



COVID-19 Relief for Startups Survey



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Executive Summary

Engine recently surveyed startups in our network to better understand the steps that Congress should take to help the U.S. startup community deal with the economic uncertainty caused by the coronavirus pandemic, including the specific policy proposals that would have the most positive impact on affected businesses. While a majority of startup respondents (54 percent) in our survey said they received emergency financial support within the past six months—such as Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loans (EIDL)—61 percent of those who received federal relief said it was not enough to support their business operations during the pandemic. And despite the fact that Congress and the Trump administration have failed to reach an agreement on the next round of relief, a plurality of startups (46 percent) said they need emergency financial support to keep their businesses open through the end of the year.

Highlights

- Although 54 percent of startups received emergency financial support, 61 percent of those who received relief said it was not enough to support their business operations.
- Sixty-four percent of startups that received financial support said they did not experience any difficulties with the loan forgiveness process for PPP loans. However, respondents also argued for steps such as “auto forgiveness” to increase the effectiveness of the program.
- While 73 percent of startups said they have not laid off employees as a result of the pandemic, a plurality (46 percent) believe they will need emergency financial support to keep their business open through the end of the year.
- When given the choice between five startup-focused relief proposals that policymakers could pursue (federal equity investments; forgivable loans; a designated startup fund; tax credits; and grants), respondents were largely divided between a designated startup fund (31 percent) and more expanded forgivable loans (30 percent).
- The survey was conducted from September 23rd through October 8th, 2020.

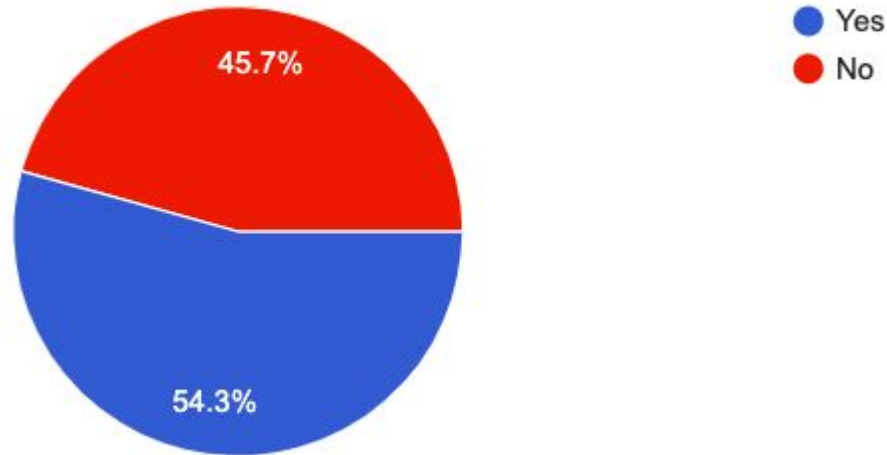
Introduction

Engine has spoken with entrepreneurs and policymakers over the past several months about a variety of alternative policy proposals that can bolster the startup community as part of the next coronavirus relief package. These additional steps include federal equity investments, forgivable loans, a startup fund, tax credits, and grants. As Congress continues to hold discussions about the additional legislative steps needed to support companies during this difficult time, we wanted to reach out to our network to learn more about what lawmakers can do to prioritize the startup community.

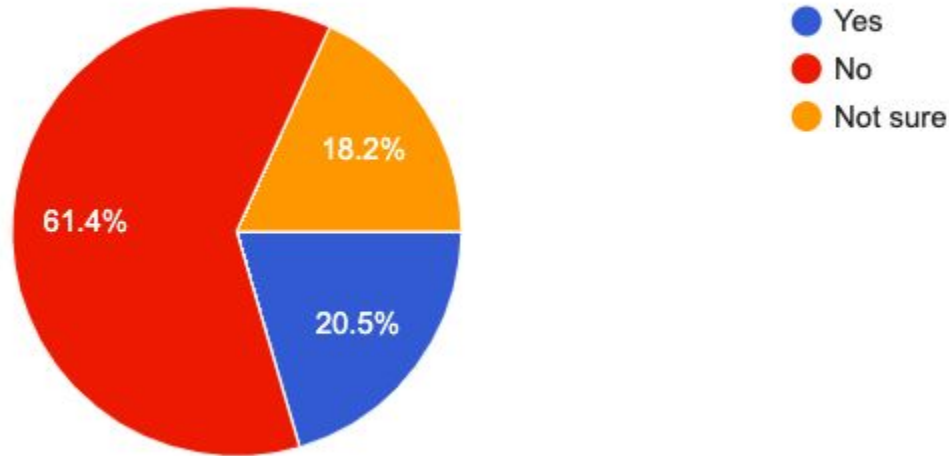
Our goal in conducting this survey was to better understand how startups have been able to access economic relief programs, as well as the additional policy steps that are needed to protect startups dealing with the fallout from the ongoing pandemic.

