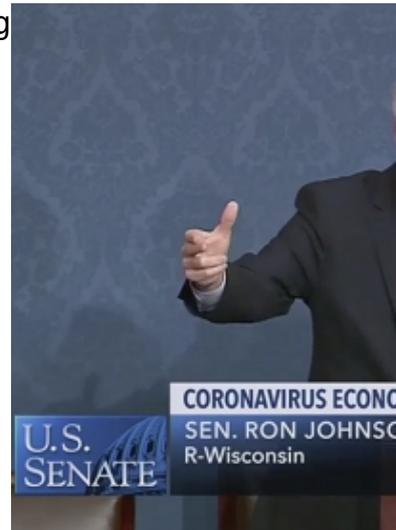


How government aid helped Ron Johnson

Written by Wisconsin Examiner Republish
Friday, 02 September 2022 09:10

<http://newiprogressive.com/images/stories/S5/ron-johnson-wr-2022-s450.png>



Erik Gunn reports on how a senator who votes against safety net programs benefited from government-sponsored financing for his business.

MADISON - In his two terms in office, Sen. Ron Johnson (R-Wis.) has run hard against government spending. Since his first Senate campaign in 2010, the Oshkosh Republican has described himself as an outsider and business creator who has succeeded without government help.

He has dismissed big-ticket bills as wasteful, telling a TV host in June that measures backed by Congressional Democrats were intended to “make more Americans dependent on government.”

Yet in the 1980s, the company that Johnson was running at the time expanded by raising money under a government-sponsored financing program instead of conventional corporate bonds — a program made possible by the federal government as well as the city of Oshkosh that saved the company hundreds of thousands of dollars in interest payments.

The company also benefited from a direct federal grant from the city of Oshkosh to build a rail spur to serve the new factory it built in the city.

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Johnson's use of the federal programs for the company he led, Pacur, has been previously reported. But that history has drawn new scrutiny in light of his reasons for voting against signature bills addressing COVID-19 relief, infrastructure development and repair, the microchip industry, health care costs and climate change. Johnson criticized all of them for spending too much money.

This past spring, Johnson's vote against replenishing a federal bill that offered the restaurant industry support to overcome losses from the COVID-19 pandemic [was one of only eight that kept the legislation from passing the Senate](#)

Subsidized borrowing

In his first campaign and afterward, Johnson has leaned heavily on his role at Pacur as a core credential, claiming that as the company grew during his tenure as CEO over the previous three decades, it did so without government involvement.

But from that first race, critics have said that Johnson's account glosses over the company's use of financing under a program authorized both by the federal government and the city of Oshkosh for business development.

In three separate transactions from 1979 through 1985, Pacur or its predecessor company raised a total of \$5 million for expansions by selling industrial development revenue bonds.

Industrial revenue bonds — IRBs for short — are a sort of hybrid between government bonds and the commercial bonds that companies issue to borrow money from investors for capital projects.

For decades, IRBs have been a popular economic development tool for states and municipalities seeking to lure new business or retain existing ones. State or local governments authorize IRBs. But instead of being used for municipal or state building projects — building a new school or sewer plant, for example — IRBs are issued on behalf of private businesses.

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Like government bonds— and unlike corporate commercial bonds — the interest paid on industrial revenue bonds is tax-free for investors, just as the interest on school, sewer or other government bonds would be.

While the state or local government authorizes the IRB, it's not a general obligation bond like most government bonds. The business bears the ultimate responsibility and risk if the bond defaults — not the government that authorized it.

Because investors who buy them don't pay taxes on the interest income, they accept a lower interest rate.

“IRBs absolutely are a subsidy because they lower the cost of capital by about 25% from commercial bond rates,” says Greg LeRoy, executive director of a nonprofit group that monitors government incentive programs aimed at supporting expansion or relocation by private business.

‘Raid on the federal treasury’

Pacur was originally founded as Wisconsin Industrial Shipping Supply in 1977. In 1979, Oshkosh authorized a \$1 million IRB for the company to finance its new buildings in the city. After the company was renamed Pacur, Oshkosh authorized two more IRBs to finance additional expansions: \$1.5 million in 1983, and \$2.5 million in 1985.

When Pacur's use of IRBs in its early expansion [was first reported in 2010](#), Johnson's campaign issued a statement that defended their use: “No taxpayer money was ever involved in those bonds, nor were taxpayers ever put at risk,” said the statement, which also noted that the loans were repaid in full with interest.

