

**HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2018 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>
2016 Appropriation	\$150,600	\$109,916 ^{a/}	...	\$260,516	\$188,777	\$171,201
2017 Annualized CR	150,600	71,681 ^{b/}	-\$286 ^{c/}	221,995	171,000	185,000
2018 Request	<u>121,300</u>	<u>50,995</u>	...	<u>172,295</u>	<u>147,000</u>	<u>175,000</u>
Change from 2017	-29,300	-20,686	+286	-49,700	-24,000	-10,000

a/ Amount includes \$5.8 million in residual receipt collections and \$112 thousand in recaptures.

b/ Amount excludes \$59 thousand that expired at the end of fiscal year 2016.

c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s budget requests \$121.3 million for the Housing for Persons with Disabilities program. This request reflects implementation of several cost-saving measures in 2018 and anticipated carryover funding from prior years into 2018, allowing for full funding for all contracts in the Section 811 portfolio while reducing required appropriations and continuing to assist current low-income persons with disabilities served by the program. The Supportive Housing for Persons with Disabilities (Section 811) 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 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.

The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms

2. Request

The request of \$121.3 million supports two primary activities:

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- \$119.3 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.

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 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 fiscal year 2018 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 fiscal years 2017 to 2018, over 1,000 units will require first-time amendment (during their initial term) or first-time renewal. Cost increases associated with these units are more than offset by savings measures discussed in Section 3.

3. Justification

Section 811 addresses the high unmet housing need of very-low income renters with disabilities who cannot find affordable housing and experience severe housing problems. HUD's *Worst Case Housing Needs: 2015 Report to Congress* tracks the number of households with worst-case housing needs, defined as households that pay more than one half of their income in rent or live in inadequate housing. This report reveals that of the 7.7 million very low income households with worst case housing needs that lacked assistance in 2013, one in seven include one or more non-elderly person with disabilities. The number of households with worst case needs having at least one non-elderly person with disabilities decreased from 1.31 million households in 2011 to 1.09 million households in 2013, but remained 10 percent above the 2009 estimate.

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 one-third of the households have independent living

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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 receive 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.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. The evaluation of the MFP program found a reduction in total Medicare and Medicaid expenditures of MFP participants, with the largest decrease among older adults with a mental health condition and people with intellectual disabilities (20 and 30 percent, respectively). This decline was primarily due to the shift in Long-Term Services and Supports (LTSS) spending from institutional- to community-based care.⁴

Nationally, there are an estimated 137,000 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. The Genworth 2014 Cost of Care Survey estimates the national average cost of a semi private room in a nursing home at \$77,380 per year. The cost of this type of facility has been increasing annually at a rate of 4 percent in recent years.⁵ Past studies of the traditional Section 811

¹ Mathematica Policy Research. 2011. *Money Follows the Persons 2010 Annual Evaluation Report: Final Report*. Retrieved from http://www.mathematica-mpr.com/publications/pdfs/health/MFP_2010_annual.pdf.

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 Lipson, D.J., C.S Valenzano, and S.R. Williams. 2011. "What Determines Progress in State MFP Transition Programs?" National Evaluation of the Money Follows the Person (MFP) Demonstration Grant Program, Report from the Field, No. 8. Cambridge MA: Mathematica Policy Research. October 2011. Retrieved from <http://www.mathematica-mpr.com/publications/pdfs/health/MFPfieldrpt8.pdf>

⁴ Irvin, C.V., Denny-Brown, N., Bohl, A., Schurrer, J., Wysocki, A., Coughlin, R., Williams, R. 2015. *Money Follows the Person 2014 Annual Evaluation Report*. Cambridge, MA: Mathematica Policy Research.

⁵ Genworth. 2014 Genworth Cost of Care Survey. Medicaid billing for a nursing home facility could be lower, but national data on the cost of nursing homes for Medicaid beneficiaries was not available.

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have shown that projects are in high demand, with rare vacancies and very low turnover.⁶ In a MFP report, states cited lack of affordable, accessible housing as the single greatest barrier to helping more people move out of institutions.⁷

Cross-cutting Rent Reform Proposals

The Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to Housing for Persons with Disabilities included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants.
- An increase in minimum tenant rental payments from up to \$25 to \$50, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- A one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.

The Budget also proposes flexibility through a transfer up to \$35 million between Section 811 and Housing for the Elderly (Section 202) to allow HUD to be flexible in meeting the needs of the two programs under a constrained fiscal environment.

⁶ 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.

⁷ 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.

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General Provisions

The President's Budget proposes the following General Provisions for Housing for the Elderly:

- Transfers Of Assistance, Debt, And Use Restrictions (Sec. 206).
- Raising rent contributions to 35% of gross rents (Sec. 226).
- Raising minimum rents to \$50 (Sec. 227).
- Elimination of utility allowance reimbursements (Sec. 228).
- Freeze on rent adjustment increases (Sec. 229).

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Summary of Resources by Program
(Dollars in Thousands)**

Budget Activity	2016 Budget Authority	2015 Carryover Into 2016	2016 Total Resources	2016 Obligations	2017 Annualized CR	2016 Carryover Into 2017	2017 Total Resources	2018 Request
Disabled (Capital Advance, Other Expenses and PRAC) ...	\$2,000	\$13,163	\$15,163	\$1,646	\$2,000	\$13,518	\$15,518	\$2,000
Disabled PRAC PAC Renewal/Amendment	148,600	26,126	174,726	120,401	148,314	54,266	202,580	119,300
Project Rental Assistance Demonstration (PRAD)	70,330	70,330	66,730	...	3,600	3,600	...
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	<u>297</u>	<u>297</u>	<u>297</u>	<u>297</u>	...
Total	150,600	109,916	260,516	188,777	150,314	71,681	221,995	121,300

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Appropriations Language

The fiscal year 2018 President's Budget includes proposed changes in 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, \$121,300,000, to remain available until September 30, 2021: 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 of Housing and Urban Development, 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, 2021: 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. Provided further, That up to \$35,000,000 of any amounts made available under this heading, including recaptures, carryover, and residual receipts, may be transferred to and merged with amounts made available under the heading "Housing for the Elderly", and any such transferred and merged amounts may be transferred back and merged with amounts made available under this heading. (Department of Housing and Urban Development Appropriations Act, 2017.)

Note.—A full-year 2017 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 Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.