

# BAD EDUCATION

# CREW

**HOW WASHINGTON'S "WATCHDOG" JOINED  
A FOR-PROFIT EDUCATION TITAN'S DARK  
MONEY ADVOCACY SCHEME**





# THE BACK STORY

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In 2010, President Obama's Education Department set its sights on the for-profit college industry with proposed regulations to, among other things, force these schools to disclose statistics on graduation rates and subsequent employment of their students.<sup>1</sup> Even more ominous from the industry's perspective, the Department was working on draft language that would have conditioned the industry's receipt of federal aid on the subsequent performance of its students.

Senator Tom Harkin (D-Iowa), chair of the Health, Education, Labor & Pensions (HELP) committee, held a hearing on June 24th to investigate the federal government's role in the industry's growth. (Harkin titled the hearing, "Emerging Risk? An Overview of the Federal Investment in For-Profit Education.")<sup>2</sup> Harkin was critical of the industry, and penned a sternly-worded op-ed for the *Los Angeles Times* following the hearing, comparing it to the subprime mortgage industry.<sup>3</sup>

For-profit colleges were sorely in need of liberal and Democratic defenders, and an unlikely trio emerged in the days surrounding the Senate

HELP hearing.<sup>4</sup> On June 23rd, Democratic flack and strategist Lanny Davis wrote an op-ed for *The Hill* that defended for-profit colleges and trashed Steven Eisman—a Wall Street investor slated to give critical testimony at the next day's hearings.<sup>5</sup> The day of the hearing, Tom Mattzie—whose progressive credentials were unquestioned as a former director for MoveOn.org—accused Eisman of being a financial "arsonist" in an op-ed for *Huffington Post*.<sup>6</sup>

Most surprising, however, was the aggressive response of a group called Citizens for Responsibility & Ethics in Washington (CREW). A self-styled government watchdog, fighting the use of federal dollars to bolster the for-profit college industry seemed exactly the sort of cause that CREW would adopt as its own. Instead, CREW's founder and executive director Melanie Sloan sent a letter to Sen. Harkin joining in the others' criticism of allowing Steve Eisman to testify.<sup>7</sup> Sloan also followed up with a *Huffington Post* op-ed, and her organization later filed a complaint against the Department of Education.<sup>8,9</sup>

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<sup>1</sup> <http://www.washingtonpost.com/wp-dyn/content/article/2010/06/16/AR2010061600050.html>

<sup>2</sup> <http://www.help.senate.gov/hearings/hearing/?id=464686ba-5056-9502-5d95-e21a6409cc53>

<sup>3</sup> [http://www.huffingtonpost.com/sen-tom-harkin/for-profit-colleges-and-t\\_b\\_644570.html](http://www.huffingtonpost.com/sen-tom-harkin/for-profit-colleges-and-t_b_644570.html)

<sup>4</sup> [http://www.salon.com/2010/11/22/ethics\\_watchdog\\_sloan\\_joins\\_davis/](http://www.salon.com/2010/11/22/ethics_watchdog_sloan_joins_davis/)

<sup>5</sup> <http://thehill.com/opinion/columnists/lanny-davis/105175-transparency-by-shorts-on-for-profit-schools-needed-too>

<sup>6</sup> [http://www.huffingtonpost.com/tom-mattzie/senate-invites-arsonist-t\\_b\\_624398.html](http://www.huffingtonpost.com/tom-mattzie/senate-invites-arsonist-t_b_624398.html)

<sup>7</sup> <http://www.scribd.com/doc/47319771/CREW-Letter-to-Chairman-Harkin-Regarding-Steve-Eisman-Testimony-7-1-10>

<sup>8</sup> [http://www.huffingtonpost.com/melanie-sloan/for-profit-education-will\\_b\\_686100.html](http://www.huffingtonpost.com/melanie-sloan/for-profit-education-will_b_686100.html)

