 2007).

²⁴ See testimony and materials of B. Major (ACSFA 2006b).

²⁵ (Synovate 2006)

²⁶ (Government Accountability Office 2005)

²⁷ See presentation and materials of B. Pearce (ACSFA 2007b) and (University of Washington n.d.).

²⁸ See hearing summary and N. Lustig material (ACSFA 2006b).

²⁹ See testimony of D. Rosenfeld (ACSFA 2007b) and (Make Textbooks Affordable Campaign n.d.).

³⁰ Some examples include the Los Angeles Community College District, see testimony and supplemental materials of L. Marzillier (ACSFA 2007a); The University of Connecticut and Yale University (Board of Governors for Higher Education 2006); Portland State University, see supplemental materials of J. Willson (ACSFA 2007b); California State University (California State University-Academic Senate. 2006); Rutgers University (McCormick 2006); the University of Nevada, Las Vegas (Board of Regents 2007); and the University System of Georgia (Board of Regents 2005).

³¹ For more information, see (ACSFA 2007c); (Illinois Board of Higher Education 2007); (Minnesota Office of Higher Education 2007); (Board of Regents 2007); (State Council of Higher Education for Virginia 2006); and (Board of Governors for Higher Education 2006).

³² For example, Don Newton, the general manager of the bookstore for City College of San Francisco, created a textbook submission form that requires faculty to identify the net price of the book set by the publisher and the bookstore retail price. This ensures that faculty are aware of such expenses. See testimony and materials of D. Newton (ACSFA 2007b).

³³ For example, Rob Strong, an instructor at San Francisco State University, explained at the California hearing that he allows students to use previous editions of the textbook so that they can find used versions. See testimony of R. Strong (ACSFA 2007a).

³⁴ Publishers contend that such action causes them to lose revenue and forces price increases. For more information, see testimony of P. Schroeder (ACSFA 2006a).

³⁵ Some examples include Nevada State College (Board of Regents 2007); Portland State University, see testimony of K. Brown (ACSFA 2007b); and Georgia Institute of Technology (Maloney 2005). It has also been suggested that institutions make their textbook lists available to local off-campus bookstores, as this will foster increased competition between bookstores and help students get the best price.

³⁶ See hearing summary of C. Kruse's testimony (ACSFA 2007b) and (University of Wisconsin-Madison Libraries n.d.).

³⁷ Some hearing panelists recommended the use of e-reserves to reduce textbook expenses. See testimony of C. Martin and D. Sevener (ACSFA 2007b).

³⁸ See presentation and materials of T. Bauer (ACFSA 2007a).

³⁹ See testimony of T.Scotty (ACSFA 2007a).

⁴⁰ (McCormick 2006)

⁴¹ (Pharr 2007); for more information, see (Williams College 1914 Memorial Library n.d.).

⁴² (Koch 2006)

⁴³ See testimony of S. Wakely (ACSFA 2007a).

⁴⁴ The Association of American Publishers stated that publishers offer no-frills versions as a cost-saving measure; see (Schroeder 2006). Publisher representatives at the ACSFA field hearings also referred to their use of no-frills textbooks. For information about Bedford, Freeman, and Worth, see testimony of T.Scotty (ACSFA 2007a). For information about McGraw-Hill, see testimony of E. Stanford (ACSFA 2006b).

⁴⁵ Several hearing panelists indicated their support for and described their use of custom textbooks. For examples, see testimony of C. Martin and A. Dearborne (ACSFA 2006b), and testimony of A. Munoz-Lopez (ACSFA 2007a).

⁴⁶ (Government Accountability Office 2005); see testimony of E. Standford (ACSFA 2006b).

⁴⁷ See testimony and presentation of T. Scotty (ACSFA 2007a).

⁴⁸ The Robinson-Patman Act of 1936 (or Anti-Price Discrimination Act, 15 U.S.C. § 13) is a federal antitrust law that prohibits price discrimination and related activities that would create a monopoly or a non-competitive market.

