

SPENDING OPIOID SETTLEMENT PROCEEDS: CHOICES AND CHALLENGES FOR GOVERNMENTS

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INTRODUCTION

In 2014, several U.S. cities and counties filed lawsuits against drug manufacturers and distributors alleging that the companies' aggressive marketing practices fueled a national opioid addiction epidemic that subsequently killed hundreds of thousands of people.¹ Since then, over 3,000 state and local governments filed lawsuits of their own, seeking to recoup the billions of dollars that these entities spent—and continue to spend—on the fallout from the epidemic.² The result of these legal efforts is a series of ongoing monetary settlements, greater than \$56 billion to date,³ on a scale not seen since the Big Tobacco settlements of the 1990s.⁴ Companies that are party to the settlements are gradually distributing funds to state and local governments each year, allocated according to the terms of their settlement agreements with those governments. Payment of these settlements will last 18 years, but the first tranches of funds were distributed to state and local governments starting in 2022. The decision-making authority for spending these funds differs between jurisdictions, and many have an appointed advisory board that disburses specified amounts each year for specified purposes.⁵ In some states, the funds are managed by the state attorney general or other official or are subject to the ordinary appropriations process. Analysis of 2022 and 2023 spending gives us an early picture of how these governments are making use of these new settlement funds.

In this fact sheet, the Legislative Analysis and Public Policy Association (LAPPA) details how opioid settlement proceeds are being disbursed to state and local governments, how those governments are choosing to spend those funds, and the obstacles that can prevent these funds from helping those who have been affected by the opioid epidemic.

TRACKING SETTLEMENT SPENDING

During the first two years of payments in 2022 and 2023, state and local governments received over six billion dollars from the settlement funds.⁶ To ensure that this money is used to address local opioid epidemic needs rather than put into governments' general funds, there are restrictions on how settlement funds may be spent. The legal settlement agreements themselves generally mandate that, as a condition of accepting the funds, governments must use 85 percent of the proceeds for opioid remediation and 70 percent specifically for future opioid remediation.⁷ Additionally, most states have enacted laws that further specify the range of permissible expenditures that address the specific needs of the state in addressing the opioid crisis.⁸

Although tracking how much money state and local governments have received is a fairly straightforward task, identifying precisely how that money is being spent is more of a challenge. The governments are generally not

¹ Jan Hoffman, *Companies Finalize \$26 Billion Deal With States and Cities to End Opioid Lawsuits*, THE NEW YORK TIMES (Feb. 25, 2022), <https://www.nytimes.com/2022/02/25/health/opioids-settlement-distributors-johnson.html>.

² *Opioids*, NATIONAL ASSOCIATION OF ATTORNEYS GENERAL (2025), <https://www.naag.org/issues/opioids/>.

³ *The Official Opioid Settlement Tracker Talley*, OPIOID SETTLEMENT TRACKER, <https://www.opioidsettlementtracker.com/globalsettlementtracker> (last visited Feb. 18, 2025).

⁴ THE NEW YORK TIMES, *supra* note 1.

⁵ *Opioid Litigation Proceeds: Summary of State Laws*, LEGISLATIVE ANALYSIS AND PUBLIC POLICY ASSOCIATION (Dec. 13, 2024), <https://legislativeanalysis.org/opioid-litigation-proceeds-summary-of-state-lawsary-of-state-laws/>.

⁶ Kerry Breen, *Opioid crisis settlements have totaled over \$50 billion. But how is that money being used?*, CBS NEWS (Mar. 1, 2023), <https://www.cbsnews.com/news/opioid-crisis-settlements-have-totaled-over-50-billion-how-is-that-money-being-used/>.

⁷ *Frequently Asked Questions about the National Opioid Settlement*, NATIONAL OPIOIDS SETTLEMENT, https://nationalopioidsettlement.com/faq-explanatory-charts/faq/#_ftnref7 (last visited Feb. 18, 2025).

