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**LEGAL FORMS OF FINANCING US UNIVERSITIES: LAW,
PRACTICE AND SOCIAL POLICY**

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Abstract

This study analyzes the legal regulation of funding for US universities and their innovative activities, characterizes the social policy of the US Government in relation to university education, its rule-making implementation and practice of application by universities in local regulation and educational process. The problems of saving financing and the penetration of business circles into the management of universities are pointed out. It is noted that government subsidies for higher education are of immense benefit in leveling social tensions. The authors speak about the advantages of federalism in ensuring stable financing of educational and scientific activities, note the continuity and systematic approach of federal legislation in matters of financing universities. Funding planning for universities combines a normative and contractual way. Universities' voluntary regulation of spending and reporting, regardless of the type of source of income, is based on the directives of the Office of Management and Budget of the US Presidential Administration, resulting in unification of reporting standards for the use of funds while encouraging the uniqueness of each university. The article reveals trends in changes in the size of funding for scientific research at universities, as the main stimulating component of scientific achievements that form the experience of the United States, which is a recognized world leader in innovation.

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1. Introduction

The United States has been systematically pursuing a policy of increasing funding, benefits and incentives with regard to educational activities, and especially university education. Such a policy is carried out regardless of the change of administrations, since it is based on the continuity of understanding its importance for the present and future of the country. Innovative business is closely related to the scientific and technical complex of universities and the results of their development. Therefore, one of the most important tasks solved by the state is considered to be the maintenance of a balance between all elements of the scientific and technical complex, which ensures the United States advanced development and leadership in the scientific and technological world. Within the framework of this study, special attention is paid to the general policy of goal-setting, where the mission of the university, supported by a comprehensive legal framework based on multifaceted economic planning, is a red thread. Such planning is provided in a normative and contractual way.

2. Problem Statement

Experience in the application of mechanisms for regulation and support of research is, to one degree or another, inherent in any company (Glukhov et al., 2018), and in the activities of universities it is of enduring importance, becoming one of the fundamental factors: it requires the adoption of management measures and the creation of an appropriate legal environment to ensure competitiveness and development of the university environment. The search for ways of sustainable and balanced socio-economic development requires the intensive use of all resources with the formation of an adequate social infrastructure, the use of the potential of commercial and non-profit organizations capable of participating in social innovation (Khorin et al., 2018). Long-term planning increases the chances of stable growth of the educational organization (Bogomolova et al., 2018).

The university educational environment is not only an acceptor of investments, but also a donor of ideas, developments, and a testing ground for the implementation of the most daring projects. It is important that the very best intentions of education do not affect the very goals of education, its academic foundations and achievements. In this regard, established good practices should be studied and creatively used. This study analyzes the experience of legal regulation in the United States, which is a recognized world leader in innovation (Sudakova, 2020a).

3. Research Questions

Higher education all over the world needs guarantees of stability, as for the American problem, such a resource is currently in demand and is actively absorbed. The subject of this study is the stable trends in the policy of the US leadership regarding the regulation and attraction of sources of financing for higher education, which are very stable in terms of the level and structure of costs. The share of educational expenditures in the state budget is exceptionally high: in fiscal 2018 it was 44.6%.

Of interest is the practice of strict subordination to the federal government in the implementation of educational policy and funding principles: when establishing a federal program, all costs are first assumed by the federal government, and then they are gradually transferred to state budgets.

The research questions are the problems of fair distribution of budgetary financing of education, the solution of which is based on the principles of federalism. As part of the United States' overarching economic recovery plan, investment in higher education is helping to restore national economic growth and prosperity to each state, and state and local spending on research and development (R&D) in higher education is the most consistent predictor of state economic growth.

The article examines a unified approach to local regulation in US universities, which consists in the voluntary unification of standards precisely on the basis of the Directives data.

