**South Carolina General Assembly**

119th Session, 2011-2012

**A168, R192, H4205**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Funderburk, G.A. Brown and Lucas

Document Path: l:\council\bills\dka\3652sd11.docx

Companion/Similar bill(s): 1064

Introduced in the House on May 11, 2011

Introduced in the Senate on March 6, 2012

Last Amended on April 12, 2012

Passed by the General Assembly on May 1, 2012

Governor's Action: May 14, 2012, Signed

Summary: Nonprofit corporation that provides water service

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

5/11/2011 House Introduced and read first time ([House Journal‑page 7](file:///h:\hj%20archive\2011\05-11-11.docx))

5/11/2011 House Referred to Committee on **Labor, Commerce and Industry** ([House Journal‑page 7](file:///h:\hj%20archive\2011\05-11-11.docx))

2/23/2012 House Committee report: Favorable **Labor, Commerce and Industry** ([House Journal‑page 2](file:///h:\hj%20archive\2012\02-23-12.docx))

2/29/2012 House Read second time ([House Journal‑page 118](file:///h:\hj%20archive\2012\02-29-12.docx))

2/29/2012 House Roll call Yeas‑109 Nays‑0 ([House Journal‑page 118](file:///h:\hj%20archive\2012\02-29-12.docx))

3/1/2012 House Read third time and sent to Senate ([House Journal‑page 24](file:///h:\hj%20archive\2012\03-01-12.docx))

3/6/2012 Senate Introduced and read first time ([Senate Journal‑page 12](file:///h:\sj%20archive\2012\03-06-12.docx))

3/6/2012 Senate Referred to Committee on **Judiciary** ([Senate Journal‑page 12](file:///h:\sj%20archive\2012\03-06-12.docx))

3/13/2012 Senate Referred to Subcommittee: Campbell (ch), Cleary, Williams, Nicholson, Gregory

4/11/2012 Senate Committee report: Favorable with amendment **Judiciary** ([Senate Journal‑page 22](file:///h:\sj%20archive\2012\04-11-12.docx))

4/12/2012 Senate Committee Amendment Adopted ([Senate Journal‑page 21](file:///h:\sj%20archive\2012\04-12-12.docx))

4/12/2012 Senate Read second time ([Senate Journal‑page 21](file:///h:\sj%20archive\2012\04-12-12.docx))

4/12/2012 Senate Roll call Ayes‑32 Nays‑3 ([Senate Journal‑page 21](file:///h:\sj%20archive\2012\04-12-12.docx))

4/17/2012 Senate Read third time and returned to House with amendments ([Senate Journal‑page 27](file:///h:\sj%20archive\2012\04-17-12.docx))

4/26/2012 House Debate adjourned until Tues., 05‑01‑12 ([House Journal‑page 69](file:///h:\hj%20archive\2012\04-26-12.docx))

5/1/2012 House Concurred in Senate amendment and enrolled ([House Journal‑page 50](file:///h:\hj%20archive\2012\05-01-12.docx))

5/1/2012 House Roll call Yeas‑101 Nays‑0 ([House Journal‑page 51](file:///h:\hj%20archive\2012\05-01-12.docx))

5/8/2012 Ratified R 192

5/14/2012 Signed By Governor

5/16/2012 Scrivener's error corrected

5/17/2012 Effective date 05/14/12

5/21/2012 Act No. 168

**VERSIONS OF THIS BILL**

[5/11/2011](file:///p:\pprever\2011-12\4205_20110511.docx)

[2/23/2012](file:///p:\pprever\2011-12\4205_20120223.docx)

[2/24/2012](file:///p:\pprever\2011-12\4205_20120224.docx)

[4/11/2012](file:///p:\pprever\2011-12\4205_20120411.docx)

[4/12/2012](file:///p:\pprever\2011-12\4205_20120412.docx)

(A168, R192, H4205)

**AN ACT TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 33‑36‑1315 SO AS TO PROVIDE FOR ADDITIONAL CONVERSION PROVISIONS, TERMS, AND LIMITATIONS FOR NOT-FOR-PROFIT CORPORATIONS OF A CERTAIN SIZE THAT PROVIDE WATER SERVICE IN TWO OR MORE COUNTIES; AND TO AMEND SECTION 33‑36‑1330, RELATING TO THE GOVERNING BOARD AND STRUCTURE OF A CORPORATION WHICH HAS BEEN CONVERTED TO A PUBLIC SERVICE DISTRICT, SO AS TO PROVIDE FOR THE GOVERNING STRUCTURE OF A PUBLIC SERVICE DISTRICT OF A CERTAIN SIZE THAT PROVIDES SERVICE IN TWO OR MORE COUNTIES.**

Be it enacted by the General Assembly of the State of South Carolina:

