



**UNIVERSITY OF GUAM  
UNIBETSIDÁT GUAHAN**

**OFFICE OF THE PRESIDENT**

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2013 MAY 16 PM 2:47

April 18, 2013

The Honorable Edward J.B. Calvo  
Governor of Guam  
P.O. Box 2950  
Hagatna, Guam 96910

32-13-414  
Office of the Speaker  
Judith T. Won Pat, Ed. D.  
Date 5/16/13  
Time 12:55 PM  
Received by [Signature]

The Honorable Speaker Judith T. Won Pat, Ed.D  
Speaker, I Mina' Trentai Dos Na Liheslaturan Guahan  
Chair, Committee on Education, Public Library & Women's Affairs  
155 Hesler Place  
Hagatna, Guam 96910

The Honorable Vicente "ben" Pangelinan  
Senator, I Mina' Trentai Dos Na Liheslaturan Guahan  
Chair, Committee on Appropriations, Public Debt, Legal Affairs, Public Parks,  
Recreation, Historic Preservation and Land  
324 W. Soledad Ave, Quan Bldg Ste 101  
Hagatna, Gum 96910

Re: **Public Law 31-77 (Chapter 13 Section 16 combined Purchases of Textbooks)**

Dear Governor Calvo, Speaker Won Pat and Senator Pangelinan:

Buenas yan Hafa Adai. Public Law 31-77 requires the Department of Education (GDOE), the University of Guam (UOG) and the Guam Community College (GCC) to develop a more cost-effective method of purchasing textbooks for the government of Guam, in which the government would benefit from the economies of scale and combined purchasing power of the three (3) educational institutions. The joint proposal is required to be submitted to I Maga'låhen and the Speaker of I Liheslaturan Guåhan.

We are aware of the ongoing funding constraints that the Government of Guam faces. The University of Guam had placed an RFP, requesting Professional Services for the Triton Bookstore and addressing PL31-77.

Attached is the summary report from Ron Duvall Group

We recognize and thank the members of I Mina' Trentai Dos Na Liheslaturan Guahan for past and future support. We are available for any questions or comments that you may have.

Sincerely,

Robert A. Underwood, Ed.D.  
President

cc: UOG Board of Regents



**Review of DOE K12, University of Guam, and Guam Community College  
Textbook Consolidation Potential  
Fall 2012**

The following report by Duvall Consulting Group, LLC addresses the combined purchasing possibilities and inventory control of the three educational entities on the Island- University of Guam, Guam Community College, and the K-12 School District. This review is directly in response to public law #PL33-7.

**Guam Community College**

A meeting was held with the Vice President of Finance and the bookstore manager. During the meeting additional data was requested. The indication was that they would provide it. Although follow-up requests have been made for the information, none was forthcoming. Consequently, determination of any positive results through cooperative efforts with UOG and DOE K-12 was not possible to determine.

At the very least, the three entities should share their book lists to determine what, if any, titles are in common. If any are found, inventory exchange should be used when needs arise. Cost recovery for each of the entities should be implemented.

## **Department of Education K-12 Response**

Duvall Consulting was engaged to review, among other things, K12 school district's textbook costs and processes. This is in direct response to public law #PL33-71. This law's intent, as paraphrased from a conversation with Senator Dr. Judith Won Pat, is to "control investment in textbooks and to reduce the costs to students".

As such, the consultant met with the superintendent of schools and the assistant superintendent for finance in a one-hour meeting to discuss issues and concerns. There is obviously a concern among everyone that the cost of textbook investment is high. The real concern comes down to how it is going to be controlled.

Following that meeting, I had the opportunity to tour six schools, 2 elementary, 2 middle schools, and 2 high schools, in order to observe the textbook levels. In each of the schools, there were high amounts of additional textbooks available in the storage areas. Since this visit was during the later part of September, all books had been distributed to students with the potential exception of one high school. There were various reasons given for the excess. For the most part, the individuals in charge of textbook inventory at the schools basically indicated they were pure excess with no other reasons for being there. It should be mentioned that excess textbook inventory, in and of itself, is not unusual, but how a district deals with that excess makes a significant financial impact.

There were some exceptions as to why there was so much excess. The head of the textbook inventory program for the district, Mr. Camacho, did indicate that because there was a reduction of textbook ordering over the previous few years that the schools had gone to a classroom set approach vs. each individual student having a book of his/her own (1:1). For example, there may be three classes of a specific course with 25 students in each class, but there may only be 25 books used. The books remain in the classroom and as classes meet each student will use one of those class books. Although it is understood why this is done, given that there has been fewer dollars for textbook purchases, there is still a concern in the fact that there are significant numbers of excess textbooks.