⁸ *Opioid Litigation Proceeds: Summary of State Laws*, *supra* Note 5.

required to publicly report their spending decisions unless they choose to do so. In 2023, 12 states made commitments in writing to disclose every dollar spent from settlement funds, either as a stipulated condition of the settlement agreements, as required by statute, or through public statements by state officials. By late 2024, just seven had kept those commitments: Arizona, Colorado, Delaware, Massachusetts, Minnesota, New Jersey, and Oregon.⁹ Most of the remaining states have disclosed a significant portion of their spending, though with varying levels of specificity. Four jurisdictions—Alaska, the District of Columbia, Louisiana, and Mississippi—have not made any public reports of their spending decisions.¹⁰

In December 2024, KFF Health News, the Johns Hopkins Bloomberg School of Public Health, and Shatterproof released a database identifying over 7,000 expenditures of opioid settlement proceeds in 2022 and 2023.¹¹ Their research found that of the \$6 billion distributed nationwide, governments had appropriated roughly one third of that amount and kept another third in reserve for future projects. What was done with the remaining third is unknown, as some jurisdictions have not reported such information to the public. Although the database is incomplete, there is enough information to make general observations about governments' spending decisions thus far. So far, reported expenditures fit into the following categories:¹²

- **Recovery services**, which include warm handoff programs, housing, transportation, legal aid, peer support, and education and training for those in recovery (14.8 percent of total spending, or \$323.4 million);
- **Treatment**, which includes medication for addiction treatment, inpatient and outpatient treatment, and counseling (14 percent of total spending, or \$307.4 million);
- **Overdose reversal drugs**, including training on their proper administration and use (11 percent of total spending, or \$241.1 million);
- **Prevention programs**, to both discourage the development of opioid use disorder (OUD) and to screen individuals for OUD (9.7 percent of total spending, or \$211.8 million);
- **Treatment for incarcerated populations**, including medication for OUD, counseling, and other in-facility treatment (3 percent of total spending, or \$65.8 million);
- **Data collection and research**, including gathering and analyzing addiction data, evaluation of settlement funds, and research into new treatments (2.6 percent of total spending, or \$57.5 million);
- **Syringe services programs** (1.7 percent of total spending, or \$37.3 million);
- **Pregnant and postpartum women** (1.4 percent of total spending, or \$30.9 million);
- **Neonatal abstinence syndrome treatment** (0.4 percent of total spending, or \$8.4 million); and
- **Other**, which encompasses spending on law enforcement, the addiction treatment workforce, or multiple categories (41.3 percent of total spending, or \$903.1 million).

Because opioid settlement proceeds are distributed to many state and local jurisdictions and the categories of permissible expenditures are broad, there is room for significant variation and creativity in governments' spending decisions. Alabama, for instance, has directed funds toward grandparents who are raising grandchildren because of their parents' OUD, providing assistance to families who do not qualify for other programs like Temporary Assistance for Needy Families.¹³ The town of New Milford, Connecticut, set aside a portion of its funds to aid families who have lost loved ones to the opioid epidemic by paying for funeral costs.¹⁴ Oregon dedicated 30 percent of its settlement proceeds to nine tribal governments, recognizing that tribal communities had been disproportionately impacted by the opioid crisis.¹⁵ Philadelphia, sought to help a neighborhood hurt by opioid addiction and trafficking

⁹ Aneri Pattani, *12 States Promised To Open the Books on Their Opioid Settlement Funds. We Checked Up on Them.*, KFF HEALTH NEWS (Nov. 7, 2024), <https://kffhealthnews.org/news/article/state-opioid-settlement-funds-transparency-update/>.

¹⁰ Aneri Pattani, *How Are States Spending Opioid Settlement Cash? We Built a Database of Answers*, KFF HEALTH NEWS (Dec. 16, 2024), <https://kffhealthnews.org/news/article/opioid-settlement-funds-detailed-database-state-county-city-spending/>.

¹¹ *Id.*

¹² *Id.*

¹³ Drew Hawkins, *'A dream come true': Alabama 'grandfamilies' are set to receive opioid settlement funds*, MPB ONLINE (Sep. 5, 2024), <https://www.mpbonline.org/blogs/news/a-dream-come-true-alabama-grandfamilies-are-set-to-receive-opioid-settlement-funds/>.

¹⁴ Kaitlin Keane, *New Milford offers to help pay for funerals of those who die from addictions: 'Powerful support'*, THE REGISTER CITIZEN (Jul. 23, 2024), <https://www.registercitizen.com/newmilford/article/new-milford-opioid-funds-funeral-addictions-19567522.php>.