Survey Responses

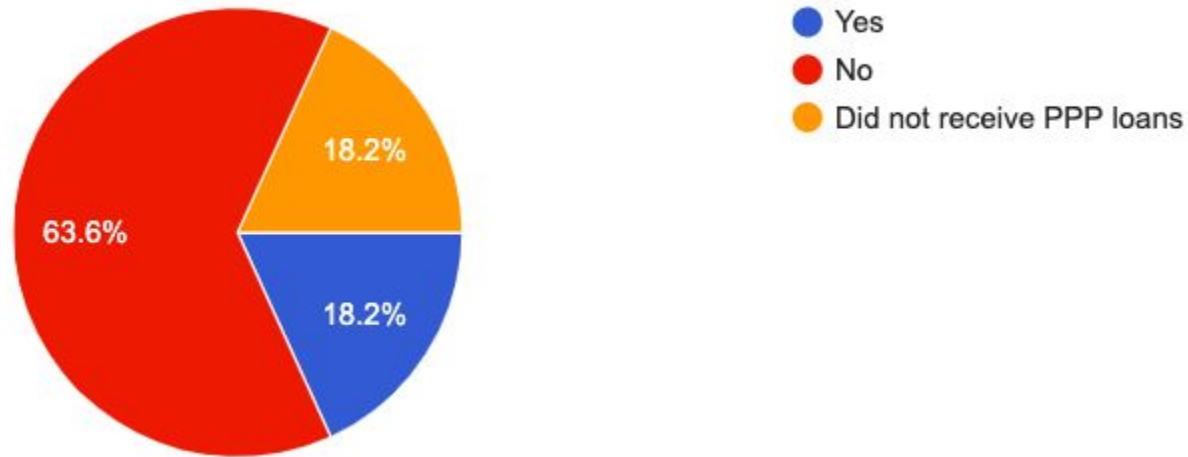
Did your startup receive any emergency financial support within the past six months, such as COVID-19 related loans from the Small Business Administration?



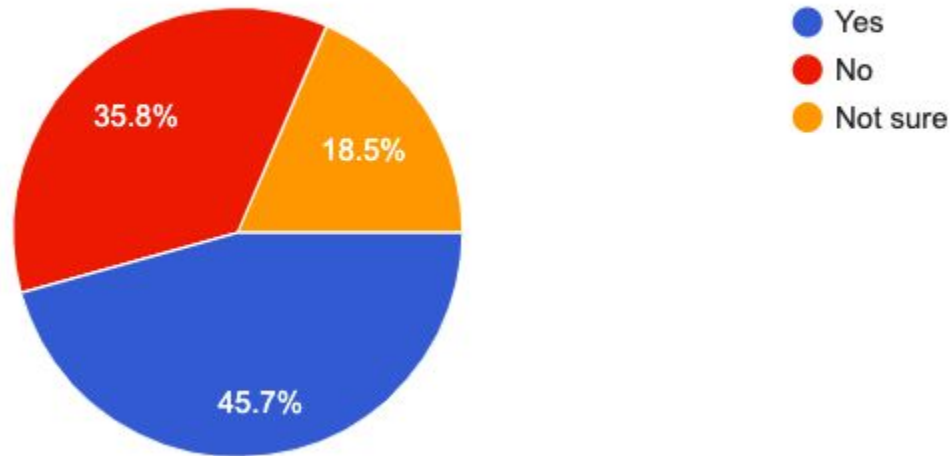
Was the amount of emergency funding that you received enough to support your business operations amidst the pandemic?



