

DATE : March 6, 2026

Behavioral Health Information Notice No: 26-010  
(Supersedes [BHIN 24-002](#))

TO: California Alliance of Child and Family Services  
California Association for Alcohol/Drug Educators  
California Association of Alcohol & Drug Program Executives, Inc.  
California Association of DUI Treatment Programs  
California Association of Mental Health Peer-Run Organizations  
California Association of Social Rehabilitation Agencies  
California Consortium of Addiction Programs and Professionals  
California Council of Community Behavioral Health Agencies  
California Hospital Association  
California Opioid Maintenance Providers  
California State Association of Counties  
Coalition of Alcohol and Drug Associations  
County Behavioral Health Directors  
County Behavioral Health Directors Association of California  
County Drug & Alcohol Administrators  
The League of California Cities

SUBJECT: California Participating Subdivision Use of Opioid Settlement Funds  
Allocated from the California Abatement Accounts Fund.

PURPOSE: To provide guidance to California's Participating Subdivisions on the  
allowable use and reporting requirements for settlement funds  
received from the California Abatement Accounts Fund.

REFERENCE: National Opioid Settlement Agreements and California State-  
Subdivision Agreements with pharmaceutical distributors McKesson,  
Cardinal Health, and AmerisourceBergen, opioid manufacturers  
Allergan, Janssen Pharmaceuticals, Johnson & Johnson, and Teva,  
pharmacies Walgreens, Walmart, CVS, and Kroger, and any future  
similarly structured settlements.

**BACKGROUND:**

In 2022, California Attorney General Rob Bonta announced the final settlement agreements with prescription opioid manufacturer Janssen Pharmaceuticals and Johnson & Johnson (collectively, Janssen) and pharmaceutical distributors McKesson, Cardinal Health, and AmerisourceBergen (collectively, Distributors). In 2023, Attorney General Bonta announced proposed multistate settlements with opioid manufacturers Allergan, Teva, and pharmacies Walgreens, Walmart, CVS, and Kroger. These settlements mark the culmination of years of negotiations to resolve more than 3,000 opioid-related lawsuits and related investigations brought by state and local governments across the country and will provide substantial funds to California for the abatement of the opioid crisis through substance use prevention, harm reduction, treatment, and recovery services.

Payment timeframes vary by settlement and can last up to 18 years, respectively. California, and counsel representing a group of cities and counties, agreed on a framework for the allowable use of funds and an allocation of recoveries that California will receive pursuant to these opioid settlements. A summary of the allowable uses and allocation structure can be found in Table 1.

Table 1. California Opioid Settlement Fund Distribution

Fund Type	Recipient(s)	Allowable Uses
CA Abatement Accounts Fund (70%)	CA Participating Subdivisions <sup>1</sup>	Funds must be used for <b>future</b> Opioid Remediation in one or more of the areas listed in <a href="#">Exhibit E</a> of the National Opioid Settlement Agreements; AND  No less than 50% of the funds received in each calendar year will be used for one or more High Impact Abatement Activities. <sup>2</sup>
CA Subdivision Fund (15%)	CA Plaintiff Subdivisions <sup>3</sup>	Funds must be used towards future Opioid Remediation and to reimburse past opioid-related expenses, which may include litigation fees and expenses.
California State Fund (15%)	The State of California	Funds must be used for future Opioid Remediation.

Payments to the State of California (California State Fund), CA Participating Subdivisions (CA Abatement Accounts Fund), and the Plaintiff Subdivisions (CA Subdivision Fund) will be distributed by the settlement's Directing Administrator, BrownGreer PLC (BrownGreer).

California has named the Department of Health Care Services (DHCS) as the oversight and monitoring entity for opioid settlement funds, pursuant to the California State-

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<sup>1</sup> Cities and Counties that are eligible to receive monies from the CA Abatement Accounts Fund are listed in Appendix 1 of the relevant California State-Subdivision Agreements. Only cities and counties that are CA Participating Subdivisions may receive funds from the CA Abatement Accounts Fund. A city or county's allocated share of the CA Abatement Accounts Fund is listed under Abatement Percentage in Appendix 1.