¹⁵ Aimee Green, *Oregon will devote 30% of its share of opioid settlement funds to tribes*, THE OREGONIAN (Jan. 18, 2024), <https://www.oregonlive.com/news/2024/01/oregon-will-devote-30-of-its-share-of-opioid-settlement-funds-to-tribes.html>.

by providing \$7.5 million for home repairs and eviction and foreclosure prevention.¹⁶ In Rhode Island, lawmakers earmarked \$2 million toward establishing controversial overdose prevention centers, sites where people consume drugs in a safe location with medical professionals on hand.¹⁷ Though governments have latitude to use their funds for creative solutions, not every spending innovation has been approved. Kentucky's opioid commission reversed a decision to spend \$42 million on an experimental psychedelic drug to treat OUD, and Missouri voted down legislation to study the effectiveness of psilocybin for the same purpose after one house initially passed the bill.¹⁸

PUSHING THE BOUNDARIES OF "OPIOID REMEDIATION"

Some state and local governments have caused controversy by spending opioid settlement funds for purposes that are seemingly unrelated to opioid remediation. A significant portion of reported expenditures is explicitly not connected to past or future opioid remediation. This is permissible under most opioid settlements, which generally allow 15 percent of proceeds to be used in this fashion. In 2022 and 2023, this amounted to \$240 million of non-opioid spending in 29 states.¹⁹ Most of this category of spending went toward legal fees for opioid litigation, though some governments directed these proceeds to their general fund, or even to roads and bridges.²⁰

For the remaining 85 percent of settlement expenditures, issues can arise when the connection between the spending and opioid remediation is remote. Law enforcement agencies are deeply involved in combating the opioid epidemic, so it is logical that they have been the beneficiaries of settlement proceeds. A Kansas police department, for example used \$195,000 of settlement funds to purchase a van and equipment for distributing naloxone and drug-testing equipment, an expenditure clearly targeted at opioid use.²¹ Spending decisions are more controversial, however, when they look more like general law enforcement priorities than opioid remediation. One Alabama county used settlement funds to buy two new patrol vehicles, justifying the purchase by stating that the sheriff's office could provide transportation for individuals experiencing a substance use emergency.²² Governments in Colorado and Connecticut spent tens of thousands of dollars on technology to help police unlock cell phone security features.²³ A county in Tennessee used settlement funds to make repairs and upgrades at local jails.²⁴ One Texas town purchased BolaWrap, a device to detain people by launching a Kevlar tether to wrap around their arms or legs, the manufacturers of which have marketed their product to police departments as a way to spend opioid settlement dollars.²⁵ This issue is not unique to law enforcement. One county in Kentucky used \$15,000 of its settlement proceeds to build an ice-skating rink as a place for drug-free fun, over the objection of local advocates who hoped for more funding for local treatment programs.²⁶ The Florida governor's office faced bipartisan backlash in the state legislature after spending \$4 million on advertisements against cannabis use.²⁷

¹⁶ Jack Tomczuk, *Opioid settlement money to be used for housing assistance in Kensington*, METRO PHILADELPHIA (Feb. 21, 2024), <https://metrophiladelphia.com/kensington-housing-opioid-settlement/>.

¹⁷ Breen, *supra* Note 6.

¹⁸ Morgan Watkins, *Kentucky backs away from plan to fund opioid treatment research with settlement money*, NPR (Jan. 7, 2024), <https://www.npr.org/2024/01/11/1223380761/kentucky-backs-away-from-plan-to-fund-opioid-treatment-research-with-settlement->; Rebecca Rivas, *Bill designed to lower suicide rate of Missouri veterans awaits action by governor*, MISSOURI INDEPENDENT (May 28, 2024), <https://missouriindependent.com/2024/05/28/bill-designed-to-lower-suicide-rate-of-missouri-veterans-awaits-action-by-governor/>.

¹⁹ Pattani, *supra* Note 10.

²⁰ *Id.*

²¹ Kylie Cameron, *Opioid settlement money is meant to fight addiction. Kansas gives a lot of it to police*, KMUW (Jan. 8, 2024), <https://www.kmuw.org/news/2024-01-08/opioid-settlement-money-is-meant-to-fight-addiction-kansas-gives-a-lot-of-it-to-police>.

²² Aneri Pattani, *Using Opioid Settlement Cash for Police Gear Like Squad Cars and Scanners Sparks Debate*, KFF HEALTH NEWS (Oct. 23, 2023), <https://kffhealthnews.org/news/article/using-opioid-settlement-cash-for-police-gear-like-squad-cars-and-scanners-sparks-debate/>.

²³ Roxanne Saucier, et al., *How Are Opioid Settlement Funds Being Spent So Far?* HEALTHAFFAIRS (Nov. 21, 2023), <https://www.healthaffairs.org/content/forefront/opioid-settlement-funds-being-spent-so-far>.

