



July 2, 2025

The Honorable Josh Stein  
North Carolina Office of the Governor  
20301 Mail Service Center  
Raleigh, NC 27699-0301

**RE: Opposition to Senate Bill 416**

Dear Governor Stein,

Campaign Legal Center (CLC) respectfully urges you to veto S.B. 416. If the bill becomes law, S.B. 416 will undermine governmental transparency and integrity in North Carolina, an outcome directly contrary to the public's overarching desire for more disclosure and accountability in the political process.<sup>1</sup> Moreover, the United States Supreme Court has already addressed S.B. 416's animating concerns by establishing protections for donors who actually face threats, harassment, or reprisals from public disclosure. We respectfully urge you to veto S.B. 416.

CLC is a nonpartisan, nonprofit organization dedicated to protecting and strengthening democracy across all levels of government. Since the organization's founding in 2002, CLC has participated in every major campaign finance case before the U.S. Supreme Court, as well as in numerous other federal and state court cases. Our work promotes every citizen's right to participate in the democratic process.

Senate Bill 416 would undermine transparency and accountability in North Carolina government. By broadly prohibiting government agencies from obtaining donor information from section 501(c) nonprofit organizations, the bill mandates secrecy for 29 different types of nonprofits.<sup>2</sup> This mandatory concealment of nonprofits' information is not limited to charities and religious organizations established under section 501(c)(3) of the Internal Revenue Code, but extends to section 501(c)(4) "social welfare" organizations, section 501(c)(5) labor unions, and section 501(c)(6) trade associations, all of which engage in

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<sup>1</sup> For example, polling shows that more than 4 out of 5 voters, across partisan and demographic lines, support publicly disclosing contributions to organizations involved in elections. *New Bipartisan Polls: Voters Want Stronger Enforcement of Campaign Finance Laws, Support Increased Transparency in Elections*, CAMPAIGN LEGAL CTR. (Nov. 18, 2019) <https://campaignlegal.org/press-releases/new-bipartisan-polls-voters-want-stronger-enforcement-campaign-finance-laws-support>.

<sup>2</sup> I.R.S. Publication 557 (revised Jan. 2025), <https://www.irs.gov/pub/irs-pdf/p557.pdf>.

extensive amounts of political campaigning and lobbying activity. Transparency regarding the financing of these nonprofits' political activities is crucial to a functioning democracy.

Even when the U.S. Supreme Court opened the door to unlimited corporate spending in federal elections in its 2010 *Citizens United* decision, a key aspect of that decision was the Justices' nearly unanimous agreement that such spending should be publicly disclosed, because "providing the electorate with information about the sources of election-related spending helps citizens "make informed choices in the political marketplace."<sup>3</sup> Justice Kennedy thus declared that the *Citizens United* decision would establish a new federal regime "that pairs corporate campaign spending with effective disclosure."<sup>4</sup> In affirming the First Amendment values underlying public disclosure of electoral spending, the Supreme Court recognized the public's right to receive information regarding "those who for hire attempt to influence legislation or who collect or spend funds for that purpose."<sup>5</sup> Even when information regarding nonprofit activities is not made available to the public at large, properly tailored disclosure requirements allow law enforcement authorities to identify and prevent fraud and self-dealing among tax-exempt organizations.<sup>6</sup>

In the years since *Citizens United* was decided, courts around the country have upheld political disclosure laws at the federal and state level in recognition that political transparency advances First Amendment principles by facilitating citizens' informed participation in the electoral process. At the same time, secretive election spending, largely through the use of nonprofit organizations, has been on the rise.<sup>7</sup> While some states have been working to close loopholes that allow for the increasing role of dark money in election campaigns, S.B. 416 would codify those loopholes as enforceable law in North Carolina.

According to its supporters, S.B. 416 is ostensibly intended to "protect the privacy and speech rights of donors."<sup>8</sup> But the pursuit of this objective through a far-reaching ban on nonprofit disclosure impedes the "First Amendment interests of individual citizens seeking to make informed choices in the political marketplace."<sup>9</sup> It also ignores that U.S. courts have long recognized that exemptions from disclosure rules are available where there is an actual, demonstrated probability that an organization's members will face threats, harassment, or reprisals as a result of their public identification.<sup>10</sup>

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<sup>3</sup> *Citizens United v. FEC*, 558 U.S. 310, 367 (2010).

