

SENATE BILL REPORT

2SHB 1827

As Reported by Senate Committee On:
Labor, Commerce & Tribal Affairs, February 24, 2022

Title: An act relating to the creation of the community reinvestment account and community reinvestment program.

Brief Description: Creating the community reinvestment account and community reinvestment program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Morgan, Simmons, Ormsby, Harris-Talley and Kloba; by request of Office of the Governor).

Brief History: Passed House: 2/12/22, 57-41.

Committee Activity: Labor, Commerce & Tribal Affairs: 2/21/22, 2/24/22 [DP-WM, w/oRec].

Brief Summary of Bill

- Establishes the Community Reinvestment Account (Account) and allows the Department of Commerce (Commerce) to make expenditures from the Account for economic development, civil and criminal legal assistance, community-based violence intervention and prevention, and reentry services.
- Requires Commerce to develop a Community Reinvestment Plan (Plan) for distribution of the funds in the Account by December 1, 2023, and review and update the Plan every ten years.

SENATE COMMITTEE ON LABOR, COMMERCE & TRIBAL AFFAIRS

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Keiser, Chair; Conway, Vice Chair, Labor; Stanford, Vice Chair,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Commerce & Tribal Affairs; Robinson and Saldaña.

Minority Report: That it be referred without recommendation.

Signed by Senators King, Ranking Member; Braun and Rivers.

Staff: Matt Shepard-Koningsor (786-7627)

Background: The stated mission of the Department of Commerce (Commerce) is to strengthen communities in Washington. Commerce administers a portfolio of more than 100 programs and several state boards and commissions. Programs administered by Commerce address a wide range of issues including homelessness assistance, crime victims advocacy, public safety, community economic opportunities, and others.

In 2020, the Office of Equity (Office) was established within the Office of the Governor for the purpose of promoting access to equitable opportunities and resources that reduce disparities, and improve statewide outcomes across state government. The Office is administered by a director, who is appointed by the Governor with the advice and consent of the Senate.

Summary of Bill: The Community Reinvestment Account (Account) is created in the State Treasury. Moneys in the Account may be spent only after appropriation. Expenditures from the Account may only be spent by Commerce for:

- economic development, which includes addressing wealth disparities to promote asset building, such as home ownership, 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;
- civil and criminal legal assistance to provide post-conviction relief and case assistance, including the expungement of criminal records and vacation of criminal convictions;
- community-based violence intervention and prevention services; and
- reentry services to facilitate successful transitions for persons formerly incarcerated in an adult correctional facility or juvenile residential facility in Washington.

Commerce must distribute funds from the Account using existing programs and networks until June 30, 2024, for Phase 1 of implementation. Where possible, Commerce must use existing programs and networks that invest in people and communities intended to be reached by the bill. After June 30, 2024, Commerce must distribute funds according to the Community Reinvestment Plan (Plan) for Phase 2 of implementation.

Commerce, in partnership with the Office, and by and for community organizations, must create the Plan to guide distribution of the Account's funds. When developing the Plan, Commerce may incorporate existing and ongoing work from relevant task forces, such as the Social Equity in Cannabis Task Force, Reentry Council, and Home Ownership Disparities Work Group. The Plan must include criteria for eligible communities and

programs, development of accountability measures to ensure the distribution and use of funding meets intended purposes, and tracking of outcomes for the funds. At a minimum, the Plan must address how funding will:

- produce long-term economic benefits to the state, a region of the state, or a particular community in the state;
- result in long-term economic benefits, for example, job creation and retention, increased personal wealth, or higher incomes, for citizens or a particular community in the state; and
- ensure that projects and programs do not require continuing state support; an expenditure will not supplant private investment; an expenditure is accompanied by additional public or private investment; and ensure that nonprofit, faith-based, and grassroots organizations are prioritized for funding.

Commerce must submit a report to the Governor and Legislature by December 1, 2023, which includes a summary of Phase 1 Account spending and the Plan. Commerce must use the Plan to guide distribution of funds in Phase 2 and update the plan every ten years. The Office must review the Plan.

The Account is added to the statutory list of accounts that receive their proportionate share of earnings based on average daily balance.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: This bill seeks to address social and racial disparities in communities across the state by renewing trust and a shared vision that communities thrive. We can remove barriers and invest in people who deserve a better life. This is a necessary step in our path toward reconciliation and improving the lives of all Washingtonians in all communities. Both the Liquor and Cannabis Board and the Social Equity in Cannabis Task Force (Task Force) are working to address racial inequity in the cannabis system, and this bill will help. Cannabis revenues must be reinvested in communities impacted by the War on Drugs. This bill will serve those with direct involvement in the criminal justice system. The bill's investment purposes are a direct recommendation from the Task Force. While the bill has changed since introduction, it is important to reevaluate the system and process because Washington can do better. This bill lays a process to quickly spend much needed money. There must be a commitment from the cannabis industry to give back to communities of color. Reinvestment in communities most harmed is the first step toward healing.

Persons Testifying: PRO: Representative Melanie Morgan, Prime Sponsor; robert wardell, self adovates; Ollie Garrett, Liquor and Cannabis Board; RaShelle Davis, Governor's Office; Linda Thompson, Washington Association for Substance Abuse and Violence Prevention (WASAVP); Adán Espino Jr, Craft Cannabis Coalition; Albert Sardinas, WA Build Back Black Alliance (WBBA).

Persons Signed In To Testify But Not Testifying: No one.