⁴⁹ See D. Newton testimony (ACSFA 2007a). The National Association of Independent College Stores will implement a large buy-back infrastructure, providing students with access to more used textbooks to result in overall savings. University of North Carolina is planning a similar initiative with all of its institutions (University of North Carolina 2006).

⁵⁰ See testimony of K. Brown (ACSFA 2007b).

⁵¹ See testimony and materials for B. Pearce (ACSFA 2007b).

⁵² (Illinois Board of Higher Education 2007)

⁵³ These states are Illinois, Minnesota, New Jersey, Oklahoma, and Virginia.

⁵⁴ (Illinois Board of Higher Education 2007)

⁵⁵ A survey conducted by the Illinois Board of Higher Education showed that the estimated average yearly cost to students for renting textbooks would be \$337 at community colleges and \$305 at public colleges (Illinois Board of Higher Education 2007). The California Public Interest Research Group noted that the average yearly cost to students for renting textbooks ranges from \$130 to \$240 (California Public Interest Research Group – Higher Education Project 2004).

⁵⁶ (National Association of College Stores 2006b)

⁵⁷ The Illinois Board of Higher Education (IBHE) offers a thorough analysis of the considerations associated with implementing a textbook rental program. IBHE sent a survey to the state's public universities and community colleges to determine the cost of starting a textbook rental program. Many institutions found start-up costs to be prohibitive, as average costs were \$2.5 million for community colleges and \$10 million for universities. IBHE's most recent report suggests that institutions could recoup costs by increasing student rental fees for the first few years and raising state need-based grant aid to insulate low- and moderate-income students. For more information, see (Illinois Board of Higher Education 2004), (Illinois Board of Higher Education 2005), (Illinois Board of Higher Education Student Advisory Committee 2005), and (Illinois Board of Higher Education 2007).

⁵⁸ It has been suggested that the savings provided from textbook rental programs can easily be achieved through other means. For more information see testimony of K. Brown (ACSFA 2007b).

⁵⁹ See testimony and materials of B. Elmore (ACSFA 2006b).

⁶⁰ See testimony of R. Carlock (ACSFA 2006b).

⁶¹ See presentation and materials of T. Bauer (ACFSA 2007a). See also (Bauer 2006).

⁶² A recent study done by the University of Wisconsin system noted that, for several years, some institutions have failed to update the amount allocated to textbooks in the cost of attendance. The study recommended that institutions regularly update this information. A study done by the University of North Carolina made a similar recommendation. See (University of Wisconsin System 2007) and (Committee of Budget and Finance 2007).

⁶³ See testimony of B. Asmus (ACSFA 2007a) and (University of Wisconsin System 2007).

⁶⁴ For more information, see testimony of B.Pearce and K.Brown (ACSFA 2007b) and T. Bauer (ACSFA 2007a).

⁶⁵ Illinois Board of Higher Education's report recognized that federal financial aid is often not sufficient to cover the full financial need of many students, and so recommended that funding be increased for special state need-based grants (Illinois Board of Higher Education 2007). Both Georgia and South Carolina provide a dedicated allowance in state aid to help defray a small portion of annual textbook costs. See testimony of R. Hershman (ACSFA 2006a).

⁶⁶ For more information on e-books, see testimony of P. Schroeder (ACSFA 2006a).

⁶⁷ See material of P. Schroeder (ACSFA 2006a).

⁶⁸ For more information on McGraw-Hill and Pearson, see material of P. Schroeder (ACSFA 2006a). For more information on Thomson Learning's iChapters, see testimony of S. Hochheiser (ACSFA 2006a).

⁶⁹ See testimony and presentation of T. Doran (ACSFA 2006b), (Pope 2006), and (Owuor 2006).

⁷⁰ For more information, see (Matkin 2006), (Kurshan 2007), (William and Flora Hewlett Foundation 2006), (Atkins et al. 2007), and (Jaschik 2007).

⁷¹ Creative Commons is a nonprofit organization that enables copyright holders to grant some of their rights to the public for use as online material while holding onto other rights through various licensing and contracting terms. The goal is to prevent current copyright laws from limiting information sharing by allowing the copyright holder to choose which rights to restrict to the public.