<sup>2</sup> DHCS may add HIAA to this list throughout the program period but may not remove from it. When deciding whether and which activities to add to the HIAA list, DHCS will make reasonable efforts to consult with stakeholders, including CA Participating Subdivisions and Plaintiff Subdivisions.

<sup>3</sup> Plaintiff Subdivisions are cities and counties that are allocated a share of the CA Subdivision Fund. A Plaintiff Subdivision's allocated share of the CA Subdivision Fund is listed under the Plaintiff Subdivision Percentage of Appendix 1 of the relevant California State-Subdivision Agreements.

Subdivision Agreements and Government Code, Title 2, Division 3, Part 2, Chapter 6, Article 2, Section 12534. All CA Participating Subdivisions are required to coordinate with the settlement's Directing Administrator to ensure receipt of the allocated amounts. All CA Participating Subdivisions receiving direct payment of opioid settlement funds are required to report to DHCS to ensure the funds are expended as required under the National Opioid Settlement Agreements and the California State-Subdivision Agreements, until at least one year after all funds from the settlements are fully expended.<sup>4</sup>

This guidance letter pertains to CA Participating Subdivisions (California's participating cities and counties) receiving funds from the CA Abatement Accounts Fund<sup>5</sup> Specifically, this guidance relates to funds from opioid settlements with Janssen, Distributors, Teva, Allergan, CVS, Walgreens, Walmart, and Kroger, as well as any future opioid settlements that follow a similar structure. This guidance does not pertain to funds received from settlements in which DHCS has no oversight (e.g., McKinsey) or bankruptcy matters, such as Mallinckrodt plc and Endo Pharmaceuticals, which are addressed through separate guidance on the DHCS California's Opioid Settlements [webpage](#).

## **POLICY:**

### CA ABATEMENT ACCOUNTS FUND ALLOWABLE EXPENDITURES

#### Exhibit E of the Settlement Agreements and California's High Impact Abatement Activities

All funds received from the CA Abatement Accounts Fund and, if applicable, any interest earned on these funds must be expended on future Opioid Remediation activities focused on prevention, intervention, harm reduction, treatment, and recovery services in California communities. Pursuant to the California State-Subdivision Agreements, CA Participating Subdivisions must use funds from the CA Abatement Accounts Fund for future Opioid Remediation in one or more of the approved Opioid Remediation uses listed in [Exhibit E](#) of the National Opioid Settlement Agreements.

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<sup>4</sup> Resources for CA Participating Subdivisions can be found on the California Opioid Settlements webpage.

<sup>5</sup> If there are any inconsistencies between the National Settlement Agreements and/or CA State-Subdivision Agreements and this policy, the agreements shall govern.

In addition, California state officials, in partnership with counsel representing cities and counties, have agreed on a list of high-impact Opioid Remediation activities to prioritize within the State of California. These priorities, referred to as High Impact Abatement Activities (HIAA), must align with an [Exhibit E](#) Opioid Remediation use and can be found in the respective California State-Subdivision Agreements. Pursuant to the California State-Subdivision Agreements, DHCS may add to this list (but not delete from it) by designating additional HIAA.<sup>6</sup> DHCS will make reasonable efforts to consult with stakeholders, including CA Participating Subdivisions, before adding additional HIAA to this list.

Pursuant to the California State-Subdivision Agreements, no less than 50% of the funds received by a CA Participating Subdivision in each calendar year from the CA Abatement Accounts Fund must be used for one or more HIAA. CA Participating Subdivisions may choose to meet this requirement by spending at least 50% of the funds received in each calendar year, or by rolling over funds and spending a larger portion in subsequent years on one or more of the HIAA listed below:

- High Impact Abatement Activity 1: The provision of matching funds or operating costs for substance use disorder (SUD) facilities within the Behavioral Health Continuum Infrastructure Program (BHCIP).