<sup>9</sup> <http://www.scribd.com/doc/47322307/Lawsuit-CREW-v-Department-of-Education-Regarding-For-Profit-Education-10-12-10-Complaint>



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For Mike Elk, a liberal journalist then writing for *The American Prospect*, this coordinated response and the similarity of the weakly-sourced talking points was too much to be a coincidence. Elk wrote a story critical of Sloan, Davis, and Mattzie, raising questions about whether the for-profit education industry had secretly funded the effort.<sup>10</sup> In particular, Elk's story asked whether John Sperling — a liberal donor with ties to CREW and the Democracy Alliance — might have been involved, give that his Apollo Group owns one of the country's largest for-profit colleges. Elk's reporting raised serious questions but didn't produce a smoking gun. For their part, CREW and Sloan weren't talking, and Elk noted the irony that "CREW, a transparency organization, does not release the identities of its funders."

These suggestions of pay-for-play influence, and Sloan's subsequent decision (later reversed) to go work for Davis, were too much for even some left-leaning groups to stomach. One writer in *The New Republic*, for instance, questioned why "ethics stories still quote CREW's Melanie Sloan" as an expert on the subject.<sup>11</sup> But outrage fades over

time, and today CREW again regained the "non-profit government watchdog" title that it so eagerly cultivates. Still, the key question raised by the *Prospect* in 2010— "Is the for-profit higher education industry, including John Sperling, funding their organization?" — remained unanswered.<sup>12</sup>

Until now.

When Mike Elk wrote his article in 2010, the annual IRS filings (Form 990) for CREW and other groups of interest in the for-profit college debate were not yet available. More importantly, the means to search these forms in aggregate—to see, for instance, if CREW was being supported through a third-party non-profit—was also unavailable. Today, with a full complement of IRS filings and tools like Citizen Audit, it's possible to track donations to CREW in 2010 and 2011 from a Sperling-affiliated non-profit called the Civic Duty Coalition. Elk's hunch in 2010 appears to be correct — he just didn't have the documents to prove it. Now we can, and these IRS filings suggest that Washington's self-styled independent watchdog is actually no different than the pay-for-play groups that it criticizes.

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<sup>10</sup> <http://prospect.org/article/why-are-progressives-fighting-student-loan-reform-0>

<sup>11</sup> <http://www.newrepublic.com/blog/jonathan-chait/84629/melanie-sloan-crew-ethics-for-profit>

<sup>12</sup> <http://prospect.org/article/crewd-response>

# SPERLING + THE AURORA FOUNDATION

**\$7,150,000**  
2007—2012

\*Precise figure unknown:  
Accountable America Director  
Tom Matzzie admitted his group  
“has in the past received funds from a  
consortium of many donors that I  
believe includes John Sperling”

**CIVIC DUTY COALITION**

**INFORMATION TECHNOLOGY  
COALITION**

ORGANIZATIONS MANAGED BY JIM GONZALEZ AND  
ASSOCIATES AND ITS MANAGING PARTNERS

**\$150,000**  
2010—2011

**\$1,030,000**  
2010

**\$291,000**  
2010

**CREW** | citizens for responsibility  
and ethics in washington



**AMERICANS FOR  
DEMOCRATIC ACTION**



**Accountable America**





# THE KEY PLAYERS

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- **Citizens for Responsibility and Ethics in Washington (CREW)**

A liberal organization that calls itself a government watchdog. An early recipient of support from the Democracy Alliance, a left-wing big money organization linked to John Sperling. Founded by Melanie Sloan, a former Democratic staffer on the House Judiciary Committee.

- **John and Peter Sperling**

Liberal billionaires in control of Apollo Group, a for-profit education company that runs the University of Phoenix. John is the founder of the company; Peter, John's son, is the current Chairman of the Board and an associate of Jim Gonzalez.