**Additional conversion provisions provided**

SECTION 1. Article 8, Chapter 36, Title 33 of the 1976 Code is amended by adding:

“Section 33‑36‑1315. (A) Corporations not‑for‑profit incorporated for the purposes of providing water service which, pursuant to the provisions of this chapter, serve a population of at least twenty thousand persons as shown in the most recent sanitary survey of the South Carolina Department of Health and Environmental Control, and provide water service in two or more counties within the State, may determine, by resolution adopted by the board of directors of the corporation and subject to the additional conditions provided in this section, to become a public service district, a public body politic and corporate. The resolution shall make findings as to: (1) whether the corporation owns assets, including, but not limited to, reserves, that are not reasonably required to continue its operations following its conversion to a public service district and, if so, the amount of the assets; and (2) whether the assets of the corporation have appreciated in value over their original cost and, if so, the amount of the value appreciation. The procedures provided in this section are valid, complete, and sufficient to effect the conversion notwithstanding any contrary provisions of law or the corporation’s organizational documents or bylaws.

(B) Notice of the meeting of the board of directors at which the resolution to become a public service district is to be considered must be given by regular mail to each member of the corporation, addressed to the last known address of the member, and mailed not less than ten days before the meeting. Notice is effective upon mailing. The secretary of the corporation shall certify the date of mailing as to each member. The notice shall state the purpose, time, and place of the meeting. At the meeting, the board of directors shall afford any members in attendance an opportunity to speak and be heard in support of or in opposition to the conversion of the corporation to a public service district.

(C) Promptly after adoption by the board of directors of a resolution to become a public service district, the board of directors shall cause notice of the adoption to be mailed by regular mail to each member of the corporation, addressed to the last known address of the member. In addition, the board of directors, not earlier than the mailing required above, also shall cause the notice of adoption to be published at least once in one or more newspapers of general circulation in the counties in which the corporation provides service. The mailed and published notices shall include the name of the corporation, a statement that the board of directors has determined by resolution that the corporation shall be converted to a public service district, the date of the adoption of the resolution, and a statement that the resolution shall become effective and not subject to further review unless a petition signed by not less than fifteen percent of the membership of the corporation is filed as provided in this section. Within sixty days after the publication of the last notice required by this subsection, a petition signed by the members of the corporation equal in number to at least fifteen percent of the total membership may be filed with the clerk of court for the counties in which the corporation provides service calling for a vote of the membership on the question of whether the corporation shall become a public service district.

(D) Except for a petition being duly and timely filed in accordance with subsection (C), no action whatsoever may be commenced to challenge on any grounds the conversion of the corporation to a public service district more than ninety days after the date of the last publication required by subsection (C).

(E) If a petition is duly and timely filed in accordance with subsection (C), then the board of directors shall call a meeting of the members of the corporation to submit the question of whether the corporation shall become a public service district. Notice of this meeting must be given by regular mail to each member of the corporation, addressed to the last known address of the member, and mailed not less than ten days before the meeting. Notice is effective upon mailing. The secretary of the corporation shall certify the date of mailing as to each member. The notice shall state the purpose, time, and place of the meeting. The question shall be determined upon a majority vote of the members present in person at the meeting and voting. Action taken at the meeting is effective only if a quorum of the members of the corporation is present in person. For purposes of this subsection, a quorum consists of at least fifteen percent of the members of the corporation upon admission to the meeting.

(F) If the membership vote results in a determination to become a public service district, then the corporation promptly shall cause notice of the result to be mailed by regular mail to each member, addressed to the last known address of each member. In addition, the corporation, not earlier than the date of the mailing required above, also shall cause notice of the result to be published once in a newspaper or newspapers of general circulation in each county in which the corporation provides service. The mailed and published notices shall include the name of the corporation, a statement that the corporation has determined by membership vote to become a public service district, and a statement that no action may be commenced on account of the meeting or the conversion of the corporation to a public service district more than twenty days after the date of the final publication. No action whatsoever may be commenced to challenge on any grounds the conversion of the corporation to a public service district more than twenty days after the date of the final publication as provided in this subsection.

(G) If any member of the corporation that becomes a public service district pursuant to this section has received or been credited in a specified amount any capital stock, revolving fund certificate, retain certificate, certificate of indebtedness, letter of advice, or other written notice from the corporation and the specified amount has been realized as gross income to such member for federal income tax purposes with respect to any period prior to the date of conversion to a public service district, but the corresponding amount of money has not been distributed to the member, then the member is considered to have contributed such amount to the public service district. The resolution of the board of directors provided for in subsection (B) must specify this information, if applicable. If the board of directors has specified in the resolution provided for in subsection (B) that the corporation owns assets in excess of that reasonably required to continue its operations following conversion to a public service district or that there has been appreciation in the value of the assets of the corporation over their original cost, then, prior to conversion to a public service district, the corporation shall cause the amount thereof, as reasonably determined by the board of directors, to be distributed to the members of the corporation on a cooperative basis.

