

**New York City
Independent Budget Office**

TECHNICAL NOTES: Expanding SCRIE

These technical notes expand upon the information and analysis provided in IBO's newsfax "[Easing Rent Burdens for Seniors and the Disabled](#)," August 2, 2001.

Results. The New York State Assembly and Senate are considering two [bills](#) to amend SCRIE. The following table presents the estimated annual cost of increasing the income threshold for SCRIE eligibility by \$10,000 increments up to a maximum of \$50,000, and of adding disabled households to the program. Because relatively few households are added as the income ceiling rises, the cost rises only modestly (see estimate of eligible households below).

Estimated Annual Cost of Expanded SCRIE					
<i>Dollars in millions</i>					
	Year 1	Year 2	Year 3	Year 4	Year 5
Household income up to \$20,000					
Seniors	n.a.	n.a.	n.a.	n.a.	n.a.
Disabled	\$2.4	4.8	8.9	9.9	14.3
Household income up to \$30,000					
Seniors	\$0.3	0.5	1.0	1.1	1.6
Disabled	\$2.5	4.9	9.2	10.2	14.7
Household income up to \$40,000					
Seniors	\$0.4	0.8	1.6	1.7	2.5
Disabled	\$2.5	5.0	9.3	10.4	14.9
Household income up to \$50,000					
Seniors	\$0.5	0.9	1.7	1.9	2.7
Disabled	\$2.5	5.0	9.3	10.4	14.9

SOURCE: IBO.

How SCRIE Works Today. The SCRIE program exempts eligible senior citizens from most rent increases authorized by the New York City Rent Guidelines Board for rent-controlled, rent-stabilized, and Mitchell-Lama apartments. To compensate the landlord for the lost income, the landlord receives an abatement on his or her [real property taxes](#) equal to the foregone rent.

Persons aged 62 or older who are the primary tenant in a rent-regulated apartment are eligible for SCRIE if they have an annual household income of no more than \$20,000 and pay at least one-third of their monthly income in rent. Applicants must apply annually with the [New York City Department for the Aging](#).

Data. This analysis is based on data from the 1999 New York City Housing and Vacancy Survey (HVS) Occupied Units and Persons files. The HVS is conducted every three years by the U.S. [Census Bureau](#). In 1999, the survey included 15,417 households. The survey is a statistical sample and thus is subject to sampling error, which could affect the

cost estimates. In addition, roughly a third of the records relevant to this study had allocated rents; in other words, the Census Bureau assigned values to respondents who failed to give income data, based upon the incomes of otherwise similar respondents. If these imputed values differ significantly from reality, IBO cost estimates will also differ from actual expenditures.

Definition of Disabled. The legislation defines a person with a disability as a person who is certified to have a “physical or mental impairment . . . which substantially limits one or more of his or her major life activities.” There is no explicit disability indicator in the HVS that corresponds to the legislative definition. Instead, IBO counted individuals as disabled if they were not in the labor force, and were not looking for work because of ill health or physical disability. Because some disabled people are in the labor force, and because this does not capture eligible individuals with mental disabilities, this may underestimate the number of potentially eligible individuals, although IBO believes this to be a relatively small number.

Estimate of Eligible Households. IBO estimated the number of disabled households, as defined above, that would be eligible under existing eligibility rules (i.e., incomes up to \$20,000 annually) to be approximately 36,000.

In 1999, there were just over one million households living in rent-regulated units in New York City, of which 51,000 were non-senior disabled households, according to the HVS. Thirty-seven thousand of these households—or nearly three-quarters—paid more than a third of their income in rent.

Estimated Senior and Disabled Households Eligible for Expanded SCRIE Program		
	Seniors	Disabled
\$20,000 and under	133,388*	36,284
\$20,000-\$30,000	2,196	745
\$30,000-\$40,000	828	189
\$40,000-\$50,000	194	0
TOTAL	136,606	37,218

SOURCE: IBO; 1999 Housing & Vacancy Survey.
 NOTE: *Estimated number of households eligible under current law.