- **Apollo Group**

Public company that owns and operates a number of for-profit colleges, including the University of Phoenix. Founded by Dr. John Sperling, and currently chaired by John's son Peter.

- **Aurora Foundation**

John Sperling's personal private foundation sustained with shares in Apollo Group. A financial supporter of nonprofits in the JGA network.

- **Jim Gonzalez & Associates**

A Sacramento consulting firm run by Democratic political consultant Jim Gonzalez. Gonzalez is a close associate of John Sperling and Peter Sper-

ling. JGA controls a series of non-profits, some of which are based in JGA's offices and others of which are based off-site and controlled by JGA managing partners.

- **Information Technology Coalition**

A 501(c)(6) trade association located in JGA's headquarters, with a stated goal of "promot[ing] the public policy interests of the information technology industry at the federal, state, and local level." Jim Gonzalez is the executive director.

- **Civic Duty Coalition**

A 501(c)(3) tax-deductible charitable non-profit registered to a law office in Las Vegas. Its registered agent is Maria Morales, a JGA managing partner

- **Americans for Democratic Action**

A 501(c)(4) social welfare organization that describes itself as a "liberal advocacy organization."

- **Accountable America**

A 501(c)(3) tax-deductible charitable nonprofit registered to the home of Thomas Mattzie, a former director of Move On.org.



# THE MONEY TRAIL

In 2010, the *American Prospect* reported that CREW might have received funding from the for-profit colleges industry to advocate against its apparent ideological interests on the Obama Administration's "gainful employment" student loans rule. CREW, along with Americans for Democratic Action and another group called Accountable America, all broke with the Democratic consensus in favor of the Administration's rule.<sup>13</sup>

Public tax documents create a strong case that CREW, through a network of nonprofit groups run by Sacramento-area Democratic political

consultant Jim Gonzalez, received funding for its work from John Sperling, whose University of Phoenix would have been adversely affected by the proposed rules.

Jim Gonzalez runs a political consultancy in Sacramento called JG and Associates. Sperling, his son Peter, and Gonzalez had worked together on political efforts in the past, most notably the campaign in favor of Proposition 7 in California.<sup>14</sup> He or his close associates operate several nonprofit organizations, some from his consultancy headquarters and others off-site.

## These include:

- The Information Technology Coalition, a 501(c)(6) trade association located in JG's headquarters.

<b>A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011</b>		
<b>B Check if applicable</b> <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C Name of organization</b> THE INFORMATION TECHNOLOGY COALITION Doing Business As	
	<b>D Employer identification number</b> 94-3338949	
	<b>E Telephone number</b> (415) 821-4832	
	<b>G Gross receipts \$</b> 250,204	
	<b>F Name and address of principal officer</b> JIM GONZALEZ 1830 N STREET SACRAMENTO, CA 95814	
<b>H(a) Is this a group return for affiliates?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<b>H(b) Are all affiliates included?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)		
<b>H(c) Group exemption number</b> ▶		
<b>I Tax-exempt status</b> <input type="checkbox"/> 501(c)(3) <input checked="" type="checkbox"/> 501(c)(6) (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
<b>J Website:</b> ▶		

<sup>13</sup> For example: <http://www.prnewswire.com/news-releases/accountable-america-to-senate-dont-be-manipulated-by-steve-eis-man-97068844.html>, <http://www.adaction.org/pages/posts/what-s-the-deal-with-for-profit-colleges481.php>

<sup>14</sup> See <http://www.nytimes.com/2008/10/18/us/18seven.html?pagewanted=print>