²⁴ *Id.*

²⁵ Kimberly Adams and Sarah Leeson, *As opioid settlement funds hit state coffers, a marketing blitz begins*, MARKETPLACE (Jan. 15, 2024), <https://www.marketplace.org/2024/01/15/as-opioid-settlement-funds-hit-state-coffers-a-marketing-blitz-begins/>.

²⁶ Aneri Pattani, *An Ice Rink To Fight Opioid Crisis: Drug-Free Fun vs. Misuse of Settlement Cash*, KFF HEALTH NEWS (Feb. 20, 2025), <https://kffhealthnews.org/news/article/ice-rink-opioid-crisis-payback-settlement-cash-prevention-carter-county-kentucky/>.

²⁷ Maureen Meehan, *DeSantis Faces Backlash For Using Opioid Settlement Funds On Anti-Cannabis Campaign*, BENZINGA (Oct. 27, 2024), <https://www.benzinga.com/markets/cannabis/24/10/41564290/desantis-faces-backlash-for-using-opioid-settlement-funds-on-anti-cannabis-campaign>.

Another way governments have pushed the boundaries of the intended purpose of settlement proceeds is using the funds for existing opioid remediation programs, freeing money in the budget that is then redirected to non-remediation expenditures. This practice, called supplantation, does not expand remediation efforts. Governments have used settlement funds to pay the salaries of current public health employees (freeing payroll funds to purchase a new ambulance) or to pay for an existing drug court (helping the government reduce its overall deficit).²⁸ As federal pandemic relief for states expires, settlement funds have become an especially tempting solution for filling states' budget gaps.²⁹ Fourteen jurisdictions—Connecticut, the District of Columbia, Delaware, Kansas, Maine, Maryland, Massachusetts, Michigan, Nevada, New Jersey, New York, Vermont, Virginia and Wisconsin—have enacted policies to restrict the practice of supplantation of opioid settlement funds.³⁰

CHALLENGES IN SPENDING

State and local governments have encountered various challenges in determining how to spend their share of opioid litigation proceeds. Although the ambiguous definition of “opioid remediation” has empowered some governments' spending, as seen above, other jurisdictions have delayed or declined expenditures that they fear could be challenged as not squarely related to opioids. Wyoming counties began to receive settlement money in 2023, but 90 percent of those funds remained unspent in 2024, partially because local officials wanted to ensure that the expenditures were aligned closely enough with the settlement agreement requirements.³¹ In Pennsylvania, one county sought to use opioid settlement funds to support public defenders, many of whom are overwhelmed with drug-related cases, but they abandoned the effort after seeking legal advice. County officials worried that the Pennsylvania opioid settlement trust, which manages funds for all governments in the state, would penalize the choice and withhold future funding because of failure to adhere to the settlement agreement requirements.³²

In many states, opioid fund advisory boards are required by law to spend specified sums of the state's share of money each year. For other states where the funds are subject to the ordinary appropriations process, such as in Iowa, there is no such mechanism to require that the funds be spent expeditiously. In 2024, the Iowa legislature considered a bill that would have spent the state's share of opioid settlement proceeds on treatment and prevention programs.³³ The bill ultimately failed, and the legislature did not approve an alternate spending plan before the end of the legislative session, leaving approximately \$50 million untouched in the state treasury.

For small local governments, one challenge is having too little settlement money to be able to spend it effectively. A settlement agreement awarded one Michigan town a total of \$25.68 over ten years because of its small size.³⁴ Town officials concluded that paying staff to complete the paperwork to claim the funds would cost more than the proceeds, so they left the money untouched. Similarly, in Indiana, a small town that received \$9.10—not enough to buy a single box of naloxone—was one of 157 jurisdictions in the state to receive less than \$1,000 in total.³⁵ In this case, the 157 small distributions were later taken back and distributed at the county level instead. Other states have also employed this strategy of redirecting local government distributions below a certain dollar threshold to larger government units such as counties.³⁶

²⁸ Aneri Pattani, *Opioid settlement cash being used for existing programs and salaries, sparking complaints*, USA TODAY (Apr. 15, 2024), <https://www.usatoday.com/story/news/nation/2024/04/15/opioid-settlements-existing-programs-salaries/73307854007/>.

²⁹ Aneri Pattani, *Opioid Cash Grab: As Federal Funding Dries Up, States Turn to Settlement Money*, KFF HEALTH NEWS (Feb. 25, 2025), <https://kffhealthnews.org/news/article/nevada-governor-budget-tanf-opioid-settlement-funds-supplantation/>.

