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Author(s): Justin Marlowe and Shannon Portillo

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CITIZEN ENGAGEMENT IN LOCAL BUDGETING

Does Diversity Pay Dividends?

JUSTIN MARLOWE
SHANNON PORTILLO
University of Kansas

ABSTRACT: *The literature on citizen engagement in budgeting suggests local governments can improve how they collect, interpret, and incorporate citizen input about resource allocation issues. However, at the moment, it is unclear whether that input, particularly from a more diverse citizenry, is more or less useful to managers. We address this question by examining how a variety of demographic and institutional factors affect manager perceptions of citizen engagement among a sample of 221 local governments in Michigan and Minnesota. The results suggest that the input managers perceive as useful tends to focus on community concerns rather than parochial concerns. We also find that community diversity associates with a clear trade-off, as managers in more diverse communities are more likely to perceive citizen input as focused on community-wide rather than parochial interests but less likely to view that input as useful in making budget decisions.*

KEYWORDS: *budgeting, citizen engagement, citizen input, Michigan, Minnesota*

Effective public management is in many ways contingent on administrators' ability to engage citizens in policy decisions. This is especially true in the context of local budgeting because a municipality's budget is its most important policy statement and its focal point for conflict, compromise, and institutional change. However, despite its centrality to policymaking, municipal budgeting has been widely criticized for its perceived inability to seek out and incorporate citizen input on critical resource-allocation issues. A small but growing body of literature describes the structure of this citizen engagement problem and how budget processes might be changed to solve it. Most of those solutions coalesce around the general theme of making the budget process more accessible to citizens by demystifying its technical aspects, transforming statutorily mandated budget hear-

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ings into a genuine dialogue between citizens and their government, and promoting transparency and accountability.

However, at the moment, we know little about how administrators perceive the input that citizens provide, which is arguably the most important aspect of citizen participation, for if managers do not view participation as adding value to budget decision processes, they may discount it or even discourage it. This paper addresses this issue by examining patterns and determinants of those perceptions. Managers will view participation as value added, we argue, if it yields insights into the "public good" and "community concerns" rather than entrenched political interests.

Several factors may affect manager perceptions, but we are principally interested in *diversity*. We adopt the definition of diversity used by Wise and Tschirhart (2000), who use the term in a broad sense to incorporate race, income, age, workforce/lifestyle, and ethnicity. Strong theoretical reasons exist to believe diversity could affect manager perceptions in both positive and negative ways. On the one hand, the input received from citizens in more diverse communities is likely to reflect a wider variety of community perspectives and, in turn, reveal to policymakers a broader palate of policy options. At least initial support for this claim can be seen in work that finds larger and more racially diverse communities have more elaborate mechanisms for promoting and absorbing citizen input on budget issues (Ebdon, 2000). Yet, local government budgeting has been characterized as "managing conflict" (Bland & Rubin, 1997), which implies that broader citizen engagement in local resource allocation may simply exacerbate its pluralistic tendencies and inhibit compromise. Citizen input from diverse communities might, therefore, be viewed negatively by administrators because it may make that conflict even more difficult to manage.

In this paper we examine this question using data from a survey of chief administrative officers (CAOs) in 221 small to mid-sized municipalities in Michigan and Minnesota. We develop a model that accounts for many of the factors known to influence citizens' propensity to participate in local budgeting and financial management processes and the type of input they provide. That model includes five different kinds of community diversity: race, age, lifestyle, income, and ethnicity. The results suggest managers in communities with higher levels of racial diversity are more likely to view citizen participation as community-oriented, which supports the claim that citizen participation from more diverse communities tends to promote a broader, egalitarian focus in local resource allocation. However, there is a trade-off; managers in more diverse communities are also more likely to feel that input, although community-oriented, is not necessarily useful in making resource-allocation decisions. We discuss the implications of this trade-off for the theory and practice of citizen engagement in local government in general and budgeting in particular.

The Challenge of Citizen Engagement in Budgeting

That public administrators have an obligation to engage the citizens they serve is something of a truism in public administration. In one of the often-cited recent commentaries on the citizen–government dialogue, Box argued that citizens should be viewed as the owners of the community in which they reside rather than merely customers (1998, p. 90). The challenges, rewards, and policy tools related to this and other notions of citizen "co-production" of local government services has been a perennial concern in public administration (e.g., Agranoff & McGuire, 2003; Thomas, 1999), political science (Ostrom, 1990; Percy, 1984), urban planning (Innes & Booher, 1999, 2004), and other fields. Rather than using outdated, often statutorily required, tools of citizen participation such as public hearings, citizen surveys, review and comment procedures, and so on, scholars are advocating for more collaborative participation in the form of citizen task forces, boards, and commissions in which multiple stakeholders can participate in shaping policy and implementation procedures (Innes & Booher, 2004; Potapchuk & Polk, 1992; Roberts, 1997; Weeks, 2000). This literature tends to paint citizen participation in a positive, communitarian light by contextualizing the current need for participation in the rhetoric of the past. Citizen participation, according to those who advocate for more of it, is a core community value (Putnam, 2000; Schudson, 1998).

However, a variety of empirical and normative commentaries suggest these advocates are perhaps too sanguine about the risks, challenges, and unintended effects of citizen engagement (Gruber, 1987; King, Feltey, & Susel, 1998). This call for tempered enthusiasm is especially pronounced in the context of local budgeting, where the technical nature of the resource-allocation process often leads citizens to adopt a "leave it to the experts" attitude (Callahan, 2002). Many have argued administrative professionals can better respond to this challenge by more effectively educating citizens about the importance of budgeting as a method for establishing government priorities (Beckett & King, 2002; Callahan, 2002; Ebdon, 2002; Ebdon & Franklin, 2004). In fact, as other findings suggest, participation is often viewed by professional administrators as unnecessary and forced occupationally, politically, or legally (Berner & Smith, 2004; Orosz, 2002). This situation often leads administrators to discount the benefits and amplify the costs of bringing citizens into the budget process.