## **Recommendations**

The primary concern for DoE K-12 should be how to utilize the excess textbooks. Textbooks remaining in the storage areas are neither an effective nor efficient way to control district investments. One possibility is that books be brought together in order to allow 1:1 distribution at some schools, while other schools use classroom sets of these titles. This can be changed from school to school and certain schools that have classroom set approaches for some classes can also then be given additional books for 1:1 on other classes. This would be utilizing the textbook inventory to a much greater degree in the efforts to educate the students.

Additionally, it was found that there were brand new books still in new cartons. In one particular case, physics books that were still in their original cartons and had a copyright year of 2005 had never been distributed. Within the past previous two weeks of this visit, a new adoption had replaced them. There were approximately 300 of these books at a contemporary cost of at least \$125 for a total of \$37,500. This is a pure waste. Essentially, what this finding shows is that a real inventory system process needs to be put in place. Relying only on teachers and principals to control the inventory is not truly

effective. They have many more responsibilities. Textbook inventory throughout most districts, not only in Guam, takes a lower priority even though teachers understand the high cost of textbooks.

Textbook inventory systems typically are characterized in one of two methods. The first is a software package, which is used from a central location and also in each of the schools. Essentially, the software package requires more participation on the part of each school as well as more personnel at the central office. In order for the data to be credible, each school must enter in new inventory, purge old inventory and provide accurate inventory counts. With software utilization, the issue of schools not responding properly remains high.

The second type of textbook inventory system is a hands-on third party inventory process. The Duvall Consulting Group recommends this type of system because it insures that every school will be inventoried in the same format and with the same level of thoroughness. This process will allow the district to:

- a. Know how much inventory it has
- b. How much excess inventory it has and
- c. Determine the next step of utilization of the textbook inventory.

An inventory system also allows the district to know what books, when they go off adoption, need to be recycled. There is little value in retaining large numbers of copies of titles that are no longer in use in a school. The district will know, by way of identifying the excess in each school, which schools can use the excess in order to apply the 1:1 ratio vs. the need for a class set and monitor accordingly.

This consultant estimates that the adopted textbook inventory value in Guam's K12 schools is in excess of \$15M. Without a reliable textbook inventory system, a school district will lose, at minimum, 10% of that amount each year. In this case the loss is in excess of \$1.5M. Although this may seem to be an excessive number, it is readily identified by other districts that have no control system and understand the amount of purchases for growth and replacement annually, especially in those districts that have no growth. As such, once an inventory process is implemented, all parties become more accountable. That is just human nature. Consequently, the amount that a district will expend in textbook purchases will be reduced and more students will have one-on-one copies of textbooks, a critical need in this day and age.

The next aspect that was reviewed for the K12 and in relationship to cost reduction was the freight charges to bring textbooks to the Island. It was stated that textbook freight costs averaged about 18% of the purchase order value. This is definitely excessive. There was an order that was recently placed for \$1.3M and at 18% that total freight cost will be \$234,000. K12 freight costs to the Island should not exceed 10%. Consequently that \$1.3M in orders freight should be no more than \$130,000, at a savings of over \$100,000. This is available through more efficient consolidation processes and should be implemented as soon as possible even for smaller shipments, since savings can start with the first shipment.

