TO: Program Integrity and Institutional Quality Negotiated Rulemaking Committee
FR: Jessica Morales, Negotiator for Students or Borrowers, Including Currently Enrolled Borrowers, or Groups Representing Them (Primary)
Emmett Blaney, Negotiator for Students or Borrowers, Including Currently Enrolled Borrowers, or Groups Representing Them (Alternate)
Ashlynne Haycock-Lohmann, Negotiator for U.S. Military Service Members, Veterans, or Groups Representing Them (Alternate)
DA: January 25, 2024
RE: "Savings" Under Inclusive Access Programs

As our Committee considers how to revise the cash management regulations that currently allow institutions to automatically bill students for textbooks and other course materials purchased from schools -- denying them the opportunity to use their federal financial aid to shop around for more affordable options -- we wanted to provide more background information to our fellow negotiators. Of particular importance in the current regulations is the requirement that the books or supplies must be provided below competitive market rates in order to qualify for automatic textbook billing. Unfortunately this provision, ostensibly designed to ensure students receive more affordable materials, is very susceptible to gaming by vendors and claims that students are actually receiving cheaper course materials are overstated or even false in many cases. We provide more detail on common examples of these manipulations and exaggerations below.

Debunking "Inclusive Access" Savings

Everyone knows that print textbook prices have skyrocketed, with the sticker price of print textbooks often topping hundreds of dollars, even in introductory subjects like Principles of Economics or Calculus I. Every student also knows that there are many ways to avoid paying full price, such as buying used books, shopping online for rental options, or even buying the discounted digital subscriptions offered by publishers themselves.

Worse, though, textbook publishers often capitalize on their outrageous print prices to make "Inclusive Access" programs seem like a good deal to students – which also enables them to automatically bill students for the materials under the current cash management regulations.

Calculating "Inclusive Access" savings based on print retail prices is flawed for several reasons. First, this is not an apples-to-apples comparison, since students don't actually get automatically billed for a print textbook, but instead get a short-term digital subscription that they can't share or sell back. It *should* cost students less, because they *get* less.

Second, few students actually pay the print retail price in the first place. According to one survey, 88% of students engage in some kind of cost avoidance strategy, so they are not actually savings if students would have never spent the money in the first place. Finally, students can access the savings offered by digital textbooks by simply purchasing a subscription from the publisher on their own – opting *in* to the price.

Colleges and publishers use these apples-to-oranges comparisons to inflate the value of inclusive access programs, making them look better for students than they are. For example, Cengage's Inclusive Access landing page states, "Indiana University launched an Inclusive Access pilot and saved students 71% on textbooks—a total of $1,347,384 over the academic year." The fine print clarifies that in fact what they mean is that "students saved 71% off print list prices," which assumes every single student was going to pay full price without reselling the book to recoup the costs after the course is finished. Publishers may offer some marginal discounts in return for automatic billing, but it's certainly not anywhere near 71%. Many contracts suggest it's more like 20% off "current" digital price, which publishers are in full control of changing at any moment.

It is also important to put all savings claims in the perspective of the textbook industry's history. Between the 1980's and early 2000's, textbook prices increased at 3-4 times the rate of inflation, creating the affordability crisis students face today. This behavior is possible because the people who are qualified to choose textbooks—faculty—never have to pay for them, and the end consumer—students—foot the bill without much choice.

This "broken market" gives publishers disproportionate power to set prices. The regulations that require institutions to demonstrate below-market-value prices in order to automatically bill students for their textbooks created an unintentional incentive to further inflate those prices in order to create the *appearance* of savings, without actually reducing costs in a way that undercuts their profit. It seems inevitable that this dynamic will continue as institutions are increasingly locked into these automatic billing arrangements for textbooks.

Debunking "Equitable Access" Savings

The "Equitable Access" model works by automatically charging students a flat fee for textbooks instead of the actual cost of their required materials. The flat fee represents an average cost for all students, which by definition means that many students pay more than their share. Most campuses that implement this model do so by outsourcing it to a large vendor, including Barnes & Noble, which calls its flat-fee offering "First Day Complete." Barnes & Noble's website advertises that this program results in "typically saving students an average of 35-50%."

How are these savings calculated? Barnes & Noble also publishes an online savings calculator, which computes the projected savings of "Equitable Access" based on the IPEDS estimate for books and supplies ($1,486/year for a 2-year public in 2019-20) and a First Day Complete program billed at $24/credit hour ($720/year for a full time 30-credit course load). The approximately 50% savings may appear impressive at first glance, but there is a fundamental flaw in the data.

According to the National Center for Education Statistics, the IPEDS estimate for books and supplies includes "books, course materials, supplies, and equipment," which is far broader than the subset of materials students receive through "Equitable Access" programs. According to Barnes & Noble, First Day Complete is limited to required course materials only, often in a digital format. According to contract terms, these programs explicitly exclude expenses like course supplies, laptop rentals (which may be needed to access digital materials), recommended materials, and optional print upgrades—all expenses that the IPEDS estimate for books and supplies is intended to include.

How does "Equitable Access" compare when the data is measured apples-to-apples? The National Association of College Stores found that when looking at actual student spending, the average undergraduate spent an average of $339/year on required course materials in 2021-22. While this number does not reflect the reality of many students, it does mean that Barnes & Noble's $720/year price point is DOUBLE what many students currently spend—the exact opposite of savings.

While price points on "Equitable Access" programs vary between campuses, even if they match NACS's estimate of $339/year, by definition there will always be students forced to pay more than their fair share. This underscores the importance of empowering students to opt-in to charges for books and supplies. Students should decide for themselves whether a program truly offers savings and how best to use the federal financial aid to which they are entitled.