



Testimony of

Finance Commissioner
David M. Frankel

SCRIE Oversight Hearing
Tuesday, September 27, 2011

Good afternoon Chairpersons Recchia and Lappin and members of the City Council Finance and Aging Committees. With me today is Assistant Commissioner Sara Meyers, who oversees our property tax exemption and abatement programs. I appreciate the opportunity to discuss one of those programs, the Senior Citizens Rent Increase Exemption, or SCRIE.

The Department of Finance administers 28 tax benefit programs which account for over 1.5 million unique property tax exemptions and abatements valued at \$4.6 billion in FY '11. Personal exemptions and abatements like SCRIE, such as those for homeowners, renters, veterans or the disabled, accounted for about 17% or \$674 million of the City's property tax benefits in FY'11. SCRIE accounted for a tax expenditure of almost \$125 million.

The SCRIE program administered by Finance covered almost 40,000 seniors last year for an average benefit of about \$226 monthly. Last year the SCRIE unit received approximately 6,900 initial applications and approximately 17,100 renewals.

To be eligible for SCRIE, a tenant must be at least sixty-two years old, have a total household income of no more than \$29,000, live in a rent-stabilized, rent-controlled or

rent-regulated apartment and pay more than one-third of the total household's disposable income for rent. Once approved, the tenant is exempt from future rent increases provided that the tenant continues to meet the program's eligibility requirements. In turn, landlords receive credits against their real estate taxes equal to the amount of rent forgiven.

The Department of Finance took over the administration of the SCRIE program in September 2009. As I have testified previously before the Council, our initial processing was flawed, and tenants, landlords and the Council were legitimate critics of our efforts. Facing a significant backlog of applications, I set goals for the agency to attain a processing time of less than four weeks and to improve accountability and communication. Assistant Commissioner Meyers established a strong team, which eliminated the backlog. Today, we process almost all SCRIE applications and renewals within 25 days and respond with an approval, rejection or a written request for any missing information.

We require initial SCRIE applicants to submit documentation to show that their age and household income meet statutory requirements. For both initial applicants and renewals we also require the submission of a signed lease to verify eligibility for the program. If an incomplete application is submitted, the tenant is mailed up to three letters reminding

them to submit the necessary missing documentation.

Always mindful of the need to maintain proper controls, we are nevertheless considering ideas to acquire proof of eligibility in other ways, including the following:

- This summer we received access to the DHCR database and are developing ways to best utilize it to make the processing of SCRIE applications more efficient;
- We are considering whether we can work with landlords to enable them to supply the necessary evidence of new rent for all their rent controlled tenants at once;
- We are working to post information on our website about the status of applications so tenants and landlords can help submit any missing information.

As we work through these questions, we will continue to communicate with Council, tenant and landlord groups.

We have also emphasized greater communication as we changed the SCRIE process. We worked with City Council members and staff to rewrite the SCRIE initial and renewal applications to make them more user-friendly. We separated the initial application from the Disability Rent Increase Exemption to make it less cumbersome. We assigned two full time staff members dedicated to responding to 311 calls involving SCRIE. In addition, our External Affairs unit answers SCRIE inquiries. At the suggestion of the City Council

and other groups, we created SCRIE customer service windows at our Manhattan Business Center to receive applications and respond to questions.

I now turn to the problem that we had recently in processing Tax Abatement Credits (TAC) for landlords. In general, landlords are granted TAC to cover approved SCRIE benefits. The TAC is reported on a landlord's Statement of Account (SOA), as a credit against their property tax bill.

In May 2011 in response to questions raised by a few landlords, the Department identified a systems problem relating to the calculation of TAC credits and debits. We realized in June that the TAC problem would not be fixed before we issued the July property tax SOA, and thus that the July SOA would overstate the landlord's property tax obligation. As a result, we did significant outreach to SCRIE landlords and the groups that represent them to advise that the TACs would not be included in the July SOA.

By mid-July, we had corrected the problem, properly calculated all TAC credits, and landlords could view their credits on the Finance website after July 16. In addition, at the end of August the normal quarterly mailing, known as a "SCRIE SOA" went to all landlords in the SCRIE program stating their correct SCRIE benefits.

Although the TAC problem had been fixed by mid-July, we now understand that some landlords expected the TAC to be posted retroactively to the July 1 property tax payment date. However, because the correct TAC calculations were made too late to be posted to the July SOA, the TAC was automatically applied to the next property tax period.

Landlords who pay quarterly had the correct TAC deducted against their tax bill on their October SOA, which was mailed on August 26. Landlords who pay semi-annually will see the correct TAC deducted against their tax bill on the January SOA. Any landlords who overpaid may request a refund rather than have the TAC applied to the January tax bill. As all of our communications have stated, no interest will be applied to underpayments because of the TAC issue. I appreciate fully the inconvenience and confusion the TAC problem caused. I also acknowledge that some of our communications could have been clearer. However, landlords are receiving all proper abatements due for benefits they provided and to the best of our knowledge no tenant has lost a benefit due to this issue.

Going forward, to improve communication about SCRIE benefits, we are revising all our landlord reports, the monthly report and our building history TAC report, which is generated on request. It is in the interest of the landlords and this agency to provide

clearer apartment by apartment TAC benefit information and make that available online. We intend to reach out to RSA and CHIP to discuss how we plan to formulate such a report.

I also want to address the City Comptroller's recent audit of the SCRIE program. The audit found approximately 3,800 deceased SCRIE beneficiaries still receiving a benefit. While over 1,000 of these cases came to our attention as part of our normal business practice, we have taken immediate steps to put greater controls in place to ensure the proper revocation of the SCRIE benefit upon a recipient's death.

The law requires notification by a landlord to the Department of Finance within thirty days of a change in occupancy, but it is clear from the results of the Comptroller's recent audit report this is insufficient to identify deceased SCRIE tenants. We are now matching all active SCRIE recipients against the Social Security Administration's Death Master File. In the case of a match, we send a notice to the landlord of the revocation of the SCRIE benefit and a notice to the tenant's address to enable eligible surviving family members to apply for a transfer of the benefit.

Under the SCRIE statute, we have the authority to recoup SCRIE tax credits from a

landlord once we have determined that a tenant's eligibility ended. Following our investigation into these cases, Finance has already started to recoup unwarranted TAC where a landlord received an abatement after a tenant's death and there is no eligible surviving household member.

Before I close, I want to make it clear that we are reviewing the operations of all programs to ensure efficiency as well as consistent and transparent administration. For example, my staff has already been working closely with the Council on the issue of review of the over 17,000 not-for-profit exemptions valued at \$1.9 billion. As you know, last week we sent out notices to most property owners benefitting from not-for-profit property tax exemptions asking that they certify that the use of their property is one that continues to entitle them to the tax exemption. We asked the Council to assist us in our outreach efforts for this project and appreciate that early last week, Council staff sent an email with the information contained in the notices to every Member. With your help, we want to ensure that the current review of not-for-profit exemptions is clearly communicated to the affected groups so that property owners can submit all relevant information about their properties, allowing us to make the most informed decisions possible.

Thank you for the opportunity to testify. I will answer any questions you may have.