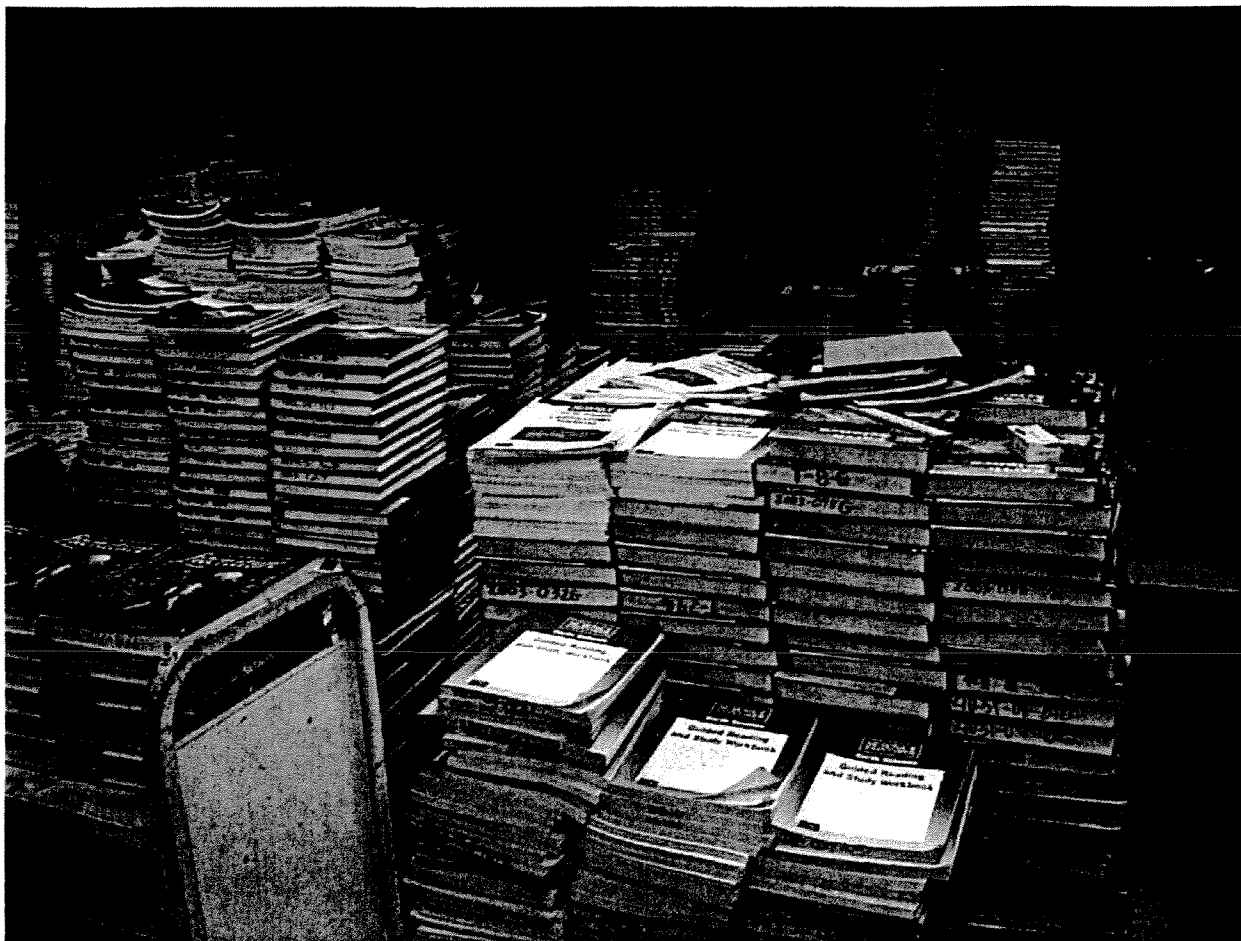


Figure 1 Excess Textbook Illustration

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Duvall Consulting Group, LLC  
PMB 303, 4725 Dorsey Hall Dr., Suite A  
Ellicott City, MD 21042  
[www. Duvallgroup.com](http://www.Duvallgroup.com)



