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# Analysis of Financing Mechanisms and Sources of Budget Formation of the Testing Centers of the Complex “Ready for Labor and Defense”

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## ABSTRACT

The Russian physical culture and sports complex “Ready for labor and defense” is established in Russia since 2014. The main element of the project is testing centers, of which more than 2 600 in the country. At the same time, the activities of such centers are often not systematized and have different, sometimes diametrically opposite approaches to its organization. The **subject** of this study is the activities of testing centers, including personnel, financial, logistical and informational parameters. For several years, the federal operator is developing various methodological materials for the development of testing centers. The **purpose** of this study is to develop financing mechanisms for the identified forms of organization of testing centers. The main research **methods** are the statistical method and the method of comparative analysis. As part of our research, we analyzed statistical information for the period 2020–2022, as well as a survey of 170 testing centers located in 59 regions of Russia and having different organizational and legal forms and a number of other different features. Based on the results of the study, the main sources of financing for the activities of testing centers were identified, as well as mechanisms and recommendations for increasing budgetary and extra-budgetary funding of various activities of testing centers were developed. The results of the study are practical, tested, successfully applied by some organizations and can be used in testing centers of various types.

**Keywords:** physical and sports organization; RLD complex; testing center; organizational and legal form; structure; sources of financing; provision of activities; subsidy; grant funds

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## INTRODUCTION

The authors of the Russian Physical and Sports Complex “Ready for Labour and Defense” (further — RPSC RLD) conducted a complete study to investigate the testing center’s (further — TC) existing and implemented funding mechanisms. Statistical and other data for 2020–2022 are analysed. The collection and analysis of actual data characterizing the organization and regulation of the activities of 170 physical and sports organizations evaluating the level of physical training of the population according to the results of the performance of RPSC RLD tests in the regions of the Russian Federation was completed.

According to Federal Statistical Observation No. 2-RLD “Information on the implementation of the Russian Physical and Sports Complex “Ready for Labour and Defense” (further — RLD), the country at 31 December 2021 operated 2 650 TC, which is 1.2% higher than the same values at the end of 2020<sup>1</sup>.

From the TC:

- 188 un. — in the structure of public educational organizations (minus 7 units per year);
- 14 un. — in the structure of secondary professional education organizations (minus 1 unit per year);
- 20 un. — in the structure of higher professional education organizations (plus 1 unit per year);
- 1 047 un. — in the structure of additional education organizations (minus 7 units per year);
- 353 un. — in the structure of sports training organizations (plus 56 units per year);
- 877 un. — in the structure of physical and sports organizations (minus 9 units per year);

<sup>1</sup> Statistical information RPSC RLD. Ministry of Sports of the Russian Federation. URL: <https://www.minsport.gov.ru/sport/physical-culture/41/27653> (accessed on 13.01.2023).

- 67 un. — in the structure of non-profit organizations (plus 29 units per year);
- 84 un. — in the structure of other organizations.

Of 2 650 TC created:

- 92.9% (2 462 un.) — by decision of local government;
- 6.0% (159 un.) — by decision of region authorities of the Russian Federation;
- 1.1% (29 un.) — by decision of the federal authorities.

988 TC, or 37% of the total, have been created and are operational in rural areas.

There is a significant increase in testing centers in sports training organizations [1]. The share of TC in non-profit organizations is also gradually increasing, indicating their increasing role in the implementation of the strategy for the development of physical culture and sports in the Russian Federation until 2030 [2, 3].

At the same time, according to the Federal Operator RLD, the number of TC in 2022 remained the same, which indirectly indicates the establishment of close to the optimally needed number of such centers over the years of implementation of the RLD complex in the regions of the Russian Federation<sup>2</sup>.

