



AGC-Texas Building Branch

Legislative Position Paper

Require damages/settlements for ISD construction defects to be spent on the repairs

HB 1734 by Rep. Holland

AGC Supports

Background

A handful of contingency fee trial lawyer firms in Texas have developed a cottage industry of getting school districts to sue architects, engineers, and contractors for alleged construction defects in buildings—before notifying the architects, engineers, and contractors of the alleged defects or offering a chance to inspect or fix them. These lawsuits try to quickly round up several insurance policies to effect a quick, nuisance settlement. In many cases the settlement funds obtained are not actually used to make repairs to the alleged defects. Also in many cases, no actual defects are proved.

Proposed legislation

This bill would require ISDs to spend any money obtained from a verdict or settlement re: alleged construction defects to repair those defects. The bill requires the ISD to notify the Texas Education Agency (TEA) of the suit or face dismissal. ISDs would also have to itemize their repairs to TEA and, if they fail to do so, the Attorney General is authorized to enforce. The AG must also report annually to the Legislature on these suits.

Most of HB 1734 is already in statute for Chapter 46 school districts, due to the above litigation problem originally being confined mostly to the Rio Grande Valley. Today, these lawsuits are all over Texas. HB 1734 would expand the policy to apply statewide.

Supported by:

Texas Society of Architects • AGC-Texas Building Branch • American Council of Engineering Companies of Texas • ABC of Texas • Texas Construction Association • Texans for Lawsuit Reform

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