Figure 2 Excess Textbook Illustration

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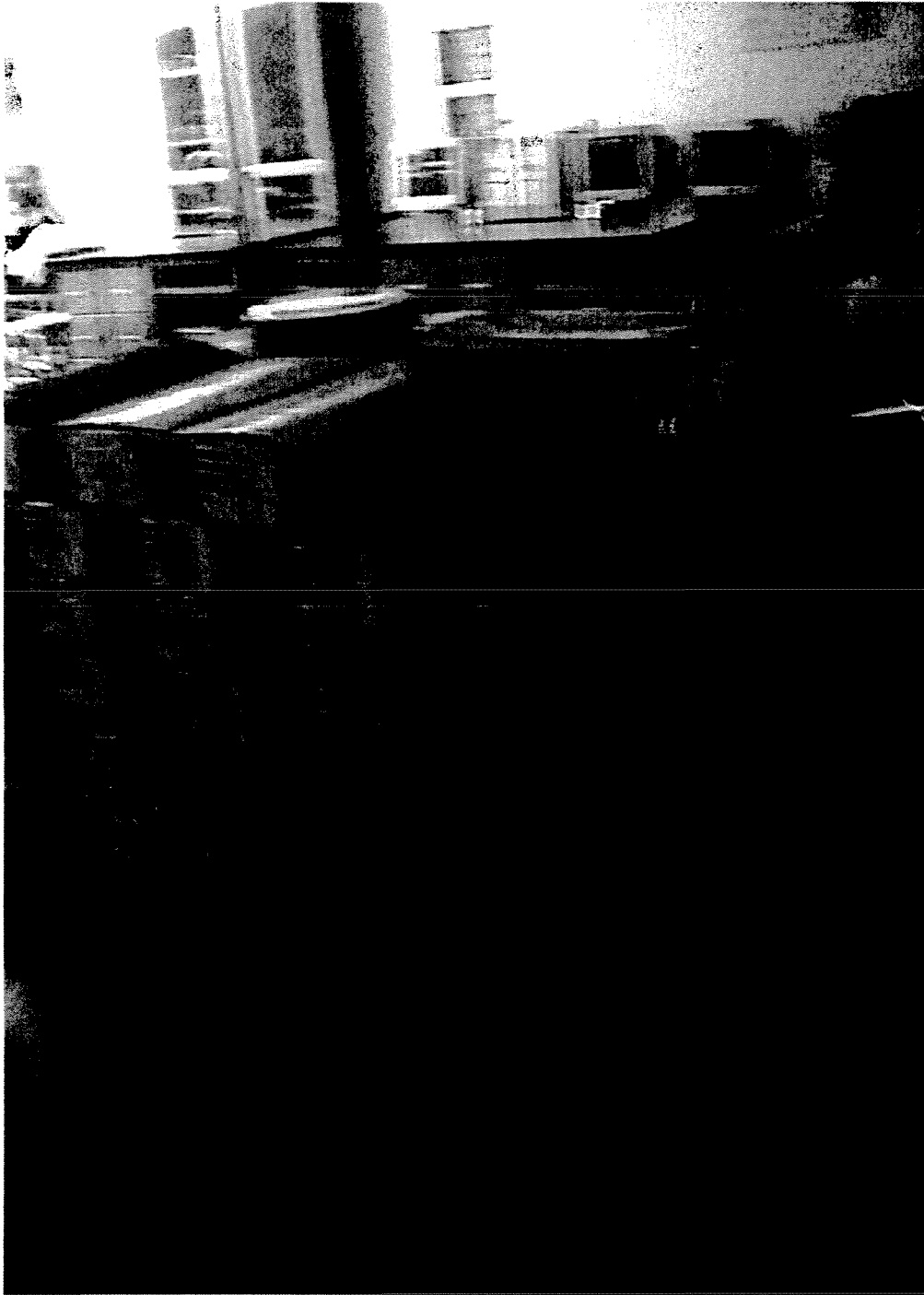


Figure 3 New Physics Books that were never used in 7 years

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## **Summary of Textbook Cost Reduction through Cooperative Education Units Efforts**

From the perspective of basic textbook cost reduction through combined purchasing power of the UoG, GCC, and DOE K-12 there is no real savings. This is due to the fact that publishers use what is referred to as “fair nations” pricing policies. What this means is that every university pays the same price for a textbook regardless of individual quantities or combined quantities. Additionally, publisher higher education divisions and K-12 divisions act as independent units. Publishers typically would not view a cooperative purchasing program that crosses over these divisions as increased buying power.

However, there can be some joint savings on freight for UoG and GCC since their purchasing timelines for major buying segments are essentially the same. Cooperative efforts between the two entities will allow for the “purchasing” of containers and optimization of handling by freight companies. It is recommended that this approach be taken at least for the two major purchasing periods annually.

Guam’s K12 district is not able to participate in a combined freight program due to their somewhat erratic ordering times. In recent years, there has not been normal purchase order generation due to the fact that financial constraints have not allowed for predictable ordering times.

However, when orders are placed, freight cost reductions can occur. As indicated earlier in this report, freight costs for K12 purchase orders are approximately 80% higher than they should be.

One last area that potential savings can occur is knowing which textbooks are jointly used at the three units. It is entirely possible that some high school textbooks and GCC textbooks are the same. Similarly, it is possible that some GCC textbooks and lower level UoG textbooks are the same. A comparison of the three textbook lists should be done to determine which, if any, textbooks are commonly used. Once this is determined, sharing of “excess” textbooks can occur even if sharing means selling at cost to the other.