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Federal Housing Assistance and Welfare Reform: Uncharted Territory

by

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Federal housing assistance was seldom mentioned in the mid-1990s' debate over devolution of America's social safety net. Yet in FY 1995, federal outlays for housing assistance to the poor (\$19 billion) exceeded those for Aid to Families with Dependent Children (AFDC) by \$7 billion.

A sizable share (about one-fifth) of households that receive AFDC also benefit from federal housing subsidies administered by the U.S. Department of Housing and Urban Development (HUD). Moreover, those receiving HUD assistance account for a much larger share of long-term welfare recipients—those likely to have the most difficulty finding and retaining employment—than welfare families that don't receive federal housing assistance. Among AFDC beneficiaries in 1994, for example, the median cumulative period of welfare reciprocity for those who also received HUD assistance was 57 months; for those not receiving HUD assistance, the comparable period was 37 months. ¹

Whether or not welfare recipients also receive housing assistance will greatly influence the immediate circumstances and, possibly, the longer-term opportunities of those directly affected by welfare reforms and cutbacks in related social programs. Welfare reform may also have a marked impact on the financial condition of HUD's housing programs. Tremendous variations in HUD assistance across states and localities (explained below), together with the new discretion states have been given to run their own welfare programs, mean that housing assistance and welfare interactions at the local level will significantly affect state responses to devolution.

What are the possible outcomes of interactions between housing assistance and welfare reform? We preface our speculation with a discussion about how federal