

# THE IMPACT OF CITIZEN ENGAGEMENT ON LOCAL FISCAL OUTCOMES

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## ABSTRACT

Public participation is an important component of the democratic decision-making process. This study examines the efforts of municipal governments in engaging their citizens in local budgeting processes and whether these efforts lead to improved fiscal health of the cities. Data were collected from an online survey of finance/budget directors in the 184 cities in the Greater Los Angeles area in 2018. The findings of this study not only contribute to the literature of public budgeting and public participation, but also provide valuable practical implications for public managers on how to improve the fiscal health of their cities.

**Keywords:** Citizen Engagement, Financial Condition, Fiscal Health, Municipal Government, Public Participation

## INTRODUCTION

Public participation is an important component of the democratic decision-making process. According to King, Feltey, and Susel (1998), public participation can be classified as conventional or authentic. The conventional participation model places the citizen furthest away from the issue and administrative processes, whereas the authentic participation places the citizen closest to the issue. In both models, public administrators serve as the intermediary between citizens and administrative system or processes. While citizens may initiate the participation themselves, recent public administration development calls for public administrators to formally involve citizens in the decision-making processes of public policies. This more formal top-down approach as opposed to the informal bottom-up citizen participation approach is referred to “citizen engagement.”

Theory suggests that citizen engagement can increase government accountability and transparency, improve the effectiveness of government services, and ultimately enhance citizens’ quality of life. However, few studies have provided empirical evidence on the impact of citizen engagement on local fiscal outcomes. To fill in the research gap, this study examines the efforts of municipal governments in engaging their citizens in local budgeting processes and whether these efforts lead to improved fiscal health of the cities. Fiscal health is defined as the ability of a government to balance its financial and service obligations with its available revenue streams, both currently and in the future (Berne, 1992; Helpap, 2016; Maher & Nollenberger, 2009). It is often measured by the financial condition of the government in terms of its cash solvency, budget solvency, long-run solvency, and service solvency (Wang, Dennis, & Tu, 2007).

This study addresses two research questions: (1) How do municipal governments engage a diverse citizenry in their budgeting processes? (2) Does the authenticity of citizen engagement in public budgeting affect the fiscal health of the cities in the short run and long run?

## METHODS

An online survey was sent to all finance/budget directors in the 184 cities in the Greater Los Angeles area on September 28, 2018. The emails of these directors were collected through the cities' official websites or inquired by calling their office phone numbers. Five follow-up emails were sent to non-respondents from October to December. The survey was hosted on the SurveyMonkey website. An Internal Review Board (IRB) approval was obtained before the survey was distributed to the potential participants. All participants were provided with an informed consent form. The survey contains 17 questions asking the respondents' perceptions on citizen engagement, how citizen engagement is used in their cities, and its influence on fiscal outcomes. In addition, financial data were collected from the cities' budget and financial documents. Data on the economic, political, social, and demographic characteristics of the cities were collected from the U.S. Census Bureau and other government sources. Both quantitative and qualitative methods were used to analyze the data.

## FINDINGS

The findings of this study not only contribute to the literature of public budgeting and public participation, but also provide valuable practical implications for public managers on how to improve the fiscal health of their cities.

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