³⁰ Sarah Minster, *How are Local Governments Investing Opioid Funds? The Supplantation Debate Explained*, NATIONAL LEAGUE OF CITIES (Jul. 30, 2024), <https://www.nlc.org/article/2024/07/30/how-are-local-governments-investing-opioid-funds-the-supplantation-debate-explained/>.

³¹ Madelyn Beck, *More than 90% of Wyoming's local opioid settlement money goes unspent while overdose deaths climb*, WYOFILE (Apr. 22, 2024), <https://wyofile.com/more-than-90-of-wyomings-opioid-settlement-money-goes-unspent-while-overdose-deaths-climb/>.

³² *Opioid settlement cash a boon to Pa. prosecutors but public defenders are being turned away*, WHYY (Apr. 9, 2024), <https://whyy.org/articles/opioid-settlement-pennsylvania-prosecutors-public-defenders/>.

³³ Natalie Krebs, *Iowa opioid settlement dollars are starting to come in, but most remain unspent*, IOWA PUBLIC RADIO (Jul. 2, 2024), <https://www.iowapublicradio.org/ipr-news/2024-07-02/iowa-opioid-settlement-dollars-are-starting-to-come-in-but-most-remain-unspent>.

³⁴ Robin Erb, *Some opioid settlement funds may sit untouched in Michigan. Here's why*, BRIDGE MICHIGAN (Aug 9, 2024), <https://www.bridgemi.com/michigan-health-watch/some-opioid-settlement-funds-may-sit-untouched-michigan-heres-why>.

³⁵ Whitney Downard, *State, localities start to spend the \$507 million from National Opioids Settlement*, INDIANA CAPITAL CHRONICLE (Nov. 13, 2023), <https://indianacapitalchronicle.com/2023/11/13/state-localities-start-to-spend-the-507-million-from-national-opioid-settlement/>.

³⁶ *Id.*

One final challenge is that, even with governments' best efforts to make settlement funds available for local opioid remediation efforts, potential beneficiaries in communities may be unaware that they can access the money. Particularly with grant programs, public awareness is essential if governments want to ensure that the funds are actually spent. Georgia addressed this challenge by establishing an informative website for its Georgia Opioid Crisis Abatement Trust.³⁷ The site provides potential applicants with information on available grants and a step-by-step guide for how to apply for funds.

CONCLUSION

Because of the national opioid litigation settlements, large sums of money are pouring into the treasuries of state and local governments, and these payments will continue for nearly two decades. These governments have disbursed these funds in a variety of ways, focused particularly on treatment and prevention. Challenges remain as jurisdictions balance competing priorities and decide how to use these resources to best serve their communities. The opioid settlements are not a dormant issue. In January 2025, Purdue Pharma and the Sackler family reached a new settlement, agreeing to pay \$7.4 billion to state and local governments and thousands of individual victims of opioids.³⁸ Every year, for many years, these governments will revisit and reevaluate their spending decisions. Time will tell how they choose to address opioid remediation into the future.

RESOURCES

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³⁷ *Resources for Applicants*, GEORGIA OPIOID CRISIS ABATEMENT TRUST (Last accessed Feb. 18, 2025), <https://www.gaopioidtrust.org/for-applicants/resources/>.

³⁸ *Purdue Pharma and owners to pay \$7.4 billion in settlement of lawsuits over OxyContin*, NPR (Jan. 24, 2025), <https://www.npr.org/2025/01/24/g-s1-44524/purdue-pharma-and-owners-to-pay-7-4-billion-in-settlement-of-lawsuits-over-oxycontin>.

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The Legislative Analysis and Public Policy Association (LAPPA) is a 501(c)(3) nonprofit organization whose mission is to conduct legal and legislative research and analysis and draft legislation on effective law and policy in the areas of public safety and health, substance use disorders, and the criminal justice system.

LAPPA produces model laws on critical issues as well as comparative analyses, publications, educational brochures, and other tools that can be used by national, state, and local public health and public safety practitioners who want the latest comprehensive information on law and policy. Examples of topics on which LAPPA has assisted stakeholders include naloxone access, treatment in emergency settings, Medicaid Section 1115 demonstration waivers, medication for addiction treatment in correctional settings, collateral consequences of conviction, syringe services programs, and the health information disclosure provisions of HIPAA and 42 C.F.R. Part 2.

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