(H) Upon a final, favorable determination, either by vote of the board of directors or by vote of the membership, in the event a petition has been duly and timely filed in accordance with subsection (C), to become a public service district, and upon the expiration of the limitation periods provided by this section, the chief executive officer of the corporation shall petition the Secretary of State to issue a new charter to convert and constitute the nonprofit corporation a public service district, a public body politic and corporate.”

**Governing board structure revised**

SECTION 2. Section 33‑36‑1330 of the 1976 Code is amended to read:

“Section 33‑36‑1330. (A) For a corporation converted to a public service district pursuant to Section 33‑36‑1310, the existing board of directors and officers shall serve until the expiration of their present terms. Thereafter, and not less than forty‑five days before any expiration of the term of a board member, the board of directors shall submit to the county legislative delegation the name or names of a person or persons recommended for appointment or reappointment. A letter of recommendation by the board stating why the name or names are recommended shall accompany the submission. The county legislative delegation shall consider the recommendation of the board but is not limited to make a selection for its own recommendation from among those submitted. Upon recommendation of the county legislative delegation, members of the board must be appointed by the Governor for a term of four years. A vacancy may be filled by the board, if the remaining term is less than two years; if more than two years, then in the usual manner for the unexpired term.

(B) For a corporation converted to a public service district pursuant to Section 33‑36‑1315, the existing directors, who shall constitute the initial governing board of the district, and officers shall serve until the expiration of their current terms. Thereafter, the public service district must be governed by a board comprising the same number of members as the predecessor corporation had as directors; provided that the governing board shall comprise no fewer than five members and no more than nine members. The governing board, by resolution, may decrease the number of members to not less than five and may increase the number of members to not more than nine. The successor members must be recommended by the board and appointed by the respective county legislative delegations in accordance with the following procedures. Each county legislative delegation shall have the right to appoint a number of members who bear the same relationship to the total number of members as the number of customers of the district within the county bears to the total number of customers of the district. The number of customers within each county, and the total number of customers, must be determined by reference to the billing and customer records of the public service district. Not less than forty‑five days before the expiration of the term of any member, the governing board shall submit to the county legislative delegation with the right to appoint the successor member the name of a person recommended for appointment or reappointment to the board. A letter of recommendation by the board stating why the name is recommended shall accompany the submission. The county legislative delegation shall consider the recommendation of the board, but is not limited to that person in making its appointment. Each member must be appointed for a term of four years and until his successor is appointed and qualifies, provided that the terms of the members must be staggered by a county legislative delegation in making its appointments such that approximately one‑half of the total members appointed by that county legislative delegation must be appointed or reappointed every two years. No member may be appointed for more than two consecutive terms. A vacancy must be filled for the remainder of the unexpired term in the manner of original appointment.

(C) For a corporation converted to a public service district pursuant to Section 33‑36‑1310, the governing body of the district, by a resolution adopted by a two‑thirds vote of all members of the governing body, may request that board members be elected in a nonpartisan general election. If adopted, a certified copy of the resolution and a map clearly setting out the lines of the boundaries of the district in the county or counties in which the district is situated must be presented to the county election commission before August first of a general election held in an even numbered year for the election to be held at the general election in November of that year. The governing body must be elected from single member election districts.

(D) Notice of the election must be published by the governing body of the district at least three times before the election, including (i) not less than sixty days before the date of the election, (ii) two weeks after the first date of publication, and (iii) a date not more than fifteen and not less than ten days before the date of the election. The notice must appear in a newspaper of general circulation within the district and contain at a minimum the following:

(1) the full name of the district and its governing body;

(2) the names, addresses, and telephone numbers of the members of the district’s governing body;

(3) the existing means of appointment of members of the district’s governing body;

(4) a brief description of the governmental services provided by the district;

(5) a map showing generally the boundaries of the district; (6) a list of precincts and polling places in which ballots may be cast; and

(7) an explanation of the procedure to be followed for election of members of the district’s governing body and State.”

**Severability, Voting Rights Act preclearance**

SECTION 3. The provisions of this act are declared to be severable and if any one or more of the provisions are deemed to be invalid by a court of competent jurisdiction, then the remainder of the provisions are deemed to be of full force and effect and are a full and complete authorization to the extent of this intent. The enforceability and effectiveness of portions of this act not subject to preclearance under the Voting Rights Act of 1965 (42 U.S.C. Sections 1973, et seq.) shall not be subject to preclearance of any portions of this act, if any, that are subject to preclearance under said Voting Rights Act of 1965.

**Time effective**

SECTION 4. This act takes effect upon approval by the Governor.

Ratified the 8th day of May, 2012.

Approved the 14th day of May, 2012.

\_\_\_\_\_\_\_\_\_\_