

# HOUSE BILL REPORT

## HB 2684

---

### As Reported by House Committee On:

Technology, Economic Development, & Veterans

**Title:** An act relating to establishing guidelines for what constitutes a socially disadvantaged individual for the purpose of business enterprise state certification.

**Brief Description:** Establishing guidelines for what constitutes a socially disadvantaged individual for the purpose of business enterprise state certification.

**Sponsors:** Representatives Farivar, Salahuddin and Parshley.

### Brief History:

#### Committee Activity:

Technology, Economic Development, & Veterans: 2/3/26, 2/4/26 [DP].

#### Brief Summary of Bill

- Creates a rebuttable presumption that women, Black/African American, Hispanic/Latino, Native American, Asian, Pacific Islander, Native Hawaiian, Middle Eastern/North African, LGBTQ, or other individuals identified by the Office of Minority and Women's Business Enterprises in rule are socially disadvantaged for purposes of state certification.

---

## HOUSE COMMITTEE ON TECHNOLOGY, ECONOMIC DEVELOPMENT, & VETERANS

**Majority Report:** Do pass. Signed by 7 members: Representatives Ryu, Chair; Kloba, Vice Chair; Cortes, Donaghy, Paul, Shavers and Thomas.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Keaton, Volz and Waters.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Penner.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Martha Wehling (786-7067).

**Background:**

The Office of Minority and Women's Business Enterprises (OMWBE) was created to provide minority- and women-owned and controlled businesses with the maximum practicable opportunity for increased participation in public works contracts and public contracts for goods and services. The OMWBE is the sole authority in Washington for certifying minority- and women-owned business enterprises.

A business must apply for certification with the OMWBE and must meet qualification criteria. The primary owner must have 51 percent ownership of the business and be both socially and economically disadvantaged. There are also restrictions on business size and gross receipts.

Certified business enterprises are listed in the OMWBE database. Cities, counties, state agencies, transportation, and educational institutions use the database to source small and diverse firms for potential contracting opportunities. A certified business is also eligible for a program which decreases interest rates on small business loans.

The OMWBE rules define a "socially disadvantaged individual" as consistent with federal law:

- a person who has been subjected to racial or ethnic prejudice or cultural bias within American society because of his or her identity as a member of groups and without regard to his or her individual qualities, and the social disadvantage must stem from circumstances beyond the individual's control;
- any individual who the agency finds to be a socially disadvantaged individual on a case-by-case basis; or
- any individual in the following groups, members of whom are rebuttably presumed to be socially disadvantaged for the purposes of certification:
  - persons who are Asian or Pacific islander; persons whose origins are from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Guam, the Republic of Palau, the Federated States of Micronesia, and the Republic of Marshall Islands, Commonwealth of the Northern Mariana Islands, Samoa, Macao, Fiji, Tonga, Kirbati, Tuvalu, Nauru, Hong Kong, India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal, or Sri Lanka;
  - persons who are Black/African American; persons having origins in any of the Black racial groups of Africa;
  - persons who are Hispanic/Latino; persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race;
  - persons who are Native American or Alaska Native; persons who are members or descendants of a federal or state recognized Indian tribe or Alaska Native

- corporation;
  - persons who are native Hawaiian; persons whose ancestors were natives, prior to 1778, of the area which now comprises the state of Hawaii;
  - women;
  - any additional groups whose members are designated as socially and economically disadvantaged by the United States Small Business Administration (SBA), at such time as the SBA designation becomes effective; or
  - LGBTQ individuals.
- 

**Summary of Bill:**

Women, Black/African American, Hispanic/Latino, Native American, Asian, Pacific Islander, Native Hawaiian, Middle Eastern/North African, LGBTQ, and other individuals identified by the OMWBE in rule are presumed to be socially disadvantaged for the purpose of state certification. The presumption is rebuttable.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Middle Eastern- and Arab-owned businesses face similar barriers as other minorities but are refused minority status and are not accounted for under current rules. Individuals do not choose to be a minority, but disadvantages in daily life are constant reminders of minority status. Including the minorities in the Office of Minority and Women's Business Enterprises (OMWBE) gives disadvantaged businesses an opportunity to thrive in a highly competitive environment by allowing them to participate in community public contract opportunities. The minority designation has real consequences, when a business is not considered a minority but white, the business is bypassed and not listed by the OMWBE as a minority business. This simple fix will close the gap and make the playing field level for all minorities, including Middle Eastern and North African (MENA) businesses.

Social disadvantage is only one factor in the OMWBE's certification process. The OMWBE assists small business owners in accessing capital and small business contracting. Middle Eastern men have been hurt by the exclusion from the minority system. Business

owners are told they are not qualified for certification because they are classified as white, even while they experience cultural and social barriers. As a result, they miss contract opportunities, and are excluded from programs, including access to lower interest loans. These are tools that affect business survival, and it creates confusion for businesses and contractors with no meaningful recourse. Including the minorities does not expand the OMWBE's mission or create a new entitlement. Instead, it creates fairness and access to opportunity.

(Opposed) People should not be judged based on what they do not have control over, whether it is viewed as disadvantaged or privileged. Special treatment is not always needed, even when a handicap is a disadvantage. The bill grants the OMWBE unlimited authority to grant a group minority status by administrative rule, without standards or oversight. Currently, biracial children suffer in schools and are treated differently by their peers and teachers because of laws. On an ethical and moral basis, the implications of the bill will cause community resentment. The long-term effects of divisive policy create a bad future environment and codifies stereotypes into state contracting law.

Article I, section 12 of the Constitution prohibits special immunities to cohorts. The Supreme Court decision involving Harvard concluded that racial classifications in government programs violate equal protection unless the program meets strict scrutiny. Using proof of identity as a proxy for disadvantage fails constitutional scrutiny. There is a perverse incentive to ask invasive questions to establish minority status.

Discrimination is wrong. The state has promoted discrimination based on sex and race. Penalizing an applicant for a state job is pure discrimination, when someone is penalized 5-10 percent for their sex or race. Applicants for a contract start at a disadvantage. In Washington, standing up to discriminatory bills is like standing up to a tank in Tiananmen Square. The tank does not follow rules, the road, or the institution, and will run over anything in its path. State-sponsored discrimination is wrong. Equal protection should treat people as individuals, not demographic groups.

**Persons Testifying:** (In support) Imraan Siddiqi, Council on American-Islamic Relations Washington (CAIR-WA); Eddie Shahwan, EAS Engineering, LLC; Mhd Arar, Arar Studio; and Sharon Harvey-Hughes, OMWBE.

(Opposed) Eric Pratt, America; Jeannie Magdua, Conservative Ladies of Washington; and Randy Berry.

**Persons Signed In To Testify But Not Testifying:** Ahmad Al-Hawasli, UMMAH AEROSPACE LLC.