In this paper we consider a heretofore unexamined aspect of citizen participation: how the government, proxied by the local government administrator, perceives citizen participation. We believe the administrator's perspective is paramount because local budgeting is typically an executive-driven process in which the administrator coordinates most aspects of budget preparation and execution, including when and how citizen participation will occur and whether that participation will affect actual resource allocations (Dougherty, Klase, & Song, 1999; Ekstrom, 1989; Honadle & Lloyd-Jones, 1998; Sokolow & Honadle, 1984). To that end, we explore two interconnected aspects of those perceptions: (a) the degree to which citizen participation is focused on community-wide concerns rather than parochial interests, and (b) how managers perceive the utility of that participation.

Does Diversity Create Dividends or Deficits?

Diversity is well-established as a core concern among students and practitioners of public administration. However, Wise and Tschirhart's assessment of social science literature concerning diversity found "that managers are using largely untested assumptions as a basis for diversity policies, strategies, and actions," which led them to conclude that work still needs to be done in this area (2000, p. 386).[1] This paper is the first known effort to determine how diversity as an extra-organizational influence—in this case, community demographics—affects public administrator perceptions of the citizen–administrator dialogue. To be consistent with the extant literature, our core theoretical claim is that diversity produces positive results for both organizations and communities. However, as the next section describes, there are compelling views to the contrary.[2]

THE OPTIMIST'S PERSPECTIVE

Because budgeting decisions in smaller municipalities are often concentrated in the hands of one expert administrator, a diverse and engaged citizen population may add value as it might reveal a broader range of policy options and community priorities than what can be identified by a single administrator. The administrator may also be more likely to consider citizens' input important if he or she views them as unique from his or her own views. The input of citizens from diverse backgrounds may be at odds, but citizens from diverse communities, much like administrators in diverse organizations, are believed to be more sensitive to others with different opinions.

Exactly how might those perspectives and their subsequent effects on budgeting vary? Only recently have social scientists of all sorts begun to consider how the unique citizenship experiences of different demographic groups affect how those groups view the role and process of government (Kerber, 1997; Schudson, 1998). Particular group histories may have an interesting and heretofore unrealized impact on how citizens interact with elected officials and professional administrators. This impact includes, but is not limited to, notions of government and professional trust, habits of participation, civic education, civic literacy, intergenerational equity, and fairness. A key example concerns the link between public debt and capital projects. Although it is common to fund large capital projects through debt, leaving some of the cost to future generations who will enjoy some of the benefit, this practice is not preferred by all cultures. Some indigenous peoples, for example, hold the belief that the current generation has an obligation to improve things for the next generation, in essence "paying it forward" rather than leaving debt to future generations. Another example of this divergence surrounds local service priorities. Consider, for example, that many persons raised within traditional Latino households are expected to care for elders in their homes when the time arises. This cultural expectation does not mitigate the need for local government-provided senior services, but it may lead these families to prioritize alterative local government services such as recreational opportunities for young people.

Although advocates for particular demographic groups may be involved in the budgeting process, the lack of direct input from "typical citizens" may also cause the issues of concern to less vocal or less connected political groups to go overlooked. From the public administrator's perspective, if budget hearings are continually attended by the same, homogeneous group, the information may seem unnecessary because new priorities rarely arise. Ebdon (2002), for example, found that for public administrators the views of people who regularly attend budgeting meetings are less likely to make an impact on the budgeting process than those of citizens who are not regular attendees. These considerations imply that more diverse citizen participation in local budgeting will improve many aspects of organizational performance and citizen satisfaction with local services.

THE CYNIC'S PERSPECTIVE

The claim that diversity may complicate rather than facilitate budget consensus follows from the traditional, incrementalist perspective on government budgeting. That view characterizes budgeting as an exercise in pluralistic politics whereby a variety of interests attempt to extract resources during the budget process, and policymakers must, in turn, reach compromise among these competing interests. Stability in this otherwise potentially unstable process is attributed to strong institutional norms such as "fair share," respect for tenure and legislative expertise, a focus on near-term goals, and deference to formal and informal procedures that promote compromise (Wildavsky & Caiden, 2003). Although the incrementalist perspective was formulated as the result of research on the federal government budgeting process, it is also generally viewed as a fair characterization of local budgeting (see Forrester & Mullins, 1992; Rubin, 1998).

Input from a diverse citizenry might introduce a new and perhaps unwanted form of instability because citizens from cultures other than those that traditionally make budget policy may not respect the established budget process and norms inherent to it. For example, Nalbandian (1991), while studying professionalism of local city managers, began to explore the effect of diversity on a manager's ability to administer city government. He quoted a former city manager and past International City/County Management Association president as saying that diversity increases the representativeness of elected officials and the subsequent range of acceptable policy choices, but it also makes it more difficult to find common ground and develop consensus among elected officials who represent those diverse interests (p. 21). Although Nalbandian ultimately concluded that a more heterogeneous community will produce new incentives for citizens to participate in local government, allowing those unique views to be heard ultimately introduces a new kind of complexity to local policymaking (p. 90).

Costa and Kahn (2003) reached a similar conclusion following a review of economists' contributions to the literature on diversity and civic engagement. They argued that diversity imposes increased costs on both the citizens and the government to foster participation (p. 104). However, even though they found that diversity dampens civic engagement, they did not advocate against increased community diversity but rather conceded that racial and ethnic equality and equality of access may be more important goals for society than citizen participation in government (p. 109).

Manager Perceptions of Citizen Engagement: An Empirical Model

This section outlines the empirical model used to test the relation between community diversity and manager perceptions of citizen engagement in budgeting. That model includes five diversity measures in addition to several variables previously used (see Franklin & Ebdon, 2005; Irvin & Stansbury, 2004; Simonsen & Robbins, 2000; Weeks, 2000) to explain patterns in how citizens and administrators perceive the local dialogue about resource allocation.

DIVERSITY

Diversity is often equated with racial diversity. We expand that definition to include five types of diversity (racial, income, age, workforce/lifestyle, and ethnicity), each based on the 2000 U.S. Census. Each is expected to have a different effect on manager perceptions of citizen engagement.