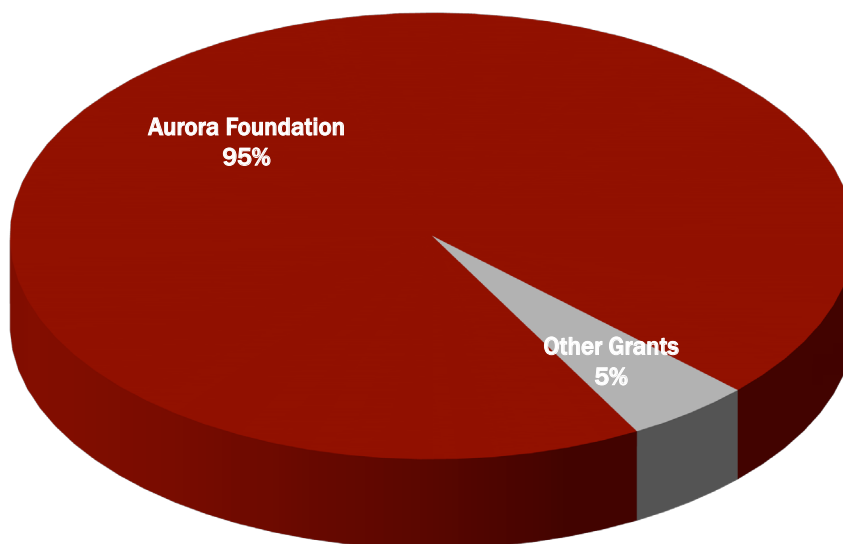
- The Civic Duty Coalition, a 501(c)(3) tax-deductible charitable nonprofit registered to a law office in Las Vegas; its principal officer is Maria Morales, a JG Associates managing partner

<b>A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011</b>			
<b>B Check if applicable:</b> <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C Name of organization</b> CIVIC DUTY COALITION		<b>D Employer identification number</b> 20-2778310
	Doing Business As		<b>E Telephone number</b>
	Number and street (or P O box if mail is not delivered to street address) Room/suite 7251 WEST LAKE MEAD 3RD FLOOR		<b>G Gross receipts \$</b> 105,003
	City or town, state or country, and ZIP + 4 LAS VEGAS, NV 89128		
	<b>F Name and address of principal officer</b> MARIA MORALES 1830 N STREET SACRAMENTO, CA 95814		<b>H(a) Is this a group return for affiliates?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b) Are all affiliates included?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c) Group exemption number</b> ▶
<b>I Tax-exempt status</b> <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
<b>J Website:</b> ▶			

- The Latino Policy Coalition, a 501(c)(3) tax-deductible charitable nonprofit located in JG's headquarters
- The Renewable Energy Accountability Project, a 501(c)(3) charitable nonprofit registered to an office in Reno, Nevada; its principal officer is Maria Morales, a JG Associates managing partner

John Sperling has a personal private foundation sustained with shares in Apollo Group—the Aurora Foundation—that acts as either the primary or sole funder for the three nonprofit groups in the *Gonzalez influence network*. Between 2007 and 2012, for instance, the Aurora Foundation gave Civic Duty Coalition grants totaling \$7.15 million.<sup>15</sup>

**Civic Duty Coalition Incoming Contributions, 2007- 2012**



<sup>15</sup> For 2012: [http://pdfs.citizensaudit.org/2013\\_11\\_PF/86-0873239\\_990PF\\_201212.pdf](http://pdfs.citizensaudit.org/2013_11_PF/86-0873239_990PF_201212.pdf); for 2007: [http://pdfs.citizensaudit.org/2008\\_06\\_PF/86-0873239\\_990PF\\_200712.pdf](http://pdfs.citizensaudit.org/2008_06_PF/86-0873239_990PF_200712.pdf)



None of the Gonzalez nonprofit organizations appear to have any staff, with each reporting zero individuals employed (line 5 of the Form 990 tax return).