⁷² See testimony and material of M. Kanter and H. Plotkin (ACSFA 2007a).

⁷³ See materials of L. Marzillier (ACSFA 2007a).

⁷⁴ See presentation and materials of R. Baraniuk (ACSFA 2007b) and (Baraniuk and King 2005). Connexions is also working on a Community College Initiative to provide course content for the top ten general education courses offered at community colleges. Rice University Press, which closed ten years ago, has recently reopened and plans to publish all texts online using Connexions. For more information, see (Rice University 2006).

⁷⁵ See testimony and materials of G. Hanley (ACSFA 2007b) and (MERLOT n.d.).

⁷⁶ (Celorio 2006). For more information on print on demand machines, see one example at (Instabook n.d.).

⁷⁷ (Olson 2006)

⁷⁸ (Bain 2007), (Norman 2002a), and (Norman 2002b).

⁷⁹ See materials of P. Schroeder (ACSFA 2006a).

⁸⁰ However, this is not to indicate that a digital divide does not still exist. Studies show that factors such as income, race, and education affect the likelihood of owning a home computer and having access to the Internet at home. For more information, see (Fairlie 2003) and (Valletta and MacDonald 2003).

Tomorrow's Challenge

⁸¹ (McElroy, Leonard, and Beckerman 2007)

⁸² Many publishers now include CDs, interactive websites, and digital tools. An example is Pearson's MyMathLab which offers a series of online courses that correspond to their textbooks and provides learning aids, assignments, and assessments. For more information, see testimony of B. Stewart (ACSFA 2007b). Professors also make use of digital material to enhance the teaching and learning process. See testimony of J. Arle (ACSFA 2007a).

⁸³ See testimonies and materials of R. Baraniuk and G. Hanley (ACSFA 2007b).

⁸⁴ Foothill-De Anza Community College District provides venues for senior faculty to share their experiences about their use of OER, typically through the Academic Senate. The District also provides workshops on the costs and benefits of teaching with OER. One of the next steps for Foothill-De Anza Community College District is to identify resources to develop and implement OER and to determine faculty multimedia storage and delivery needs. Also, MIT's OpenCourseWare and Carnegie Mellon University's Open Learning Initiative are both programs that ensure that the high quality of OER is maintained so that the material can be widely used. See testimony and materials of M. Kanter and H. Plotkin (ACSFA 2007a). CSU has taken steps to incorporate OER content currently used by MERLOT. The many institutions that are partners with and use MERLOT provide clear evidence of the importance of integrating technology into the educational process to better serve faculty and students. For more information, see testimony and materials of G. Hanley (ACSFA 2007b).

⁸⁵ (McElroy, Leonard, and Beckerman 2007)

⁸⁶ (Koch 2006)

⁸⁷ (McElroy, Leonard, and Beckerman 2007)

⁸⁸ (Cohen 2007)

⁸⁹ (Matkin 2002)

⁹⁰ A digital marketplace has been called for by others in the past. For example, see (Katz 2000).

⁹¹ (McElroy, Leonard, and Beckerman 2007)

⁹² For examples of marketplace Web applications and hosted infrastructure resources, see (McElroy, Leonard, and Beckerman 2007).

⁹³ (McElroy, Leonard, and Beckerman 2007)

⁹⁴ Using a fair use license such as Creative Commons, Connexions currently enables faculty members to draw on open educational resources. MERLOT has also established a system for posting no-cost content (ACSFA 2007b).

⁹⁵ See testimony of G. Hanley (ACSFA 2007b).

⁹⁶ In addition, a digital marketplace would need to be designed to enforce and protect the rights and security of students, institutions, and other content providers (McElroy, Leonard, and Beckerman 2007).

⁹⁷ (McElroy, Leonard, and Beckerman 2007)

⁹⁸ (California State University 2007)

⁹⁹ (McElroy, Leonard, and Beckerman 2007)

¹⁰⁰ (California State University 2007)

¹⁰¹ See testimony of G. Hanley (ACSFA 2007b).

¹⁰² (California State University 2007)

¹⁰³ Public, private, and academic associations and institutions from around the country participate in MERLOT. For more information on MERLOT's members, see (MERLOT 2007).