Authorized in 2021, the [BHCIP](#) awards competitive grants to “construct, acquire, and rehabilitate real estate assets or invest in needed mobile crisis infrastructure to expand the community continuum of behavioral health treatment resources.” Funds received from the opioid settlements may be used for matching funds or operating costs for SUD facilities within the BHCIP. No later than at the time of reporting expenditures, CA Participating Subdivisions must submit relevant DHCS BHCIP award letter(s) to validate that funds were used for an approved BHCIP SUD facility.

- High Impact Abatement Activity 2: Creating new or expanded SUD treatment infrastructure.

Infrastructure, in this case, is defined as the physical or programmatic costs to expand or create new SUD treatment, including treatment that addresses SUD and co-occurring mental health disorders. Physical infrastructure may include, but is not limited to, the purchase of buildings or the renovation of facilities and related equipment. Programmatic infrastructure may include, but is not limited to, resources

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<sup>6</sup> DHCS does not have the authority to modify the HIAA language from these agreements.

that expand the availability of SUD treatment (for example, access to Medication for Addiction Treatment, availability of telehealth services, and related personnel costs). Physical and programmatic infrastructure must directly result in increased client capacity and availability of SUD treatment.

- High Impact Abatement Activity 3: Addressing the needs of communities of color and vulnerable populations (including sheltered and unsheltered homeless populations) that are disproportionately impacted by SUD.

Eligible Exhibit E opioid remediation uses specifically addressing the needs of those with an SUD or at risk of developing an SUD within communities of color, including racial and/or ethnic minorities, and other vulnerable populations. Vulnerable populations include, but are not limited to, individuals with limited or no access to health care, individuals experiencing adversities related to socioeconomic status, gender, sexual orientation, and/or mental health conditions, unhoused individuals, pregnant and parenting individuals, and/or at-risk children and youth in foster care, and/or justice-involved individuals.

- High Impact Abatement Activity 4: Diversion of people from the justice system into treatment, including by providing training and resources to first and early responders (sworn and non-sworn) and implementing best practices for outreach, diversion, and deflection, employability, restorative justice and harm reduction.

Diversion is a term used to describe intervention approaches that redirect individuals with an SUD away from formal processing in criminal justice settings and into treatment, recovery, and/or other support services. Diversion activities include pre-arrest, pre-arraignment, and pre-trial activities aimed at directing an individual towards a treatment or care program as an alternative to imprisonment. Activities related to or that may result in interdiction or criminal investigation, apprehension, and processing are not considered diversion.

- High Impact Abatement Activity 5: Interventions to prevent drug addiction in vulnerable youth.

Interventions, in this case, are specific and evidence-based or evidence-informed programs or activities that target youth (including transitional age youth) who are at risk of transitioning from substance misuse to developing a substance use disorder. Vulnerable youth are individuals between childhood and adult age who are deemed at risk of developing a substance use disorder because of known or suspected substance misuse. Examples of these activities may include, but are not limited to,

conducting assessments to determine the severity of a youth's substance use and referral to SUD treatment, if indicated, and activities or programs focused on increasing insight and awareness regarding substance use and motivation toward change.

- High Impact Abatement Activity 6: The purchase of naloxone for distribution and efforts to expand access to naloxone for opioid overdose reversals.

Naloxone is a life-saving medication that reverses an opioid overdose while having little to no effect on an individual if opioids are not present in their system.

Funds may be used to support evidence-based or evidence-informed programs that enhance access to naloxone for local distribution. This includes staff time to support navigation and access to naloxone.<sup>7</sup> Activities/programs employed should focus on increasing availability and distribution of naloxone to first responders, overdose patients, individuals with SUD and their friends and family members, schools, community navigators and outreach workers, persons being released from incarceration, or other members of the general public.

#### Periods of Expenditure

CA Participating Subdivisions may roll over funds from year to year or combine their allocations from multiple opioid settlements to pay for allowable expenditures. Funds from the CA Abatement Accounts Fund must be expended or encumbered within five (5) years of receipt, or seven (7) years of receipt for capital outlay projects, as specified in the California State-Subdivision Agreements. Funds not expended or encumbered within the five-year or seven-year timeframes must be reported in writing to DHCS and returned to the state.