IRS filings show that the Sperling-financed (and JGA-managed) Civic Duty Coalition channeled \$150,000 to CREW during the 2010-2011 period in which CREW attacked the Administration's for-profit education proposal. The donation to CREW was listed on both the 2010 and 2011 form 990 as "Citizens for Repons-

<b>SCHEDULE I</b> (Form 990)		<b>Grants and Other Assistance to Organizations, Governments, and Individuals in the United States</b> Complete if the organization answered "Yes" to Form 990, Part IV, line 21 or 22. ▶ Attach to Form 990.						OMB No 1545-0047 <b>2010</b> Open to Public Inspection
Department of the Treasury Internal Revenue Service		Name of the organization <b>CIVIC DUTY COALITION</b>						Employer identification number <b>20-2778310</b>
<b>Part I General Information on Grants and Assistance</b>								
1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?								<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.								
<b>Part II Grants and Other Assistance to Governments and Organizations in the United States.</b> Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed ▶ <input type="checkbox"/>								
1	(a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1)	RENEWABLE ENERGY ACCOUNTABILITY PRO 2533 N CARSON ST. #R257 CARSON CITY NV 89706	25-3758763	3	50,000				RENEWABLE ENERGY
(2)	CITIZENS FOR RESPONSABILITY AND ETH 1400 EYE STREET SUITE 450 WASHINGTON DC 20005	03-0445391	3	50,000				

<b>Schedule I</b> (Form 990)		<b>Grants and Other Assistance to Organizations, Governments, and Individuals in the United States</b> Complete if the organization answered "Yes" to Form 990, Part IV, line 21 or 22. ▶ Attach to Form 990						DLN: 93493125015112 OMB No 1545-0047 <b>2011</b> Open to Public Inspection							
Department of the Treasury Internal Revenue Service		Name of the organization <b>CIVIC DUTY COALITION</b>						Employer identification number <b>20-2778310</b>							
<b>Part I General Information on Grants and Assistance</b>															
1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?								<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No							
2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States															
<b>Part II Grants and Other Assistance to Governments and Organizations in the United States.</b> Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed. ▶ <input type="checkbox"/>															
(a)	Name and address of organization or government	(b)	EIN	(c)	IRC Code section if applicable	(d)	Amount of cash grant	(e)	Amount of non-cash assistance	(f)	Method of valuation (book, FMV, appraisal, other)	(g)	Description of non-cash assistance	(h)	Purpose of grant or assistance
(1)	CITIZENS FOR RESPONSABILITY AND ETH 1400 EYE STREET SUITE 450 WASHINGTON, DC 20005	03-0445391		3		100,000									TO PROMOTE CIVICS

ability [sic] and Eth."

CREW is not the only organization active in the for-profit debate that was being supported through the Gonzalez/Sperling network. In 2010, the Information Technology Coalition—the Gonzalez-managed trade association—provided over \$1.25 million in cash grants to two organizations:<sup>16</sup>

- Over \$1 million to Americans for Democratic Action, a liberal group that advocated against the Obama Administration education rule. (ADA also received a \$30,000 grant from Civic Duty Coalition in 2012)
- \$291,000 to former MoveOn.org organizer Thomas Mattzie's Accountable America, which was based out of his house. (Mattzie was an outspoken critic during the for-profit education hearings. He later acknowledged that "a non-profit group that I started and serve as Chairman has in the past received funds from a consortium of many

donors that I believe includes John Sperling, founder of the University of Phoenix ...”<sup>17</sup>

- In 2011, ITC also paid the Civic Duty Coalition \$50,000—further tying the group into the influence network.

All told, the documents show a concerted effort by Sperling, Gonzalez, and their associates to obscure the for-profit education mogul’s involvement in funding Democratic resistance to the Democratic Administration’s moves

