

**HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2019 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2017 Appropriation	\$146,200	\$81,479 ^{a/}	...	\$227,679	\$148,684	\$170,129
2018 Annualized CR	146,200	86,805 ^{b/}	-\$993 ^{c/}	232,012	164,190	184,637
2019 Request	<u>140,000</u>	<u>74,822^d</u>	...	<u>214,822</u>	<u>161,603</u>	<u>188,000</u>
Change from 2018	-6,200	-11,983	+993	-17,190	-2,587	+3,363

a/ Carryover includes \$72.4 million in unexpired unobligated balances and \$9 million from collections realized in 2017.

b/ Carryover includes \$76.8 million in unexpired unobligated balances and an estimated \$10 million from recaptures and collections. It excludes \$2.2 million that expired at the end of fiscal year 2017.

c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

d/ Carryover includes an estimated \$64.8 million in unexpired unobligated balances and an estimated \$10 million from recaptures and collections.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President Budget request for the Housing for Persons with Disabilities (Section 811) program is \$140 million which is \$5.2 million less than the fiscal year 2018 Annualized CR Level. The Department's request will support two primary activities within the Housing for Persons with Disabilities program:

- \$138 million for Project Rental Assistance Contract (PRAC) and Project Assistance Contract (PAC) renewals and amendments to fully fund over 28,000 units across 2,390 housing properties; and
- Up to \$2 million for property inspections and related administrative costs.

This request reflects implementation of cost-saving measures in 2019 and minor amounts of anticipated carryover funding from prior years into 2019, allowing for full funding for all contracts in the Section 811 portfolio while reducing required appropriations and continuing to assist low-income persons with disabilities currently served by the program. The Housing for Persons with Disabilities program allows very low- or extremely low-income persons with disabilities to live independently by providing deeply affordable rental housing that is integrated into the local communities. The program targets vulnerable persons with disabilities who need

Housing for Persons with Disabilities (Section 811)

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

As described further below and in the “Enhance Rental Assistance” justification, the funding request reflects a set of policies that reduce costs while continuing to assist current residents, and the Administration will submit a legislative package of comprehensive rental assistance reforms consistent with this funding request following submission of the Budget.

2. Request

By helping individuals with disabilities live independently in their communities, this program avoids the costs of more expensive institutional settings and helps states comply with the Supreme Court’s *Olmstead* decision. Section 811 serves very low- and extremely low-income individuals with serious and long-term disabilities, including physical or developmental disabilities as well as mental illness. More than two-thirds of Section 811 residents have developmental disabilities and chronic mental illness, and the majority of those residents came to Section 811 housing from nursing homes, hospitals and other specialized residences. Without Section 811 supportive housing, many of those served by the program would live in an institution, with aging parents, in a homeless shelter, or on the streets.

The 2019 request 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 2018 to 2019, approximately 1,000 units will require first-time amendment (during their initial term) or first-time renewal.

3. Justification

The Supportive Housing for Persons with Disabilities (Section 811) addresses the high 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* tracks 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 reveals that of the 8.3 million very low-income households with worst case housing needs that lacked assistance in 2015, one in six include one or more non-elderly persons with disabilities. Worst case needs among such households increased by 28.0 percent from 1.09 million in 2013 to 1.39 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 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

Housing for Persons with Disabilities (Section 811)

living limitations.¹ Two-thirds of people with disabilities assisted by the traditional Section 811 have developmental disabilities or chronic mental illness and thus require extensive supportive services.²

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: evaluations of HHS' Money Follows the Person (MFP) program have found the lack of affordable housing in the community to be a primary barrier to transitioning people out of costly institutions. 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.³ HUD awarded a contract to conduct an independent evaluation of the cost-effectiveness of the Section 811 PRAC program compared to the traditional 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 Money Follows the Person (MFP) program offers a glimpse of possible cost reductions from moving people with disabilities from institutions to the community. 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 to \$978 million depending on the number of transitions attributable to the MFP demonstration.⁴

Nationally, there are an estimated 188,000 non-elderly persons who live in nursing homes and are eligible for MFP (people that live in an institution for more than 90 consecutive days) and could potentially be transitioned to a Section 811 unit.⁵ 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

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

²Locke, 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.

³Coghlin, 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>

⁴Irvin, 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>.

⁵ 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>

Housing for Persons with Disabilities (Section 811)

this type of facility has been increasing annually at a rate of 3 percent in recent years.⁶ Past studies of the traditional Section 811 have shown that projects are in high demand, with rare vacancies and very low turnover.⁷

Cross-cutting Rent Reform Proposals

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time. As the legislative proposal is finalized,

⁶Genworth. 2017 Genworth Cost of Care Survey. Retrieved from <https://www.genworth.com/about-us/industry-expertise/cost-of-care.html>

⁷Applied 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.

Housing for Persons with Disabilities (Section 811)

the requested allocation of funding across rental assistance programs in 2019 may change within the existing Departmental topline. HUD will provide Congress with updates to these programs' funding levels after the proposal is released.

Please see the "Enhance Rental Assistance" justification for more information.

In addition, for 2019, HUD is implementing a one-year freeze on annual rent adjustment increases, including those using operating cost adjustments, budget-based rent increases, or updated market rent studies.

General Provisions

The President's Budget proposes the following General Provisions for Housing for Persons with Disabilities:

- Transfers of Assistance, Debt, And Use Restrictions (Sec. 206).
- Freeze on rent adjustment increases (Sec. 226).

Housing for Persons with Disabilities (Section 811)

**HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Summary of Resources by Program
(Dollars in Thousands)**

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Capital Advance Amendments, Other Expenses and Initial PRAC	\$2,000	\$14,529	\$16,529	\$664	\$1,986	\$15,865	\$17,851	\$2,000
Disabled PRAC/PAC Renewal/Amendment ..	144,200	63,053	207,253	148,020	143,221	69,233	212,454	138,000
Project Rental Assistance Demonstration (PRAD) .	...	3,600	3,600	...	...	1,410	1,410	...
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based) .....	...	297	297	...	...	297	297	...
Total	146,200	81,479	227,679	148,684	145,207	86,805	232,012	140,000

NOTE: Columns 2017 Carryover into 2018 and 2018 Total Resources include an estimated \$10 million in recaptures and spending authority from offsetting collections for Disabled PRAC/PAC Renewals/Amendments.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Appropriations Language

The fiscal year 2019 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, \$140,000,000, to remain available until September 30, 2022: Provided, That amounts made available under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 811 projects: Provided further, 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, 2022: 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: 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 2018 Annualized CR 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, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.