

Mark Levitan:

I have a hard job, which is to maintain your attention after a very long morning, after you've totally overdosed on information.

I'm really tempted to muster all the gravitas I can put in my voice and look into your eyes and tell you that if the Section 8 program is block granted tens of thousands of New Yorkers will be homeless by 2007. I could raise my voice and tell you that, if Medicaid becomes a block grant program, there will be 20 percent more low-income, uninsured people in New York City. Then, I would pound my fist on the table and tell you that, if the TANF block grant is frozen and if the work requirements were jacked up, tens of thousands of working single mothers would lose their childcare subsidies. I'm not going to do it.

It would be dishonest of me to pretend that I know this, that I could make those projections. Also, I don't want to get the Bob Greenstein syndrome. I don't want to hear over and over again, "There they go – the advocates are crying wolf."

Another voice holds me back – and Alan Hevesi mentioned this in passing – the voice of realism. Maybe what we need is a forum on learning to live with block grants. Maybe we need a nitty gritty discussion about what is the appropriate annual adjustment formula? How do we create stronger safeguards against supplantation? What are the best performance measures? Maintenance of effort requirements? Program goals? Financial incentives? You know, all the details.

In fact, this is just the conversation we've been having around TANF reauthorization, more or less. More we've been talking about their proposals along those lines, and less about ours. I think you should hold that thought; there is a lesson in that. Still, it would be a little arrogant of me, as someone who has been in the welfare debate to say to you, "Just say no to block grants" when I've spent the last two years with many of you engaged in this inside game.

Still, I want to argue that we have to oppose block granting the safety net as a principle, as a general proposition. I think it comes down to three specific reasons, and then one broad, thematic cry from the heart.

The first is the fiscal and economic context. Bob Greenstein laid out the fiscal context better than I could, but that is looming there as one big piece of the big picture.

A second aspect of this, that people really haven't touched upon, that is part of this context is the state of the U.S. economy. The day before yesterday, the American economy was very close to full employment. Full employment is one of the most effective anti-poverty programs we have ever seen. The other thing about full employment is that it is great for state budgets. We were, in the late 90's, in a never-never land. More people were working. Poverty was declining. The states were cutting their taxes but state revenue was escalating. This was like a golden age. And we did

have a five year golden age. The question that haunts me is that we had the best economy in 30 years. Do we have to wait another 30 years to get back to that point? One of the great, unanswered questions that we have to really wrestle with is, what is the norm here? What kind of help are we going to get from the economy? I don't think that we are a year or two years away from a return to full employment and rising state revenues, which, of course, is the other element in this broad context. The state fiscal crisis will be with us for some time to come. The one-shots are gone and it is going to be harder to raise taxes next year than it was this year. That is a scary thought.

Of course, all this creates a scenario in the sense of the sort of "engineered necessity," that Bob Greenstein laid out to you, for the federal government to off-load the price of ever more expensive programs. It also means that this is an especially bad time to do it. States have limited fiscal capacity. As Alan Hevesi noted, states and localities are limited by the pressure for competitive tax structures and by the requirement that they balance their budgets annually. Relative to the federal government, they have less ability to expand programs, even when times are good, and greater incentive to cut them when the economy goes south and need grows.

Second thing, of course, is that the block grants don't just put states in charge. They also change the terms of trade; the cost of doing one thing relative to the cost of doing another. Cindy's chart about Medicaid really captured this. Let's say a state is above its MOE requirement. In the situation that we have now, if the state wants to expand its Medicaid coverage, \$1 of expansion costs the state (or the state and the local government here) 50 cents. If the state wants to cut back, \$1 of cutback only gets the state and city government a 50 cent return. Now you've changed the prices. You've changed the terms of trade. If a state is above a MOE, well then, the cost of increase is the whole thing – it's a dollar. Then from decreasing, you get a \$1. If you change the incentives, you will change the behavior. You go from a permissive environment to a more restrictive one. So block grants, particularly in this context, are going to give the states flexibility, but it is going to be the flexibility to cut.

The other thing that we haven't talked about is that block grants make the city vulnerable to the state. I think that is clearest around the issue of housing because the housing issue in New York City is so much different than the housing issue in the rest of the state. Will showed you a picture of the difference between fair market rate inflation vs. the general rate of inflation. If we compared what was happening to housing costs in New York City versus the rest of the state, we'd see the same cleavage. We don't have a New York state housing market. We have a local housing market. New York City is gaining population; the rest of New York State is losing population. That is a long-term trend that is going to continue for some time. A state program would not be more responsive to New York City's needs than a federal program.

The other thing, of course, is the realities of politics of Albany. We had this great victory with the budget restorations in Albany, but when you look at what happened to New York City specifically, what did we get? We got the right to raise taxes on ourselves.

This is like we've been down so long, it looks like up. Now we can raise our sales tax! Break out the good stuff! This is not where we really want to be.

So my final plea against the block grants is that when you sum all this up, what the block grants do is that they change the balance of power. This is being sold as a technical change. And it is in some respects, but that is not all it is. It's being sold as finding the most creative balance between state and federal government. Well, it's not just that. This is a shift not just in program design, but in underlying structures, fundamental relationships of power between those, on one end of the spectrum, who really believe that government aid to the poor fosters dependency and those on the other, who feel that poverty is something that public policy should be committed to ending. Redefining the federal role changes the balance of power. It is like taking the high ground on a battlefield. Rather than fighting in Washington, we will do most of our fighting in Albany. Rather than fighting where there are more resources, we will be fighting where there are less resources.

The great eras of social progress in our country: The New Deal in the 1930's and the Great Society in the 1960's were about enlarging the federal role in guaranteeing human, labor and civil rights, and sustaining the poor. That was well understood by the reformers and their opponents in Washington, and it was understood by the activists at the grassroots.

So the alarm here is not just about the harm that these changes are going to make. It is also about the good these changes are designed to preclude. The underlying agenda is to foreclose the prospect of progress. I can't tell you how many people are going to get hurt. I can tell you that their aim is to pin us down in a position of permanent defense, always fighting for what we are against and progressively losing the capacity to advance or even imagine what we are for.

For those of us who believe that poverty is utterly unnecessary in the richest society in human history, for the majority of Americans, who often worry about their own economic security, and just think that government ought to lend a hand to people who are down on their luck, for low-income Americans, this would be a major defeat. It doesn't have to happen. We can learn from the other side.

We have tended to organize around single issues; they tend to organize around broad themes. Single issue organizing is effective in an incremental age. You get to focus your resources on the specifics. We will still need to do this. The programs that are under the gun will be debated and voted on one by one and the details matter a lot. We no longer live in an incremental age. We are going to have to organize ourselves appropriately. If we had planned an all day event we would now break into program areas and talk about strategy. I'm glad we're not doing that right now. We need to be in the same room. One of the things that I'm most pleased about this morning are all the people here that I don't know. We need to be learning from each other. We need to know what the other folks have at stake. We need to begin to build bridges between our different silos so that we can mount an effective response.

I hope we have accomplished a bit of that today.
Thank you.