Note 29. COVID-19 Activity

The global spread of COVID-19 over the past several years resulted in a severe global health and economic crisis. From March 2020 until the expiration of the federal Public Health Emergency on May 11, 2023, the COVID-19 pandemic caused widespread disruption to the American economy. In FY 2020 and 2021, Congress took steps to limit the damage the pandemic caused in the U.S. by passing several key statutes, including the CARES Act, the CAA, and the ARP. The relief funding these legislative Acts provided helped reduce the financial burden on individuals, and their families, minimized business and employment losses and enhance the liquidity of the U.S. financial system. In addition to the FY 2022 and FY 2021 rescission pursuant to the IIJA and the CAA, respectively on June 3, 2023, Congress passed the FRA of 2023 which rescinded certain unobligated funds that were provided by these legislative acts.

The COVID-19 related legislation provided supplemental appropriations totaling $4.6 trillion for federal entities to respond to COVID-19 since the beginning of the pandemic and includes enacted rescissions, returns of unused permanent and indefinite authority and obligation adjustments. Significant impacts of these programs on the government's FY 2023 and 2022 Balance Sheet and financial results are discussed below. For additional information regarding COVID-19 relief efforts please refer to Treasury, HHS, and Education's financial statements.

Treasury's COVID-19 programs established under the legislative acts enacted in response to the pandemic include taxpayer support programs through EIPs and tax credits, programs directed through state, local, territorial, and tribal government to support job retention, renter and homeowners' assistance, capital projects, and small business initiatives. Support for the American industry and financial markets was provided to assist with business losses incurred as a result of COVID-19 through the use of payroll support, loans, and purchasing debt and commercial paper to support key U.S. financial markets. Additional support was provided to American small businesses through Community Development Financial Institutions. Treasury's net costs related to COVID-19 relief efforts were $58.9 billion and $164.4 billion for fiscal years ending September 30, 2023, and 2022, respectively, and do not include costs related to EIPs and tax credits. The decrease in Treasury's COVID-19 net costs is mainly due to the reduction in expense recognition of support to state, local, territorial, and tribal programs.

The government invested in SPVs for the purpose of enhancing the liquidity of the U.S. financial system. As of September 30, 2023, and 2022, Treasury had $15.1 billion and $17.8 billion, respectively, of equity investments in SPVs established through the FRBNY and FRBB. The SPVs were established by the FRBNY and FRBB in 2020 to make loans and purchase debt and other commercial paper of eligible entities affected by COVID-19. Treasury's funds remaining in the SPVs funded under the CARES Act cannot be used for further lending, asset purchase, or extensions of credit.

HHS received funding to support, prevent, prepare for, and respond to COVID-19, both domestically and internationally, by providing expense reimbursements to assist eligible healthcare providers, advance research, development, manufacturing, production and purchase of COVID-19 vaccines, testing and related supplies, financial support to childcare providers, support for contract tracing, and mitigation activities. HHS's net cost of operations other than CMS decreased by $62.0 billion primarily due to the Public Health and Social Services Emergency Fund. HHS's outlays related to COVID-19 activity totaled $60.6 billion and $130.1 billion in FY 2023 and FY 2022, respectively. HHS's rescission related to the COVID-19 appropriations that funded several programs totaled $10.3 billion as of September 30, 2023. Remaining amounts are being used to support R&D for next generation COVID-19 vaccines, strengthening the pharmaceutical supply chain, and addressing healthcare workforce shortages.

Education's COVID-19 appropriations provided funding for a variety of programs administered primarily through grant programs. The COVID-19 relief legislation and administrative actions also provided support for student loan borrowers primarily by temporarily suspending nearly all federal loan payments. Additional broad-based debt was announced in FY 2022 to address the financial harms of the pandemic. However, the effect of the debt relief was reversed by the Supreme Court's ruling as of June 30, 2023. COVID-19 loan modifications are a component of subsidy expense, which increased the overall loan receivable balances and Education's net cost decreased by $236.7 billion due to the loan modifications, reestimates (subsidy expense), and grant expenses. The significant financial statements impact of these programs can be found within Note 4—Loans Receivable, Net and Loan Guarantee Liabilities. Education's direct outlays related to COVID-19 activity totaled $66.1 billion and $80.2 billion in FY 2023 and FY 2022, respectively.