~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

February 20, 2013

**S. 6**

Introduced by Senator Peeler

S. Printed 2/20/13--S.

Read the first time January 8, 2013.

**THE COMMITTEE ON**

**LABOR, COMMERCE AND INDUSTRY**

To whom was referred a Bill (S. 6) to amend Section 40‑11‑260, Code of Laws of South Carolina, 1976, relating to financial statements and net worth requirements for general contractors and mechanical contractors, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

THOMAS C. ALEXANDER for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

$0 (No additional expenditures or savings are expected)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

Minimal (Some additional costs expected but can be absorbed)

**EXPLANATION OF IMPACT:**

The Department of Labor, Licensing and Regulation estimates this bill will have a minimal fiscal impact on the agency’s other funds. All costs can be absorbed.

*Approved By:*

Brenda Hart

Office of State Budget

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill would have no impact on state general fund revenue or local revenues.

**Explanation**

This bill authorizes the Department of Labor, Licensing and Regulation to increase the construction costs per job in two of the five groups of general contractor’s net worth requirements. Section 40-11-620(A)(2)(a) increases from $100,000 to $150,000 per job. Section 40-11-260(A)(3)(a) increases from $350,000 to $425,000 per job. Additionally, this bill authorizes an increase in the construction costs in three of the five groups of the mechanical contractor’s net worth requirements. Section 40-11-260 (B)(2)(a) increases from $30,000 to $50,000 per job. Section 40-11-260(B)(3)(a) increases from $50,000 to $100,000 per job. Section 40-11-260(B)(4)(a) increases from $125,000 to $200,000 per job. These requirements apply to new licenses and license renewals.

This bill is not expected to have an impact on general fund or local revenues as it only proposes to increase the construction costs per job within the net worth requirement groups.

This act takes effect upon approval by the Governor.

*Approved By:*

Frank A. Rainwater

Board of Economic Advisors

1/ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**A** **BILL**

TO AMEND SECTION 40‑11‑260, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO FINANCIAL STATEMENTS AND NET WORTH REQUIREMENTS FOR GENERAL CONTRACTORS AND MECHANICAL CONTRACTORS, SO AS TO ADJUST THE NET WORTH REQUIREMENTS FOR LICENSURE AND LICENSE RENEWAL, AND TO DELETE OBSOLETE LANGUAGE.

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

SECTION 1. Section 40‑11‑260 of the 1976 Code is amended to read:

“Section 40‑11‑260. (A) An applicant for a general contractor’s license or a general contractor’s license renewal who performs or offers to perform contracting work for which the total cost of construction is greater than ~~$5,000.00~~ five thousand dollars, and an applicant for license group revisions must provide an acceptable financial statement with a balance sheet date no more than twelve months before the date of the relevant application showing a minimum net worth for each license group as follows:

(1) Group One

(a) bids and jobs not to exceed $30,000.00 per job;

(b) required net worth of $6,000.00;

(c) on initial application, an owner‑prepared financial statement with an affidavit of accuracy;

(d) on renewal, an owner‑prepared financial statement with an affidavit of accuracy;

(2) Group Two

(a) bids and jobs not to exceed ~~$100,000.00~~ $150,000.00 per job;

(b) required net worth of $20,000.00;

(c) on initial application, an owner‑prepared financial statement with an affidavit of accuracy;

(d) on renewal, an owner‑prepared financial statement with an affidavit of accuracy;

(3) Group Three

(a) bids and jobs not to exceed ~~$350,000.00~~ $425,000.00 per job;

(b) on initial application, a financial statement compiled by a licensed certified public accountant or a licensed public accountant in accordance with Generally Accepted Accounting Principles (GAAP), including all disclosures required by GAAP indicating a required net worth of seventy thousand dollars;

(c) on renewal, an owner‑prepared financial statement with an affidavit of accuracy indicating a required net worth of seventy thousand dollars, or a financial statement compiled by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP, and indicating a required net worth of seventy thousand dollars;

