

# Royalty Disclosure Form and Guidelines

## College of Arts and Architecture

### Pennsylvania State University

#### Background for the Royalty Disclosure Form

In Spring 2010, complaints about the cost of student textbooks and faculty members receiving royalty payments from textbooks sold to Penn State students in Arts and Architecture courses were received by the University's Office of Undergraduate Education. At the same time, the College was undergoing a regular internal audit of all operations. The audit and complaint revealed that the College had no process in place to ensure compliance with policy *AD17*, which stipulates that "faculty members seeking royalty payments on materials sold to Penn State students must obtain written approval prior to receiving payment of such royalties in order to ensure that the payment of royalties is reasonable and justified . . . and that students are not financially exploited."

Subsequently, a task force was established to develop recommendations for procedures for A&A. In Spring 2011, the A&A Textbook Procedure Task Force recommended developing guidelines that would not allow faculty to profit directly from textbooks sold to students within the author's department. The Task Force report was submitted to the A&A Faculty Advisory Council and academic unit heads to solicit faculty opinions.

Because there have been no College guidelines to ensure implementation of University policies, a wide range of practices has developed among faculty authors. One faculty member has worked with a publisher to make online texts available at nominal cost for Penn State students, with both the publisher and faculty member waiving profits from Penn State students and receiving payment and royalties only from materials sold outside of Penn State. Other faculty members receive royalties from all sales to Penn State students. Others have arrangements where they donate royalties to their department or to other charities. Opinions gathered on the Task Force recommendations revealed competing individual values held among individual members of the college faculty. Opinions ranged from—"there should be no financial gain or benefit" to individual faculty members whose textbooks are used within one's own department (seen as "competing or conflicting interests")—to "there should be no limits on financial gain" from one's own students.

In order to address the divergent values among faculty members in the College, comply with *AD17* and *HR91*, provide transparency for all involved, and encourage more careful consideration of textbook costs to students, a college "Royalty Disclosure Form" has been developed. The form and guidelines have been reviewed and edited by the A&A Faculty Advisory Council and academic unit heads. The procedure provides: 1) a less restrictive option than was recommended by the A&A Task Force report, 2) a liberal definition of what is "reasonable" payment for royalties from Penn State students, 3) opportunities for peer review in the implementation of University policy, and 4) consideration of costs.

#### University policies and context for Royalty Disclosure Form and College procedures

The College of Arts & Architecture remains committed to the right of faculty to select textbooks and course materials based on their judgment of quality and to encouraging faculty to develop strong course materials. At the same time, we are committed to avoiding the appearance of conflict or competing

interests by faculty who may profit from the use of their text within their own department as well as to doing all we can to ease the financial burden placed on students by the escalating cost of course materials. The following Penn State policies have been considered in developing the guidelines.

- HR 91 *Conflict of Interest* (<http://guru.psu.edu/policies/OHR/HR91.html>),
- RA 17 *Courseware* (<http://guru.psu.edu/policies/RA17.html>),
- AD 17 *Royalty Payments for Course Materials* (<http://guru.psu.edu/policies/AD17.html>).

The attached form must be submitted by faculty who anticipate receiving royalties from a traditional or digital textbook, course packet, and/or supplemental materials that are required for purchase by Penn State students. This process is consistent with *AD 17* which stipulates that “faculty members seeking royalty payments on materials sold to Penn State students must obtain written approval prior to receiving payment of such royalties in order to ensure that the payment of royalties is reasonable and justified in accordance with the guidelines set forth below, and that students are not financially exploited.” *HR91* requires self-reflection “to avoid the possibility of any misunderstandings concerning the appropriate conduct of faculty and staff members in regard to all transactions touching upon their University duties and the property of the University.” *HR91* calls on faculty to carefully consider selling texts and materials to Penn State students because University property, equipment and financial support through leaves are normally used to develop and produce these materials in the course of teaching and research. Materials also often earn positive rewards for faculty in the form of promotion and tenure, sabbaticals, merit pay, and other benefits for faculty accomplishments, which are paid for through student tuition.

Besides the policy issues related to personal gain from competing interests, a 2010 report by a joint Faculty Senate/Administrative Committee at Penn State, recognized the need for more attention by faculty members to the increasing costs of textbooks.

