



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Opioid Settlement Funds and Reporting Illustrative Financial Statements

June 16, 2022
Kendra Boyle

1



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Opioid Settlement Funds (OSF):

- Opioids are substances that work in the nervous system of the body or in specific receptors in the brain to reduce the intensity of pain.
- More than 932,000 people have died since 1999 from a drug overdose.
- Nearly 75% of drug overdose deaths in 2020 involved an opioid.
- Overdose deaths involving opioids, including prescription opioids, heroin, and synthetic opioids (like fentanyl), have increased by more than eight times since 1999.¹
- Overdoses involving opioids killed nearly 69,000 people in 2020, and over 82% of those deaths involved synthetic opioids.²

References

1. Wide-ranging online data for epidemiologic research (WONDER). Atlanta, GA: CDC, National Center for Health Statistics; 2021. Available at <http://wonder.cdc.gov>.
2. Hedegaard H, Miniño AM, Spencer MR, Warner M. Drug Overdose Deaths in the United States, 1999–2020. National Center for Health Statistics; December 2021.

• <https://www.cdc.gov/opioids/data/index.html>

2



Opioid Settlement Funds (OSF):

- The White House Council of Economic Advisers estimated the opioid crisis alone cost the United States \$696B in 2018 – or 3.4 percent of GDP – and more than \$2.5T from 2015 to 2018.
- State, local, and tribal governments filed lawsuits against pharmaceutical and drug distribution companies alleging that they fueled the crisis.
- The lawsuits are claiming that companies marketed opioids in a misleading way, downplayed the risks and exaggerated the benefits, and/or engaged in reckless distribution practices.

https://www.asam.org/docs/default-source/advocacy/opioid-settlement-funds-state-briefd30b3b9472bc604ca5b7ff000030b21a.pdf?sfvrsn=5eb75bc2_2



Opioid Settlement Funds (OSF):

- In 1998, 46 state Attorney's General and major tobacco companies entered into a settlement in which the tobacco companies agreed to pay a minimum of \$206 billion to states over the first 25 years of the agreement. There exists a great deal of debate about just how much of these funds were used to directly benefit those harmed.
- In order to avert a similar situation, some State's have legislation that would direct funds from today's opioid-related litigation to a segregated opioid settlement fund, which only fund prevention, treatment, harm reduction, and/or recovery efforts.

https://www.asam.org/docs/default-source/advocacy/opioid-settlement-funds-state-briefd30b3b9472bc604ca5b7ff000030b21a.pdf?sfvrsn=5eb75bc2_2



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Opioid Settlement Funds (OSF):

- The National Settlement Agreement resolves all litigation against three providers (AmerisourceBergen, Cardinal Health, and McKesson) and one manufacturer, Johnson and Johnson.
- States share in the settlement by signing and agreeing to end all litigation.
- Up to \$22 billion will be available over 18 years to abate the impacts of the opioid epidemic.
- Distributions per the agreement are made directly to states that decided to participate by a formula developed by States' Attorneys General.

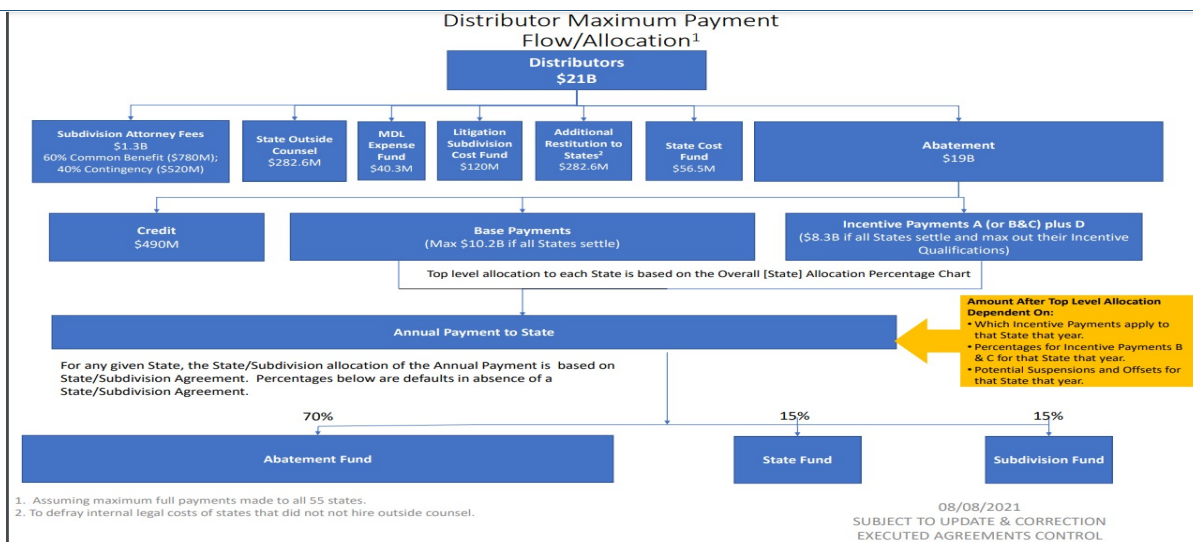
5



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6



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Opioid Settlement Funds (OSF):

- According to the North Carolina Department of Justice [website](#), the opioid epidemic has taken the lives of more than 16,000 North Carolinians
- 85% of settlement amounts allocated to NC will go to local governments
- Remaining 15% will go to the State of NC.
- All 100 counties and 17 municipalities in NC will receive funds directly.
- Initial funds may be sent out as early as second quarter of 2022.