4. Purpose of the Study

The study of factual material is extremely important, since in the Russian Federation, with the active support of the United States, the idea of the commercialization of education and educational organizations has been actively introduced. For example, in the textbook 'Commercialization of University Developments' (NRU HSE (National Research University of Higher School of Economics)), it is directly stated that it was prepared "with the financial support of the American-Russian Foundation for Economic and Legal Development (USRF)" (Commercialization of University Developments, 2012). At the same time, in the American establishment, the idea of education, especially university education, as a special social system, provided as a matter of priority and by undoubtedly state funding, is unshakable. In the United States, all universities are non-profit organizations, the core activity of which is the actual provision of education. It is normatively defined that universities use the results of scientific and technical developments as a commercial activity, which does not have the benefits provided for specialized educational activities.

5. Research Methods

A review of the practice of regulation of higher education in the United States is carried out on the basis of the study of materials at various levels (federal, state and local), the distribution of competencies and established business habits, and is complemented by a comparison with socio-political objectives. In this study, financial statistics and analytics are presented in the context of social and legal analysis, moreover, the presentation is provided with accurate references to authentic statistical materials. As a result of this study and analysis, stable trends are traced, which serve as the basis for the conclusions proposed as a result.

6. Findings

In the United States, it is legally determined that the state bears the main responsibility for providing basic research. With the positive effect of wishes for involvement (Alfes et al., 2016), private funding, incl. through charitable foundations, takes up a very small proportion of research. In the United States, the traditional ideas about the values and characteristics of national culture, the principles of

individualism, personal freedom, initiative, enterprise as the most important means of achieving success, and about entrepreneurs as heroes of our time (Sudakova, 2020b), as well as the preaching of charity are manipulatively supplanted in mass consciousness by the propaganda of social consolidation in bloody game practices (Malenko & Nekita, 2020). Only a high level of education of society as a whole is able to resist anti-humanization, which is one of the most important tasks of the state, implemented by the support of education. According to leading American university legal scholars (William et al., 2020), the latest US Higher Education Act amendment and the increasingly controversial higher education environment call for a comprehensive review of the legal implications of administrative decisions that have broadened their scope, especially in the area of protection of intellectual property and academic freedoms. A significant contribution to stabilization is made by increased funding: according to official US statistics, federal budget funding for higher education in fiscal 2019 was 60% higher than in fiscal 2010 (de Brey et al., 2019).

An analysis of the trends in funding for university research in the United States shows that the main funds not only continue to come from the federal budget and state budgets, but also funding for science is increasing (Mervis & Malakoff, 2019). During the entire period of statistical observation from 1965 to 2019, the lion's share of funding for university education and research falls on the expenditures of the state budget of the United States of America (de Brey et al., 2021).

The American state retains its position as the most important player among the participants in the economic process in scientific research and development (Sudakova, 2019). Modern regulatory support for financing research activities, incl. those in US universities, was formed consistently and, as a rule, in a unified manner. In a rare year, the American legislator does not pass a new law on one or another side of the regulation of the educational sphere. Among the main sources are the National Science and Technology Policy, Organization, and Priorities Act of 1976, the Stevenson-Wydler Technology Innovation Act of 1980, The America COMPETES Act of 2007 as amended by The America COMPETES Reauthorization Act of 2010, American Recovery and Reinvestment Act of 2009. In 2019, the Building Blocks of STEM Act made a significant contribution to the regulatory framework for stimulating investment in higher education. This Act, referred to by American experts as the “new education law” (Kaplin et al., 2020), modifies National Science STEM grant programs.

Against the background of continuity in federal legislation, we note a systematic approach to the local regulation of funding at US universities, which consists in the voluntary unification of standards. While funds come from a variety of sources, spending and reporting regulations are based on Directives from the Office of Management and Budget of the US Presidential Administration. This approach directly and indirectly confirms the predominance of funding from the federal budget and the unshakable relying on it in the future. The Directives include principles for determining costs for educational institutions as non-profit organizations and unified requirements for the management of grants and agreements for higher education institutions. The social significance of these normative acts lies in the real mediation at the financial level of the idea of the university as a special kind of organization. The specificity of each university incorporates its history and traditions, requirements for teachers and peculiarities of personnel selection, material and technical equipment, which together form the uniqueness of each university. To support this idea, the Directives establish that non-profit corporations cannot be recipients of grants,

based on considerations of activities in the interests of their members, they must act in accordance with the “philosophy and value system cultivated in them”.

