

HOUSE BILL REPORT

2SHB 1827

As Passed House:

February 12, 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:

Committee Activity:

Community & Economic Development: 1/19/22, 1/28/22 [DPS];

Appropriations: 2/3/22, 2/7/22 [DP2S(w/o sub CED)].

Floor Activity:

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

Brief Summary of Second Substitute Bill

- Establishes the Community Reinvestment Account (Account) and allows the Department of 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 the Department of 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 10 years.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Ryu, Chair; Paul, Vice Chair; Boehnke, Ranking Minority Member; Donaghy, Frame, Johnson, J., Rule, Sutherland and Taylor.

Minority Report: Do not pass. Signed by 2 members: Representatives Chase, Assistant Ranking Minority Member; Kraft.

Minority Report: Without recommendation. Signed by 2 members: Representatives Corry and Jacobsen.

Staff: Cassie Jones (786-7303).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community & Economic Development. Signed by 28 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Boehnke, Caldier, Chandler, Chopp, Cody, Dolan, Fitzgibbon, Frame, Hansen, Harris, Johnson, J., Lekanoff, Pollet, Rude, Ryu, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 4 members: Representatives Stokesbary, Ranking Minority Member; Dye, Hoff and Schmick.

Minority Report: Without recommendation. Signed by 1 member: Representative Jacobsen.

Staff: Jessica Van Horne (786-7288).

Background:

The stated mission of the Department of Commerce (Commerce) is to strengthen communities in Washington. The agency 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, rural communities, and community economic opportunities, among others.

Summary of Second Substitute 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. 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 of Equity and "by and for community organizations" must create the Plan to guide distribution of the funds in the Account. The Plan must include criteria for eligible communities and programs, development of accountability measures to ensure that distribution and use of funding meets intended purposes, and tracking of outcomes for the funds. At a minimum, the Plan must address how Account funding will:

- produce long-term economic benefits to the state;
- result in significant long-term economic benefits or higher incomes for citizens; and
- ensure that: (1) projects and programs do not require continuing state support; (2) an expenditure is accompanied by additional public or private investment; and (3) ensure that nonprofit, faith-based, and grassroots organizations are prioritized for funding.

Commerce must submit a report to the Governor and the relevant committees of the Legislature by December 1, 2023, that includes a summary of spending in Phase 1 and the Plan. Commerce must use the Plan to guide distribution of funds in Phase 2 of implementation and update the Plan every 10 years. The Office of Equity 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. New fiscal note requested on February 9, 2022.

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 5, relating to account earnings, which takes effect July 1, 2024.

Staff Summary of Public Testimony (Community & Economic Development):

(In support) Studies have shown that the descendants of enslaved Africans have experienced long term effects of trauma. There must be more than an acknowledgment of the problem; there must be solutions offered. Systemic racism has led to racial disparities in education and poverty in the Black community. Access to funding is needed for healing and racial reconciliation. Cannabis revenue must be reinvested in communities harmed by the war on drugs.

Other states that are legalizing cannabis are doing so with an equity lens regarding how cannabis money is spent by reinvesting cannabis revenues into the communities impacted by the war on drugs. These communities need something more than just legal cannabis. Almost 80 percent of those in federal prison for drug crimes are Black and brown while most people making money off of legal cannabis are white. This bill will not take money away from other programs. The funds will be managed by Commerce which will ensure that the funds are reinvested into the targeted communities through support for economic development, civil and criminal legal aid, violence intervention and prevention, and reentry services.

Black and brown people have been unsuccessful in obtaining cannabis retail licenses due to barriers facing BIPOC-owned retail stores. Cannabis revenue must be reinvested in communities that were harmed by the war on drugs in order to promote economic development and serve those involved in the criminal justice system. The four areas in the bill are a direct response to recommendations by the Social Equity Cannabis Task Force. This bill can help build on existing efforts to address racial disparities in the state. Public safety includes a network larger than police; it includes early education, mentoring, and other community-based systems. Greater state-level investment in prevention will help communities.

For too long, the legal system has operated in ways that have disproportionately impacted people of color. A case does not end at sentencing. People need to get convictions vacated so they can get back to work. Access to an attorney means access to rights. This legislation is restorative by providing criminal and civil legal representation. Many drug convictions involve marijuana and were mainly attached to people of color. Consequences of these convictions may include economic injustice and housing instability. These individuals are left sidelined as Washington now prospers in the marijuana business. The Washington State Supreme Court led the charge with *State v. Blake* and now the Legislature has an opportunity to move the needle forward.

This bill is important because it centers on communities who have been excluded from opportunities such as the cannabis industry. The BIPOC communities are also impacted by health inequities, as highlighted by the pandemic; these inequities put the entire community at risk. Climate change will cause additional public health emergencies and communities need to be more protected. This bill will address past and current harms of racism but will

also support recovery from COVID-19 and increase resiliency. The Cannabis Social Equity Task Force recommended 50 percent of cannabis money but \$125 million is a start. There is a billion dollars worth of need, so this bill is only a down payment. There should be an increase in the funds.

The bill seems broad and should be narrowed down to Black and brown communities. Safeguards should be added to the bill to outline what the funds can and cannot be used for. Entities with a history of certain misconduct should be barred from using these funds. There should be solid fiscal oversight of the funds to protect the program against problems that have derailed similar cannabis social equity programs. We must be good stewards of public dollars.

(Opposed) None.

Staff Summary of Public Testimony (Appropriations):

(In support) The cannabis industry and small business owners support this bill. The Social Equity in Cannabis Task Force, as part of its work, discussed ways to reimagine the role that taxes and other revenues from cannabis sales can meet the needs of populations that were disproportionately impacted by the war on drugs, especially Black residents. The cannabis industry believes it makes sense to use cannabis revenues for these purposes. The community reinvestment grants proposed in the bill would provide direct funding for Black businesses and anchor institutions such as churches and nonprofits. Investing in small businesses is a proven method of spurring economic recovery and growth through providing services, jobs, and tax revenues.

(Opposed) None.

Persons Testifying (Community & Economic Development): Representative Melanie Morgan, prime sponsor; Ollie Garrett, Liquor and Cannabis Board; Theodore Boe, Burién Police Department; Larry Jefferson, Washington State Office of Public Defense; Jim Bamberger, Washington State Office of Civil Legal Aid; Joy Hollingsworth; Corwin Scott, Evergreen Empowerment Group; RaShelle Davis, Governor's Office; Kate Kelly, Department of Commerce; Victor Rodriguez, Governor's Interagency Council on Health Disparities; Darrell Powell, NAACP Alaska, Oregon, and Washington State Region; Jim Buchanan, Washington State African American Cannabis Association; Sheley Anderson, Craft Cannabis Coalition; Peter Manning, Black Excellence in Cannabis; and Albert Sardinias, Washington Build-Back Black Alliance.

Persons Testifying (Appropriations): Jim Makoso, Lucid Labs; and Adán Espino Jr. and Sheley Anderson, Craft Cannabis Coalition.

Persons Signed In To Testify But Not Testifying (Community & Economic Development): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.