¹⁰⁴ The actual creation of CSU's marketplace hinges on developing the core enabling infrastructure, which it refers to as an "e-learning framework." This framework would include all technologies necessary for a fully interoperable system. CSU is still in negotiation with potential private entities that might have the requisite technological experience to build such an infrastructure. For more information, see (California State University 2007).

¹⁰⁵ The CSU digital marketplace is using recent technological innovation to develop and maintain the services which will affect quality, ability to customize, and effectiveness. Such technologies include Service Oriented Architecture (SOA) and community Web services, and Open Services Interface Definitions (OSIDs) which helps to translate between software applications. CSU is currently developing technological partnerships with Oracle, CISCO, Sun, Apple, and Blackboard along with many others. It also has been developing partnerships with publishing companies such as Pearson, Thomson, and O'Reilly Media, among others. See testimony and materials of G. Hanley (ACSFA 2007b).

¹⁰⁶ A mutual benefit corporation is a collaborative organization consisting of competitors who agree to provide their clients with service in a limited area. One example of a mutual benefit corporation would be ELM Resources, a

partnership between Federal Family Education Loan Program (FFELP) lenders, servicers, and guarantors, which provides information on student loan management and status. For more information on this mutual benefit corporation, see (ELM Resources 2005).

¹⁰⁷ The CSU Digital Marketplace has made much progress on creating a marketplace enabling infrastructure for CSU and will be undergoing a field trial in 2007, with initial deployment in early 2008. For more information, see testimony of G. Hanley (ACSFA 2007b). McElroy and Beckerman propose a model called a shared resource utility (SRU) which would provide a way for institutions to integrate a marketplace enabling infrastructure with their institutional requirements (McElroy and Beckerman 2003).

¹⁰⁸ For best practices on how to do this through federal policy-level support, see (Fisher and McGeveren 2006).

¹⁰⁹ (Nelson 2006b); see also testimony of M. Nelson (ACSFA 2007b).

¹¹⁰ (McElroy, Leonard, and Beckerman 2007)

¹¹¹ See testimony of G. Hanley (ACSFA 2007b).

¹¹² In answering whether new technologies are able to effectively reduce the price of instructional content for higher education, Mark Nelson answered that expenses for developing digital learning objects would be high in the short term, but emerging standards will reduce them. In the long term, improved efficiency in ordering, distribution, and production would result in price decreases, depending on materials ownership. For more information, see testimony of M. Nelson (ACSFA 2007b).

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**APPENDIX A:
CONGRESSIONAL LETTER REQUESTING A STUDY
ON COLLEGE TEXTBOOK AFFORDABILITY**

MAJORITY MEMBERS:

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Dr. William J. Goggin
Executive Director
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Dear Dr. Goggin:

In this knowledge-based economy, a college education has become increasingly important, not just to the individual, but to the nation as a whole. The growth and continued expansion of the nation's economy is heavily dependent on an educated and highly skilled workforce. Yet, today too many students and families are struggling to meet rising tuition, high student loan debt, and the soaring costs of college textbooks.

Recent news reports have exposed what students have known all along -- textbook prices are rising at exorbitant rates. Today, the average estimated cost of books and supplies for college students is approximately \$900. Unfortunately, these rising prices add to the difficulties families face when paying for a postsecondary education.

Last year, the Government Accountability Office (GAO) released a report on the soaring costs of college textbooks, and what they found is shocking:

Textbook prices have risen at an average of 6% each year since 1987, compared with average annual inflation of only 3% during that period.

- Since 1986, textbook prices have nearly tripled, increasing by 186%, while overall inflation has been 72% over the same time.

Dr. William J. Goggin
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- The cost of textbooks and supplies as a percentage of overall tuition and fees is 72% for community college students. This means that these students must pay almost as much for textbooks as they do for tuition.


For students at 4-year public institutions, the cost of textbooks is 26% of tuition and fees.


The GAO also discovered that many factors are contributing to this problem, including the development of supplemental products to accompany textbooks; increased textbook revisions; increased reliance on a secondary market; and increased production costs.

