BRIEFING PAPER

Texas Opioid Settlement Funds

Authorized Uses, Allocation Structure, and the Hospital District Share

Prepared August 17, 2026 | Current through Comptroller rule amendments adopted April 2026.

1. Purpose and Scope

This paper summarizes the legal framework governing how opioid settlement proceeds may be spent in Texas. It describes the statutory basis for the funds, the allocation of proceeds among the state, political subdivisions, and the Texas Opioid Abatement Fund Council, and the permissible uses attaching to each share. Section 6 addresses the hospital district allocation in detail, including the categories of use hospital districts must certify to before receiving payment.

This document is a summary for orientation purposes and is not legal advice. Entities making specific expenditure decisions should consult their own counsel and the operative settlement agreements, statutes, and administrative rules.

2. Governing Authorities

Two overlapping layers of authority control the use of these funds.

- The national opioid settlement agreements. Exhibit E to the settlements sets out a List of Opioid Remediation Uses, organized into Schedule A "Core Strategies" and Schedule B "Approved Uses." The list is non-exhaustive and functions as guidance on what constitutes opioid remediation.
- Texas Government Code, Chapter 403, Subchapter R. Enacted by Senate Bill 1827 (87th Legislature, 2021), this subchapter creates the opioid abatement account, the opioid abatement trust fund, and the Texas Opioid Abatement Fund Council (OAFC), and prescribes permitted uses for the state share.
- Implementing rules at 34 Texas Administrative Code, Chapter 16, Subchapter C, adopted by the Comptroller of Public Accounts under the rulemaking authority in Section 403.511. Key provisions include Section 16.201 (opioid abatement strategies), Section 16.202 (grant issuance plan), and Section 16.222 (hospital district allocations). Amendments were adopted in April 2026, including a new Section 16.223 authorizing non-competitive grants to political subdivisions whose statutory distributions are too small to fund meaningful abatement.

3. Allocation of Settlement Proceeds

Under the Texas settlement allocation term sheet and Section 403.507, all opioid settlement funds distributed in Texas are divided three ways.

Recipient	Share of Total	Basis and Vehicle
State	15%	Deposited into the opioid abatement account, a dedicated general revenue account administered by the Comptroller. Spendable only through legislative appropriation to a state agency.
Political subdivisions	15%	Distributed by the Texas Treasury Safekeeping Trust Company directly to counties and municipalities to address opioid-related harms in their communities.
OAFC	70%	Allocated to the Council from the opioid abatement trust fund, less a $5 million carve-out to the Texas Access to Justice Foundation for basic civil legal services to indigent persons affected by opioid use disorder.

Mechanically, 15 percent of settlement money is deposited into the abatement account and 85 percent into the trust fund; the trust fund then distributes the subdivision and Council shares set out above.

4. The State Share (15 Percent)

Money in the opioid abatement account may be appropriated only to a state agency for the abatement of opioid-related harms. Section 403.505(d) limits a receiving agency to the following uses:

1. Preventing opioid use disorder through evidence-based education and prevention, including school-based prevention, early intervention, and health care services or programs intended to reduce the risk of opioid use by school-age children.
2. Supporting efforts to prevent or reduce deaths from opioid overdoses or other opioid-related harms, including increasing availability or distribution of naloxone or other opioid antagonists to providers, first responders, persons experiencing overdose, families, schools, community-based providers, social workers, and the public.
3. Creating and providing training on the treatment of opioid addiction, including treatment with each FDA-approved medication, medical detoxification, relapse prevention, patient assessment, individual treatment planning, counseling, recovery supports, diversion control, and other best practices.
4. Providing opioid use disorder treatment for youths and adults, with emphasis on programs offering a continuum of care including screening and assessment for opioid use disorder and co-occurring behavioral health disorders, early intervention, contingency management, cognitive behavioral therapy, case management, relapse management, counseling, and medication-assisted treatment.
5. Providing patients with opioid dependence access to all FDA-approved medications for treatment and relapse prevention following detoxification, including opioid agonists, partial agonists, and antagonists.
6. Supporting efforts to reduce abuse or misuse of addictive prescription medications, including tools that give health care providers information needed to protect the public from harm caused by improper use.

