

## Veto No. 2006-2

HB 1467

March 17, 2006

To the Honorable, the House of Representatives  
of the Commonwealth of Pennsylvania:

I am returning House Bill 1467 without my approval.

I do so because the Attorney General has determined that, as written, this bill does not comport with the Constitution of the Commonwealth of Pennsylvania. The Office of General Counsel concurs in his opinion, and I believe his opinion is based on sound interpretation and reasoning. I have attached General Corbett's opinion to this message.

I also return this bill because I have seen no evidence, in Pennsylvania, of a present problem with homebuilder liability insurance costs that would require a bill so far-reaching in scope and effect. The proponents of this bill suggest that it would afford both contractors and consumers equal opportunity to resolve their disputes without having to resort to expensive litigation. In fact, I believe this bill has the potential to cause both parties to become more involved in litigation, requiring them to pay unnecessary legal bills and, ultimately, driving up the cost of builders' insurance and new homes as a result.

While I am concerned about the Constitutional issues discussed in General Corbett's opinion, I also spent many hours studying the issues presented to me by those who proposed the bill, as well as those who asked me not to sign it. I listened carefully to the views of the representatives of the homebuilding industry who came to see me. I read their documents and examined the data they provided. I found that while some homebuilders, in fact, are facing increases in insurance liability costs, these increases are not a result of increased numbers of lawsuits – at least not in our state. Rather, they are a result of trends in the insurance and housing industry that are not addressed by House Bill 1467. Moreover, those who attempted to persuade me of the merits of this bill acknowledged that those homebuilders who have mandatory arbitration clauses in their contracts are afforded the same, if not greater, protections as those outlined in House Bill 1467. Thus, each homebuilder could include mandatory arbitration language in every contract and thereby accomplish as much, if not more, than this bill does.

I also considered the views of citizens who wrote to me on this issue, particularly those who are dealing with loss of equity due to the actions of the few unscrupulous contractors who prey on the unwary. In fact, in this review, I became convinced that a law to register contractors and homebuilders, accompanied by appropriate public reporting requirements, is critical to boosting the protection our citizens expect and deserve their government to provide. I also believe we need to legislatively establish a fund to compensate victims for damages caused by unscrupulous builders

who do not have insurance and cannot, or will not, pay for the full value of the problems they create.

Pennsylvania's homebuilders bring pride to our state and, of course, their great craftsmanship and productivity have been key ingredients in our recent economic turnaround. I remain willing and open to addressing real barriers to progress faced by this great industry. Likewise, I took an oath to ensure that Pennsylvanians are protected from the vagaries of our laws and our processes when either serves narrow interests. Pennsylvanians would be well served by legislation that addresses many of the legitimate concerns raised by homebuilders, and that creates a balance by imposing a registration and reporting requirement, and a victim's compensation fund. I look forward to working with our fine homebuilders and consumer organizations to help such a law become a reality.

EDWARD G. RENDELL