It is important that we continue to shed light on this issue so that consumers are aware of these rising costs. For this reason, we are writing to urge the Advisory Committee on Student Financial Assistance to investigate further the problem of rising textbook prices, to determine its impact on students in affording a postsecondary education, and to make recommendations for Congress, the Secretary, and other stakeholders on what can be done to make textbooks more affordable.

We ask that the Advisory Committee report back to the House Education and the Workforce Committee by May 2007. We look forward to working with the Advisory Committee to address this issue. If we can be of any assistance please do not hesitate to contact us.

With warm regards,


Howard P. "Buck" McKeon
Chairman
House Committee on Education
and the Workforce


David Wu
Member of Congress

**APPENDIX B:
TEXTBOOK STUDY FIELD HEARING PANELISTS**

WASHINGTON DC COMMITTEE HEARING

HEARING PANELISTS

Mr. Richard Hershman

Director of Government Relations
National Association of College Stores

Ms. Debra Prescott

Senior Analyst
U.S. Government Accountability Office

Dr. James V. Koch

Professor of Economics
President Emeritus
Department of Economics
Old Dominion University

Ms. Patricia Scott Schroeder

President and CEO
Association of American Publishers

Ms. Valerie F. Lewis

Commissioner of Higher Education
Connecticut Department of Higher Education

Mr. Luke Swarthout

Higher Education Associate
Student Public Interest Research Group

PUBLIC COMMENT

Mr. Stephen Hochheiser

Director
Academic Reseller Management
Thomson Learning

Mr. Travis Reese

State Chair
Minnesota State University Student Association

CHICAGO IL FIELD HEARING

HEARING PANELISTS

Mr. Robert Carlock

Vice President of Finance & Administration
Rend Lake College

Ms. Ashley Dearborne

Student
Wilbur Wright College

Mr. Tom Doran

Co-founder/CEO
Freeload Press

Ms. Bonnie Elmore

Assistant Manager, Textbook Services
Southern Illinois University Edwardsville

Ms. Emily Kissane

Policy Analyst
Minnesota Office of Higher Education

Ms. Carolyn Kruse

Director & Senior Academic Librarian
College Library
University of Wisconsin, Madison

Dr. Cheryl Maplethorpe

Director, Financial Aid Division
Minnesota Office of Higher Education

Dr. Craig Martin

Ecological Plant Physiology Professor
Chair, Ecology & Environmental Biology Dept
University of Kansas

Mr. Donald Sevener

Director of External Relations
Illinois Board of Higher Education

PUBLIC COMMENT

Mr. Matthew DeRosa

Student Board Member
Illinois Board of Higher Education

Mr. Scott Formo

President
Minnesota State College Student Association

Mr. Nathan Lustig

Co-owner
ExchangeHut.com

Mr. Barry Major

President
Used Textbook Association

Mr. Trevor Montgomery

President
Students for Access & Affordability
in Higher Education
University of Illinois, Chicago

Mr. Edward Stanford

President
McGraw-Hill Higher Education

SANTA CLARITA CA FIELD HEARING

HEARING PANELISTS

Ms. Beth Asmus

Dean of Special Programs
Financial Aid Office
College of the Canyons
President
California Community Colleges
Student Financial Aid Association

Mr. Thomas Bauer

Director of Auxiliary Services
San Mateo County Community College District

Dr. Steven Boilard

Director
California Higher Education Legislative
Analyst's Office

Dr. Martha Kanter

Chancellor
Foothill-De Anza
Community College District

Mr. Hal Plotkin

President, Board of Trustees
Foothill-De Anza
Community College District

Mr. Thomas Scotty

Vice President
Sales and Operations
Bedford, Freeman, and Worth
Publishing Group

Mr. Robert C. Strong

General Manager, SFSU Bookstore
Lecturer, SFSU College of Business
San Francisco State University

PUBLIC COMMENT

Mr. Leon Marzillier

President
District Academic Senate
Los Angeles Community College District

Ms. Aimee Marie Munoz-Lopez

Chair
Textbook Affordability Committee
Associated Students of UC Davis
Co-coordinator
The Affordable Textbooks Campaign
California Public Interest Research Group

