

This fact sheet explains city and county requirements for the California opioid bankruptcies, including allowable expenses and reporting requirements. Cities and counties (referred to as Local Governments) receiving bankruptcy allocations should adhere to the guidelines and information listed below.

## BACKGROUND

In 2022, California Attorney General Rob Bonta announced the final Statewide Abatement Agreement with prescription drug manufacturer Mallinckrodt Pharmaceuticals. California, and counsel representing a group of cities and counties, agreed on a proposed allocation of recoveries that California will receive pursuant to the [California Mallinckrodt Statewide Abatement Agreement](#). The Mallinckrodt Pharmaceuticals bankruptcy (Mallinckrodt Bankruptcy) provided approximately \$17 million for the abatement of the opioid crisis in California, adding to the approximately \$4 billion California stands to receive from recently finalized opioid settlement agreements.<sup>1</sup>

In 2024, the Endo Public Opioid Trust, established to manage the distribution of bankruptcy funds, received a one-time payment after the United States Bankruptcy Court confirmed Endo's plan of reorganization. The Endo bankruptcy provided approximately \$31 million for the abatement of the opioid crisis in California.<sup>2</sup> The California Attorney General's Office continues to engage with opioid manufacturers, distributors, and pharmacies regarding potential bankruptcies (e.g., Purdue Pharma L.P.), with some bankruptcy proceedings expected to be finalized in the coming years.

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<sup>1</sup> Payment information can be found on California Opioid Settlements webpage. California stands to receive \$2.2 billion from the Jansen and Distributors Settlements, and up to \$1.8 billion from settlements with Teva, Allergan, and the pharmacies.

<sup>2</sup> Payment information can be found on the official website of the [Endo Public Opioid Trust](#).

Payments from the Mallinckrodt and Endo Bankruptcies have been distributed to the State of California and participating Local Governments. Most of these funds were elected to be distributed directly to cities and counties for opioid remediation activities at the local level. A summary of the allocation can be found in Table 1.

**Table 1. Bankruptcy Fund Distribution<sup>3</sup>**

Allocation Type	Recipient(s)
Local Government (60%)	CA Local Governments (e.g., cities and counties)
State of California (40%)	The State of California

Payments to cities and counties for Mallinckrodt and Endo come directly from National Opioid Abatement Trust II (NOAT II) and the Endo Public Opioid Trust, respectively. Local Governments with questions regarding their allocation and participation in the California Opioid Bankruptcies can contact their city, county, or outside counsel, or the California Attorney General’s Office.

## **ALLOWABLE EXPENDITURES**

Local Government allocations from bankruptcies must be expended on opioid remediation activities focused on prevention, intervention, harm reduction, treatment, and recovery services in California communities. Local Governments shall choose from the opioid remediation strategies listed in Exhibit 4, titled the [NOAT II Trust Distribution Procedures](#), of the Mallinckrodt Bankruptcy Plan (otherwise known as [Exhibit E](#) in the National Opioid Settlement Agreements) for funds received from the Mallinckrodt Bankruptcy.

Local Governments must use funds received from the Endo Public Opioid Trust to support opioid remediation activities. This includes funding programs or projects that are substantially consistent with the Core Strategies and Approved Uses outlined in

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<sup>3</sup> California Local Governments participating in the bankruptcies are listed in Appendix 1 in the relevant California Statewide Abatement Agreements.

Exhibit 6 of the [Endo Public Trust Agreement](#) (otherwise known as [Exhibit E](#) in the National Opioid Settlement Agreements).

### ***Administrative Costs***

Local Governments may use a portion of their Mallinckrodt funds to pay for reasonable related administrative expenses incurred in administering their allocations for approved uses. Indirect costs must not exceed five (5) percent of the total allocation, as outlined in the [California Mallinckrodt Statewide Abatement Agreement](#).

The Endo Public Trust Agreement makes no reference related to indirect costs. For agreements without specific administrative cost policies or limits, Local Governments are encouraged to follow the administrative cost guidelines of the [California Mallinckrodt Statewide Abatement Agreement](#) to ensure the majority of funds are spent on activities to abate the opioid crisis.

### ***Interest Earned***

Local Governments are encouraged to follow similar guidance set forth in [DHCS Behavioral Health Information Notice \(BHIN\) 24-002](#) and expend interest earned on allowable expenses in Exhibit E.

### ***Periods of Expenditure***

Local Governments may roll over funds from year to year or combine their allocations from the bankruptcies and settlements to pay for allowable expenditures. The Mallinckrodt Bankruptcy and Endo Public Opioid Trust do not have explicit expenditure time frames, but cities and counties are encouraged to follow similar expenditure timeframes as described for the California Abatement Accounts Fund, in [DHCS BHIN 24-002](#).<sup>4</sup>

## **BANKRUPTCY REPORTING**

Local Governments receiving funds from the NOAT II Fund (Mallinckrodt Bankruptcy), must prepare written reports at least annually regarding the use of those funds. Local Governments must certify that all funds received have been used in compliance with the related bankruptcy plans and statewide agreements. Expenditure reports are due to DHCS by September 30th of each year until all funds from the bankruptcy are expended. DHCS will compile the Local Government annual reports, and the State and Local

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<sup>4</sup> Funds from the California Abatement Accounts Fund must be expended or encumbered within five years of receipt or seven years for capital outlay projects pursuant to the California State-Subdivision Agreements.

Government payment and expenditure information will be reported in one annual report to NOAT II. Local Governments do not need to report directly to NOAT II.

Annual reporting to DHCS is not required for funds received from the Endo Public Opioid Trust, pursuant to the Endo Public Opioid Trust Agreement.

## **RECORD KEEPING**

Local Governments should 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 opioid bankruptcies. Local Governments should preserve these records until all funds from each bankruptcy fund are fully expended. Local Governments should be able to delineate monies by fund source.

## **CONTACT**

### ***Questions on Bankruptcies***

- National Opioid Abatement Trust II (NOAT II) for information on Mallinckrodt bankruptcy payments: [info@NationalOpioidAbatementTrust.com](mailto:info@NationalOpioidAbatementTrust.com)
- Endo Public Opioid Trust for information on Endo bankruptcy payments: [administrator@endotrust.com](mailto:administrator@endotrust.com)
- More information about annual reporting can be found on the [DHCS Opioid Settlements webpage](#). Questions can be directed to [OSF@dhcs.ca.gov](mailto:OSF@dhcs.ca.gov).