
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; 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 reinvestment plan implementation report in October
4 2025. The legislature intends to continue implementation of the
5 community reinvestment plan, reporting on the plan, and updates to
6 the plan.

7 The legislature recognizes that despite the development of a
8 community reinvestment 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 reinvestment
15 plan 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) 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 five
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 in equal proportions across the following funding
26 strategies:

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

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

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

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

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

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

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

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

13 (1) The department shall, in partnership with the office of
14 equity, and "by and for community organizations", update the
15 community reinvestment plan as needed, but no less frequently than
16 every five years to identify the distribution of funds allocated to
17 the community reinvestment account in RCW 43.79.567. The plan must be
18 developed using a community-based participatory action research
19 approach and include funding recommendations, programmatic
20 guidelines, funding distribution, long-term economic benefits,
21 monitoring, and evaluation.

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

24 (a) Expand program reach and stabilization outcomes;

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

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

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

33 (e) Ensure that:

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

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

36 (iii) An expenditure is accompanied by additional public or
37 private investment;

38 (iv) Nonprofit, faith-based, and grassroots organizations that
39 are "by and for community organizations" and are led by, governed by,

1 and primarily serve communities experiencing persistent racial,
2 economic, or social disparities are prioritized for competitive
3 funding opportunities;

4 (v) Programmatic guidelines encourage collaborative partnerships
5 and system integration to maximize effectiveness and reduce
6 duplication; and

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

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

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

11 (A) Historically underserved or minority populations;

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

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

16 (ii) The department shall not award funds for economic
17 development under RCW 43.79.567(2)(a) to an organization for a period
18 longer than five years, unless the department documents in the report
19 required under subsection (4) of this section that an allocation
20 beyond five years is required to meet the objectives of this section
21 for an organization.

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

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

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

34 (b) An assessment of fund efficacy, including the extent to which
35 funded programs advance the purposes of the community reinvestment
36 plan;

37 (c) An evaluation of program implementation, including barriers
38 to access experienced by applicants and grantees and steps taken to
39 address those barriers;

1 (d) An analysis of economic impacts on target communities,
2 including impacts on employment, income, wealth-building
3 opportunities, housing stability, and community capacity, to the
4 extent practicable;

5 (e) Disaggregated data, where feasible, by race, ethnicity,
6 geography, and population served, consistent with state data privacy
7 standards; and

8 (f) Recommendations for statutory, administrative, or budgetary
9 changes to improve equity, effectiveness, and accessibility of the
10 program.

11 (5) The department shall submit each plan and report to the
12 Washington state office of equity, the Washington state commission on
13 African American affairs, the Washington state commission on Hispanic
14 affairs, the governor's office of Indian affairs, the Washington
15 state commission on Asian Pacific American affairs, the Washington
16 state LGBTQ commission, and the office of minority and women's
17 business enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

15 (1) The Washington state institute for public policy must conduct
16 a study researching, analyzing, and determining, to the extent
17 practicable, the department of commerce's distribution of and the
18 recipient organizations' use of, and the regional impact of, the
19 funds allocated under the community reinvestment account in RCW
20 43.79.567.

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

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

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

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

35 NEW SECTION. **Sec. 5.** Section 3 of this act takes effect July 1,
36 2027.

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