7. Supporting treatment alternatives providing both psychosocial support and medication-assisted treatment in areas with geographic or transportation-related challenges, including mobile health services and telemedicine, particularly in rural areas.
8. Addressing the needs of persons involved with criminal justice, and rural county unattended deaths.

Catch-all provision. Section 403.505(d)(9) additionally permits a state agency to further any other purpose related to opioid abatement authorized by appropriation, giving the Legislature latitude beyond the eight enumerated categories.

5. The Council Share (70 Percent)

The OAFC was established to ensure that recovered money is allocated fairly and spent to remediate the opioid crisis using efficient, cost-effective methods directed to regions experiencing opioid-related harms. It is composed of fourteen members, thirteen voting and the Comptroller or a designee as non-voting presiding officer, and is administratively attached to the Comptroller.

5.1 Internal allocation

Section 403.508(a) divides the Council share as follows:

- 1 percent to the Comptroller for administration of the Council and the subchapter. Any excess above what is reasonable and necessary may be reallocated to program spending.
- 15 percent to hospital districts (see Section 6).
- The remaining 84 percent distributed according to the evidence-based opioid abatement strategy the Council develops under Section 403.509.

5.2 The abatement strategy and grant mechanics

The Council must approve one or more evidence-based abatement strategies incorporating an annual regional allocation methodology for 75 percent of program funds, based on population health information and prevalence of opioid incidences, and an annual targeted allocation for the remaining 25 percent directed at targeted interventions identified by opioid incidence data. Where a region cannot use its targeted allocation, or where a regional allocation lapses unused, the Council may reallocate money between regions.

Under 34 TAC Section 16.201, a strategy is eligible for grant funding only if it is an abatement strategy provided in the settlement agreements, is supported by evidence-based data, and complies with all applicable state and federal law. Each approved strategy is then categorized as treatment and coordination of care; prevention and public safety; recovery support services; or workforce development and training.

The Council develops the application and award process, reviews applications, makes awards, monitors grant agreements, and may require reimbursement from non-compliant recipients. Approval of any decision or strategy requires the affirmative votes of at least four regional members and four of the members appointed by the Governor, Lieutenant Governor, Speaker, and Attorney General.

5.3 Illustrative awards

In November 2023 the Council approved its first three grant plans, committing up to $75 million across naloxone distribution, K-12 prevention education and awareness, and behavioral health workforce

development. Subsequent awards include up to $25 million to Bexar County Hospital District (University Health) for statewide overdose reversal medication distribution and training, and up to $10 million to RecoveryPeople to expand the certified peer support specialist workforce. Through the Community-based Opioid Recovery Effort (CORE) grant opportunities, funding is allocated across all twenty Regional Healthcare Partnership regions: $21.2 million across 109 short-term grants announced in September 2025, and $48.9 million across 80 long-term grants announced in June 2026.

6. The Hospital District Share

Section 403.508(a)(2) directs 15 percent of the funding allocated to the Council to hospital districts, equating to approximately 10.5 percent of all Texas opioid settlement proceeds. A hospital district is a political subdivision created to provide health care to low-income individuals and may span one or more counties. The distribution mechanics, oversight, transparency, and accountability provisions are set out at 34 TAC Section 16.222.

6.1 Distribution structure

Hospital districts are sorted into two groups with different payment schedules.

Group	Composition	Payment Schedule
Group One	Small, rural hospital districts. Individual amounts fixed at 34 TAC Section 16.222(f).	A single upfront lump-sum distribution covering the district's full allocation.
Group Two	Medium, large, and urban hospital districts. Individual allocations at 34 TAC Section 16.222(g).	Periodic distributions as settlement funding is received, continuing for the duration of the settlement agreements.

Individual amounts depend on factors including hospital size and the estimated distribution under the settlement agreements. The Council prioritized full, immediate funding for the smallest rural districts on the rationale that these districts tend to serve communities hardest hit by the crisis and that lump-sum payment lets them stand up or expand programs quickly. Group Two districts receive larger pro rata amounts spread over a longer horizon; settlement payments themselves arrive intermittently over periods as long as eighteen years. The Council makes a distribution only when the smallest individual hospital district allocation in that round would reach at least $1,000.

6.2 Distributions to date

Date	Amount	Note
August 2024	$65.8 million	First distribution; front-loaded Group One lump sums.
April 2025	$14.3 million	Second distribution.
April 2026	$11.8 million	Third distribution.