But that defense sidesteps the central benefit that the company received thanks to the government program.

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Rail spur, prison workers

In addition to the government benefit that Pacur received by taking part in the three industrial bond issues, the company got an even more direct benefit when it built its plastics plant in Oshkosh in 1979: a \$75,000 federal grant from the city that [paid for a new rail spur](#) to the site where the company built its new factory. Asked about that in 2010, Johnson said the grant was awarded before he was part of the company and that he knew nothing about it.

When Johnson first ran for Senate, [the Associated Press reported](#) that Pacur and a second company that Johnson operated at the time, Dynamic Drinkware, employed Wisconsin prisoners under a state Department of Corrections program. The program included state-paid health coverage for the employed prisoners.

A Johnson spokeswoman told the AP that participating in the Department of Corrections jobs program wasn't to save money, but rather "to help put these people on the path back to recovery so they could contribute and work their way back into society."

Crusade against spending

Johnson cast votes against all four of the major pieces of legislation to pass the Congress in the last two years:

The American Rescue Plan Act (ARPA), [the COVID-19 relief bill](#) enacted in the first two months after Joe Biden took office as president. The follow-up

[Bipartisan Infrastructure Law](#)

. This summer's bipartisan CHIPS Act to boost

[the domestic microprocessor industry](#)

. The recently enacted

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[climate, health care and tax law](#)

that passed with only Democratic votes in August.

After Democrats in Congress passed and President Joe Biden signed the latter bill, the Inflation Reduction Act, Johnson called them “as detached from economic reality as they are from the truth.”

The legislation, now law, [includes provisions](#) to address climate change, lower the cost of prescription drugs and extend subsidies to make health insurance more affordable.

The Inflation Reduction Act, “will go a long way to reduce costs for folks across the country,” said Meghan Roh of Opportunity Wisconsin, which has been critical of Johnson’s votes. “Sen. Johnson loves to talk about rising costs and inflation, but he hasn’t walked the walk.”

She contrasted Johnson’s votes against the bill as well as his opposition to other spending on behalf of communities with the government-supported programs his company made use of when he was CEO. “He’ll do it if it helps himself and people like him, and if it makes his business money,” she said, referring to government sponsored support, “but he doesn’t seem to want the same thing for the people he represents.”

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Highland, Wisconsin's dairy farm and Wisconsin's dairy industry. A Dairy State vote against the farm bill

Sen. Ron Johnson's crusade against federal spending previously led him to vote against the 2018 federal farm bill, despite heavy lobbying from agriculture interests in Wisconsin. The Wisconsin Farm Bureau Federation [applauded the bipartisan legislation](#) for bolstering crop insurance and conservation programs and supporting export programs, agricultural research and rural development.

In voting against the bill, however, Johnson [singled out the bill's spending on SNAP](#) — the primary federal food aid program once referred to as food stamps. SNAP accounted for nearly 80% of the bill, Johnson said at the time. He cited the fact that 13% of U.S. residents at the time were using the program even as unemployment was declining as evidence that it was “a runaway spending program.”

SNAP's coupling with the farm bill isn't new, however, going back several decades. That the program is a large share of the bill “is not surprising given that SNAP is a major part of the social safety net,” says Professor Judith Bartfeld, of the University of Wisconsin School of

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Human Ecology and a researcher on the food benefit program.

About 15% of Wisconsin residents were on SNAP at some point in 2018, Bartfeld said. Among SNAP family households, which consist of at least one parent and a child, 59% were employed. “Many who have jobs still have low enough income to qualify for assistance,” she added.

At the same time, many SNAP recipients include people who would not be expected to work. Bartfeld said that in December 2018 in Wisconsin, about 26% of SNAP recipients were elderly, blind or disabled, 42% were children, and 47% of all SNAP households had at least one elderly, blind or disabled member.

The program’s allotments are based on estimates of what it costs to meet “very basic food needs,” she explained, so that if a household — whether its occupants were working or not — qualifies for the program, “it’s because their income is too low to meet a very conservative estimate of their food needs.”

Clarification: This article was updated 9/2/2022, 5:30 p.m., to more precisely reflect the group of SNAP recipients who were employed in the 2018 data being cited.

by Erik Gunn, [Wisconsin Examiner](#)
September 2, 2022

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