efile GRAPHIC print - DO NOT PROCESS   As Filed Data -		DLN: 93493125011472					
<b>Schedule I (Form 990)</b>		OMB No 1545-0047					
Department of the Treasury Internal Revenue Service Name of the organization <b>THE INFORMATION TECHNOLOGY          COALITION</b>		<b>2011</b> Open to Public Inspection Employer identification number 94-3338949					
<b>Part I General Information on Grants and Assistance</b> 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? <span style="float: right;"><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</span> 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States							
<b>Part II Grants and Other Assistance to Governments and Organizations in the United States.</b> Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed. <span style="float: right;"><input type="checkbox"/></span>							
(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) CIVIC DUTY COALITION CIVIC DUTY COALITION 7251 W LAKE MEAD BLVD 3RD FLOOR 7251 W LAKE MEAD BLVD 3RD FLOOR LAS VEGAS, NV 89128	20-2778310	3	50,000				TO PROMOTE INFORMATI
(2) RENEWABLE ENERGY ACCOUNTABILITY PRO RENEWABLE ENERGY ACCOUNTABILITY PRO 2533 N CARSON ST 257 2533 N CARSON ST 257 CARSON CITY, NV 89706	26-3758763	3	25,000				TO PROMOTE INFORMATI

against for-profit colleges.

It's worth pausing to recognize the importance of newly-searchable IRS filings on Citizen Audit. The grants to CREW from the Civic Duty Coalition—an organization registered to a law firm in Las Vegas, with zero employees, funded by Sperling, and controlled by his associate’s consulting firm—only show up on the IRS filings for Civic Duty, because CREW does not disclose its donors. Without Citizen Audit, no reasonable person would have tied the Civic Duty Coalition to CREW or anything specific related to the for-profit college debate. (The organization lists as its goal “educat[ing] the public regarding general decline in civic participation by individuals in American institutions.”)<sup>18</sup>

<sup>16</sup> [http://pdfs.citizenaudit.org/2011\\_06\\_EO/94-3338949\\_990O\\_201012.pdf](http://pdfs.citizenaudit.org/2011_06_EO/94-3338949_990O_201012.pdf)

<sup>17</sup> [http://www.huffingtonpost.com/tom-matzzie/senate-invites-arsonist-t\\_b\\_624398.html](http://www.huffingtonpost.com/tom-matzzie/senate-invites-arsonist-t_b_624398.html)





# CONCLUSION

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CREW's involvement in what appears to be a concerted, well-designed effort to obscure the flow of money from Sperling and the Gonzalez nonprofit network is only the latest installment in a litany of questionable conduct that calls into question the organization's self-description as an honest broker of D.C. ethics. Sloan's group has been exposed already for heavily-slanted (bordering on partisan Democratic) "watchdog" activity, hounding Republicans and conservatives while taking a Johnny-come-lately attitude to Democratic misdeeds.

The recent partnership with Media Matters CEO and Democratic operative David Brock will undoubtedly make the group even more partisan. None of Brock's other 501(c) organizations disclose their donors. Going forward, CREW's mission in Brock's empire appears simple: CREW will trade on its undeserved reputation for impartiality to attack the enemies of Brock and his patrons.

It's a classic pay-for-play business model that's only a subtle change from the "Bad Education" approach described in this report. These IRS

filings connect CREW to a sophisticated "dark money" scheme to ride the donations of a major left-wing donor that resembles in its secretive sophistication the same influence methods CREW denounces.

It's not the first time that CREW has engaged in extremely cynical hypocrisy. Melanie Sloan has denounced center-right nonprofits for exercising their rights under the tax code to refrain from providing lists of their donors to the public. CREW does not do so; Sloan told TIME: "I wouldn't have any donors if I revealed all my donors." Brock appears to have similar views.

Outgoing CREW Executive Director Sloan ultimately summed up the entire sordid escapade very well herself (in 2007). Commenting on another issue, she told MSNBC: "I actually have to say that I think it is a problem to be publicly critical of other people's conduct... if you are engaging in that conduct yourself."

Ms. Sloan, we couldn't agree more.

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<sup>18</sup> [http://pdfs.citizenaudit.org/2012\\_10\\_EO/20-2778310\\_990\\_201112.pdf](http://pdfs.citizenaudit.org/2012_10_EO/20-2778310_990_201112.pdf)