Our racial diversity measure is based on the Hirschman index often used in the public finance literature (Suyderhoud, 1994) to indicate the degree to which a jurisdiction's revenue is diversified across different revenue sources. We use this same basic logic to measure the degree to which a community's population is dispersed across different racial groups.[3] The index is calculated as follows:

$$\frac{1-\left[\left(\frac{\text{White Population}}{\text{Total Population}}\right)^2+\left(\frac{\text{African-American Population}}{\text{Total Population}}\right)^2+\left(\frac{\text{Hispanic Population}}{\text{Total Population}}\right)^2+\left(\frac{\text{Other Population}}{\text{Total Population}}\right)^2\right]}{.75}$$

A community with "perfect" diversity—or a population that is evenly distributed across all four categories—will have a score of 1. To place these findings in context, consider that the most diverse city in the sample—Cassopolis, Michigan—has a total population of 1,790 of which 551 (32 percent) are African Americans, 149 (8 percent) are Hispanic, and 184 (11 percent) belong to other racial groups (Asian, American Indian, and others). Its score on the Diversity Herfindahl-Hirschman Index (HHI) is .790. By contrast, the least diverse sample city—St. Michael, Minnesota—has a total population of 8,918 of which non-whites total 80, or less than 1 percent of the total. Its score on the Diversity HHI is .016. This variable's distribution suggests there is, in fact, a broad range of racial diversity among the sample cities. The same HHI measure was modified to create a measure of income diversity,[4] calculated as:

$$\frac{1-\left[\left(\dfrac{\text{Households w/income } \$0-\$29{,}999}{\text{Total Households}}\right)^2+\left(\dfrac{\text{Households w/income } \$30{,}000-\$59{,}999}{\text{Total Households}}\right)^2+\left(\dfrac{\text{Households w/income } \$60{,}000-\$199{,}999}{\text{Total Households}}\right)^2+\left(\dfrac{\text{Households w/income } >\$199{,}999}{\text{Total Households}}\right)^2\right]}{.75}$$

We also include three diversity measures designed to capture intra-local differences in citizen lifestyles and subsequent heterogeneity of demands on local government. The first is the percentage of the municipalities' residents who receive retiree benefits. This consideration is important because retirees are known to place unique service demands on local governments (e.g., Duncombe, Robbins, & Stonecash, 2003). We also include the percentage of each municipality's working population over age 16 who commute more than 30 minutes to work. This measure is designed to capture the extent to which the municipality is a bedroom community. Commuters who reside in bedroom communities have service delivery priorities that are different from residents who live and work within their municipalities' boundaries (e.g., Bowman & Pagano, 2004; Gainsborough, 2001). Finally, we control for the percentage of the community's residents born in a foreign country. This measure is designed to capture the fact that recent immigrants have needs in the areas of social services, health care, employment training, specialized education, and other areas that are unique from other minority residents. We also include population because larger communities are likely to have more heterogeneous interests and subsequently higher levels of disagreement about budget priorities (Ebdon, 2000; Miller & Evers, 2002) and to be more likely than smaller municipalities to have established structured citizen participation mechanisms to help manage those demands (Franklin & Ebdon, 2005).

INSTITUTIONAL CHARACTERISTICS

Our model includes four factors, all drawn from the previously mentioned survey, that are believed to affect the intra-organizational aspects of local budgeting. We are most interested in the degree to which local budget processes are incremental and focused primarily on recurring annual concerns rather than comprehensive and focused on the long-term, strategic aspects of resource allocation. The latter, it is assumed, will demand more frequent and better quality citizen input because that input is vital to establishing and maintaining long-term support for policy priorities. As a corollary, budget processes that emphasize temporary consensus on short-term issues will not demand the same level of citizen engagement.

Form of government is an important consideration because council–manager governments have been shown to be more likely than mayor–council governments to utilize sophisticated revenue forecasting and expenditure analysis techniques (Reddick, 2004), prepare multiyear budgets (Ekstrom, 1989; Forrester, 1991), emphasize strategic planning and long-term policy priorities (Svara, 1990), realize efficiency gains and lower per capita spending for basic services (Stumm & Corrigan, 1998) and implement other tools and practices designed to promote long-term budget stability. Managers in council–manager governments will, therefore, value citizen input that is oriented toward long-term community-wide concerns rather than short-term, parochial interests, whereas mayor–council governments are more directly responsive to near-term citizen demands and interest group pressures such as neighborhood associations and public sector unions. To control for this effect, this model includes the percentage of the municipality's workforce that belongs to a collective bargaining unit.

A group of recent studies in the transaction cost theory tradition have shown that managerial turnover is an important factor in determining whether local policymaking is inclined toward the long or short term (see Clingermayer & Feiock, 2001, pp. 59–92). Longer-serving managers, the theory suggests, develop relationships with citizens and elected officials that diminish the incentive for interest groups to extract short-term gains from current budget-making processes (see Cain, Choudhury, & Clingermayer, 2004). We, therefore, expect a positive relationship between manager tenure, measured here as the number of years served by the municipality's current CAO, and that CAO's perception of citizen engagement in budgeting.

FINANCIAL MANAGEMENT CHARACTERISTICS

One of the often-cited methods for promoting broader citizen engagement in budgeting is to improve the quality and accessibility of the financial information conveyed through budget documents, financial statements, summary reports, and other materials that describe a government's financial condition to its citizens (Government Finance Officers Association [GFOA], 2005; Marlowe, 2005). To that end, this model controls for the following three factors that affect the format and perceived quality of financial reporting.