Almost all of these households—97 percent—had annual incomes of \$20,000 or less. This is a significantly higher percentage than the 1996 HVS estimate that was used in IBO’s previous analysis, in which 21.1 percent of non-senior disabled households in rent-regulated apartments were recorded as having incomes of \$20,000 or less. The Census Bureau warns that because of methodological changes, 1999 HVS data are not directly comparable to prior years. In the previous estimate of the cost of extending SCRIE benefits to the disabled, IBO adjusted the 21.1 percent figure upwards to 60 percent based on other estimates of disabled renter household incomes. IBO has used the 1999 figures without adjusting them. This results in a larger eligible population than in our previous estimate.

Income. Unless the income ceiling was indexed to rise with inflation, rising incomes might over time reduce the number of eligible households. The law implementing SCRIE, however, specifically exempts increases in Social Security income from the determination of total household income: similarly, S.5257-B would protect households against becoming ineligible due to pension cost-of-living adjustments (COLAs). Since for many senior citizens and disabled persons Social Security retirement or disability is a major source of income, the program provides some protection against exceeding the income limit through annual COLAs to Social Security benefits. IBO assumes that the number of eligible households stays constant over time.

Participation Rate. According to Department of Finance tax expenditure [statistics](#), as of June 2000, 44,481 households were receiving a SCRIE exemption. If the estimate of eligible households is correct, then the number of households currently participating represents one-third of total eligible households. Increasing the participation rate to 50 percent would raise the annual cost to the city as shown in the table below.

Estimated Annual Cost of 50 Percent Participation		
<i>Dollars in millions</i>		
	Seniors	Disabled
Income up to \$20,000	\$28.8	\$21.3
Income up to \$50,000	\$32.8	\$22.3

SOURCE: IBO.
NOTE: Figures represent total cost above current program cost in fifth year of enactment.

Base Rents. The proposed program expansion would take effect July 1, 2002. Using the HVS, IBO found the mean 1999 rent for each income class. These rents were adjusted for annual one-year renewal increases of 2 percent in 1999 and 4 percent in both 2000 and 2001. The adjusted values were used as base rents in this analysis.

Because the HVS uses sampling methodology, these mean rents may reflect very few households. As a result, the base rents in this analysis are highly susceptible to sampling variation, and are a possible source of error in this analysis.

Rent Renewals and Increases. According to analysis by the New York City Rent Guidelines Board, approximately 88 percent of regulated leases are renewed—one-third for one-year terms, and two-thirds for two-year terms. Thus, about 29.4 percent of regulated leases are renewed for one year, and 59.0 percent are renewed for two years; the remainder are not renewed. IBO assumed that one-year renewals would face annual increases of 3 percent, while two-year renewals would increase by 5 percent. Similarly, IBO assumed that in the first year of implementation, one-half of the two-year leases are up for renewal. By year two, all the two-year leases held by eligible tenants are included in the analysis.

Smaller increases (2 and 4 percent) would lower the cost of expanding SCRIE to the disabled to \$10.6 million in the fifth year, and of raising income ceilings for (both seniors

and the disabled) to \$2.4 million. Larger increases (4 and 6 percent) would raise the cost to \$17.9 million and \$4.1 million, respectively.

Administrative Costs. The SCRIE program is administered by the city's Department for the Aging (DFTA). DFTA employs some 60 full-time and part-time staff to review and process SCRIE applications, at an annual cost of approximately \$4.9 million (including associated non-personnel costs). Based on IBO's estimate of the number of participating households, extending SCRIE to the disabled would add at least \$1.3 million annually to DFTA's administrative costs.

This estimate assumes that the per-exemption cost of administration is the same under the expanded program as it is currently. This assumption is subject to some uncertainty from several sources. First, there may be economies of scale realized from a simple expansion of the program. For example, a new unit director would not be required, and administrative overhead might not expand proportionately with the increase in workload.

A second source of uncertainty would tend to push the estimate up, however. Under the law as currently proposed, proof of disability could be established in one of three ways: by showing that an individual is eligible for or receiving Supplemental Security Income (SSI) or Social Security disability insurance (SSDI); through documentation of a disability by another government agency; or through certification by a local health department representative. Verification of a disability could require more effort by DFTA than simple verification of age, and would thus raise the per-application administrative cost compared with the current SCRIE program. In addition, because some disabilities are temporary, the department would face the additional burden of verifying that a claimed disability status remains valid.

For these reasons, the \$1.3 million estimate is likely to be the lower bound of estimated costs of administering an expanded program. The uncertainties surrounding the costs associated with verifying disability status are unfortunately too great to permit a more precise estimate.