<sup>4</sup> *Id.* at 370.

<sup>5</sup> *Id.* at 369 (quoting *United States v. Harriss*, 347 U.S. 612, 625 (1954)).

<sup>6</sup> *Americans for Prosperity Foundation v. Bonta*, 594 U.S. 595, 612 (2021) (holding that there is a substantial government interest in protecting the public by preventing wrongdoing by charitable organizations).

<sup>7</sup> See, e.g., Sophia Gonsalves-Brown and Maha Quadri, *Dark Money Groups Are Pumping Millions Into the 2024 Election*, CAMPAIGN LEGAL CTR. (Oct. 30, 2024), <https://campaignlegal.org/update/dark-money-groups-are-pumping-millions-2024-election>.

<sup>8</sup> Donna King, *Donor privacy push echoes turbulent past*, CAROLINA J. (May 7, 2025) <https://www.carolinajournal.com/donor-privacy-push-echoes-turbulent-past/>.

<sup>9</sup> *McConnell v. FEC*, 540 U.S. 93, 197 (2003).

<sup>10</sup> See, e.g., *Citizens United v. FEC*, 558 U.S. at 367 (recognizing that as-applied challenges to disclosure rules are available where a group can show a "reasonable probability" that disclosure of its contributors' names "will subject them to threats, harassment, or reprisals from either Government officials or private parties") (quoting *McConnell*, 540 U.S. at 231; *Buckley v. Valeo*, 424 U.S. 1, 74 (1976) (per curiam)).

Most egregiously, S.B. 416 would enable candidates and officials to conceal donors who fund their electoral litigation expenses. North Carolina law requires candidates and officials to establish a legal expense fund and publicly report their donors when fundraising for their litigation costs.<sup>11</sup> This transparency was critical to ensuring a fair process as the courts in North Carolina considered Judge Jefferson Griffin’s legal challenge in the 2024 election. Disclosure reports revealed that a judge on the North Carolina Court of Appeals—which would rule on appeals in the case—had donated \$5,000 to Judge Griffin’s legal expense fund.<sup>12</sup> Although the judge did not end up on the panel considering the appeal, the judge’s donations presented an obvious risk for the appearance of bias if he were to rule on Judge Griffin’s legal challenge, raising serious questions about the need for recusal. But S.B. 416 fails to address these important transparency requirements, casting a shroud that would both hide conflicts of interests and allow donors to bankroll a candidate’s legal expense fund entirely in secret, creating obvious risks for corruption in our political process.

We recognize that S.B. 416 provides an exemption from the bill’s secrecy mandates for “[r]eporting or disclosure” required by North Carolina campaign finance statutes. But this narrow exemption does not prevent the bill from further entrenching dark money practices that already affect North Carolina elections.<sup>13</sup> Dark money spenders use shell games to hide the original sources of money used to influence an election, passing money from one organization to the next before it gets to the ultimate spender, and 501(c) groups are the “primary source of dark money spending.”<sup>14</sup> While current law ostensibly requires disclosure by groups that spend in North Carolina elections, the law does not extend to dark money groups that are multiple transactions removed from the entity that directly pays for an election ad. In other words, existing law makes it easy to influence North Carolina elections in secret by funneling money intended to influence an election through one or more intermediary entities. While not barring current statutorily required disclosures, S.B. 416 stymies further disclosure of donor information from groups that hide their political spending through dark money shell games to avoid the reach of such statutorily required disclosures. That is to say, S.B. 416 will make dark money darker.

In addition to amplifying a dark money loophole for nonprofit spending in elections, S.B. 416 will make it easier for North Carolina officials to hide conflicts of interest, including when lawmakers solicit money to affiliated nonprofits from a person or entities seeking government action. North Carolina has seen its share of corruption and scandals, even in the last five years.<sup>15</sup> In 2015, the Center for Public Integrity gave the state low grades for

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<sup>11</sup> N.C. Gen. Stat. §§ 163-278.301(a) and 163-278.308(a).

<sup>12</sup> Rusty Jacobs, *Recusal issue looms over disputed state Supreme Court race*, WUNC (Mar. 14, 2015) <https://www.wunc.org/politics/2025-03-14/recusal-griffin-nc-supreme-court-race>.