6.3 Approved categories of use

As a condition of payment, and before any payment is made, a hospital district's governing body must adopt a resolution affirming that the district will use all money received to remediate the opioid crisis, including by providing assistance in one or more categories approved by the Council:

1. Treatment and coordination of care.
2. Prevention and public safety.
3. Recovery support services.
4. Workforce development and training.
5. Alternatively, for allowable uses specified by a court order or settlement agreement, where such an order or agreement requires money to be used for one or more specific purposes.

Categories, not a fixed project menu. These four categories are the same taxonomy the Council applies to grant-eligible strategies under 34 TAC Section 16.201, but the constraint operates differently. Competitive grant applicants must propose projects aligning with specifically approved strategies. Hospital districts, by contrast, may exercise their own discretion in spending their allocated share so long as the funds are used to remediate the opioid crisis and comply with state and federal law, per 34 TAC Section 16.222(i)(1)(B)(i). Exhibit E to the settlements serves as non-binding guidance on qualifying remediation uses rather than a checklist.

New and existing programs. The rule expressly authorizes use of funds for opioid abatement programs regardless of when the program was created. The Council declined a request to limit spending to newly created programs, and neither the statute nor the rule imposes a deadline for expending the funds.

6.4 Conditions precedent to payment

Beyond the affirmation of permitted use, the governing body resolution must also:

- Commit the district to returning all funds to the Council in the event funds are lost or misused.
- Designate by name and title an authorized official empowered to act on the district's behalf in signing documents related to the distribution.

Districts must notify the Council director of any change in the authorized official and submit an updated resolution. Where a district fails to satisfy these conditions, the Council may cancel that district's distribution and retain the funds for distribution to other hospital districts.

6.5 Reporting, monitoring, and enforcement

Districts must submit periodic reports on their use of funds, including how that use complies with the requirement that funds remediate the opioid crisis, under 34 TAC Section 16.222(l). At the beginning of each calendar year the Council notifies recipient districts and provides instructions for completing a brief online survey, due annually. Reporting also supports the state's obligation under certain settlements to file an annual report describing proceeds received and spent in the prior calendar year.

The Council may monitor individual districts for compliance. Where noncompliance is alleged, the rule as amended provides a defined process: the director gives written notice of the allegation; the district is given an opportunity to respond; the Council may require the district to cure to its satisfaction; the Council may

require refund of all or part of the money received; and the Council may exercise any other available legal remedy. Refunded money is retained for future distribution to other hospital districts.

7. The Political Subdivision Share (15 Percent)

The trust company distributes 15 percent of total proceeds directly to counties and municipalities to address opioid-related harms in their communities, spent consistent with the approved remediation uses in the settlement agreements. An initial transfer of $47.1 million was made to cities and counties, with subsequent disbursements including more than $11.5 million alongside the April 2026 hospital district round. Because many small subdivisions receive amounts too small to fund meaningful abatement on their own, the Council adopted 34 TAC Section 16.223 in April 2026, authorizing streamlined, targeted non-competitive grants to small counties and municipalities.

8. Reporting Obligations at a Glance

Party	Frequency	Requirement
OAFC	Annual, by October 1	Written report to the Legislature detailing all expenditures made during the preceding state fiscal year (Section 403.510).
Hospital districts	Annual	Report on use of funds and compliance with the remediation requirement, via Council-administered online survey (34 TAC Section 16.222(l)).
State of Texas	Annual	Under certain settlements, a report detailing proceeds received and spent in the previous calendar year and how funds were used.
Grant recipients	Per agreement	Compliance with grant terms, subject to Council monitoring and reimbursement obligations (Section 403.509(a)(5)).

9. Principal Sources

- Texas Government Code, Chapter 403, Subchapter R (Senate Bill 1827, 87th Legislature, Regular Session, 2021).
- 34 Texas Administrative Code, Chapter 16, Subchapter C, Sections 16.200–16.223, including amendments adopted April 2026.
- State of Texas and Texas Political Subdivisions' Opioid Abatement Fund Council and Settlement Allocation Term Sheet.
- Exhibit E, List of Opioid Remediation Uses, to the national opioid settlement agreements.
- Texas Comptroller of Public Accounts, Texas Opioid Abatement Fund Council program materials and news releases, 2023–2026.