The GFOA provides annual awards for excellence in local government budgeting and financial reporting. Financial documents earning these awards must present a variety of information about the government's budgeting and financial management practices, fiscal condition, and long-term plans. However, perhaps most important, governments earning these awards have made additional efforts to make their financial information accessible to citizens by outfitting their financial documents with nontechnical summary reports, user guides, glossaries, and other features designed to assist readers who may be unfamiliar with the esoteric but necessary detail of budgeting and financial management. It is assumed that managers in governments that have earned these awards will have more positive perceptions of citizen participation because citizens will provide better-informed input. This model identifies those governments that earned the GFOA's Excellence in Financial Reporting Award for fiscal year 2002–2003, which was the year preceding the survey distribution and completion.[5]

Bland and Laosirirat (1997) and others have examined how differences in the type of financial information made available to citizens affects their subsequent perceptions of local budgeting and financial management processes. Minnesota, like many other states, requires its municipalities to disclose to each property taxpayer their property's assessed value, changes in local tax rates, and reasons for annual expenditure increases beyond inflation. These and other "truth in taxation" plans are designed to enhance citizen oversight of government spending and, in turn, create a locally defined expenditure limit. Truth in taxation is important in this context because it essentially dictates which information is provided to citizens and, in turn, plays a major role in shaping how citizens form perceptions of their local governments' budgeting and financial management practices. Michigan municipalities are not subject to these same state disclosure requirements, so the information made available to citizens is subject to greater variability. The empirical model accounts for this fact and for any other potential differences between municipalitics within these two states by including a dummy variable identifying Michigan municipalities.

A municipality's budgeting and financial management processes are also important when considering how budget policy is made. This model controls for whether the CAO has principal responsibility for both budget preparation and financial reporting. We assume that when these tasks are divided among multiple individuals, it is more difficult to seek out and incorporate citizen input effectively into the budget process.[6]

Data and Methods

In this analysis we use data from a survey of local government CAOs in Minnesota and Michigan. That survey was sent to 337 cities and villages in Michigan and 326 cities in Minnesota with populations 500 to 50,000.[7] These jurisdictions account for 75 percent of the cities and villages identified within this population range by the 2002 Census of Governments.[8] A total of 221 usable responses were received for an overall response rate of 33 percent.

The survey included two items used here to measure manager perceptions of citizen engagement in budgeting: (a) "The dialogue that occurs between citizens and local government officials in my community advances financial management policies that benefit the entire community," and (b) "The dialogue that occurs between citizens and local government officials in my community is helpful in creating financial management policy."[9] Responses to these items fell along a five-point scale from 1 (*strongly disagree*) to 5 (*strongly agree*).[10]

Our central empirical question focuses, not on these individual item responses, but rather on how they combine to form a manager's overall perception of citizen participation. We, therefore, combine these two measures into a 5-part typology of manager perceptions. An answer of *strongly agree* or *agree* on for the first question placed a respondent in the *community-based* part of the typology, whereas a response of *neutral*, *disagree*, or *strongly disagree* placed them in the *interest-based* half of the typology. This typology is admittedly simplified, given that simply disagreeing with the statement that participation is community-based does not necessarily imply that it is interest based. We recognize this fact but adopt this nomenclature because it is consistent with our theoretical expectations and provides a good contrast to the *community-based* label. Neutral responses are placed in this category because they are assumed to be more consistent with the prevailing theory, which suggests citizen input is both interest based and not necessarily useful to managers.[11] The same process was used to classify responses to the second question. These labels were then combined into a new dependent variable that takes on the values of *interest-based, low manager utility*, *interest-based, high manager utility*, *community-based, low manager utility*, and *community-based, high-manager utility*. Respondents that answered *neutral* to both questions were placed in a fifth category of *neutral*.[12]

Table 1, which presents a cross-tabulation of these two variables, suggests two notable trends. First, a strong, positive association exists between these two items. Substantively, as citizen input becomes more community-oriented, it is more likely to be viewed by managers as useful in making budget policy.[13] The opposite is also true: More parochial input is viewed as less useful. Second, we note that managers are generally cynical about citizen participation in budgeting, as well over 40 percent of respondents are in the *interest-based, low manager utility* category. However, nearly one-fourth of the respondents fall in the *community-based, high manager utility* categories, which suggests notable optimism. Also interesting are the roughly 11 percent of respondents in the trade-off categories of *interest-based, high manager utility* and *community-based, low manager utility*. As mentioned previously, these trade-offs are not unexpected.

Table 1. Cross-Tabulation of Manager Perception of Citizen Engagement Items

		Item 1					
		Strongly Disagree (%)	*Disagree (%)*	*Neutral (%)*	*Agree (%)*	*Strongly Agree (%)*	*Total (%)*
Item 2	Strongly disagree	2.71	0.00	0.45	0.00	0.00	3.17
	Disagree	0.45	24.89	9.50	1.36	0.00	36.20
	Neutral	0.00	3.65	23.08	4.07	0.00	30.77
	Agree	0.45	0.45	4.52	18.10	0.45	23.98
	Strongly agree	0.00	0.00	0.45	0.45	4.98	5.88
	Total	3.62	28.96	38.01	23.98	9.50	100.00

Notes: $N = 221$. Correlation = Item 1: "The dialogue that occurs between citizens and local government officials in my community advances financial management policies that benefit the entire community" and Item 2: "The dialogue that occurs between citizens and local government officials in my community is helpful in creating financial management policy." The distribution for the "combined" dependent variable is *interest-based, low manager utility* = 41.63 percent, *interested-based, high manager utility* = 5.88 percent, *neutral* = 23. 08 percent, *community-based, low manager utility* = 5.43 percent, and *community-based, high manager utility* = 23.98 percent.

The empirical model described previously was then tested using a two-step process.[14] For the first step we calculate bivariate correlations between each independent variable and the two individual items that comprise the combined dependent variable.[15] In the second step we conduct a multivariate test of how the independent variables associate with the final, combined dependent variable. Because the categories of that combined dependent variable cannot necessarily be ranked, the most appropriate method for determining those associations is the multinomial logistic regression model.[16] The multinomial logit model is a maximum likelihood estimator that allows us to show how a series of independent variables affect the likelihood a respondent will provide a particular response relative to some pre-established comparison category (see Long, 1997, pp. 148–177).[17] Strictly speaking, its core assumptions are the same as traditional ordinary least squares regression. It requires normally distributed variables, no multicollinearity among the independent variables, normally distributed error variances, and no correlation between the independent variables and the residuals. The basic difference between maximum likelihood estimation techniques like the multinomial logit model and traditional ordinary least squares regression is that values of the dependent variable are estimated not as a function of their actual values but rather as a function of the log of the odds that an individual will provide a particular response. In the context of this analysis, the model estimates show how changes in particular explanatory variables affect the likelihood that a manager's perception would fall into each category of this typology.[18] Descriptive statistics and descriptions for the variables included in that model are reported in Table 2.

