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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. It is a pleasure to appear before you once again to discuss the Senior Citizen Rent Increase Exemption, or SCRIE, program. My testimony today will be brief and will specifically address the fiscal impacts of Introduction 135, and Resolution Number 175. Introduction 135 would roll back rents for SCRIE participants to the year in which the head of household first became eligible, if that was before the year in which he or she actually applied. Resolution 175 calls upon the state Legislature to pass Assembly Bill A.4883, which would allow the city to extend SCRIE to eligible seniors with a household income up to $14,400 whose rent exceeds 25 percent of household income, as opposed to the current threshold of 33 percent.

According to the latest Department of Finance statistics, about 44,000 senior households currently participate in the program, at an annual cost to the city in foregone property tax revenues of $80.2 million. In brief, we estimate that A.4883 could increase the number of low-income senior households eligible for SCRIE by about 13 percent, at a cost to the city of under $400,000 in the first year after enactment, rising to $3 million by the fourth year after enactment.

Estimating the impact of Intro 135 is more uncertain, but our best estimate is that it would cost roughly $10 million to $12 million initially. It would also impose significant additional work on the Department for the Aging (DFTA), which could lead to long delays in processing SCRIE applications. In addition, certain aspects of Intro 135 appear open to different interpretations with potentially significant additional costs.

Let me begin with Assembly Bill A.4883. Based on data from the 1999 Housing and Vacancy Survey, we estimated that there are roughly 17,000 households that would become newly eligible under the expanded criteria contained in A.4883. In previous analyses, we found that about one-third of eligible households actually receive SCRIE benefits. Based on these figures, IBO estimates that the cost of extending SCRIE benefits to these households would be less than $400,000 in the first year, rising to $3.3 million by the fourth year after enactment.

Estimating the fiscal impact of Intro 135 presents a somewhat greater challenge. The added cost to the city of Intro 135 arises because an applicant's rent would be rolled back to its level at the time he or she first became eligible, if that was before s/he actually applied. This would increase the abatement the property owner would receive, and hence the city's costs. There are two components to the cost: rollbacks for existing applicants, and rollbacks for new applicants.

We estimate that rollbacks for new applicants are not likely to increase the cost to the city by more than 3 to 4 percent. According to the Housing and Vacancy Survey, the average age of SCRIE participants at the time they first applied for SCRIE was just over 67 years old. Their rents were on average $622 per year more than they were paying when they were 62, the earliest age at which a tenant can receive SCRIE benefits. In 2002, DFTA approved 4,504 new SCRIE applications. With an average rent gap between application and eligibility of $622, Intro. 135 would add $2.8 million per year to the cost of SCRIE, *if* all 4,500 of these households met financial eligibility requirements *and* did so continuously since they turned 62.

The cost of extending the average rollback to all existing SCRIE participants would obviously be greater, because it would potentially apply to all 44,000 current SCRIE recipients. But not all existing or new SCRIE applicants would actually meet—or be able to prove that they meet—the eligibility criteria. We have no way to estimate how many SCRIE applicants would actually either meet the eligibility criteria or be able to prove that they did, and for how long. Some number of applicants will have had incomes that were too high, or rent-to-income ratios that were too low, to qualify for SCRIE at some point between age 62 and when they first applied. Others would not qualify because they would be unable to produce the necessary past rent and income documentation—or they simply would not find it worth the effort to do so. Somewhat arbitrarily assuming that one-third of current SCRIE recipients could demonstrate continuous eligibility prior to their first application date for an average of five years, the annual cost in foregone property tax revenues would rise by around $9 million.

These estimates include only the property tax revenues the city would forego as a result of Intro 135. The rollback of rents for existing beneficiaries could result in a flood of applications for the Department for the Aging to process. DFTA would face the additional burden of reviewing and verifying up to six years of documentation for every applicant. This would either add to their current $5 million per year cost of administering SCRIE, or—more likely—result in longer delays in processing SCRIE applications.

Finally, I want to draw your attention to what appears to be some ambiguity in the language of the legislation. It was not entirely clear to us whether Introduction 135 was meant to entitle SCRIE recipients to retroactive benefits. For example, if a participant became eligible at age 64, but only applied at age 67, Intro 135 could be interpreted as requiring that the participant not only have her rent rolled back to the level it was when she was 64, but also that she and her landlord be reimbursed for her rent "overpayments" for the last three years. If the law were interpreted to require this, it would add significantly to the cost of the bill. In addition, these payments would have to be "on budget," rather than being a "tax expenditure" like the SCRIE abatements.

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