

LFC Requester: Mercer-Garcia



**PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2025 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: 02/06 /25
Bill No: HB305

Agency Name and Code: PED - 924

Sponsor: Dow/García

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Short Title: PUBLIC CONTACT
REIMBURSEMENTS & WAGES

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SECTION II: FISCAL IMPACT

(Parenthesis () Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
None	None	N/A	NFA

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
None	None	None	N/A	NFA

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	None	None	None	N/A	NFA

Duplicates/Relates to Appropriation in the General Appropriation Act: None.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 305 (HB305) proposes to amend the Minimum Wage Act so that all state agency service contracts include provisions to adjust contractor and subcontractor reimbursements in line with state-mandated minimum wage increases or other legally required cost increases. This would ensure that contractors and subcontractors would be held harmless and compensated for additional expenses incurred due to changes in state laws, such as wage hikes or enhanced statutory benefits.

The bill would become effective July 1, 2025.

FISCAL IMPLICATIONS

The bill does not contain an appropriation.

HB305 would require the department to maintain additional funding to be available in the case that the contractual provision for increasing reimbursement is triggered. This may make it more difficult to spend down appropriations.

SIGNIFICANT ISSUES

Several states have provisions that address adjustments in public contracts in response to changes in labor costs, such as minimum wage increases. These provisions aim to ensure that contractors are fairly compensated when legally mandated wage hikes occur, thereby maintaining the viability of public service contracts. Since 2024, for example, California's [Public Contract Code](#) has allowed for adjustments in public contracts to account for increases in the prevailing wage. This ensures that contractors can comply with wage laws without suffering financial losses on existing contracts.

PERFORMANCE IMPLICATIONS

The provisions of the bill may encourage contractors to submit more competitive bids for agency contracts knowing that they will be held harmless if minimum wage increases take effect during the desired contract. By ensuring that contractors will not face financial harm if minimum wage increases occur during the contract period, the bill would reduce the financial uncertainty that contractors might otherwise face.

ADMINISTRATIVE IMPLICATIONS

HB305 would require the Public Education Department to develop new contract templates. It would also require that the department maintain additional funding to be available in the case that the contractual provision for increasing reimbursement is triggered.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to:

- House Bill 6, which would require that projects undertaken by a municipality or county through the issuance of industrial revenue bonds pay the prevailing wage.
- House Bill 119, which would allow contractors to request adjustments to their contracts when statutory changes affect employee compensation and benefits.
- House Bill 201, which would raise school employee minimum hourly wage from six dollars to \$15.
- House Bill 246, which would increase the state's minimum wage and implement annual adjustments based on inflation.
- Senate Bill 59, which would expand the scope of the Public Works Minimum Wage Act to ensure that workers involved in off-site fabrication for public works projects are compensated according to prevailing wage standards.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None.