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**SUBSTITUTE HOUSE BILL 2523**

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**State of Washington**

**69th Legislature**

**2026 Regular Session**

**By** House Technology, Economic Development, & Veterans (originally sponsored by Representatives Reeves, Hill, Davis, Gregerson, Parshley, Ormsby, Santos, Donaghy, Scott, and Obras)

READ FIRST TIME 02/04/26.

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 five years, and review of implementation of the  
16 program 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;

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

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

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

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

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

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

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

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

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

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

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

35 (1) The department shall, in partnership with the office of  
36 equity, and "by and for community organizations", update the  
37 community reinvestment plan as needed, but no less frequently than  
38 every five years to identify the distribution of funds allocated to  
39 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.

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

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

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

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

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

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

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

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

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

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

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

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

38 (1) The Washington state institute for public policy must conduct  
39 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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