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Testimony
of Preston Niblack, Deputy Director,
before the City Council Committee on Aging
on Expanding the Senior Citizen Rent Increase Exemption

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Good morning, Chairman Diaz and members of the Committee. I am Preston Niblack, deputy director of the Independent Budget Office. Thank you for inviting us to testify today on expansion of the Senior Citizen Rent Increase Exemption, or SCRIE. My testimony today will be brief and will specifically address the fiscal impacts of State and Federal Resolutions Numbers 143 and 133. Resolution 143 calls upon the state legislature to pass bills that would increase the allowable maximum income under SCRIE to $25,000 annually, while Resolution 133 would automatically increase the allowable maximum income by the rate of inflation.

IBO has looked at proposals to expand SCRIE on previous occasions, most recently last August, when we considered two bills, S.3956-B and S.5257-B. I will be drawing on that analysis today. In preparing our analysis, we relied on the 1999 New York City Housing and Vacancy Survey, conducted every three years by the US Census Bureau.

As you know, the SCRIE program today applies to rent-regulated apartments occupied by households headed by a person aged 62 or older, with an annual income of $20,000 or less. Households must also pay at least one-third of their monthly net income in rent. Eligible households are exempt from rent increases, and the property owner receives a property tax abatement to compensate for the lost rental income. According to the latest Department of Finance statistics, about 45,000 senior households currently participate in the program, at an annual cost to the city in foregone property tax revenues of $63.5 million.

We found that raising the income cap for senior households would add relatively few additional households, because relatively few senior households had incomes above $20,000 annually *and* paid more than one-third of their income in rent. Expanding the income ceiling for seniors to $30,000, for instance, would add 2,200 eligible households, or just 2 percent more than are currently eligible, at a cost to the city of $1.6 million annually in foregone property tax revenues by the fifth year of enactment (assuming current participation rates).

We did not estimate the cost of indexing the income ceiling to inflation, although the impact should be modest. This is especially true since seniors already enjoy some protection from losing their SCRIE eligibility due to higher income, because increases in social security benefits are excluded from income. (Payments to Holocaust survivors are also excluded.)

Expanding the number of eligible households would also modestly add to the Department for the Aging's administrative costs. The department currently spends about $5 million annually to administer the SCRIE program.

With respect to Resolution 146, although we did not specifically analyze the fiscal impact of excluding unreimbursed medical expenses from the definition of income for purposes of determining SCRIE eligibility, our analysis of expanding the income ceiling suggests that the impact on property taxes of such a measure would be fairly modest. There would, however, likely be some additional administrative costs for the Department for the Aging, since the department would now have to review at least some applicants' income qualifications in greater detail.

Let me go beyond today's resolutions for a moment and highlight two other findings of our analysis.

First, one of our findings was that currently only about one-third of eligible households appear to be benefiting from the SCRIE program. Our analysis assumed that only one-third of those who would be newly eligible under an expanded program would take advantage of the benefits. It is possible that a public campaign to advise newly eligible seniors of the availability of the SCRIE benefit would expand the number of both newly eligible and those eligible under current law. This would have a more significant fiscal impact than under our baseline assumption. In general, costs would rise proportionately with the expansion in participating households. If 50 percent of eligible seniors were to take advantage of the program, for example, it would cost an additional $28.8 million per year.

Second, one of the current eligibility criteria, as you know, is that senior households must pay one-third of their income in rent. The federal affordability standard for most housing programs is 30 percent. For instance, New York City Housing Authority tenants pay rent equal to 30 percent of monthly income. Lowering the rent-to-income threshold to this level (holding the income cap at $20,000) would add nearly four times as many households as would raising the income cap alone, at modest cost to the city—about $2.5 million.

Again, thank you for the opportunity to testify today. I would be happy to take any questions you may have.