

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2020 Summary of Resources

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental / Rescission	Total Resources	Obligations	Outlays
2018 Appropriation	229,600	87,579 ^a	-	317,179	154,514	177,636
2019 Annualized CR	229,600	162,604 ^b	-	392,204	190,810	238,381
2020 Request	157,000	202,455	-	359,455	230,850	287,593
Change from 2019	(72,600)	39,851	-	(32,749)	40,040	49,212

a/ Carryover includes \$76.8 million in unexpired unobligated balances and \$9.8 million in recaptures and collections.

b/ Carryover includes \$161.6 million in unexpired unobligated balances and \$1 million in recaptures and collections; it excludes \$61 thousand of unobligated balances that expired at the end of FY 2018.

1. Program Purpose and Budget Overview

The 2020 President’s Budget for the Housing for Persons with Disabilities (Section 811) program is \$157 million, which is \$72.6 million less than the 2019 Annualized Continuing Resolution (CR) level. This request fully funds the annual renewal and amendment for over 29,000 units across 2,450 housing properties that require additional budget authority in 2020. Additionally, the 2020 Budget provides continued assistance to tenants of Section 811 projects in which the initial PRAC/PAC has expired or all reserved funding has been disbursed. The 2020 Budget funding levels across HUD rental assistance programs would support the same number of households currently assisted, while proposing reforms to ensure long-term fiscal sustainability of rental assistance. As described in the “Overview of Rental Assistance Programs” justification, the funding request reflects a set of policies that reduce costs while continuing to assist current residents.

The Housing for Persons with Disabilities program provides project-based rental assistance, which covers the difference between the HUD-approved operating cost of the project and the tenants’ contributions toward rent. It allows very low- or extremely low-income persons with disabilities to live independently by providing them with affordable rental housing that is integrated into their local communities. The program targets vulnerable persons with disabilities who need affordable housing to effectively access community-

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based support and services, such as case management, housekeeping assistance, assistance with activities of daily living, and more—to live independently in the community.

2. Request

The 2020 President's Budget supports the following activities:

Disabled PRAC/PAC Renewals and Amendments - \$155 million

The 2020 Budget provides \$155 million for Project Rental Assistance Contract (PRAC) and Project Assistance Contract (PAC) renewals and amendments. The 2020 Budget amount, coupled with the Department's proposal to freeze budget-based rents and with offsets from residual receipt collections, will fully fund over 29,000 units across 2,450 housing properties that require additional budget authority in 2020. Approximately 800 units will renew for the first time during 2020, requiring additional funding above the 2019 baseline.

The 2020 Budget provides continued assistance to tenants of Section 811 projects in which the initial PRAC/PAC has expired or all reserved funding has been disbursed. HUD estimates that from 2019 to 2020, approximately 800 units will require first-time amendment (during their initial term) or first-time renewal.

Capital Advance and State Project Rental Assistance

The request will allow HUD to use offsetting collections of excess residual receipts to fund new Capital Advances and State Project Rental Assistance awards, thereby modestly increasing the number of disabled, very low-income persons living in safe, decent, and affordable housing. In addition, these funds may be supplemented through the transfer of recaptures from the Project-Based Rental Assistance account should recapture not be needed to support contract renewals and amendments in 2020. The award of these funds will provide construction funding or operating assistance for additional project-based Section 811 units. The program design will build on the updated Section 811 notice of funding availability (NOFA) now under development to award the \$82.6 million appropriated in 2018 to expand assistance and may utilize either Project Rental Assistance (PRA) awards to state housing finance agencies (HFAs) or the traditional capital advance model. The expansion of affordable housing opportunities that are fully integrated into the community and coordinated with critical supportive services provides a needed alternative to costly institutional care.

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Capital Advance Amendments and Other Expenses - \$2 million

The 2020 Budget provides up to \$2 million for related administrative costs.

3. Justification

The Housing for Persons with Disabilities (Section 811) program addresses the unmet housing needs of very low-income renters with disabilities who cannot find affordable housing and experience severe housing problems. HUD's *Worst Case Housing Needs: 2017 Report to Congress* tracked the number of households with worst-case housing needs, defined as renters with very low incomes—no more than 50 percent of the Area Median Income (AMI)—who do not receive government housing assistance and who pay more than one-half of their income for rent, live in severely inadequate conditions, or both. This report revealed that of the 8.3 million very low-income households with worst-case housing needs that lacked assistance in 2015, one in six includes one or more non-elderly persons with disabilities. Worst-case needs among such households increased by 28 percent from 1.09 million in 2013 to 1.39 million in 2015.