(4) Group Four

(a) bids and jobs not to exceed ~~$750,000.00~~ $850,000.00 per job;

(b) on initial application, a financial statement compiled by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP indicating a required net worth of one hundred fifty thousand dollars;

(c) on renewal, an owner‑prepared financial statement with an affidavit of accuracy indicating a required net worth of one hundred fifty thousand dollars, or a financial statement compiled by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP, and indicating a required net worth of one hundred fifty thousand dollars;

(5) Group Five

(a) bids and jobs unlimited;

(b) required net worth of $250,000.00;

(c) on initial application, a financial statement audited by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP;

(d) on renewal, a financial statement reviewed by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP;

(B) An applicant for a mechanical contractor’s license or a mechanical contractor’s license renewal who performs or offers to perform contracting work for which the total cost of construction is greater than five thousand dollars, and an applicant for license group revisions must provide an acceptable financial statement with a balance sheet date no more than twelve months before the date of the relevant application showing a minimum net worth for each license group as follows:

(1) Group One

(a) bids and jobs not to exceed $17,500.00 per job;

(b) required net worth of $3,500.00;

(c) on initial application, an owner‑prepared financial statement with an affidavit of accuracy;

(d) on renewal, an owner‑prepared financial statement with an affidavit of accuracy;

(2) Group Two

(a) bids and jobs not to exceed ~~$30,000.00~~ $50,000.00 per job;

(b) required net worth of $6,000.00;

(c) on initial application, an owner‑prepared financial statement with an affidavit of accuracy;

(d) on renewal, an owner‑prepared financial statement with an affidavit of accuracy;

(3) Group Three

(a) bids and jobs not to exceed ~~$50,000.00~~ $100,000.00 per job;

(b) on initial application, a financial statement compiled by a licensed certified public accountant or a licensed public accountant in accordance with Generally Accepted Accounting Principles (GAAP), including all disclosures required by GAAP indicating a net worth of ten thousand dollars;

(c) on renewal, an owner‑prepared financial statement with an affidavit of accuracy indicating a required net worth of ten thousand dollars, or a financial statement compiled by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP, and indicating a required net worth of ten thousand dollars;

(4) Group Four

(a) bids and jobs not to exceed ~~$125,000.00~~ $200,000.00 per job;

(b) on initial application, a financial statement compiled by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP indicating a net worth of twenty‑five thousand dollars;

(c) on renewal, an owner‑prepared financial statement with an affidavit of accuracy indicating a required net worth of twenty‑five thousand dollars, or a financial statement compiled by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP, and indicating a required net worth of twenty‑five thousand dollars;

(5) Group Five

(a) bids and jobs unlimited;

(b) required net worth of $100,000.00;

(c) on initial application, a financial statement audited by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP;

(d) on renewal, a financial statement reviewed by a licensed certified public accountant or a licensed public accountant in accordance with GAAP, including all disclosures required by GAAP;

(C) In reviewing an entity’s balance sheet to determine the net worth of the applicant or licensee, the board may consider:

(1) deviations from the standard accountant’s report;

(2) notes to the financial statement;

(3) additional financial information submitted by the applicant or licensee for renewals;

(4) personal financial statements of an entity’s principals for an entity with less than two year’s operating experience.

(D) If a licensee desires to change to a higher license group as established in this section, the licensee must meet the financial statement and net worth requirements in the higher license group number as required in initial application.

(E) If the board has reasonable cause to believe that an entity has not maintained the minimum net worth for its group, the board may order the entity to submit additional financial information, and, if appropriate, may modify the entity’s license to reflect the appropriate limitation group.

~~(F)~~ ~~Contractors licensed before April 1, 1999, must be licensed in the new group closest to their existing limitations until their license renewal date, at which time they must meet the financial requirements for license renewal set forth in this section.~~”

SECTION 2. This act takes effect upon approval by the Governor.

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