States Now Have to Decide How to Spend Meta's Settlement Billions

Previous agreements with the tobacco and opioid industries show the difficulty of putting the money in the right hands.

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After Meta agreed to pay as much as $17 billion to settle claims that it had built Instagram and Facebook to hook children, attorneys general in several states outlined how the money should be spent.

The funding should "repair the harms of unhealthy social media use," expand youth crisis intervention and restore the mental health and safety of children, they declared in news releases.

But the settlement with Meta in August cements little in required allocations toward those goals.

And if earlier settlements with the tobacco and opioid industries are any guide, it is much simpler to win the money than ensure it reaches the intended beneficiaries.

In an appendix to the Meta agreement where each state set terms for spending its share, most specify no purpose. Wyoming sends every dollar to its general fund. Alaska splits its share between the general fund and its attorney general's enforcement budget.

The total includes $459 million settling what a spokesperson for California's Justice Department called "a prior, unrelated multistate investigation" into Meta's Cambridge Analytica data leak.

The rest of the settlement leaves about 70 percent of the money to the discretion of state officials, up to $11.7 billion, with 23 percent aimed at youth mental health or social media harms.

Meta disputed that characterization, pointing to part of the settlement that requires states to certify to the Internal Revenue Service that at least half the money is "compensatory restitution and remediation." Tax experts said the phrase comes from the tax code, which lets companies deduct settlement payments for repairing harms. It governs how the payment is reported, not how it is spent. The company declined to say whether it would claim the deduction.

Candice Odgers, a developmental psychologist at the University of California, Irvine, said the settlement would still leave states with an obligation. "We have put children front and center in this fight against big tech," she wrote in an email. "Now, it is only fair that we make sure the money goes towards ensuring that they get a 'win' out of this, too."

Meta faces pressure on other fronts. In New Mexico, which pursued its own case over Cambridge Analytica, a judge is expected to decide how much the company owes after a jury found in September that it violated the state's consumer protection law tens of millions of times. The state is seeking billions of dollars.

Separately, states have moved quickly on the products. Last month, California became the first state to ban addictive features like infinite scroll for users under 16. But courts have blocked most state laws on free speech grounds, and the companies are expected to challenge this one.

Fortunes misspent

The biggest settlement that states have won for public health dates to November 1998, when attorneys general ended their lawsuit against the major cigarette makers. The companies, which agreed to perpetual payments that shrink as cigarette sales fall, have paid more than $176 billion, according to the National Association of Attorneys General.

But the agreement did not require money be spent on smoking prevention.

"The thing that I just hate about the tobacco settlement the most is that money went out to a lot of states, and they just didn't spend the money as we had anticipated," said Mike Moore, a former attorney general of Mississippi who initiated the first state lawsuit against the industry.

James Tierney, a former Maine attorney general who advised on the litigation, said the attorneys general had little leverage.

"We couldn't control the money legally," he said. The resistance to earmarking it "came from the governors, not the tobacco companies."

Mr. Moore watched it happen in his own state. Mississippi put its settlement money into a trust fund and, while he was in office, paid $20 million annually for prevention. After he left, he said, the Legislature "spent every penny of it on other things."

Winston Bryant, the Arkansas attorney general, presented a mock check from the tobacco industry during a news conference in 1998. Mike Wintroath/Associated Press

Niagara County, N.Y., put $700,000 toward a golf course sprinkler system, Virginia spent $12 million laying fiber optic cable and North Carolina handed $41 million to tobacco farmers for equipment to cure their harvest. In the first six years of payments, states put just 3.5 percent of the money into tobacco control, the Government Accountability Office found; 23 percent went toward budget shortfalls.

Still, public health advocates point to other achievements of tobacco litigation. It forced millions of pages of internal documents into public view, banned cartoon mascots like Joe Camel and helped drive daily smoking among high school seniors from one in four to fewer than one in a hundred.

