

Proposed Substitute House Bill 2523 (H-3379.1/26)

House Technology, Economic Development, and Veterans Committee

By Representative Donaghy

Original Bill:

The Department of Commerce (Commerce) is required to update the Community Reinvestment Plan (CRP) every 10 years, beginning in 2032, and include criteria for eligible communities and programs, accountability measures to ensure distribution and funding meet the CRP's intended purpose, and track fund outcomes. The CRP must address how funds will produce long-term economic benefits to the state, result in significant long-term economic benefits or higher income for citizens, and ensure there is no ongoing state support for projects and programs, no replacement of private investment, and priority is given to nonprofit, faith-based, and grassroots organizations. Commerce is encouraged to incorporate work from existing task forces.

The Office of Equity is required to review each CRP and Commerce's reports on plan implementation, which are due every two years, beginning June 30, 2027.

The Washington State Institute for Public Policy is required to study Commerce's distribution of, and recipient organizations' use of, funds distributed from the CRP Account, and provide a report by June 30, 2027.

Proposed Substitute House Bill (H-3379.1/26) compared to the Original Bill:

- Requires the Department of Commerce (Commerce) to distribute funds from the Community Reinvestment Account: (1) in equal proportions to economic development, civil and criminal legal assistance, reentry services, community-based violence intervention and prevention services, and agricultural and economic support and services; and (2) consistent with specified criteria, including prioritizing certain underserved and minority groups, organizations, and populations, and limiting the award of funds for economic development to an organization for no more than five years, unless Commerce's biennial report documents that continued funding would meet the program objectives. Commerce may adjust allocations when its biennial reports document that an equal allocation would result in unexpended funds or limit access for eligible communities.
- Directs Commerce to comply with the Governor's Executive Order requiring consultation with federally-recognized Indian tribes when distributing grants.
- Requires the Community Reinvestment Plan (CRP) to be updated as needed, but at least every 10 years. The CRP must be developed with community input and include funding recommendations, programmatic guidelines, funding distribution, long-term economic benefits, monitoring, and evaluation.
- Requires the CRP to address program reach and stabilization outcomes and certain disparities; applies to state residents, rather than citizens; and contains programmatic guidelines, a framework for equitable distribution, and criteria for grant allocation.
- Clarifies that nonprofit, faith-based, and grassroots organizations that are prioritized for funding are led by, governed by, and primarily serve communities experiencing persistent racial, economic, or social disparities.
- Limits the award of funds for economic development to five years for an organization, unless Commerce's biennial report documents that a longer award period is required to meet the CRP's objectives.
- Modifies the task forces that Commerce is encouraged to incorporate by adding the Economic Justice Council and the Small Business Resiliency Network, and removing the Social Equity in Cannabis Task Force.

Staff: Martha Wehling

Date: February 2, 2026

- Requires Commerce to submit its biennial report with existing appropriations, and details report content, including expenditures, fund efficacy, program implementation, economic impacts on target communities, disaggregated data, and recommendations.
- Expands the agencies receiving the biennial report and CRP from Commerce, and removes the requirement that the agencies review the CRP or report.
- Expands the duties performed by the Office of Equity to include an independent analysis of the biennial report; host the CRP dashboard; convene, coordinate, and provide staff to the State Advisory Team; and support the Local Advisory Teams through providing resources for community engagement strategies and project development, selection, and implementation. Requires Commerce to provide the funding for the duties from existing appropriations.
- Adds definitions for overburdened community and underserved, based on existing statutes.
- Expands the Washington State Institute for Public Policy study to include regional impact of CRP funds and collaboration with other relevant commissions. Requires Commerce to provide the funding for the WSIPP study from existing appropriations.

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: H-3379.1/26

ATTY/TYPIST: KS:akl

BRIEF DESCRIPTION: Concerning the community reinvestment program.

1 AN ACT Relating to the community reinvestment program; amending
2 RCW 43.79.567; adding a new section to chapter 43.330 RCW; creating
3 new sections; providing an effective date; and providing an
4 expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that in order to
7 address racial, economic, and social disparities in communities
8 across the state created by the historical design and enforcement of
9 state and federal criminal laws and penalties for drug possession and
10 use in Washington state, aggressive approaches and targeted resources
11 to support local design and control of community-based responses to
12 these outcomes are required.

13 The legislature further finds that it initially appropriated
14 \$1,000,000 for the development of a community reinvestment plan and
15 \$200,000,000 for implementation of the plan in the 2023-2025 fiscal
16 biennium through the community reinvestment account in RCW 43.79.567.
17 The legislature subsequently appropriated an additional \$60,000,000
18 and \$50,000,000 for the 2025-2027 and 2027-2029 fiscal biennia. The
19 legislature finds that the initial phase of the program required use
20 of the department of commerce's existing programs and networks to
21 distribute money as quickly as possible. The department of commerce

1 and the office of equity published a preliminary report on December
2 1, 2022, a community reinvestment plan report on September 19, 2023,
3 and a community investment plan implementation report in October
4 2025. The legislature intends to transfer an amount no less than
5 \$100,000,000 per year for continued implementation of the community
6 investment plan, reporting on the plan, and updates to the plan.