Results

The previously mentioned bivariate correlations suggested little, if any, relation between the explanatory variables and the individual measures that comprise the dependent variable.[19] We, therefore, turn to the multinomial logit regression estimates, which are reported in Table 3. The coefficients and statistical significance of the individual independent variables suggest no clearly discernible pattern is found for which factor or combination of factors associates with positive manager perceptions. The presence of a CAO who has principal responsibility for both budgeting and financial management is shown to increase the likelihood that the CAO will view participation as interest based and useful but less likely to view it as community based and having either a high or low degree of utility. This result seems consistent with the claim that smaller cities with smaller professionalized staffs are likely to respond to see the value in group-based participation. However, none of the other independent variables are significant for more than one category of the dependent variable.

The model most accurately predicts citizen participation that is either interest based but has a high degree of utility to managers or community based with low managerial utility.[20] Managers are most likely to perceive participation as community based but not especially useful when there is a higher degree of racial diversity, larger numbers of commuters, and a higher percentage of the city workforce that is unionized. Managers in smaller municipalities where the CAO has responsibility for both budgeting and financial reporting are less likely to have this view.

A clearer interpretation of the multinomial logit model findings can be derived by showing how changes in the values of the independent variables bring about changes in the predicted probabilities of the dependent variable.[21] Table 4 shows how a shift in each statistically significant independent variable from 0.5 *SD* below its mean to 0.5 *SD* above its mean affects the likelihood the dependent variable will take on either the *interest-based–high utility* category or the *community-based, low manager utility* category relative to the *neutral* category, holding all the other variables at their mean value.[22]

These results show that of all the significant independent variables, increased diversity has the strongest effect on the likelihood an administrator will perceive citizen engagement as *interest-based–high utility*. For instance, a CAO in a community with a diversity index score of 0.07, or where non-whites comprise approximately 3 percent of the population, is 6 percent less likely to view citizen participation as interest based and useful than a manager in a community with a diversity index score of 0.21, or where non-whites comprise approximately 9 percent of the population. This trend can be extended to reveal that in a commu-

Table 2. Variable Descriptions and Descriptive Statstics

Variable	*Description*	*Mean*	*SD*	*Min.*	*Max.*
Racial diversity	Racial diversity index	0.142	0.132	0.100	0.790
Income diversity	Income diversity index	0.846	0.500	0.647	0.983
Retirees (%)	Percentage of the population receiving retirement benefits	16.930	5.533	5.120	38.850
Commuters (%)	Percentage of the population over age 16 that commutes more than 30 minutes to work each day	12.442	6.763	1.480	32.758
Foreign born (%)	Percentage of the population born in a foreign country	2.997	3.096	0.078	20.488
Population	Population	7,098.348	8,783.158	733.000	47,509.000
Council–manager	Council–manager form of government	0.475	—	0.000	1.000
Financial management	Chief administrative officer (CAO) has principal responsibility for budget preparations and financial reporting.	0.620	—	0.000	1.000
GFOA	Municipality was awarded Government Finance Officers Association Excellence in Financial Reporting Award for fiscal year 2002–2003	0.181	—	0.000	1.000
Unionization (%)	Percentage of municipal employees who belong to a collective bargaining unit	48.010	35.790	0.000	100.000
Manager tenure	Respondent's tenure in current CAO position	7.950	6.979	0.500	30.000
CAO turnover	Municipality's number of CAO turnovers from 1987 to 2003	1.557	1.440	0.000	7.000
Michigan	Michigan municipality	0.475	—	0.000	1.000

Table 3. Multinomial Logistic Regression Estimates for Local Government Manager Perceptions of Citizen Engagement in the Budget Process for 221 Minnesota and Michigan Municipalities

	Interest-Based, High Manager Utility			*Neutral*			*Community-Based Low Manager Utility*			*Community-Based, High Manager Utility*		
	Coeff.	*Std. Error*	*p* >|z|	*Coeff.*	*Std. Error*	*p* >|z|	*Coeff.*	*Std. Error*	*p* > |z|	*Coeff.*	*Std. Error*	*p* > |z|
Racial diversity	4.677	1.877	.013	–2.395	2.753	.384	4.113	2.336	.078	–0.551	1.863	.767
Income diversity	–2.216	9.280	.811	–0.008	3.705	.998	8.980	9.256	.332	–0.600	3.760	.873
Retirees %	–0.042	0.104	.683	–0.038	0.054	.485	0.096	0.084	.253	0.013	0.035	.714
Commuters %	–0.039	0.063	.536	–.011	0.031	.721	0.155	0.070	.027	–0.028	0.031	.358
Foreign born %	–0.456	0.162	.005	0.061	0.089	.493	–0.076	0.129	.555	–0.031	0.065	.638
Population	0.816	0.416	.050	–0.191	0.252	.448	0.011	0.458	.981	–0.123	0.251	.623
Council–manager	0.530	0.756	.483	0.014	0.470	.976	1.159	0.836	.166	0.354	0.447	.428
Financial management	0.703	1.062	.005	–0.339	0.404	.401	–1.732	0.707	.014	–0.633	0.379	.095
GFOA	–1.839	0.918	.045	0.544	0.638	.393	–1.671	1.847	.366	0.887	0.566	.117
Unionization	–0.001	0.009	.886	–0.004	0.006	.445	0.021	0.009	.023	0.003	0.006	.550
Manager tenure	–0.094	0.049	.053	–0.047	0.030	.119	–0.053	0.043	.214	–0.034	0.030	.261
CAO turnover	0.108	0.190	.571	–0.227	0.157	.150	–0.011	0.222	.962	–0.026	0.142	.854
Michigan	0.772	0.982	.432	0.646	0.590	.274	–1.537	0.859	.074	0.063	0.497	.900
Constant	–5.961	7.707	.439	2.660	3.644	.465	–13.630	8.974	.129	1.452	3.566	.684

Notes: Interest-based, low policymaker utility is the comparison category. $N = 221$. GFOA = Government Finance Officers Association. See Table 2 for complete variable descriptions and descriptive statistics. Log pseudo-likelihood = –265.754. Wald χ^2 ($df = 52$) = 118.13, $p < \chi^2 = .000$. Pseudo R^2 (McFadden's) = .11, prediction rate = 47.7 percent.