Moreover, this principle is extended by the Directives to other types of funding, since they establish that, firstly, in the course of carrying out research, universities must comply with the principles of modern management, accounting and reporting, and, secondly, that the client of the work must pay attention to indirect costs for their implementation, in addition to direct costs.

In general, the trend of regulating and attracting funding for higher education in the United States is very stable in terms of both the level and structure of costs. In practice, there is strict obedience to the federal government in the implementation of educational policy and funding principles. When establishing a federal program, first all costs are assumed by the federal government, and then gradually the entire burden of costs is shifted to state budgets (Kaverina, 2003, 2013). The share of educational expenditures in the state budget is exceptionally high: in fiscal 2018 it amounted to 44.6% (de Brey et al., 2019).

Given the federal structure of the United States of America, it is important to understand that state and local government spending on research and development (R&D) in higher education is also the most consistent predictor of state economic growth (Baldwin & McCracken III, 2013). As part of a comprehensive US economic recovery plan, investing in higher education is helping to restore economic growth and prosperity to every state. In general, the problems of equitable distribution of budgetary funding for education are currently facing the American society quite acutely, giving rise to significant differences in educational opportunities of different states. The harmful nature of inequality is so burdensome (Cheslock & Shamekhi, 2020) that the problem is sublimated at the level of encroachment on the principle of federalism in education (Robinson, 2013), i.e. balance of power between federal, state and local governments.

Within the framework of this study, we draw attention to the general policy of goal-setting, where the mission of the university, supported by a comprehensive legal framework based on multifaceted economic planning, runs like a red thread. Such planning is provided in a normative and contractual way, namely, each university individually agrees, at its discretion, with the Ministry of Defense, the Ministry of Health and Social Services or the Ministry of Energy, the rates of overhead costs for projects that are in force until new ones are established. The existing system is important for the tender method of concluding contracts, because the rates of indirect costs for projects set by one of the departments of the US federal government automatically apply to all other participants down to the personal harmonization of rejections. This model can be characterized as a hybrid of planned government regulation with elements of private competition in competitive selection. This model, in principle, resembles the method of planned organization of economic management and the establishment of contractual relations between organizations, tested in Soviet practice, well known to Soviet economic practice, and fundamentally studied by juridical science (Bykov, 1975; Kravtsov, 1976).

Thus, the concept of financing university education is based on the differentiation of core activities that correspond to the mission of universities and are imperatively regulated, and all other, non-core, activities, regulated by economic methods. This distinction prevents the emergence of a conflict of interest between them and, as a result, gives dynamic stability to the system.

7. Conclusion

All over the world, higher education needs guarantees of stability, as for American problems, such a resource is currently in demand. Recent changes in the field of higher education and the increasingly aggravated political and interracial conflicts require a comprehensive review of the practice of achievements and failures, a study of the legal consequences of administrative decisions, the subject area of which has greatly expanded, especially in the field of protection of intellectual property and academic freedoms.

Long-term strategy of US colleges and universities focus on online education (Cheslock & Jaquette, 2021). However, increased funding is critical to securing stabilization: in financial year 2019, federal budget funding for higher education was 60% higher than in financial year 2010, according to official US statistics. While corporations are now believed to have penetrated deeply into the governance and financial operations of public and non-profit higher education in the United States, severely undermining knowledge production, worker equality, teaching and learning (Batker & Turpin, 2019), the resilience of the public university system is demonstrated despite the complexities (Nations, 2021). Over the entire period of statistical observation from 1965 to 2019, the trends in funding for university research are extremely stable and represent the main stimulating component of scientific achievements that make up the US world leadership in the field of innovation.

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