
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2523

State of Washington

69th Legislature

2026 Regular Session

By House Appropriations (originally sponsored by Representatives Reeves, Hill, Davis, Gregerson, Parshley, Ormsby, Santos, Donaghy, Scott, and Obras)

READ FIRST TIME 02/09/26.

1 AN ACT Relating to the community reinvestment program; amending
2 RCW 43.79.567; creating new sections; providing an effective date;
3 and providing expiration dates.

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

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

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

1 report on December 1, 2022, a community reinvestment plan report on
2 September 19, 2023, and a community reinvestment plan implementation
3 report in October 2025. The legislature intends to continue
4 implementation of the community reinvestment plan, reporting on the
5 plan, and updates to the plan.

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

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

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

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

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

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

37 (c) Community-based violence intervention and prevention
38 services, which may include after-school programs focused on
39 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) An organization providing specialized services where fewer
8 than five organizations statewide provide such services at no cost to
9 clients is eligible to apply on a statewide basis rather than being
10 limited to regional allocations.

11 (4) For specialized legal services where fewer than three
12 organizations statewide provide such services at no cost to clients,
13 an organization that is not a "by and for community organization" may
14 receive grants under this section if it:

15 (a) Obtains a letter of support from at least one "by and for
16 community organization" that directly serves the impacted
17 communities;

18 (b) Provides up to 15 percent of the grant funding to supporting
19 "by and for community organizations" for community outreach,
20 referrals, and oversight; and

21 (c) Submits annual reports to the department demonstrating
22 community impact and client demographic data showing service to the
23 communities served.

24 (5)(a) Funds appropriated to the community reinvestment account
25 must be allocated across the following funding strategies:

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

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

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

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

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

34 (b) A funding strategy shall receive at least 15 percent, but not
35 more than 60 percent, of the total distribution in a fiscal biennium
36 unless the community reinvestment plan, the Washington state office
37 of equity, and the department recommend an alternative allocation to
38 avoid unexpended funds or materially limiting access to an eligible
39 community.

1 (c) The department must prohibit an organization that receives a
2 grant under this section from distributing the funds to: An officer
3 who has an interest in, or receives any compensation from, the
4 recipient organization; a family member of an officer who has an
5 interest in, or receives any compensation from, the recipient
6 organization; or a business or nonprofit owned or managed by an
7 officer who has an interest in, or receives any compensation from,
8 the recipient organization. For the purposes of this section,
9 "officer" has the same meaning as in RCW 23B.08.400 and "family
10 member" has the same meaning as "family" in RCW 42.52.010.

11 (6) The distribution of the grants under this section must be
12 done in collaboration with "by and for community organizations" (~~as~~
13 defined by the department of commerce and the office of equity. For
14 the ~~2025-2027~~ fiscal biennium, "by)) and consistent with the
15 governor's executive order regarding consultation with federally
16 recognized Indian tribes. "By and for community organizations"
17 include, but are not limited to, those operated by and for Black,
18 Latino, Native American, Asian, Native Hawaiian, and Pacific Islander
19 communities.

20 (7) The Washington state office of equity must, in partnership
21 with the department and "by and for community organizations", review
22 and update the community reinvestment plan as needed, but no less
23 frequently than every five years, with the first update due in 2032,
24 to guide the distribution of grants. The plan update must use a
25 community-based participatory action research approach and include
26 funding recommendations, programmatic guidelines, funding
27 distribution, long-term economic benefits, monitoring, and
28 evaluation.

29 NEW SECTION. Sec. 3. The department of commerce shall
30 collaborate with the Washington state institute for public policy to
31 provide the services in this section within the appropriations
32 provided to the department of commerce for the community reinvestment
33 program.

34 (1) The Washington state institute for public policy must conduct
35 a study researching, analyzing, and determining, to the extent
36 practicable, the department of commerce's distribution of and the
37 recipient organizations' use of, and the regional impact of, the
38 funds allocated under the community reinvestment account in RCW
39 43.79.567.

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

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

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

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

16 NEW SECTION. **Sec. 4.** (1) The community reinvestment program
17 work group is created to facilitate a transition plan for joint
18 administration of the community reinvestment program by the
19 Washington state office of equity and the department of commerce. The
20 work group membership must include the following:

21 (a) Two legislative members, one from each of the two largest
22 caucuses of the house of representatives, appointed by the speaker of
23 the house of representatives. One member shall be a member of a
24 legislative caucus group that represents a minority community;

25 (b) Two legislative members, one from each of the two largest
26 caucuses of the senate, appointed by the president of the senate. One
27 member shall be a member of a legislative caucus group that
28 represents a minority community;

29 (c) One person representing the Washington state office of
30 equity, appointed by the director of the Washington state office of
31 equity;

32 (d) One person representing the department of commerce, appointed
33 by the director of the department of commerce; and

34 (e) Up to six optional members, including representatives of the
35 office of minority and women's business enterprises, a workforce
36 development council, and the relevant commissions, to be appointed by
37 the chair of the community reinvestment plan work group.

1 (2) The representative from the Washington state office of equity
2 shall serve as the community reinvestment program work group chair.
3 The group may select a vice chair.

4 (3) The community reinvestment program work group shall prepare a
5 report, including recommendations for legislative action, that
6 reviews the roles and responsibilities of the Washington state office
7 of equity and the department of commerce and develops a transition
8 plan for joint administration by the Washington state office of
9 equity and the department of commerce. The work group recommendation
10 shall provide guidance for an administrative framework to go into
11 effect prior to July 1, 2027.

12 (4) The community reinvestment program work group shall submit
13 its transition plan and recommendations to the legislature, including
14 the caucus representing a minority community, by November 1, 2026, in
15 compliance with RCW 43.01.036.

16 (5) The department of commerce must collaborate with the
17 Washington state office of equity to provide the services in this
18 section within the appropriations provided to the department of
19 commerce for the community reinvestment program.

20 (6) This section expires June 30, 2028.

21 NEW SECTION. **Sec. 5.** Section 2 of this act takes effect July 1,
22 2027.

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