Persons with disabilities often require special accommodation and support services to live independently, and finding housing that accommodates these special needs is a challenge. Approximately half of the households with non-elderly persons with disabilities that have worst-case housing needs have ambulatory and cognitive disabilities, and almost one-third of the households have independent living limitations.¹ Two-thirds of people with disabilities assisted by the traditional Section 811 program have developmental disabilities or chronic mental illness that require extensive supportive services.²

Nationally, there are an estimated 188,000 non-elderly persons who live in nursing homes and are eligible for Department of Health and Human Services (HHS) Money Follows the Person (MFP) (for persons living in an institution for more than 90 consecutive days) and could potentially be transitioned to a Section 811 unit.³ The Genworth 2017 Cost of Care Survey estimates the national average cost of a semi-private room in a nursing home at \$85,775 per year. The cost of this type of facility has been increasing annually at a rate of

¹[Worst Case Housing Needs: 2017 Report to Congress. Washington DC: U.S. Department of Housing and Urban Development. 2017.](#)

² Locke, G., C. Nagler, K. Lam. [Implications of Project Size in Section 811 and Section 202 Assisted Projects for Persons with Disabilities.](#) Washington, DC: U.S. Department of Housing and Urban Development. 2005. Also Applied Real Estate Analysis (AREA). *Evaluation of Supportive Housing Programs for Persons with Disabilities, volume I and II.* Washington, DC: U.S. Department of Housing and Urban Development. 1996.

³ Irvin, C.V., Denny Brown, N., Morris, E., Postman, C. 2016. Pathways to Independence: Transitioning Adults Under Age 65 From Nursing Homes to Community Living. December 2016. Retrieved from <https://www.mathematica-mpr.com/our-publications-and-findings/publications/pathways-to-independence-transitioning-adults-under-age-65-from-nursing-homes-to-community-living>.

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three percent in recent years.⁴ Past studies of the traditional Section 811 program have shown that projects are in high demand, with rare vacancies and very low turnover.⁵

Experts agree that there is a great need to reduce health care costs for people with disabilities and to find more cost-effective ways to provide people with disabilities community-based support and services. Affordable housing has been a key barrier to this goal according to evaluations of HHS' MFP program. In the 2017 evaluation report of MFP, 38 of 44 grantee states reported at least one challenge securing housing for MFP participants. The two most commonly reported challenges in 2016 were an insufficient supply of affordable and accessible housing and an insufficient supply of rental vouchers. The evaluation noted that grantee states have continued to cite shortages in housing and rental vouchers as key challenges since the beginning of the MFP demonstration.⁶ HUD awarded a contract to conduct an independent evaluation of the cost-effectiveness of the Section 811 Project Rental Assistance (PRA) demonstration⁷ compared to the traditional Section 811 program and to other forms of housing assistance for people with disabilities. Until HUD obtains the results from this evaluation (expected in 2019), the evaluation of the MFP program offers a glimpse of possible cost reductions from moving persons with disabilities from institutions into communities. Estimates indicate that the transitions through the end of 2013 (the sixth year of MFP transitions) generated health care cost savings in the range of \$204 million to \$978 million depending on the number of transitions attributable to the MFP demonstration.⁸

Under the Americans with Disabilities Act and the Supreme Court's *Olmstead* decision, states are legally obligated to favor community-based and integrated settings over institutional settings for persons with disabilities. State Medicaid agencies are making efforts to comply with this mandate through Medicaid home and community-based "waiver" programs administered by HHS' Centers for Medicare and Medicaid Services. However, states often find themselves limited in achieving this mandate, even when they have effective Medicaid waiver programs in place, because the target population cannot afford the cost of renting a home in the community.

⁴ Genworth. 2017 Genworth Cost of Care Survey. Retrieved from <https://www.genworth.com/about-us/industry-expertise/cost-of-care.html>.

⁵ Applied Real Estate Analysis (AREA). *Evaluation of Supportive Housing Programs for Persons with Disabilities, volume I and II*. Washington, DC: U.S. Department of Housing and Urban Development. 1996.

⁶ Coghlin, R., Ward, J., Denny-Brown, N., Hagen, B., Maurer, K., Morris, E., Smoot, J., Steiner, A., Perez, B. 2017. Money Follows the Person Demonstration: Overview of State Grantee Progress, January to December 2016. Cambridge MA: Mathematica Policy Research. September 2017. Retrieved from <https://www.mathematica-mpr.com/our-publications-and-findings/publications/money-follows-the-person-demonstration-overview-of-state-grantee-progress-january-to-december-2016>.

⁷ The Frank Melville Supportive Housing Investment Act of 2010 authorized the new Project Rental Assistance (PRA) program, making funds available to State housing finance agencies to make available for dwelling units in eligible projects for extremely low-income persons with disabilities and extremely low-income households with at least one person with a disability. Retrieved from <https://www.gpo.gov/fdsys/pkg/BILLS-111s1481enr/pdf/BILLS-111s1481enr.pdf> and <https://www.gpo.gov/fdsys/pkg/BILLS-111s1481enr/pdf/BILLS-111s1481enr.pdf>.