Mr. Don Newton

General Manager
City College of San Francisco Bookstores

Mr. Sean Wakely

President
Thomson Arts and Sciences

Dr. Diana Watkins

Computer Networking Professor
College of the Canyons

PORTLAND OR FIELD HEARING

HEARING PANELISTS

Dr. Richard G. Baraniuk

Victor E. Cameron Professor
Electrical & Computer Engineering Department
Rice University
Founder
Connexions

Mr. Fred Beshears

Former Senior Strategist
Educational Technology Services
The University of California at Berkeley

Mr. Ken Brown

President and CEO
Portland State University Bookstore

Dr. Gerard L. Hanley

Executive Director, MERLOT
Senior Director
Academic Technology Services
California State University
Office of the Chancellor

Dr. Mark R. Nelson

Digital Content Strategist
National Association of College Stores

Mr. Bryan Pearce

CEO
University Book Store
University of Washington

Mr. David Rosenfeld

Program Director
Student Public Interest Research Groups

Dr. Michael Sonnleitner

Political Science Instructor
Textbook Taskforce Chair
Portland Community College

Mr. Bart Stewart

Technology Specialist
Addison Wesley/Benjamin Cummings

PUBLIC COMMENT

Mr. John Arle

Instructor
Biology Department
Phoenix College
Faculty Mentor
A&P Wiley Faculty Networks

Ms. Megan Driver

Board Chair
Oregon Student Association
Director of State Affairs Task Force
Associated Students of Oregon State University

Mr. Brian Lynch

Chief Operating Officer
Railway Media

Ms. Jolene Willson

Campaign Coordinator
Make Textbooks Affordable Campaign
Oregon Student Public Interest Research Group
Portland State University

**APPENDIX C:
ADVISORY COMMITTEE MEMBERS AND STAFF**

ADVISORY COMMITTEE MEMBERS

CLASS OF 2007 (TERM EXPIRES SEPTEMBER 30, 2007)

Mr. Clare M. Cotton

(United States Senate appointee, service began 11/12/02; reappointed 7/21/04)

Ms. Norine Fuller

Executive Director

The Fashion Institute of Design and Merchandising

(U.S. House of Representatives appointee, service began 12/04/01; reappointed 10/8/04)

Mr. Lawrence W. O'Toole

President and CEO

Aurora Consulting Group, LLC

(Secretary of Education appointee, service began 10/01/01; reappointed 10/01/04)

Vacant

(Secretary of Education appointee)

CLASS OF 2008 (TERM EXPIRES SEPTEMBER 30, 2008)

Ms. Judith N. Flink (*Chairperson*)

Executive Director of University Student Financial Services

The University of Illinois

(U.S. House of Representatives appointee, service began 11/02/99; reappointed 11/2/05)

Dr. Claude O. Pressnell, Jr. (*Vice Chairperson*)

President

Tennessee Independent Colleges and Universities Association (TICUA)

(United States Senate appointee, service began 5/20/03; reappointed 9/12/05)

Vacant

(Secretary of Education appointee)

CLASS OF 2009 (TERM EXPIRES SEPTEMBER 30, 2009)

Mr. René A. Drouin

President and CEO

New Hampshire Higher Education Assistance Foundation

(United States Senate appointee, service began 10/02/03; reappointed 7/20/06)

Mr. Darryl A. Marshall

Director, Student Financial Aid

Florida State University

(Secretary of Education appointee, service began 10/01/03; reappointed 9/19/06)

Mr. Juan O’Connell

Student Member

Georgia Institute of Technology

(Secretary of Education appointee, service began 2/28/07)

Mr. Robert M. Shireman

Director

The Institute for College Access & Success, Inc.