In 2021, TC specialists conducted 115 538 activities (in 2020 there were 90 thous.), which included the implementation of the test standards of the RLD complex by different categories of the population [4]. 16.5 thous. of these were noticed in rural regions<sup>3</sup>:

- 47 941 — on the basis of physical and sports organizations (8% more than in 2020);
- 26 001 — on the basis of additional

<sup>2</sup> Russian Physical and Sports Complex “Ready for Labour and Defense” (RPSC RLD). URL: <https://www.gto.ru/history> (accessed on 10.01.2023).

<sup>3</sup> Statistical information RPSC RLD. Ministry of Sports of the Russian Federation. Statistical information. URL: <https://www.minsport.gov.ru/sport/physical-culture/41/27653/> (accessed on 13.01.2023).

Table 1

**Sources of Financing for RLD Testing Centers**

No.	Sources of financing	Share (%)
1	From the municipal budget (in the framework of the municipal task)	90.2
2	Subsidy for a public assignment	8.8
3	Grants (regional and municipal)	11.7
4	Sponsorship contributions	2.9
5	No financing available	7

Source: Compiled by the authors.

education organizations (18.0% less than in 2020);

- 16 469 — on the basis of general educational organizations (53.3% compared to 2020);

- 1 451 — in organizations of secondary professional education (by 12% less than in 2020);

- 599 events — in higher education organizations (52% more than in 2020);

- 9 525 — in institutions providing citizen sports training (by 25.3% higher than in 2020);

- 1 972 — on the basis of non-profit organizations (21.5% more than in 2020).

### **ANALYSIS OF THE EXPERIENCE OF THE WORK OF PHYSICAL CULTURE AND SPORTS ORGANIZATIONS**

The work of physical and sports organizations — TC was evaluated according to the following criteria:

- availability of normative legal acts and mandatory legal documents;
- availability of movable and immovable property of TC;
- financing indicators;

- level of staffing, i.e., the availability of personnel to perform the functions of each of the individual parts of the testing process;

- information provision.

Based on the list of aspects and parameters of the activities of TC, to collect information and conduct an analysis of the actual experience of the organization of activities of physical and sports organizations, and to conduct the assessment of the level of physical fitness of the population on the results of their performance of the norms of tests of the RLD complex, in the framework of the study, a questionnaire was formed and sent to fill in 170 TC, operating in the territory of 59 regions of the Russian Federation.

A summary of the material obtained on the experience of organizing the activities of physical and sports organizations showed that the sample presented constituted 6.4% of the total number (2 650) of RLD testing centers, is randomized and is sufficient for qualitative analysis.

The results of the analysis of the materials received and the questionnaire

Table 2

## Organizational and Legal Forms of RLD Testing Centers

No.	Organizational and legal forms	Share (%)
1	Municipal budgetary institution	44
2	Municipal autonomous municipal institution	28
3	MBI structural office (RPSC RLD testing center)	26
4	Autonomous non-profit organization (ANO)	less than 1

Source: Compiled by the authors.

data revealed the following: The vast majority (78.2%) of the organization's founders are municipal administrations, with 14.7% of cases — as the municipal body of management for physical culture and sports, 5.3% — as the municipal body of administration for education, and others — for less than 2% [5].

Analysis of sources and forms of financing of activities of the organization to implement activities of RPSC RLD<sup>4</sup> demonstrates diversification of sources of financing (Table 1). TC is financed by:

- municipal budget (in the framework of the municipal task);
- subsidies for a public assignment;
- grants (regional and municipal);
- sponsorship contributions.

It is significant that some TCs have several sources of financing [6, 7].

21.7% of organizations have RPSC RLD test preparation teams based on TC, with the exception of two centers, training and consultations are provided free of charge. Only 2 centers indicate the provision of paid services for organizing and conducting events as an additional source of income.

Comprehensive analysis has revealed that for TC to function well, it must be constructed on a sports facility (the organization approved by TC must own or lease sports facilities) with a permanent

team of trainers, instructors, administrators, and workers.

TC operates in the following organizational and legal forms (Table 2).

