

Office of the County Auditor
Auditor's Analysis - REVISED

Council Bill No. 16-2022

Introduced: March 7, 2022

Auditor: Michael A. Martin

Fiscal Impact:

Per the Maryland State-Subdivision Agreement, this legislation will result in a new Opioid Abatement Special Revenue Fund that is expected to recognize revenues and expenditures of approximately \$12,754,681 over the next 18 years. Fund revenues will be provided to the County annually through the State from a National Settlement Agreement with various manufacturers and distributors of opioids. Expenditures will be restricted to various opioid abatement practices.

Per the Administration:

- This fund will be included in the County Executive's Fiscal Year 2023 Proposed Operating Budget and administered by the County Administration.
- As of now, there is no need for additional staff or other significant County investments to support the requirements of this fund.
- No decisions have been made as to whether the County will contribute other revenue sources, such as General Funds, to this fund or initiative in FY 2023 or future fiscal years.

Purpose:

This legislation establishes a non-lapsing Opioid Abatement Special Revenue Fund to support the receipt, use, and accounting of proceeds the County will receive from opioid-related settlement payments. These settlements are part of a State-Subdivision Agreement the County entered into with the State of Maryland in which it will receive approximately \$12.8 million over an 18-year period.

This legislation limits uses of the fund to those permitted under the National Opioid Settlement Agreement, Section 7-331(f) of the State Finance and Procurement Article, and the State-Subdivision Agreement (which may include, but are not limited to, opioid treatment, education, intervention, and recovery services).

Other Comments:

Per the Administration:

- The County has not yet determined how the funds will be used to support its activities, but it is likely to be a combination of grants to outside entities and direct support.
- The County will receive its settlement payments annually from the State's Opioid Restitution Fund.
- The Department of Finance's Financial Reporting Division will be responsible for ensuring County proceeds are properly received.

The proceeds to be received by this proposed fund will be derived from two groups, opioid manufacturers (referred to as "Janssen") and opioid distributors (referred to as the "Distributors"). Payments will be issued over varying periods as outlined below. Please note, the amounts of each annual payment are not yet known:

Janssen Settlement Agreement:

- Payments are to be received by the County over an 11-year period, beginning in Calendar Year 2022.
- Two initial payments are to be made in CY 2022, with the first one arriving no later than ninety days after the National Settlement's effective date. The other initial payment is to be made no later than July 15, 2022.
- The first annual payment must be made no later than one year and sixty days after the effective date.
- The second annual payment must be made no later than two years and sixty days following the effective date.
- All subsequent annual payments will continue in the same manner until the end of the 11-year period.

Distributors' Settlement Agreement:

- Payments are to be received by the County over an 18-year period.
- The first payment from this settlement was processed into escrow on September 30, 2021 and will be subject to distribution following satisfaction of certain contractual arrangements. *Our Office has inquired regarding the amount of the initial payment into escrow. A response from the Administration was pending at the time this analysis was finalized.*
- The second annual payment will be made on July 15, 2022, while all future payments will be made on July 15th of each successive year.