#### Encumbered Funds

Encumbrance refers to funds received by a CA Participating Subdivision that are formally committed or reserved for an allowable Opioid Remediation activity ahead of the actual expense or purchase. A formal encumbrance may include, but is not limited to, an approved budget, signed contract, or purchase order.

Encumbered funds must be tracked and reported separately from unspent, unobligated,

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<sup>7</sup> CA Participating Subdivisions should ensure funds used to support staff time follow the indirect and administrative expense requirements listed in DHCS' Reasonable Administrative Costs Policy (Enclosure 1).

or rolled-over funds in each State Fiscal Year (SFY). CA Participating Subdivisions must also report to DHCS when any encumbered funds have been expended. Encumbered funds cannot be used for other Opioid Remediation activities other than what was intended and reported to DHCS when the funds were originally encumbered. If encumbered funds are no longer committed to the original activity, those funds must be unencumbered and reported to DHCS. Funds encumbered for a specific activity, including HIAA, and then unencumbered after the five-year or seven-year timeframe, must be reported in writing to DHCS and returned to the state.

#### Reasonable Administrative Costs

The National Opioid Settlement Agreements allow for reasonable related administrative expenses for Opioid Remediation activities as qualifying expenditures. Funds received from the CA Abatement Accounts Fund may be used to cover indirect and administrative expenses pursuant to DHCS' Reasonable Administrative Costs Policy (Enclosure I).

#### Training Related to Opioid Remediation

[Exhibit E](#) lists several training activities, including opioid related training for first responders, health care providers, behavioral health practitioners, law enforcement, government personnel, school staff, and community support groups. CA Participating Subdivisions may use funds received from the settlements on training activities if at least 50% of the content pertains to an eligible training activity designated in [Exhibit E](#).

CA Participating Subdivisions must also ensure that:

- Expenses are proportionate to the time staff spend in training.
- Expenses are not recovered as indirect costs (i.e., double charging).
- Expenses are delineated by allocation type (e.g., CA Abatement Accounts Fund vs. CA Subdivision Fund).

#### CA ABATEMENT ACCOUNTS FUND UNALLOWABLE EXPENDITURES

All funds received from the CA Abatement Accounts Fund and, if applicable, any interest earned on these funds must be expended on future Opioid Remediation activities focused on prevention, intervention, harm reduction, treatment, and recovery services in California communities. Funded efforts must relate to one or more of the areas listed within [Exhibit E](#) pursuant to the relevant National Opioid Settlement Agreements.

Pursuant to the California State-Subdivision Agreements,<sup>8</sup> funds from the CA Abatement Accounts Fund must be used for future opioid remediation in one or more of the uses listed within [Exhibit E](#).

Examples of unallowable expenditures include, but are not limited to:

- Paying the salaries and benefits of individuals not performing eligible Opioid Remediation activities.
- Covering indirect costs not in alignment with DHCS' Reasonable Administrative Costs policy.
- Paying for law enforcement activities or equipment (e.g., vehicles, apprehension or restraint devices, drug checking devices, etc.) related to interdiction or criminal investigation, apprehension, and/or processing.
- Covering travel costs (e.g., mileage, fuel, etc.) that are not directly related to an eligible Opioid Remediation activity.
- Paying for non-FDA-approved medications.
- Paying for treatments not related to the treatment of SUD and/ or mental health conditions.
- Paying for medical services or equipment not related to the treatment of SUD or mental health conditions (e.g., automated external defibrillators, first aid kits, extrication equipment, protective equipment).
- Developing infrastructure or investing in equipment not directly related to prevention, treatment, harm reduction, or recovery services.
- Paying for, investing in, or implementing activities not included in [Exhibit E](#) or other expenses not directly related to Opioid Remediation activities.