<sup>13</sup> See, e.g., Will Doran, *Secretive conservative groups spending big to influence NC Democratic primaries*, WRAL (Feb. 23, 2024) <https://www.wral.com/story/secretive-conservative-groups-spending-big-to-influence-nc-democratic-primaries/21297705/>.

<sup>14</sup> OPENSECRETS, *Follow the Shadow of Dark Money*, <https://www.opensecrets.org/dark-money/shadow-infographic> (last visited July 1, 2025).

<sup>15</sup> See e.g., Ames Alexander and Michael Gordon, *A shouting jury, then a verdict: Billionaire Greg Lindberg guilty of political bribery*, CHARLOTTE OBSERVER (May 5, 2020) <https://www.charlotteobserver.com/news/politics-government/article240808661.html> and Will Doran, *Powerful NC lawmaker took donors’ money for his own use, prosecutors say*, NEWS & OBSERVER (Aug. 20, 2020) <https://www.newsobserver.com/news/politics-government/article245118325.html>.

“weak ethics enforcement” and “poor monitoring of lobbyists.”<sup>16</sup> Senate Bill 416 includes broad prohibitions on disclosing nonprofit donors, including against government employees who may see donor information as part of their job, with potential criminal penalties for violations. These provisions would not only hinder the ability to identify possible wrongdoing involving nonprofits but would also have a chilling effect on whistleblowers.

In 2021, former Governor Roy Cooper vetoed a similar bill, S.B. 636, after it was hastily passed by the General Assembly.<sup>17</sup> Governor Cooper noted the bill’s provisions “may limit transparency with political contributions.”<sup>18</sup> Governor Cooper’s action followed the veto of a similar bill in Michigan in 2018 by that state’s then-Governor Rick Snyder, a two-term Republican.<sup>19</sup> Governor Snyder characterized the bill as “a solution in search of a problem,” explaining the bill could, in practice, “impair the executive branch’s ability to effectively protect the donors of organizations.”<sup>20</sup> Moreover, Governor Snyder noted longstanding U.S. Supreme Court precedent, *NAACP v. Alabama*, already provides protection to any nonprofit group facing a genuine prospect of harm stemming from disclosure.<sup>21</sup>

The people of North Carolina deserve more transparency and accountability in state government. Senate Bill 416 will undermine both interests and is contrary to core principles of our democracy. We respectfully urge you to veto S.B. 416.

Respectfully submitted,

/s/

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<sup>16</sup> *North Carolina Gets D Grade in 2015 State Integrity Investigation*, Ctr. For Public Integrity (Nov. 12, 2015) <https://publicintegrity.org/politics/state-politics/state-integrity-investigation/north-carolina-gets-d-grade-in-2015-state-integrity-investigation/>.

<sup>17</sup> Dawn Vaughn, *NC Gov. Roy Cooper vetoes donor privacy bill, calls it ‘unnecessary’*, NEWS & OBSERVER (Sept. 3, 2021) <https://www.newsobserver.com/news/politics-government/article253975193.html>.

<sup>18</sup> Governor Vetoes Senate Bill 636, Gov. Roy Cooper (Sept. 3, 2021) <https://governor.nc.gov/news/press-releases/2021/09/03/governor-vetoes-senate-bill-636>.

<sup>19</sup> Jim Malewitz, Opinion, *Snyder vetoes bill criticized as ‘power grabs’*, RECORD EAGLE (Jan. 4, 2019), [https://www.record-eagle.com/opinion/opinion-snyder-vetoes-bills-criticized-as-power-grabs/article\\_f6335061-4889-5c5f-ae09-fd8edae6ceb6.html](https://www.record-eagle.com/opinion/opinion-snyder-vetoes-bills-criticized-as-power-grabs/article_f6335061-4889-5c5f-ae09-fd8edae6ceb6.html).

<sup>20</sup> Veto Statement for SB 1176, Gov. Rick Snyder (Dec. 28, 2018), S. Journal, 99th Leg., Reg. Sess., at 2637 (Mich. 2018), [http://www.legislature.mi.gov/\(S\(yvybvzsl35tcqf0nvozbp4h2\)\)/documents/2017-2018/Journal/Senate/pdf/2018-SJ-12-31-085.pdf](http://www.legislature.mi.gov/(S(yvybvzsl35tcqf0nvozbp4h2))/documents/2017-2018/Journal/Senate/pdf/2018-SJ-12-31-085.pdf).

<sup>21</sup> *Id.*