. . . two separate, but related legislative acts passed on July 1, 2010, will likely increase pressure on universities to become proactive about reducing textbook costs for their students. The **Higher Education Opportunity Act Re-Authorization** mandates that ordering information for textbooks be included in college and universities’ online course schedules. Also effective July 1<sup>st</sup>, the Pennsylvania General Assembly’s **College Textbook Affordability, Accountability and Accessibility Act** requires faculty members to choose *the least expensive, educationally sound textbooks*, among many other provisions.

The disclosure and approval of appropriate royalty payments encourages faculty to create instructional materials, ensures that royalties are “reasonable and justified” in accordance with university policy, and at the same time, “protects students from potential financial exploitation.” After reviewing opinions from all faculty who commented on the 2011 Task Force recommendation report, as a College, we are defining “reasonable” royalty percentages as 10-15% of the retail price of the text, with a total annual remuneration from Penn State students equal to no more than 20% of an employee’s base salary, which is the same limit permitted under supplemental salary guidelines.

The college process requires that this form be reviewed first by the School Director and/or Department Head of the academic unit. Consultation with peer faculty within the unit is encouraged. Certain circumstances may require a second review at the college level. Reviews are to be completed and forms sent to the Arts and Architecture Human Resource Office one month in advance of textbook selection deadlines for the semester in which a textbook is to be used.

## Responsibilities of disclosure

By signing the approval page the faculty member and unit head affirm the following statements, which have been extracted from AD 17, Advisory Guidelines Regarding Peer Affirmation and Royalty Payments and the 2010 Faculty Senate report on textbook costs:

- 1) In order to comply with Federal and State textbook legislation academic units of the College are required to disclose textbook costs to students in course syllabi.
- 2) That the textbook/course packet represents a “substantial intellectual product” that goes beyond the “essential core of information that the instructor has been paid to organize and deliver and that students have paid to receive.”
- 3) That an appropriate level of peer review of textbook/course materials has been conducted and the textbook/course packet is recognized as high quality within the discipline by peers external to Penn State.
- 4) That the materials were produced for use beyond Penn State courses and are being marketed and/or sold to students beyond Penn State. (The size of the Penn State market should not affect the publisher’s marketing of materials.)
- 5) That the textbook/course packet is not being published by an academic or commercial press in which the faculty member holds ownership or a vested interest. If it is an online text, the faculty member does not receive remuneration from any company involved in distributing or managing access to the textbook or course packet.
- 6) That consideration has been given: a) to the use of university resources (*check all that apply below*) in developing the materials and b) to appropriate recognition (merit pay, tenure and/or promotion) that has resulted from the completion of the materials; that the faculty member and unit head agree that the work a) merits the additional royalty compensation, b) “avoids the possibility of any misunderstandings concerning the appropriate conduct of faculty,” and c) ensures that “University tangible assets, equipment, supplies and services [have not been] used by employees for personal gain, or for purposes outside the scope of their employment.” (*HR91*). Resources used (*please check all that apply*):  
 Sabbatical       Course release       University grant funds  
 No additional resources other than office space and equipment have been used
- 7) That the royalty is reasonable based on standard royalty payments—10-15% of the retail price and the total remuneration does not exceed 20% of the employee’s base salary.
- 8) That if competing interests are determined to exist, other actions have been taken to eliminate or mitigate these interests such as a) exploring the potential to remove or adjust the amount of royalty from the cost of textbook to PSU students, b) donating royalties to an appropriate charity, or c) using alternative text/material.