(U.S. House of Representatives appointee, service began 1/21/04; reappointed 9/28/06)

ADVISORY COMMITTEE STAFF

William J. Goggin

Executive Director

Michelle Asha Cooper

Deputy Director

Brent Evans

Assistant Director

Lan Gao

Graduate Assistant

Hope M. Gray

Executive Officer

Jodut Hashmi

Policy Research Intern

Julie Johnson

Assistant Director

Tracy D. Jones

Administrative Assistant

Jeneva Stone

Senior Writer

APPENDIX D: AUTHORIZING LEGISLATION

The Advisory Committee was established by an act of Congress in 1986. Section 491 of the Higher Education Act as amended contains the Committee's Congressional mandate. A copy of this section as it appears in the law follows:

SEC. 491. ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE.

(a) ESTABLISHMENT AND PURPOSE.--(1) There is established in the Department an independent Advisory Committee on Student Financial Assistance (hereafter in this section referred to as the "Advisory Committee") which shall provide advice and counsel to the Congress and to the Secretary on student financial aid matters. (2) The purpose of the Advisory Committee is-- (A) to provide extensive knowledge and understanding of the Federal, State, and institutional programs of postsecondary student assistance; (B) to provide technical expertise with regard to systems of needs analysis and application forms; and (C) to make recommendations that will result in the maintenance of access to post-secondary education for low- and middle-income students.

(b) INDEPENDENCE OF ADVISORY COMMITTEE.--In the exercise of its functions, powers, and duties, the Advisory Committee shall be independent of the Secretary and the other offices and officers of the Department. Notwithstanding Department of Education policies and regulations, the Advisory Committee shall exert independent control of its budget allocations, expenditures and staffing levels, personnel decisions and processes, procurements, and other administrative and management functions. The Advisory Committee's administration and management shall be subject to the usual and customary Federal audit procedures. Reports, publications, and other documents of the Advisory Committee, including such reports, publications, and documents in electronic form, shall not be subject to review by the Secretary. The recommendations of the Committee shall not be subject to review or approval by any officer in the executive branch, but may be submitted to the Secretary for comment prior to submission to the Congress in accordance with subsection (f). The Secretary's authority to terminate advisory committees of the Department pursuant to section 448(b) of the General Education Provisions Act ceased to be effective on June 23, 1983.

(c) MEMBERSHIP.--(1) The Advisory Committee shall have 11 members of which-- (A) 3 members shall be appointed by the President pro tempore of the Senate upon the recommendation of the Majority Leader and the Minority Leader, (B) 3 members shall be appointed by the Speaker of the House of Representatives upon the recommendation of the Majority Leader and the Minority Leader, and (C) 5 members shall be appointed by the Secretary including, but not limited to representatives of States, institutions of higher education, secondary schools, credit institutions, students, and parents. (2) Not less than 7 members of the Advisory Committee shall be individuals who have been appointed on the basis of technical qualifications, professional standing and demonstrated knowledge in the fields of higher education and student aid administration, need analysis, financing postsecondary education, student aid delivery, and the operations and financing of student loan guarantee agencies.

(d) FUNCTIONS OF THE COMMITTEE.--The Advisory Committee shall--(1) develop, review, and comment annually upon the system of needs analysis established under part F of this title; (2) monitor, apprise, and evaluate the effectiveness of student aid delivery and recommend improvements; (3) recommend data collection needs and student information requirements which would improve access and choice for eligible students under this title and assist the Department of education in improving the delivery of student aid; (4) assess the impact of legislative and administrative policy proposals; (5) review and comment upon, prior to promulgation, all regulations affecting programs under this title, including proposed regulations; (6) recommend to the Congress and to the Secretary such studies, surveys, and analyses of student financial assistance programs, policies, and practices, including the special needs of low-income, disadvantaged, and nontraditional students, and the means by which the needs may be met, but nothing in this section shall authorize the committee to perform such studies, surveys, or analyses; (7) review and comment upon standards by which financial need is measured in determining eligibility for Federal student assistance programs; (8) appraise the adequacies and deficiencies of current student financial aid information resources and services and evaluate the effectiveness of current student aid information programs; and (9) make special efforts to advise Members of Congress and such Members' staff of the findings and recommendations made pursuant to this paragraph.

