CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2523

Chapter 143, Laws of 2026

69th Legislature
2026 Regular Session

COMMUNITY REINVESTMENT PROGRAM—VARIOUS PROVISIONS

EFFECTIVE DATE: June 11, 2026—Except for section 2, which takes effect July 1, 2027.

Passed by the House February 16, 2026
Yeas 88 Nays 9

LAURIE JINKINS

Speaker of the House of Representatives

Passed by the Senate March 4, 2026
Yeas 45 Nays 3

DENNY HECK

President of the Senate

Approved March 23, 2026 10:40 AM

BOB FERGUSON

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2523** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

March 23, 2026

Secretary of State
State of Washington

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2523

Passed Legislature - 2026 Regular Session

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5)(a) Funds appropriated to the community reinvestment account must be allocated 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) A funding strategy shall receive at least 15 percent, but not more than 60 percent, of the total distribution in a fiscal biennium unless the community reinvestment plan, the Washington state office of equity, and the department recommend an alternative allocation to avoid unexpended funds or materially limiting access to an eligible community.

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

(6) 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.

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

NEW SECTION. **Sec. 3.** 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 practicable, the department of commerce's distribution of and the recipient organizations' use of, and the regional impact of, the funds allocated under the community reinvestment account in RCW 43.79.567.

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

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

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

(5) This section expires June 1, 2028.

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

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

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

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

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

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

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

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

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

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

(6) This section expires June 30, 2028.

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

Passed by the House February 16, 2026.
Passed by the Senate March 4, 2026.
Approved by the Governor March 23, 2026.
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