## OPIOID SETTLEMENT ACCOUNTING

CA Participating Subdivisions receiving funds from the CA Abatement Accounts Fund must track all deposits, reallocations, and expenditures. Each CA Participating Subdivision is responsible solely for the allocation(s) it receives. A county is not responsible for oversight, reporting, or monitoring of payments received by a city within that county.

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<sup>8</sup> Per the California State-Subdivision agreements, monies from the CA Abatement Accounts Fund will be used for future opioid remediation in one or more of the areas described in the List of Opioid Remediation Uses in Exhibit E. Interest earned from monies placed in an interest-bearing account must also be used towards eligible Opioid Remediation activities.

Unless otherwise exempt, CA Participating Subdivisions' expenditures and uses of funds from the opioid settlements will be subject to the normal budgetary and expenditure process of the CA Participating Subdivision. DHCS recommends that CA Participating Subdivisions follow Generally Accepted Accounting Principles for accounting methods and practices for allocations received.

CA Participating Subdivisions may choose to place funds received from the CA Abatement Accounts Fund in an interest-bearing account; however, this is not required. CA Participating Subdivisions that choose to place their allocations in an interest-bearing account must track and report on all interest earned. CA Participating Subdivisions must apply any earned interest towards eligible Opioid Remediation uses, as listed in [Exhibit E](#). Interest earned does not have a timeframe requirement for expenditure. However, CA Participating Subdivisions must continue to report to DHCS annually until all funds, including interest earned, are fully expended and for one year thereafter.

#### Record Keeping

CA Participating Subdivisions must maintain books, records, documents, and other relevant evidence, including local accounting procedures and practices, to properly reflect direct and indirect costs related to their activities funded by the CA Abatement Accounts Fund. CA Participating Subdivisions should preserve these records for a minimum of five years after the expenditure is reported to DHCS. CA Participating Subdivisions should be able to delineate monies by allocation type (e.g., CA Abatement Accounts Fund vs. CA Subdivision Funds). If DHCS determines that a CA Participating Subdivision's use of CA Abatement Accounts Funds is inconsistent with eligible uses, records may be requested as part of a meet and confer, an audit, or legal action. In addition, CA Participating Subdivisions should consider tracking outcomes and other evaluation metrics related to activities funded by the settlements.

#### OPIOID SETTLEMENT REPORTING

The California State-Subdivision Agreements require that each CA Participating Subdivision receiving funds from the CA Abatement Accounts Fund prepare written reports at least annually regarding the use of those funds until those funds are fully expended and for one year thereafter. CA Participating Subdivisions must complete reporting with DHCS, certifying that all funds received through the settlements have been used in compliance with the National Opioid Settlement Agreements and the California State-Subdivision Agreements.

DHCS created an online form to collect reports from CA Participating Subdivisions regarding the use of settlement funds. The online form is required to be utilized by CA Participating Subdivisions for all applicable settlement funds received in each SFY until funds are fully expended and for one year thereafter. CA Participating Subdivisions are responsible for reporting on activities funded through their opioid settlement allocations, including any activities implemented by subrecipients. Subrecipients shall not complete or submit reports through the online form. It is the responsibility of the CA Participating Subdivision to develop a process for obtaining all information necessary from subrecipients to comply with their annual reporting requirements.

Documentation required for a CA Participating Subdivision to complete the DHCS reporting form includes, but is not limited to:

- Payments and expenditures by allocation type (e.g., California Subdivision Fund or the California Abatement Accounts Fund).
- An account of expenditures and/or encumbrances by activity /program.
- An indication of how each activity /program correlates to [Exhibit E](#) of the National Opioid Settlement Agreements and, if applicable, the California HIAA.
- A brief narrative summary to provide background on the purpose of each activity /program.
- An account of any interest earned on the settlement fund allocations, if applicable.
- An account of amounts reallocated to, or received from, other CA Subdivisions, if applicable.

