

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.
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Detailed Fiscal Analysis

The bill regulates the sale and distribution of textbooks and supplemental learning materials at Ohio's state institutions of higher education by creating various requirements for textbook publishers, campus bookstores, state institutions of higher education, and the Board of Regents (BOR). It also states that the bill's purpose is to ensure that every student in higher education is offered better and timely access to affordable textbooks and that it is the policy of this state that each state institution find ways to reduce the student cost of textbooks and supplemental learning materials.

Requirements for textbook publishers and campus bookstores

The bill requires U.S. textbook publishers wishing to sell textbooks to Ohio state institutions of higher education to provide a free web site with certain detailed information about those textbooks and supplemental learning materials. Bookstores affiliated with state institutions must refrain from, (1) selling bundled materials unless individual items are also for sale, (2) purchasing used materials at less than half of the resale price, and (3) selling textbooks or supplemental learning materials not listed on the publisher's web site as required by the bill. While these provisions do not have direct fiscal effects on the state and institutions, they may help reduce the cost of textbooks and supplemental materials to students. Bundling has been identified as one of the important factors contributing to textbook price increases.

Requirements for state institutions of higher education

The bill prohibits state institutions from requiring students to use textbooks or supplemental learning materials not listed on the publisher's web site as required by the bill. It also prohibits institution employees from profiting from the sale of textbooks or supplemental learning material used in their own classes, including royalties from authorship. Furthermore, the bill requires a state institution to make two copies of all required textbooks or supplemental learning materials available in every library that would be used by a student who is assigned a particular textbook or supplemental learning material. For example, if an institution has both a main library and a business library, two copies of a required accounting textbook would have to be available in both libraries.

According to the Ohio Library and Information Network (OhioLINK), a consortium of college and university libraries, most state university and college libraries do not currently meet the requirement of making available two copies of all required textbooks and supplemental learning materials. State universities and colleges would have to incur additional expenditures in order to meet this requirement. In addition to the costs of purchasing and shelving required textbooks and supplemental learning materials, additional library storage space may also be needed. Table 1 below shows preliminary cost estimates of purchasing required textbooks made by state universities and colleges that responded to the

OhioLINK survey. The survey results indicate that the cost could range from approximately \$250,000 per year in a small two-year college to approximately \$600,000 in a large university.

Respondent	Cost Estimate
A small university	\$110,000 per quarter for textbooks <i>\$280,000 – annual library acquisition budget</i>
A mid-sized university	\$880,000 to initiate the program
A large university	\$592,000 per year for textbooks
A university law school	\$12,000 per semester for textbooks
A small two-year college	\$121,288 per semester <i>\$240,000 – annual library acquisition budget</i>
A large community college	\$459,000 per year for textbooks <i>\$544,000 – annual library acquisition budget</i>
A library serving a small co-located university branch and technical college	74% increase in the university branch's library budget and 30% increase in the technical college's library budget

Requirements for the Board of Regents

The bill requires BOR to partner with state institutions to sponsor events to provide education about ways to reduce the cost of textbooks and supplemental learning materials. It also requires BOR to develop an electronic publisher inquiry form for interested parties to request information from publishers. Furthermore, the bill requires BOR to develop and implement at least one pilot textbook rental project starting in the 2008-2009 academic year. BOR is to submit a plan for the pilot project to the General Assembly by January 2, 2008. These provisions would be likely to increase the administrative costs of the agency. The detailed fiscal analysis of the pilot textbook rental project is provided below.

Textbook rental program

As indicated above, BOR is required to develop and implement at least one pilot textbook rental project beginning in the 2008-2009 academic year. The textbook rental program is to be optional to students and financially self-sustaining. Presumably, the cost of such a pilot program, including the start-up cost, would be paid for by fees charged to students choosing to participate in the pilot project. In January 2007, the Illinois Board of Higher Education issued *A Report on the Feasibility of Textbook Rental Programs and Other Textbook Cost-Saving Alternatives in Illinois Public Higher Education*,¹ which was prepared at the direction of the Illinois Senate. Based on the survey result, the report has estimated \$211.2 million in the start-up cost and \$101.7 million in the annual cost for a total cost of \$312.8 million to initiate a mandatory textbook rental program at Illinois' public colleges and universities, which enrolled approximately 372,000 full-time equivalent (FTE) students in fall 2006. (In comparison, Ohio's public colleges and universities enrolled approximately 373,000 FTEs in fall 2006.)