The relationship between financing and the TC forms identified in the study should be described separately. Financing of TC is largely determined by its organizational and legal form and the level of competence of the manager, as well as the demanding results of the founder of the center and level of satisfaction of the population with the quality of the services provided aimed at assessing the physical fitness level of different genders and social groups of the population.

The financing mechanisms themselves are equally different, with a number of features that must be considered when selecting and using each of them.

By systematizing the information on the financing mechanisms used by TC, several approaches can be proposed to the structuring of financial routes.

This approach is based on the conditions of TC functioning, depending on the selected organizational and legal form.

Given that the vast majority of testing centers are established by authorities and charged with a public purpose, financial costs are mainly financed by budgets at the appropriate levels (municipal or regional). TC currently has a diverse range of budgetary and extrabudgetary funding sources (for a given TC) [8].

<sup>4</sup> Non-profit organization "Directorate of Sports and Social Projects". Moscow; 2023. URL: <https://gto.ru/document>. (accessed on 05.15.2023).

Table 3

**Matrix of Financing Mechanisms for Testing Centers Depending on the Form**

Financing Options	Types of institutions for testing centers				
	GBI/RBI	MBI	GAI/MAI	BPEI	MGI
Federal financing	+	+	+	+	–
Regional government assignment	+	–	–	–	–
Regional special subsidy	+	+	+	+	–
Municipal state assignment	–	+	–	+	+
Municipal special subsidy	–	+	+	+	–
Reimbursable services to population	+	+	+	+	–
Reimbursable services to organizations	+	+	+	+	–
Consolidated budget	+	+	+	+	–
Competitive financing (grants, awards, etc.)	+	+	+	+	–

Source: Compiled by the authors.

Note: GBI – state budgetary institution; RBI – regional budgetary institution; MBI – municipal budgetary institution; GAI – state autonomous institution; MAI – municipal autonomous institution; BPEI – budgetary professional educational institution; MGI – municipal government institution.

It should be noted that the financing structure of TC, despite its organizational and legal form, consists of two components: state budgetary expenditure obligations (federal, regional, or local budgets brought to TC either as a government assignment or subsidy) and extrabudgetary funds attracted by TC<sup>5</sup>. In the latter case, the organizational

and legal form of the establishment and existence of TC are important [9].

Extrabudgetary funding mechanisms may be classified by source of funding or by target of request. In any case, we consider it appropriate to specify all the practical mechanisms and capabilities of TC.

Furthermore, when deciding on the form of the testing center that is developed, we must consider its purpose and objectives, as well as the available resources and financing for the completion of its tasks. This planning will allow for correct structuring of the conditions for operation and selection of the organizational and legal form of the

<sup>5</sup> Methodical recommendations for the organization of tests (tests) included in the Russian Sports and Culture Complex “Ready for labour and defense” (RLD) approved at the meeting of the Coordinating Commission of the Ministry of Sports of the Russian Federation on the introduction and implementation of the Russian Physical Culture and Sports Complex “Ready for labour and defense” (RLD) by Protocol from 23.07.2014 No. P/1 [Electronic Resource]. Access from the legal reference system Garant (accessed on 10.01.2023).

TC, allowing it to receive finance in the expected amounts [10].

Based on the results of the information received, a matrix of possible financing mechanisms for TC in various forms has been compiled (*Table 3*).

### CONCLUSION

On the basis of experience and survey materials, we have developed financing mechanisms for identified forms of TC organization: from budgetary and extrabudgetary sources.

The mechanisms' purpose is to maximize the diversification of accessible financing sources. Each TC in management should be informed about the sources and how to use them, i.e., have the instruments to implement each of the mechanisms. At the same time, the first step is the determination of the required amount of funds, their calculation, and subsequent justification, first of all, budgetary. We propose the following calculation mechanism.