**Process for Review**

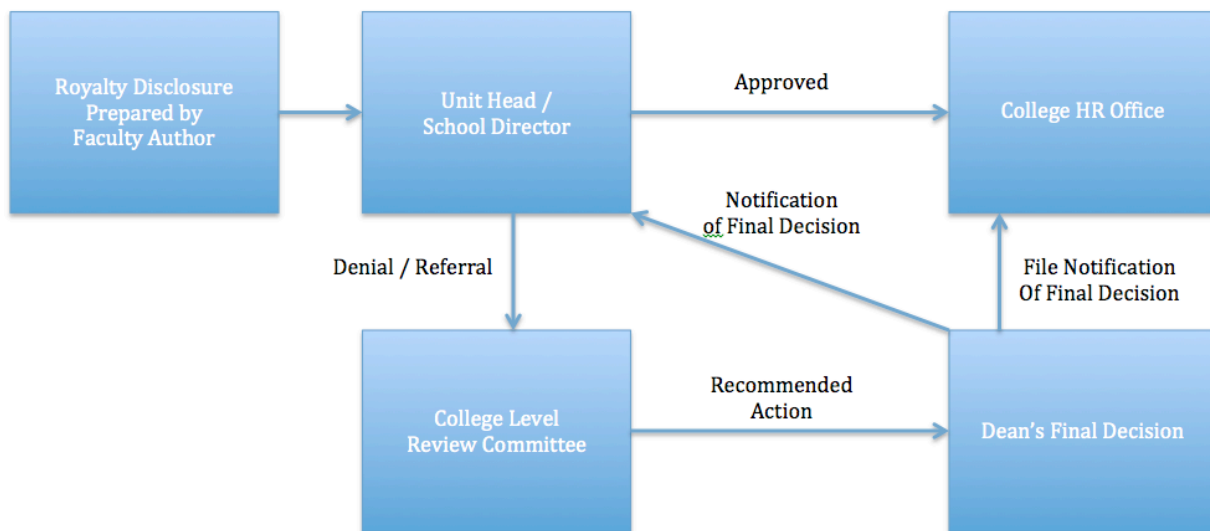
To be in compliance with University policy AD17 and to avoid competing interests, the form must be reviewed initially by the director or head in the academic unit with consideration given to the factors indicated. Consultation with appropriate peers in the academic unit, such as a faculty curriculum or other committee, is encouraged. Should approval be deferred to the college level for review, additional information may be requested from the author/editor of the textbook, course packet or instructional materials. **(NOTE: If a faculty author is not receiving royalty payments it is not necessary to process this form repeatedly. If, however, a faculty member does receive royalties on repeatedly used texts, the form should be processed each semester to ensure the total remuneration does not exceed 20% of the annual base salary.)**

**Requests shall be referred to the college when:**

- 1) The faculty author has authority for establishing enrollment limits for course section(s).
- 2) The faculty author is a school director or department chair.
- 3) The request is denied by the unit head and the faculty member wishes to appeal the decision.

**Process/Procedure for College Level Review**

- 1) School director and/or unit head reviews and signs indicating approval, denial or referral of the request. Forms are forwarded to the College HR Office.
- 2) If unit denies or refers, college level review is conducted by faculty committee and recommends appropriate action to the dean.
- 3) Dean informs school director and/or unit head of outcome of college level and dean’s review.
- 4) Forms with approval or denial are kept in faculty member’s records at both college and departmental level.



**College of Arts & Architecture Royalty Disclosure Form**

**INSTRUCTOR INFORMATION**

Name:	School:
Address:	Department/Program:
Email:	Phone:

**PSU COURSE INFORMATION**

Semester:
Course Number and Title:
Section Number(s):
Anticipated Total Course Enrollment:

**TEXTBOOK/COURSE PACKET INFORMATION**

Title:
Author Name(s):
Publisher:
Brief Description of Peer Review Process Conducted:
Retail Cost (Penn State Bookstore): \$
Royalty to be Paid to Author per Textbook/Course Packet Sold: \$
If faculty member holds an interest in any entity responsible for publication, distribution, or delivery of textbook/course packet, please describe:

(Optional) If author is to receive royalties, you may describe how funds to be received from sales of textbook/course packet **to students enrolled in PSU courses** will be used (e.g. recovery of author's costs, professional development, student support, gifts to charity, etc.)

---

---

---

SCHOOL/DEPARTMENT REVIEW (Director/Head Signature)

Approved: \_\_\_\_\_

Denied: \_\_\_\_\_

Referred (or appealed) to College Dean: \_\_\_\_\_

Date: \_\_\_\_\_

Director/Head's statement for denying or referring request:

---

COLLEGE REVIEW [If required] (Dean Signature)

Approved: \_\_\_\_\_

Denied: \_\_\_\_\_

Date: \_\_\_\_\_

Dean's Statement:

Adopted May 1, 2012