(e) OPERATIONS OF THE COMMITTEE.--(1) Each member of the Advisory Committee shall be appointed for a term of 3 years, except that, of the members first appointed-- (A) 4 shall be appointed for a term of 1 year; (B) 4 shall be appointed for a term of 2 years; and (C) 3 shall be appointed for a term of 3 years, as designated at the time of appointment by the Secretary. (2) Any member appointed to fill a vacancy occurring prior to the expiration of the term of a predecessor shall be appointed only for the remainder of such term. A member of the Advisory Committee shall, upon request, continue to serve after the expiration of a term until a successor has been appointed. A member of the Advisory Committee may be reappointed to successive terms on the Advisory Committee. (3) No officers or full-time employees of the Federal Government shall serve as members of the Advisory Committee. (4) The Advisory Committee shall elect a Chairman and a Vice Chairman from among its members. (5) Six members of the Advisory Committee shall constitute a quorum. (6) The Advisory Committee shall meet at the call of the Chairman or a majority of its members.

(f) SUBMISSION TO DEPARTMENT FOR COMMENT.--The Advisory Committee may submit its proposed recommendations to the Department of Education for comment for a period not to exceed 30 days in each instance.

(g) COMPENSATION AND EXPENSES.--(1) Members of the Advisory Committee may each receive reimbursement for travel expenses incident to attending Advisory Committee meetings, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(h) PERSONNEL AND RESOURCES.--(1) The Advisory Committee may appoint such personnel as may be necessary by the Chairman without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall be paid in excess of the rate authorized for GS-18 of the General Schedule. The Advisory Committee may appoint not more than 1 full-time equivalent, nonpermanent, consultant without regard to the

provisions of title 5, United States Code. The Advisory Committee shall not be required by the Secretary to reduce personnel to meet agency personnel reduction goals. (2) In carrying out its duties under the Act, the Advisory Committee shall consult with other Federal agencies, representatives of State and local governments, and private organizations to the extent feasible. (3)(A) The Advisory Committee is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this section and each such department, bureau, agency, board, commission, office, independent establishment, or instrumentality is authorized and directed, to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Advisory Committee, upon request made by the Chairman. (B) The Advisory Committee may enter into contracts for the acquisition of information, suggestions, estimates, and statistics for the purpose of this section. (4) The Advisory Committee is authorized to obtain the services of experts and consultants without regard to section 3109 of title 5, United States Code and to set pay in accordance with such section. (5) The head of each Federal agency shall, to the extent not prohibited by law, cooperate with the Advisory Committee in carrying out this section. (6) The Advisory Committee is authorized to utilize, with their consent, the services, personnel, information, and facilities of other Federal, State, local, and private agencies with or without reimbursement.

(i) AVAILABILITY OF FUNDS.--In each fiscal year not less than \$800,000, shall be available from the amount appropriated for each such fiscal year from salaries and expenses of the Department for the costs of carrying out the provisions of this section.

(j) SPECIAL ANALYSES AND ACTIVITIES.--The Advisory Committee shall-- (1) monitor and evaluate the modernization of student financial aid systems and delivery processes, including the implementation of a performance-based organization within the Department, and report to Congress regarding such modernization on not less than an annual basis, including recommendations for improvement; (2) assess the adequacy of current methods for disseminating information about programs under this title and recommend improvements, as appropriate, regarding early needs assessment and information for first-year secondary school students; (3) assess and make recommendations concerning the feasibility and degree of use of appropriate technology in the application for, and delivery and management of, financial assistance under this title, as well as policies that promote use of such technology to reduce cost and enhance service and program integrity, including electronic application and reapplication, just-in-time delivery of funds, reporting of disbursements and reconciliation; (4) assess the implications of distance education on student eligibility and other requirements for financial assistance under this title, and make recommendations that will enhance access to postsecondary education through distance education while maintaining access, through on-campus instruction at eligible institutions, and program integrity; and (5) make recommendations to the Secretary regarding redundant or outdated provisions of and regulations under this Act, consistent with the Secretary's requirements under section 498B.

(k) TERM OF THE COMMITTEE.--Notwithstanding the sunset and charter provisions of the Federal Advisory Committee Act (5 U.S.C. App. I) or any other statute or regulation, the Advisory Committee shall be authorized until October 1, 2004.