7 The legislature recognizes that despite the development of a
8 community investment plan and reporting on implementation of the
9 plan, existing programs and networks may not reach the people who are
10 most affected by the historic laws and penalties for drug possession.
11 Therefore, the legislature intends for the next phase of
12 implementation to include policy direction for expenditure of the
13 legislative appropriations, reporting on distribution of the
14 appropriated funds, direction to update the community investment plan
15 at least every 10 years, and review of implementation of the program
16 to date by the Washington state institute for public policy.

17 **Sec. 2.** RCW 43.79.567 and 2025 c 424 s 952 are each amended to
18 read as follows:

19 (1) The community reinvestment account is created in the state
20 treasury. Revenues to the account shall consist of appropriations and
21 transfers by the legislature and all other moneys directed for
22 deposit into the account. Moneys in the account may be spent only
23 after appropriation.

24 (2) Expenditures from the account may be used by the department
25 of commerce for:

26 (a) Economic development, which includes addressing wealth
27 disparities to promote asset building such as homeownership and
28 expanding access to financial resources including, but not limited
29 to, grants and loans for small businesses and entrepreneurs,
30 financial literacy training, and other small business training and
31 support activities;

32 (b) Civil and criminal legal assistance to provide postconviction
33 relief and case assistance, including the expungement of criminal
34 records and vacation of criminal convictions;

35 (c) Community-based violence intervention and prevention
36 services, which may include after-school programs focused on
37 providing education and mentorship to youths;

(d) Reentry services to facilitate successful transitions for persons formerly incarcerated in an adult correctional facility or juvenile residential facility in Washington; and

(e) ~~((Beginning July 1, 2025, agricultural))~~ Agricultural and economic support and services available to historically marginalized communities.

(3)(a) Funds appropriated to the community reinvestment account must be allocated in equal proportions across the following funding strategies:

(i) Economic development under subsection (2)(a) of this section;

(ii) Civil and criminal legal assistance under subsection (2)(b) of this section;

(iii) Reentry services under subsection (2)(d) of this section;

(iv) Community-based violence intervention and prevention services under subsection (2)(c) of this section; and

(v) Agricultural and economic support and services under subsection (2)(e) of this section.

(b) The department of commerce may adjust allocations within a fiscal biennium only upon a determination, documented in the report required under section 3 of this act, that an equal allocation would result in unexpended funds or materially limit access for eligible communities.

(4) The distribution of the grants under this section must be done in collaboration with "by and for community organizations" (~~as defined by the department of commerce and the office of equity. For the 2025-2027 fiscal biennium, "by)~~) and consistent with the governor's executive order regarding consultation with federally recognized Indian tribes. "By and for community organizations" include, but are not limited to, those operated by and for Black, Latino, Native American, Asian, Native Hawaiian, and Pacific Islander communities. Grants must be allocated consistent with the criteria identified in section 3 of this act.

NEW SECTION. Sec. 3. A new section is added to chapter 43.330 RCW to read as follows:

(1) The department shall, in partnership with the office of equity, and "by and for community organizations", update the community reinvestment plan as needed, but no less frequently than every 10 years to identify the distribution of funds allocated to the community reinvestment account in RCW 43.79.567. The plan must be

1 developed using a community-based participatory action research
2 approach and include funding recommendations, programmatic
3 guidelines, funding distribution, long-term economic benefits,
4 monitoring, and evaluation.

5 (2) At a minimum, the plan must address how the community
6 reinvestment account funding will:

7 (a) Expand program reach and stabilization outcomes;

8 (b) Address racial, economic, and social disparities in
9 communities across the state;

10 (c) Produce significant long-term economic benefits to the state,
11 a region of the state, or a particular community in the state;

12 (d) Result in significant long-term economic benefits in the form
13 of new jobs, job retention, increased personal wealth, or higher
14 incomes for residents of the state or a particular community in the
15 state;

16 (e) Ensure that:

17 (i) Projects or programs do not require continuing state support;

18 (ii) An expenditure will not supplant private investment;

19 (iii) An expenditure is accompanied by additional public or
20 private investment;

21 (iv) Nonprofit, faith-based, and grassroots organizations that
22 are "by and for community organizations" and are led by, governed by,
23 and primarily serve communities experiencing persistent racial,
24 economic, or social disparities are prioritized for competitive
25 funding opportunities;

26 (v) Programmatic guidelines encourage collaborative partnerships
27 and system integration to maximize effectiveness and reduce
28 duplication; and

29 (vi) A framework for the equitable geographic and demographic
30 distribution of funds is included; and

31 (f) Identify the criteria for the allocation of grants.