In the territory served by TC, a certain number of people live; 70% of the population of the territory in 2030, according to the current demographic forecast of the age of 6+, is number X. At this time, a certain number of residents of the territory have also been registered in the AIS RLD system, from which they have started to comply with the standards; that is, they have fulfilled at least one standard in the reporting year; this is the indicator Y. Given that the goal of the state is to attract people to regular physical culture and sports by 2030, 70% of the population, and AIS RLD is one of the few digital tools to solve it. Each participant who fulfills the RPSC RLD standards has an individual digital footprint, which allows objectively to establish and confirm the fact of his involvement. Returning to the calculation mechanism, the difference between X and Y is divided by the number of reporting

periods up to 2030. The mechanism's simplified formula is now structured as the following:

$$N = (X - Y) / 7.$$

As a result, we determine the number of personnel who have to provide the service and establish the conditions for them to fulfill the complex's standards. TC will be able to develop a primary need and an indicative amount of funds by multiplying the amount by the cost of the service. This calculation is simply an initial basis for justification and should be informed and clarified based on the individual characteristics of the TC and the territory.

#### *Mechanism 1 (budgetary financing).*

The TC at the budget planning stage determines the amount of funds required for operational activities (the above method may be used).

Furthermore, depending on the organizational and legal structure of the testing center, the scope and ability of the founder to finance the activities of TC (the scope of the government assignment/target subsidy) is determined. A list of possible additional sources of public funding at all levels of regulation was then formed. At this stage, the available financial resources and the prospects for funding are assessed. Initially, focus should be on events that are directly related to the activities of TC — for example, physical and sports activities. Secondly, it is necessary to provide for financing of TC project activities, which can be submitted in the form of a grant (e.g. for training of specialists, sports instructors or sports judges). Thirdly, the activities indirectly related to the activities of the center should be taken into account: installation of flat ground for mass sports, provision of sports equipment, marketing services.

The next step is operational action to submit various applications for funding. In



cases of rejection, the reasons should be carefully analyzed and action adjusted for the future. In the case of a positive decision, the expenditure part of the funding received should be planned, taking into account the rules for the spending of budgetary funds and the provisions of the current procurement legislation.

*Mechanism 2 (extrabudgetary financing).*

After evaluating the availability of extrabudgetary financing, approval from the governing bodies, including the founder, should be obtained for conducting revenue-generating operations. Following a positive decision, the next step should be to monitor the sources and formats of such funding. TC's extrabudgetary activities will be related to the provision of services to the public and various organizations. Accordingly, funding sources can be the funds of both physical and legal persons, including cash. It is important to consider the elements of interaction and the accounting system for such money, as well as to plan the expenditure portion in a manner similar to the mechanism outlined above. It should be emphasized that the expenditure of extrabudgetary funds is

subject to different regulatory systems than the use of budgetary funds.

The next step is expected: developing involvement and contract relationships with TC consumers. It is also important to remember that TC can provide both regular services (such as sectional training sessions for the implementation of RPSC RLD or GPT) and one-time services (such as sports holidays, festivals, corporate events, and other events).

Despite the specifics of TC's work, it is possible to provide information and analytical services, as well as sociological research, on behalf of public and private organizations and people if competent staff are available.

Thus, the results of the study identified the features of the organization of the activities of TC and developed funding mechanisms. It emphasizes that when using these approaches, TC has the ability to depend on financial stability and the expansion of its activities. To achieve this goal during the reporting period, the mechanisms used should be reviewed, and appropriate adjustments should be made to improve the testing center's funding.

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***Author's declared contribution:***

**O.I. Samarchenko** — calculation of financial indicators, description of RLD financing mechanisms, development of mechanism and proposals to solve the problem.

**D.G. Stepyko** — Identification of problems, analysis of normative and legal sources, identification and description of effective practices, development of mechanisms and proposals to solve problems.

**D.V. Gracheva** — analysis of survey data, table presentation of the results of the study.

**D.A.O. Farzaliev** — collection of analytical and statistical data, collection of survey data.

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