

A tax wonk's thoughts upon leaving the Legislature

Ann Lenczewski has been a type of politician that doesn't come along often.



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Ann Lenczewski is leaving the Minnesota House much as she arrived 17 years ago. She's still fixated on tax policy.

The Bloomington DFLer may have been the only first-time legislative candidate in the history of Star Tribune editorial endorsement interviews to confide that she was itching to take a seat on the House Tax Committee and tear into such esoterica as fiscal disparities, municipal overburden and aid-to-levy ratios.

That was in 1998. Last week, days after announcing that she would step down on Dec. 15, in the middle of her ninth term, she flew to Boston to attend the National Tax Association's annual conference to take in sessions like "Macroeconomic Policy and Tax Policy Interactions."

Lenczewski, 55, who resigned to take a lobbying post with the law firm Lockridge Grindal Nauen, pointed last week to another way in which she's come full circle. She arrived at the Legislature when the state was flush with a budget surplus, a bonus generated by the dot.com bubble of the late 1990s. She leaves with a surplus accumulating again. A new budget forecast is scheduled for release on Thursday and is widely expected to project that state tax revenue will surpass expenditures by at least \$1 billion through June 30, 2017.

State government sometimes seems like a continuously showing movie. One can arrive at any point, stay long enough and eventually see scenes one has seen before. But Lenczewski fervently hopes Minnesota doesn't witness a rerun of the fiscal show of the last 17 years — particularly its early portion. Legislators in 1999, 2000 and 2001 opted for permanent tax cuts to adjust for what turned out to be a transitory surplus and socked state and local governments with a decade of financial pain beginning in 2002.

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Rep. Ann Lenczewski, DFL-Bloomington, is leaving the Legislature after 17 years. She'll take a lobbying post with the law firm Lockridge Grindal Nauen.

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◀ **STURDEVANT** from OPI

Those permanent tax cuts were a mistake, Lenczewski counsels. "We're kind of in the same place again, with a surplus. I would ask that we be really cautious. We should look to one-time solutions on the tax cut side, and try not to undo the things that we did to correct the mess that was made the last time."

Lenczewski was a minority freshman in 1999. She said she felt unable to stop the tax-cut train that started rumbling through the state House and picked up steam from her own party's leaders, who dangled fiscal temptation in front of a new Republican majority with an amendment to enlarge tax cuts for the middle class. The GOP took the bait, gambling that the strong, Internet-fueled economy would last.

That bet was lost. But with control of state government divided between the two parties for the next decade, recurring deficits "just became standard Republican and Democratic talking points. ... There was this nonstop argument: 'taxes are bad,' 'taxes are good.' The direction we were heading was not sustainable, but there was never any movement."

That changed in 2013 when DFLers took over both legislative chambers, and along with DFL Gov. Mark Dayton resolved to stanch the red ink. As chair of the House Taxes Committee, Lenczewski was a principal architect of the DFL fix, which included a new top income tax rate for high-end earners, higher cigarette taxes and closing a corporate tax loophole that benefited companies with overseas operations.

Two years and one House GOP election victory later, Lenczewski says she would enact those provisions again.

"All taxes are a drag on the economy. The Republicans are right about that," Lenczewski said. "But people forget that spending cuts are, too. If your college tuition goes up for your kid, it has the identical impact as a tax increase. If you're in business, you need roads. You need an educated populace. You need what government does."

Back in the minority again last session, she noted that the GOP-crafted tax bill — now stalled in conference committee — made no move to undo the major provisions of the 2013 tax bill she shepherded into law. Those

moves may yet be coming, she said. But they would encounter fierce DFL resistance. "Our folks took a lot of bullets to pass those tax increases," she noted. "They won't be undone without a fight."

More likely in 2016 is some reduction in business property taxes. That was the centerpiece of the House GOP 2015 tax bill, now stalled in a conference committee. Lenczewski is not a fan of the idea.

"Economists would say that's not the one to do, unless all you are trying to do is give business owners a check. Why put money into businesses that are already here, when what you want to do is lure more businesses and more jobs?" A richer tax credit for investments in start-up businesses would be a better alternative, she said.

Smarter still next year would be one-time measures, she said. She speaks well of the 2000 sales tax rebates remembered as "Jesse checks," issued on Gov. Jesse Ventura's watch. Using surplus dollars for one-time transportation needs also makes sense to her, especially since a gas tax increase seems caught in the same partisan gridlock that stopped a general-fund tax correction between 2001 and 2013.

Beyond that, there's plenty for the Legislature's next generation of tax wonks to tear into. Smart tax policies can help Greater Minnesota keep schools and city services strong in the face of an aging population. Likewise, tax policies can help direct new investment to the core of the metro area, or clamp down on carbon emissions, or encourage businesses to train and hire young people who came of age on the wrong side of the achievement gap.

A wonk of Lenczewski's caliber doesn't come along very often. But she says that her new job will keep her around the Capitol, able to encourage her successors.

"People think because something is complicated, it's terrible. That's not true. It means that somebody has been really trying to make the system fair," she said. She likes to tell new legislators, "Just work on it. You can understand it."

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