¹ The full report can be accessed online at www.ibhe.org/Board/agendas/2007/February/Item12TextbookReport.pdf.

The report has identified five areas that would be instrumental to the success of a textbook rental program. These five areas are: (1) establishing a mandatory rental fee at a level that is sufficient to cover the annual operating cost of the program, (2) building a consensus among faculty members, administrators, and students on the effectiveness of a textbook rental program on reducing the textbook cost to students, (3) addressing the start-up cost, particularly the cost of initial inventory acquisition, (4) ensuring sufficient storage space, and (5) addressing the textbook adoption policies and procedures. Table 2 below shows the report's estimated costs and fee levels to make the program self-sustaining. The fee estimates assume that the textbook rental program would issue bonds to pay for the start-up cost. As seen from Table 2, the estimated annual rental fee, including debt service, ranges from approximately \$415 to \$590. In 2006 the Illinois Board of Higher Education conducted a survey and found that the average initial textbook cost (without taking into account the return students may get from selling their books at the end of the semester) to students at its public colleges and universities was between \$735 and \$1,027 per year.

Table 2: Estimated Costs of Textbook Rental Program at Illinois' Public Colleges and Universities

	Community Colleges	Universities	Total
Enrollment (Fall 2006)	196,652 FTEs	175,518 FTEs	372,170 FTEs
Start-up cost	\$112.9 million	\$98.3 million	\$211.2 million
Annual cost	\$64.1 million	\$37.6 million	\$101.7 million
Total	\$177.0 million	\$135.9 million	\$312.8 million
Annual fee per FTE, excluding debt service for start-up cost	\$337	\$305	--
Annual fee per FTE, including debt service (3-year schedule) for start-up cost	\$582	\$589	--
Annual fee per FTE, including debt service (5-year schedule) for start-up cost	\$483	\$474	--
Annual fee per FTE, including debt service (7-year schedule) for start-up cost	\$431	\$414	--

The report also indicates that approximately 25 institutions of higher education in the U.S. with enrollments ranging from 400 to 15,000 students currently have textbook rental programs, five of which are in Illinois. Of these 25 rental programs, 71% have been in place since the inception of the institution and the other 29% were adopted after inception. Approximately 91% of these rental programs are funded by rental fees and late fees, and campus bookstores run about 86% of the rental programs. Table 3 below provides brief summary information of the five existing textbook rental programs in Illinois. As seen from the table, four of the five institutions charge a per credit hour textbook rental fee to cover the cost of the textbook rental program.

Table 3: Summary of Illinois' Current Textbook Rental Programs					
	Frontier Community College	Lake Land Community College	Rend Lake College	Eastern Illinois University	Southern Illinois University - Edwardsville
Start Date	1981	Inception of College	Fall 1998	Inception of University	Inception of University
Enrollment (Fall 2005)	767	7,181	4,913	12,129	13,460
Fees	\$10 per credit hour	\$6.45 per credit hour	\$28 plus \$20 deposit per book	\$7.95 per credit hour	\$8.55 per credit hour
Rental Space	1,500 sq. ft.	3,420 sq. ft.	1,700 sq. ft.	11,800 sq. ft.	7,500 sq. ft.
Location	Bookstore	Bookstore	Bookstore	Separate facility	Separate facility
Size of Inventory	6,200	33,000	15,000	210,000	138,110
Value of Inventory	\$245,000	\$1,650,000	\$680,000	\$7,000,000	\$6,232,000
Textbook Adoption Cycle	3 years	3-5 years unless by exception	3 years unless by exception	2 years or 3 semesters, whichever is longer unless by exception	3 years unless by exception

E-book alternative

OhioLINK has created a pilot e-book project, which has been implemented in the University of Dayton and Miami University since the beginning of the 2007-2008 academic year. E-books are digital textbooks that students may view electronically over the Internet. Approximately 3,000 e-book titles are currently offered by publishers. The standard length of time an e-book is accessible is one semester, though standards vary by publisher. E-books are less costly because large upfront capital, warehousing, inventory, and redistribution costs are not required. According to OhioLINK, in addition to providing content digitally, the e-book pilot project also allows faculty members to select custom compilations of materials that are actually used in each course. E-books have reduced the textbook cost by as much as 50% of the new print textbook price (without taking into account the return a student may get from selling the book at the end of a semester). The pilot e-book project also has print-on-demand options for students who prefer hard copy. OhioLINK indicates that it is currently expanding the e-book project to the University of Cincinnati and is continuously seeking additional institutions and faculty members willing to participate in the program.

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