Table 4. Changes in Predicted Probabilities of Selected Outcomes

	Change in Value Independent Variable		*Change in Likelihood of Interest-Based, High Manager Utility*		*Change in Likelihood of Community-Based Low Manager Utility*	
	From	*To*	*From (%)*	*To (%)*	*From (%)*	*To (%)*
Racial diversity	0.07	0.21	27.5	21.2	2.1	3.2
Commuters %	3	15	—	—	<1.0	3.2
Foreign born %	2	5	23.2	27.2	—	—
Population	4,392	11,490	28.8	26.2	—	—
Financial management	No	Yes	25.1	23.7	5.3	1.3
GFOA	No	Yes	23.4	28.1	—	—
Unionization (%)	30	66	—	—	1.5	3.2
Manager tenure	4 yrs.	12 yrs.	26.1	22.3	—	—
Michigan	No	Yes	—	—	4.8	<1.0

Note: GFOA = Government Officers Association. See Table 2 for complete variable descriptions and descriptive statistics.

nity where non-whites comprise half the population, a CAO is approximately 30 percent less likely to view citizen participation as interest based and useful.

By contrast, diversity is also shown to increase the likelihood a manager will fall in the *community-based–low manager utility* category. In this case, a manager in a community with a 3 percent non-white population has approximately a 2 percent chance of viewing citizen engagement in budgeting as community based but not necessarily useful. That same likelihood is about 3.2 percent in a community where non-whites comprise 9 percent of the population and is as high as 20 percent for the most diverse community in the sample.

In general, these findings suggest diversity has contradictory effects on manager perceptions. Managers in more diverse communities are less likely to characterize citizen participation in resource allocation as interest based but useful and more likely to characterize that participation as community based but not useful. These results are consistent with both our theoretical expectations and, perhaps more important, the normative arguments put forth by those who advocate the broader and more inclusive citizen participation structures. From a practice perspective they also provide new insights into one potential reason for the heretofore lack of concerted effort among local governments to actively engage their citizenry.[23]

Discussion and Implications

This paper addresses the interrelated questions of how local public managers perceive citizen participation in the budgeting process and how community characteristics affect those perceptions. We are particularly interested in how community diversity shapes those perceptions because much of the literature on citizen participation suggests that citizen engagement processes ought to seek out and incorporate the broadest possible range of citizen perspectives. It should be noted at the outset that these findings are preliminary and exploratory. The model fit characteristics for the multivariate analyses are moderate at best, the measurement and modeling strategy has definite drawbacks, and the findings have only modest explanatory power. In spite of these limitations, the results suggest important findings with notable implications for theory and practice.

First, our bivariate analysis shows that local public managers view useful input as synonymous with community-oriented input. Although not surprising, this study is perhaps the first analysis to demonstrate this relation empirically. The implication of this finding for practice is that municipalities ought to engage citizens on the premise that budgeting is a far-reaching effort to understand, integrate, and prioritize community values—and not merely a technical resource allocation process.

Many mechanisms are available to promote that sort of engagement. For example, many communities have successfully integrated their budget processes and documents with their strategic plans, economic development strategies, mission or vision statements, and other statements of the community's long-term vision (see Marlowe, 2005). Discussing resource allocation in the context of broader, long-term, strategic initiatives is likely to promote the sort of community dialogue found here to be useful to managers. Another strategy might be to shift the agenda for public budget hearings and other formal citizen engagement opportunities away from simply commenting on the proposed budget document and toward the ways that proposed resource allocations will or will not advance the community's stated objectives.[24] "Citizen academies" and other programs designed to provide a select group of citizens an in-depth understanding of local government's inner workings have also been shown to alter citizen perceptions of government priorities toward broader, community-wide concerns (see Simonsen & Robbins, 2000). We can also speculate that targeted efforts to involve local business leaders and other key stakeholders in budget formation, such as the Delphi and other methods (Bland & Rubin, 1997, pp. 70–76), would have a similar effect. These techniques have been used with some success in particular aspects of the budget process, such as revenue forecasting, and could be expanded to cover the entire budget process. Recent findings on local governments' use of performance measurement also suggest that the inclusion of performance information during the budget process has a substantial effect on how elected officials and citizens alike perceive the relationship between resource allocation, service delivery, and expectations of government (e.g., Ho, 2006). This essential logic is the basis for the highly popular "cost of government" (Osborne & Hutchinson, 2004) approach employed by the state of Washington and other entities as a tool for enacting substantial budgetary and institutional change in response to fiscal crisis. To that effect, incorporating performance information is also likely to shift citizen dialogue toward broader, rather than parochial concerns. Our findings imply these and other attempts to promote a dialogue emphasizing community values over parochial gains and losses will improve the likelihood managers will view citizen engagement as useful in making budget policy.

We do not suggest that cultivating and integrating community-oriented citizen engagement is easy. In fact, nearly 70 percent of our respondents view the input they receive as interest oriented rather than community oriented. Nonetheless, these findings suggest managers ought to think about citizen engagement in terms of seeking out the broadest possible cross section of views, that citizen engagement processes ought to be structured to facilitate participation by the broadest possible segment of the community, and that budget processes ought to be viewed by administrators and other city staff as an opportunity to bring citizens together to discuss strategic goals and directions. Again, these data, along with a wealth of conventional wisdom, suggest this task is extraordinarily difficult, but, as our findings show, it is a task that, if done properly, can help managers more effectively address the challenges inherent to local resource allocation.