If a CA Participating Subdivision received any funds directly from the settlement's Directing Administrator, those funds must be reported, even if those funds are later reallocated to another CA Participating Subdivision. Reallocations do not include funds automatically redirected to a county due to a local city opting out of direct payment. CA Participating Subdivisions that reallocate funds, and CA Participating Subdivisions in receipt of those reallocated funds, must indicate this on the report to DHCS.

Reporting timeframes for CA Participating Subdivisions are listed in Table 2.

Table 2. Reporting Timeframes for Opioid Settlement Funds<sup>9</sup>

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<sup>9</sup> This table displays initial expected reporting periods and is not an exhaustive list of all reporting periods for settlement funds.

<b>Month/Year</b>	<b>Milestone</b>
<b>September 30, 2023</b>	Expenditure reports for SFY 2022-2023 due
<b>September 30, 2024</b>	Expenditure reports for SFY 2023-2024 due
<b>September 30, 2025</b>	Expenditure reports for SFY 2024-2025 due
<b>September 30, 2026</b>	Expenditure reports for SFY 2025-2026 due
<b>September 30, 2027</b>	Expenditure reports for SFY 2026-2027 due

Upon receiving all reports from CA Participating Subdivisions for the designated SFY, DHCS will prepare an annual state report regarding the use of the settlement funds until those funds are fully expended and for one year thereafter. This report, and reports submitted to DHCS from CA Participating Subdivisions, will be made publicly available on the DHCS California's Opioid Settlements webpage. In each year in which DHCS prepares an annual report, DHCS will also host a meeting to discuss the annual report and the Opioid Remediation activities being carried out by the State and CA Participating Subdivisions.

#### DHCS Report Review

DHCS will review reporting forms submitted by CA Participating Subdivisions to verify compliance with the National Opioid Settlement Agreements and California State-Subdivision Agreements. DHCS may contact CA Participating Subdivisions to clarify information provided during annual reporting periods and request corrections to inconsistencies in reporting. CA Participating Subdivisions instructed to amend their reports will receive technical assistance to ensure proper documentation of their payments and expenditures. Failure to provide clarifying information or correct inconsistencies in financial reporting may result in a meet and confer with DHCS, an audit, or legal action.

#### Failure to Report

CA Participating Subdivisions that do not submit their reports by the prescribed deadlines will receive an electronic notice via email from DHCS regarding the missing report. The electronic notice will be sent to the CA Participating Subdivision's primary contact (s). It is the responsibility of the CA Participating Subdivision to ensure that their primary contacts' information is correctly listed with DHCS. Failure to submit a timely report may result in a meet and confer with DHCS, an audit, or legal action.

## OPIOID SETTLEMENT TECHNICAL ASSISTANCE

DHCS offers technical assistance to CA Participating Subdivisions interested in reviewing eligible Opioid Remediation activities, expense tracking, and reporting requirements. CA Participating Subdivisions interested in receiving guidance from DHCS must follow the process listed below to request technical assistance. CA Participating Subdivisions seeking guidance from DHCS should visit the Resources and Technical Assistance tab on the DHCS Opioid Settlements webpage. Any guidance provided by DHCS does not indicate approval of expenditures or expense accounting under these settlements.

## QUESTIONS

Information about the use and reporting of opioid settlement funds can be found on the DHCS Opioid Settlements webpage. Questions can be directed to [OSF@dhcs.ca.gov](mailto:OSF@dhcs.ca.gov).

Information about opioid litigation and settlement participation can be found on the California Attorney General's Opioid Settlements webpage. Questions can be directed to [OpioidSettlement-LocalGovernment@doj.ca.gov](mailto:OpioidSettlement-LocalGovernment@doj.ca.gov).

Information about settlement payments can be found on the settlement's Directing Administrators [webpage](#). Questions can be directed to [DirectingAdministrator@NationalOpioidOfficialSettlement.com](mailto:DirectingAdministrator@NationalOpioidOfficialSettlement.com).

Sincerely,

Original signed by

Marlies Perez, Chief  
Community Services Division

Enclosures

1. Reasonable Administrative Cost Policy
2. California Opioid Settlements Glossary – CA Abatement Accounts Fund