7



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Opioid Settlement Funds (OSF):

- Settlement payments must be used to provide opioid-related expenditures, such as treatment, recovery, harm reduction, and other life-saving programs
- Memorandum of Agreement (MOA) requires funds to be accounted for in a special revenue fund.
- Use interest earned on settlement funds need to be spent consistent with MOA.
- Any expenditures that are inconsistent with the MOA may be recovered by the Attorney General.

8



Opioid Settlement Funds (OSF):

- Expenditures of settlement funds will be subject to NC Local Government Budget and Fiscal Control Act.
- Reporting through NC Statewide Opioid Dashboard will also be required and is being developed by the NC Attorney General and UNC.
- [Complete information on the NCACC website is located here.](#)



Opioid Settlement Funds (OSF):

- The NC MOA offers a high level of transparency and accountability for the use of opioid settlement funds by local governments

Pick one of two options:

- Under **Option A**, a local government may fund one or more strategies from a shorter list of evidence-based, high-impact strategies to address the epidemic.
- Under **Option B**, a local government may fund one or more strategies from a longer list of strategies after engaging in a collaborative strategic planning process involving a diverse array of stakeholders at the local level.



Opioid Settlement Funds (OSF):

- Under **Option A**,

Specifically, under Option A, local governments may use opioid settlement proceeds to fund:

1. Collaborative strategic planning
2. Evidence-based addiction treatment
3. Recovery support services
4. Recovery housing support
5. Employment-related services
6. Early intervention programs
7. Naloxone distribution
8. Post-overdose response teams
9. Syringe service programs
10. Criminal justice diversion programs
11. Addiction treatment for incarcerated persons
12. Reentry programs for a recently incarcerated person

11



Opioid Settlement Funds (OSF):

- Under **Option B**,

Option B includes a wider array of strategies t:

- A. Treat Opioid Use Disorder (OUD)
- B. Support people in treatment and recovery
- C. Provide connections to care
- D. Address the needs of criminal-justice-involved persons with OUD
- E. Address the needs of pregnant or parenting women and their families
- F. Prevent over-prescribing of opioids
- G. Prevent misuse of opioids
- H. Prevent overdose deaths and other harms (harm reduction)
- I. Support first responders
- J. Promote leadership, planning, and coordination
- K. Fund relevant training and research

12



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Opioid Settlement Funds (OSF):

Actions needed:

- Establish a Special Revenue Fund
- Pass a budget or separate resolution specifically authorizing the expenditure of the funds
- Reporting to DOJ and public
- Conduct financial and compliance audit

13



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Opioid Settlement Funds (OSF):

Carolina County, North Carolina
Opioid Settlement Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted Revenue			
Opioid Settlement Funds			
Disbursement from settlements	\$ 290,000	\$ 290,000	\$ -
Total revenues	290,000	290,000	-
Expenditures:			
Current:			
General government			
Health and Human Services			
Collaborative strategic planning	-	-	-
Opioid addiction treatment	-	-	-
Recovery support services	-	-	-
Recovery housing	-	-	-
Employment related services	-	-	-
Early intervention	-	-	-
Naloxone distribution	-	-	-
Post-overdose response team	-	-	-
Syringe service program	-	-	-
Criminal justice diversion program	-	-	-
Addiction treatment for incarcerated persons	-	-	-
Reentry programs	-	-	-
Total expenditures	-	-	-
Net change in fund balance	\$ 290,000	\$ 290,000	\$ -
Fund balance, beginning, as previously reported		-	
Prior period restatement - change in accounting principle		0	
Fund balance, beginning, as restated		0	
Fund balance, ending		\$ 290,000	

Note to Preparer: Guidance for allowable uses of Opioid Settlement Funds is available in the MOA which you may see at <https://ncdoj.gov/wp-content/uploads/2021/04/Opioid-MOA.pdf>

A line item has been included for each eligible category for illustrative purposes.

14



Opioid Settlement Funds (OSF):

- Carolina County's illustrative statement will be updated for the financial reporting required for OSF.

13. Opioid Settlement Funds

In FY 2021/22, drug companies finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will flow to states and local governments. These funds will be disbursed to each state over an 18 year period.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the State ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to a County Incentive Fund.

The County received **\$290,000** as part of this settlement in Fiscal Year 2022. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid remediation activities. Funds are restricted until expended.

Note to Preparer:

Guidance for allowable uses of Opioid Settlement Funds is available in the MOA which you may see at <https://ncdoj.gov/wp-content/uploads/2021/04/Opioid-MOA.pdf>



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