Important insights on this point could be gleaned by closely examining communities where managers perceive citizen input as both useful and focused on overall community well-being. These communities' citizen engagement processes and practices ought to be examined further, particularly from a qualitative standpoint. Future research may consider what about these particular communities' processes are different and why they work. Do they encourage a two-way communication with citizens that is continuous and ongoing, rather than a one-time annual notice and comment structure? Have they formed unique collaborations with other community associations or organizations? Are their processes oriented toward education and engagement rather than selling a prepared budget to the community at the end of the process? Qualitative work might also help to clarify other important but subtle aspects of the managers themselves, such as how their perceptions of citizen engagement change over time and how their experiences in other communities affect their perceptions of citizen engagement in their current community. We mention these and other related questions in our conclusion, and we hope that future work in this area follows that recommendation.

Our results also show an inherent trade-off between community diversity and the utility of citizen engagement in budgeting. As a community becomes more racially diverse, its citizen engagement is more likely to be considered *community oriented but not useful*, and less likely to be *interest oriented but useful*. Future research should explore why and how this trade-off happens. One potential explanation is that citizen dialogue in more racially diverse communities emphasizes community values such as tolerance and equity that are difficult to translate into budget policy. Future research should explore the dialogues taking place within diverse communities and determine how they are different from more homogenous communities. Part and parcel to this issue is the question of how diversity and other community characteristics shape citizen input. Future research should look to the rich literatures in sociology, anthropology, political science, linguistics, and other fields that delineate how and why cultural experiences shape collective perceptions of the role of government. It could be that the unique experiences of racial or ethnic minorities lead them to contribute to the budgeting dialogue in unique ways. Future work might also consider different methods of measuring diversity. Our model includes measures that treat diversity as synonymous with an equal distribution of different racial, income, and other groups within the community. However, diversity may have differential effects on managerial perceptions in communities where the population is evenly divided between two racial groups, or where one dominant racial group competes or collaborates with a smaller or less prominent group.

We also did not control for two other groups of potentially important variables. One group is community demographics such as education level and workforce composition and financial characteristics such as property tax rates and incidence, local government debt obligations, and other financial factors that could potentially affect citizens' perceptions of local government. A second group is characteristics of individual managers such as tenure, educational background, work history, and others that are likely to shape how managers view citizen participation. Future work should control for these potentially important considerations.

Notes

1. Recent work (Pitts, 2005) has taken up this challenge by examining the relation between intra-organizational diversity and organization performance. Those findings suggest reliable but nonetheless mixed evidence in support of the claim that diversity associates with positive outcomes. It is important to note the distinction between diversity and representation or "representative bureaucracy" (see Dolan & Rosenbloom, 2003) in this context. Pitts found that diversity has a mixed effect on performance in which having managers and teachers who are representative of their students has a clear positive effect. We are primarily concerned here with diversity.

2. Unfortunately, this analysis does not control for the demographic characteristics of elected governing board members, which is clearly an important consideration, as decades of research has shown that, for a variety of institutional and behavior reasons, minority elected officials in local governments tend to view representation, policymaking, and other aspects of the governing process differently than white elected officials (see Engstrom & McDonald, 1982; Hajnal, 2001; Welch, 1990). Nevertheless, recent findings from the urban politics literature show that minorities comprise only a small portion of governing board membership in smaller municipalities such as those examined here. For example, a recent study of conflict among local governing boards in 55 small municipalities in Wisconsin (Ihrke & Niederjohn, 2005), a sample with demographic characteristics nearly identical to the Michigan and Minnesota communities examined here, found that minorities comprise just over 3 percent of city council membership.

We, therefore, have little reason to believe minority representation will have a systematic effect on how citizens or administrators perceive their local budget process.

3. Costa and Kahn (2003) used a similar measure.

4. This measure was derived from the 2000 U.S. Census, which reports income in terms of the number of people in 16 categories. Our measure collapses those categories into a four-category measure by aggregating respondents from each five adjacent categories and allowing households with incomes greater than $199,999 to stand as their own category. This weighting of respondents in the wealthiest categories is designed to capture the unique service demands often associated with individuals within this highest income bracket. Scores on this index are much higher and more tightly distributed than the racial diversity index. Cities with lower scores on this index tend to have more households in the middle-upper and upper income categories.

5. See Evans and Patton (1983) for a different perspective on the incentives and rewards surrounding the GFOA Excellence programs and their predecessors.

6. That variables included in this model are measured at different levels of aggregation implies the need for a multi-level modeling strategy such as hierarchical linear modeling. This approach might be more appropriate in understanding the interactions among individual, organizational, and community-wide influences on manager perceptions. We recognize this fact and how it limits our ability to draw definitive conclusions for these results, but we make no attempt to model manager perceptions in a multi-level framework. Future work should more directly consider this issue.

7. With only a few exceptions, all municipalities in Minnesota are incorporated as cities.

8. The sample cities were drawn from membership lists maintained by the Michigan Municipal League and the Minnesota League of Cities. Nonmember municipalities were excluded from the sample, which is why it excludes approximately 25 percent of the jurisdictions within its population range. This exclusion was necessary because the survey instrument was designed to be completed by a professional, appointed public administrator, but almost all nonmember cities do not have full-time, professional staff.

9. It is important to note that no attempt was made to distinguish between citizen participation in operating as compared with capital budgeting processes. This distinction is important, given that capital budgeting processes tend to revolve around a long-term planning process that may be more effective at absorbing citizen input. Moreover, large capital projects tend to be more salient than operating expenditures because the former usually result in large, potentially disruptive construction projects that may directly affect citizens' day-to-day lives (Bunch, 1996; Forrester, 1993; Pagano, 2002). Although we do not believe this lack of distinction creates any serious validity issues for this study, it is worth noting that future research ought to draw a clearer distinction than we have here, and perhaps attempt to contrast citizen participation in both types of budget processes. We thank an anonymous reviewer for this insight.