⁸ Irvin, C.V., Denny-Brown, N., Bohl, A., Wysocki, A., Stewart, K., Coughlin, R., Williams, R., Smoot, J., Steiner, A., Peebles, V. 2017. Money Follows the Person 2015 Annual Evaluation Report. Cambridge, MA: Mathematica Policy Research. May 2017. Retrieved from <https://www.mathematica-mpr.com/our-publications-and-findings/publications/money-follows-the-person-2015-annual-evaluation-report>.

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In the most recent progress report of the HHS program, 20 out of 34 states reported an insufficient supply of affordable and accessible housing options to transition people from institutional settings to the community. Investments in Section 811 supportive housing align with and complement these state efforts to provide home and community-based services for persons with disabilities.

Cross-Cutting Rent Reform Proposal

The 2020 President's Budget funding level across HUD rental assistance programs would support the same number of households currently assisted, while also proposing the following reforms to ensure the long-term fiscal sustainability of rental assistance.

The current rent structure in HUD's rental assistance programs creates disincentives to employment; imposes large administrative burdens for Public Housing Authorities (PHAs), private owners, and tenants; generates significant and increasing costs to the federal government; and ultimately represents a one-size-fits-all approach that cannot reasonably offer the programmatic flexibility to meet the needs of households in localities across the nation.

Thus, with the Making Affordable Housing Work Act (MAHWA), submitted to Congress in April 2018, HUD proposed reforming rental assistance to address these notable issues and further the following goals:

1. *Simplify program administration*: The proposed legislation would simplify rent calculations by determining rents using gross rather than adjusted income.
2. *Reduce federal taxpayer costs by encouraging work and stable family formation*: HUD seeks to limit income recertification for all households to once every three years, which encourages work by deferring increases in tenant rent payments as a result of increased wages. In addition, the proposed legislation would establish higher expectations for tenants able to work by setting tenant rent contributions at 35 percent of gross income, while setting a lower rent of 30 percent of gross income for those unable to work, notably the elderly and persons with disabilities. Additionally, current elderly and persons with disabilities would be held harmless from rent increases as reflected in the proposed legislation. Moreover, MAHWA would provide additional safe harbors, including a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents.
3. *Increase local control and choice*: MAHWA would empower PHAs and property owners to choose alternative rent structures, as approved by the Secretary, that would best serve the needs of households in localities across the nation. These

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alternative rent structures must incur the same overall program costs and would provide a structure for residents to achieve self-sufficiency.

Please see the “Overview of Rental Assistance Programs” justification for more information.

General Provisions

The 2020 Budget proposes to continue General Provisions related to the Housing for Persons with Disabilities program (Sec. 206 and 224). These provisions are described further in “Fiscal Year 2020 General Provisions”.

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Summary of Resources by Program

(Dollars in Thousands)

Budget Activity	2018 Budget Authority	2017 Carryover Into 2018	2018 Total Resources	2018 Obligations	2019 Annualized CR	2018 Carryover Into 2019	2019 Total Resources	2020 Request
Capital Advance (Expansion), Capital Advance Amendments, Other Expenses and Initial PRAC	84,600	18,789	103,389	1,355	84,600	102,975	187,575	2,000
Disabled PRAC/PAC Renewal/Amendment	145,000	67,083	212,083	153,159	145,000	57,853	202,853	155,000
Project Rental Assistance Demonstration (PRAD)	-	1,410	1,410	-	-	1,410	1,410	-
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	-	297	297	-	-	366	366	-
Total	229,600	87,579	317,179	154,514	229,600	162,604	392,204	157,000

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Appropriations Language

The 2020 President’s Budget includes the appropriation language listed below:

For amendments to capital advance contracts for supportive housing for persons with disabilities, as authorized by section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), as amended, and for project rental assistance for supportive housing for persons with disabilities under section 811(d)(2) of such Act and for project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86–372; 73 Stat. 667), including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, for project rental assistance to State housing finance agencies and other appropriate entities as authorized under section 811(b)(3) of the Cranston-Gonzalez National Housing Act, and for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act, \$157,000,000, to remain available until September 30, 2023: Provided, That, upon the request of the Secretary, project funds that are held in residual receipts accounts for any project subject to a section 811 project rental assistance contract and that upon termination of such contract are in excess of an amount to be determined by the Secretary shall be remitted to the Department and deposited in this account, to be available until September 30, 2023: Provided further, That amounts deposited in this account pursuant to the previous proviso shall be available in addition to the amounts otherwise provided by this heading for the purposes authorized under this heading and for capital advance contracts: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading may be used for the current purposes authorized under this heading notwithstanding the purposes for which such funds originally were appropriated.

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.