

# CITIZEN PARTICIPATION AND MUNICIPAL FISCAL HEALTH

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## ABSTRACT

Citizen participation is an important element of the democratic decision-making process. However, empirical evidence is lacking regarding the impact of citizen participation on local fiscal outcomes. This study addresses two research questions: (1) How do municipal governments engage citizens in the budgeting process using social media? (2) Does the level of citizen participation on social media affect municipal fiscal health? Using a sample of 174 California cities from 2016 to 2022, this study analyzes the social media data and fiscal data of cities. Mixed research methods are used. The study has practical implications for authentic citizen participation in budgeting.

**Keywords:** citizen participation, fiscal health, transparency, social media, Twitter

## INTRODUCTION

Citizen participation is an important component of the democratic decision-making process. Theory suggests that citizen participation can increase government accountability and transparency, improve the effectiveness of government services, and ultimately enhance citizens' quality of life (Neshkova & Guo, 2012; Wang, 2001). As social media platforms such as Facebook, Twitter, Instagram, and YouTube become widely used by individuals and public organizations, they can foster the principles of transparency, openness, and accountability in governance (Wang et al., 2022). This is because social media can empower citizens beyond mere information consumption, allowing them to generate content, comment, and contribute to grassroots news (Boulianne, 2015; Gordon & Manosevitch, 2011; Pasek et al., 2009).

Meanwhile, assessing fiscal health has always been a challenge for public finance scholars as fiscal health is usually measured in multiple dimensions. For example, Groves et al. (1981) defined the financial condition as the result of diverse factors such as cash solvency, budgetary solvency, long-run solvency, and service level solvency. Furthermore, Hendrick (2004) classified three dimensions of fiscal health in local governments: properties of the government's environment, properties of the government's fiscal structure, and the balance of fiscal structure with the environment.

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 the local budgeting process through social media, and whether these efforts lead to improved fiscal health of the city. The research questions are: (1) How do municipal governments engage citizens in the budgeting process using social media? (2) Does the level of citizen participation on social media affect municipal fiscal health?

## **METHODS**

We compiled a list of 176 California cities with a population of 50,000 or above based on the 2020 Census. Data were collected from the cities' official Twitter accounts from July 1, 2016 to June 30, 2022. Since two cities do not have a Twitter (name changed to X in July 2023) account, the final sample size is 174 cities. We used nine search keywords "budget, tax, fee, debt, bond, expenditure, revenue, financial, fiscal" to find the budget-related tweets during the 6-year study period. These budget tweets are used to measure government efforts in engaging citizens in the budget process. In addition, we collected cities' financial data from the website of the California State Auditor's Office. Mixed methods were used to analyze the quantitative and qualitative data. The level of citizen participation is measured by the total number of replies, retweets, and likes to all budget tweets the city has posted per year.

## **RESULTS**

To answer the first research question "How do municipal governments engage citizens in the budgeting process using social media," descriptive statistics show that the average number of budget tweets is 0.21 per month pre-Covid (7/1/2016-3/3/2020), compared to 0.40 per month during Covid (3/4/2020-6/30/2022). In addition, qualitative analysis of the timing and contents of the tweets discovers that the budget tweets are posted during different stages of the budget process (i.e., budget preparation, budget approval, budget execution, and auditing) reflecting various levels of public impact ranging from inform, consult, involve, and collaborate, to empower.

Further analysis reveals that the total number of budget tweets is 1,044 among the 174 cities during FY2017-2022. Most cities posted less than five budget tweets during the six years. Similarly, the level of citizen participation, measured by citizen responses to the budget tweets per year, is very low as well. Most tweets generated less than five responses from the citizens. OLS regression analysis suggests that the number of budget tweets positively affects the level of citizen participation, controlling for the number of years using Twitter, city population, and unemployment rate.

To answer the second research question "Does the level of citizen participation on social media affect municipal fiscal health," fixed-effect regressions reveal that the level of citizen participation affects municipal fiscal outcomes such as cash and investment, revenue trends, and fund balances, holding others constant.

## **CONCLUSION**

Using a sample of 174 California cities from 2016 to 2022, this study examines the impact of citizen participation on local fiscal outcomes through the analysis of cities' Twitter accounts and fiscal health data using mixed methods. The study findings suggest that the innovation of authentic citizen participation in budgeting appears to be the future of many municipalities in the United States. For public managers, seeking ways of strengthening communication on social media is key to enhancing fiscal transparency and increasing citizen participation, which ultimately could lead to improvement in municipal fiscal health. Future research should focus on the evaluation of the effectiveness, efficiency, and sustainability of citizen participation processes.

## **REFERENCES**

Available upon request.