32 (i) At a minimum, the criteria must prioritize:

33 (A) Historically underserved or minority populations;

34 (B) "By and for community organizations"; and

35 (C) Populations in rural, regional, or geographically underserved
36 areas of the state that experience barriers to access, historical
37 representation, and resources.

38 (ii) The department shall not award funds for economic
39 development under RCW 43.79.567(2)(a) to an organization for a period
40 longer than five years, unless the department documents in the report

1 required under subsection (4) of this section that an allocation
2 beyond five years is required to meet the objectives of this section
3 for an organization.

4 (3) In updating the plan, the department is encouraged to
5 incorporate existing and ongoing work from relevant task forces and
6 work groups including, but not limited to, the Washington statewide
7 reentry council, the homeownership disparities workgroup, the
8 economic justice alliance, and the small business resiliency network.

9 (4) Within the appropriations provided for the program, the
10 department shall submit a report consistent with RCW 43.01.036 to the
11 governor and relevant committees of the legislature by June 30, 2028,
12 and every two years thereafter. The report must include, at a
13 minimum:

14 (a) A detailed accounting of expenditures, including amounts
15 awarded, geographic distribution, and funding strategy category;

16 (b) An assessment of fund efficacy, including the extent to which
17 funded programs advance the purposes of the community reinvestment
18 plan;

19 (c) An evaluation of program implementation, including barriers
20 to access experienced by applicants and grantees and steps taken to
21 address those barriers;

22 (d) An analysis of economic impacts on target communities,
23 including impacts on employment, income, wealth-building
24 opportunities, housing stability, and community capacity, to the
25 extent practicable;

26 (e) Disaggregated data, where feasible, by race, ethnicity,
27 geography, and population served, consistent with state data privacy
28 standards; and

29 (f) Recommendations for statutory, administrative, or budgetary
30 changes to improve equity, effectiveness, and accessibility of the
31 program.

32 (5) The department shall submit each plan and report to the
33 Washington state office of equity, the Washington state commission on
34 African American affairs, the Washington state commission on Hispanic
35 affairs, the governor's office of Indian affairs, the Washington
36 state commission on Asian Pacific American affairs, the Washington
37 state LGBTQ commission, and the office of minority and women's
38 business enterprises.

(6) The department shall collaborate with the office of equity to provide the services in this subsection within the appropriations provided to the department for the program.

(a) The office of equity shall provide an independent analysis of each report. The analysis must assess whether implementation of the community reinvestment program is advancing racial equity, addressing historic harms, and reducing disparities in access to resources for communities disproportionately impacted by the enforcement of drug possession laws. The office of equity may include findings, concerns, and recommendations regarding program design, grantmaking practices, and outcomes.

(b) The office of equity shall host the plan dashboard.

(c) The office of equity shall convene, coordinate, and provide staff support to the state advisory team.

(d) The office of equity shall provide and promote inclusive community engagement strategies that support the local advisory teams in their work, and serve as a resource for the local advisory teams in their community engagement efforts, including but not limited to plan and project development, selection, and implementation.

(7) The department shall use the plan to guide the distribution of appropriated funds. The department must review and update the plan no less frequently than every 10 years, with the first update due in 2032.

(8) For the purposes of this section, the following definitions apply:

(a) "By and for community organizations" has the same meaning as used in RCW 43.79.567.

(b) "Overburdened community" has the same meaning as defined in RCW 70A.02.010.

(c) "Plan" means the community reinvestment plan.

(d) "Underserved" has the same meaning as "underrepresented population" as defined in RCW 43.18A.010.

NEW SECTION. **Sec. 4.** The department of commerce shall collaborate with the Washington state institute for public policy to provide the services in this section within the appropriations provided to the department of commerce for the community reinvestment program.

(1) The Washington state institute for public policy must conduct a study researching, analyzing, and determining, to the extent

1 practicable, the department of commerce's distribution of and the
2 recipient organizations' use of, and the regional impact of, the
3 funds allocated under the community reinvestment account in RCW
4 43.79.567.

5 (2) In conducting the study, the Washington state institute for
6 public policy may conduct fact-finding and stakeholder discussions
7 with the department of commerce, the office of equity, organizations
8 that received funds, and organizations that were eligible for funds
9 but did not receive funds.

10 (3) The department of commerce, the office of equity, and other
11 relevant commissions must cooperate with the Washington state
12 institute for public policy to facilitate access to data or other
13 resources necessary to complete the work of this section.

14 (4) By June 30, 2027, and in compliance with RCW 43.01.036, the
15 Washington state institute for public policy shall submit a report to
16 the appropriate committees of the legislature with the findings of
17 its study under this section.

18 (5) This section expires June 1, 2028.

19 NEW SECTION. **Sec. 5.** Section 3 of this act takes effect July 1,
20 2027.

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