10. Admittedly, these survey items are subject to two different types of bias. The first is a potential social desirability effect (see Pedhazur & Schmelkin, 1991, p. 141). That is, because professional public administrators are socialized to view citizen engagement as a desirable aspect of resource allocation, they are unlikely, even in an anonymous survey, to express an opinion to the contrary. The second potential bias follows from the fact that the survey items make an implicit assumption that a citizen dialogue is or should be happening. This assumption is supported by two pieces of evidence. First, as previously mentioned, both Michigan and Minnesota have stringent open budget meeting requirements that are likely to result in at least some citizen dialogue relative to communities in states in which citizen participation is optional or participation requirements are not strictly enforced. Second, the results of an additional unreported item from this survey show that approximately 70 percent of the respondents strongly *agreed*, *agreed*, or were *neutral* in response to the statement "Citizens in my community provide local government officials with input regarding financial management issues." In other words, a clear majority of the respondents do not disagree with the assumption that some dialogue occurs. Nonetheless, we recognize these potential biases as restrictions on our ability to draw definitive conclusions.

11. Potential problems from this classification choice are minimal given that answers of *neutral* appeared in only 14 percent of the responses classified as anything other than *neutral* on the new typology.

12. The combination of these two items may create an additional validity concern because the second item captures manager perceptions of the content of citizen input, but that input may in fact be contingent upon the community's financial management policies, which are captured in the first item. We recognize this potential limitation, and we thank an anonymous reviewer for this important insight.

13. Spearman's rho for these two variables was .73.

14. Our original intent for this first step was to estimate two different ordered logistic regression models (see Long, 1997, pp. 114–119) to evaluate the relations between the independent variables and individual variables that comprise the final dependent variable. However, the results of the Brant test (Brant, 1990) indicated these data do not adhere to the key ordered logit model assumption that the independent variables exert the same effect on the likelihood of each category of the dependent variable. This result is likely because the observations are not evenly distributed across all five variable categories for both items. It is, therefore, inappropriate to carry out any sort of multivariate regression analysis on these two variables.

15. Because the dependent variables are measured at the ordinal level but assumed to follow a continuous underlying distribution, it is appropriate to use correlation measures that can be interpreted in the same manner as conventional Pearson's r coefficients. For the binary independent variables such as council–manager government and the GFOA award, we calculated biserial correlations, and for the independent variables measured at the interval-ratio level we calculated polyserial correlations. The statistical significance of these relations was determined with a simple log likelihood ratio test (Bobko, 2001, pp. 12–65).

16. For other applications of the multinomial logit model in the public administration literature, see Teske and Schneider (1994), Ruggiero, Duncombe, and Miner (1995), Brown and Potoski (2003), and Clingermayer, Feiock, and Stream (2003).

17. In this case we utilize *interest-based, low manager utility* as our comparison category because it has the largest number of responses and, according to much of the extant literature, is the most likely outcome. Relevant diagnostic tests of the multinomial logit model assumptions were conducted. The diagnostics included (a) simple Pearson correlations among the independent variables, which indicated no notable multicollinearity problem; (b) the Hausman test of the independence of irrelevant alternatives assumption, which did not reject the null hypothesis of independent categories, thus suggesting the outcome categories are, in fact, independent; and (c) the likelihood ratio test for combining outcome categories, which rejected the null hypothesis that particular categories of the dependent variable could be collapsed. However, the previously mentioned skewed distribution of both the dependent variable and several of the independent variables suggests a heteroskedasticity problem. That problem was addressed by estimating the multinomial logit model with the Huber/White/sandwich estimator of variance, which produces standard errors similar to traditional robust standard errors.

18. The multinomial logit model demands that data used in its estimation must meet two additional unique assumptions. The first is the independence of irrelevant assumptions, which states that the probability of one outcome relative to another outcome is unaffected by any other third outcome. The second is that categories of the dependent variable are independent and cannot be combined. Appropriate statistical tests showed that the data used in this analysis adhere to both assumptions.

19. None of the correlations exceed .23, and only two correlations—between Item 1and the percentage of the community consisting of commuters and between Item 1 and manager tenure—are statistically significant at the 95 percent confidence level. These correlations are available from the authors on request.

20. The pseudo-R^2 measure suggests the overall model has modest explanatory power. However, caution should be exercised when interpreting model fit measures in multinomial logit and other limited dependent variable regression models because the dependent variable does not have the same sort of variance as a continuous variable. Unlike the R^2 measure in a traditional

ordinary least squares regression model, the pseudo-R^2 reported here describes changes in the log-likelihood. It is, therefore, an approximation rather than a true measure of variance. See Long (1997) and DeMaris (2002) for a broader discussion of goodness-of-fit measures in limited dependent variable regression models.

21. This deviation is done by allowing the independent variables of interest to vary, one at a time, while holding all the other independent variables constant.

22. For dichotomous variables such as the GFOA award and the financial management centralization measure, the same change is illustrated when the variable shifts from *no* to *yes*. The blank cells in Table 4 are those for which the independent variable did not have a statistically significant effect on that particular category.

23. Although diversity has the largest overall effects on managers' predicted attitudes, it is also worth noting that other factors such as the larger numbers of foreign-born citizens, earning the GFOA's Excellence in Budget Presentation Award, and longer manager tenure all increase the likelihood a manager will view participation as interest based but not useful. These impacts are not as pronounced, but they are clearly discernible. No single variable has a comparable effect on the likelihood a manager will view citizen participation as community based but not useful.

24. This focus on community goals is certainly an objective of many local government performance budgeting systems, although at the moment, evidence is mixed on whether the implementation of performance measurement changes managerial perceptions of the budget process (Melkers & Willoughby, 2005).

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Justin Marlowe is an assistant professor in the Department of Public Administration at the University of Kansas. His teaching and research interests include public budgeting and financial management, municipal management, and research methods.

Shannon Portillo is a doctoral student in the Department of Public Administration at the University of Kansas. Her teaching and research interests include public law, gender, and race/ethnicity.