"The revelations of litigation change culture," said Nora Freeman Engstrom, a Stanford law professor who has written about the legacy of the tobacco settlement. "They change how we think about products, and they change how we interact with products."

But Matthew Myers, who ran the Campaign for Tobacco-Free Kids for more than two decades and was deeply involved in the negotiations, drew another lesson.

"If you want the money spent on the items that will have the greatest impact, you have to mandate it and specify it," he said. "Otherwise, the political process will take over."

Principled spending

Two decades later, when attorneys general won settlements totaling more than $50 billion from opioid manufacturers, distributors and pharmacy chains, they took that lesson to heart.

Josh Stein, then North Carolina's attorney general and now its governor, said the agreements were designed to avoid the pitfalls of the tobacco settlements.

"We wanted to try to reduce the amount of human suffering that Americans were experiencing," he said, "so we were really explicit that the funds had to go to those express purposes."

In early 2021, with the first of those national deals still being negotiated, researchers at the Johns Hopkins Bloomberg School of Public Health published principles for spending the money, and warned states against using it to fill budget holes.

The agreement with the three largest opioid distributors declared that "in no event" may less than 85 percent of the money be spent on opioid remediation.

It named core strategies for states to prioritize, including naloxone distribution, medication-assisted treatment and care for women before and after childbirth. Expenses outside opioid remediation were discouraged, and were required to be publicly reported.

Advocates have questioned use of the money for law enforcement, including recent reports of sheriffs buying license plate readers.

Of roughly $2.7 billion spent or committed in 2024, some $61 million went to police and sheriffs, according to a settlement database published by KFF Health News. But most of the money that can be traced went to the purposes the attorneys general laid out.

The social media settlement

By comparison, the Meta settlement with 47 states has fewer strings attached. The agreement lists possible uses, including crisis lines, after-school programs, phone-free school zones and training for doctors, but those are not requirements.

Unlike the opioid deal, the agreement sets no general requirement that states report how the money is spent.

Mr. Myers said that open-ended language cuts both ways. It lets a committed attorney general adapt as understanding of social media's harms change.

"But at the same time it means that the next attorney general, who might not be interested in this issue at all, is given the flexibility to do things that may be totally ineffective," he said.

Governor Stein agreed there was a risk of mission drift. "It is real easy to get distracted by other budgetary needs," he said.

He directed his team to identify "evidence-based strategies that move the needle on teen mental health," he said. Unlike tobacco or opioids, which have known prevention strategies, social media is a dynamic technology where no single intervention may be effective for long.

Mitch Prinstein, a psychologist at the University of North Carolina and former chief science officer of the American Psychological Association, put the problem plainly. "I wish we did have an evidence-based menu," he said, "but we don't."

Experts suggested mental health staffing in schools, getting phones and educational technology out of classrooms, a public health surveillance system tracking apps that harm children and a campaign to make social media less appealing.

Dr. Odgers cautioned that the analogy with tobacco and opioids goes only so far. Those were toxins society could target. Technology is "more like a circulatory system" running through every part of society, and "we cannot ban our way" to a solution.

Dr. Joshua Sharfstein, a Johns Hopkins public health professor who helped write the principles for spending the opioid money, said the missing playbook was a danger.

"Unless there's a robust effort to figure out what is going to help," he said, "it's likely that a lot of money will be spent on things that sound good but don't work."

Attorneys general made about 30 percent of the payment contingent on the adoption of similar protections by TikTok, Snapchat and YouTube, and Meta pointed to the agreement’s product changes as the heart of the deal. When the settlement was announced, the company’s chief legal officer, C.J. Mahoney, said the new time limits and nighttime blocks “set the right path forward for our whole industry,” a statement Meta repeated in response to questions for this article.

New Mexico won its own verdict in an earlier case, and Florida is pursuing another. School districts and teenagers claiming injury are suing in federal court, allegations this settlement did not address. Meta said it would continue to defend itself in those cases.

“Meta is settling with the states,” Ms. Engstrom said, “but it’s nowhere near done with its public liability.”

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