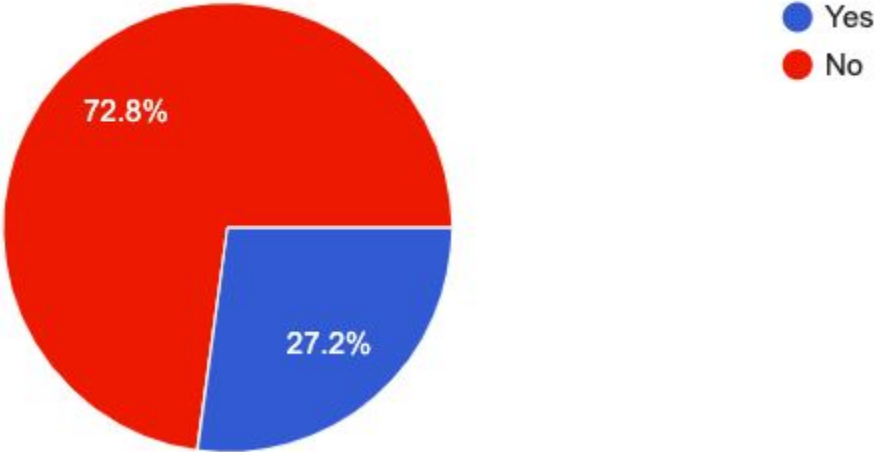
If you received PPP loans, have you faced any difficulties with the loan forgiveness process?



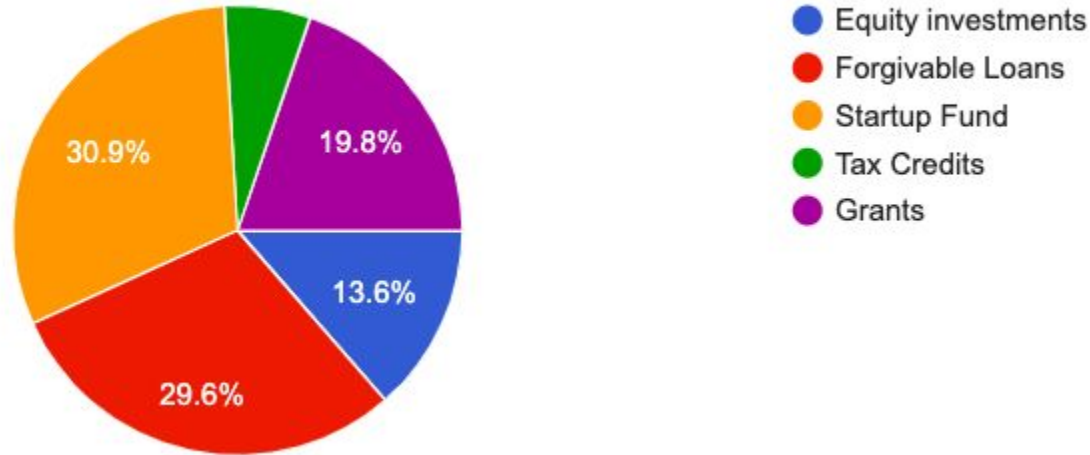
Do you believe that you will need emergency financial support to keep your business open through the end of the year?



Did you have to lay off any employees as a result of the COVID-19 pandemic or the associated economic uncertainty?



Which of the following five policy proposals do you believe will have the most positive impact on your business?



A hallway with a world map on the wall and a person walking in the distance. The map shows Africa, the Indian Ocean, and the Pacific Ocean. The hallway has a red carpet and glass walls. A person is walking away from the camera in the distance.

What additional forms of relief,
if any, do you believe
policymakers should offer to
U.S. startups at this time?

What Can Lawmakers Do?

Survey respondents had a variety of ideas for ways that policymakers could support the country's startup ecosystem, including:

- Creating a federal angel tax credit to court out-of-state investors and attract new investors.
- Revising the U.S. Securities and Exchange Commission's "accredited investor" definition in order to unlock more capital for early-stage startups by increasing the number of individuals who can participate in equity-based financing.
- Payroll tax relief for pre-revenue startups.
- Widening the SBIR and STTR programs to include U.S. startups not receiving federal funding.
- Automatic forgiveness for PPP loans under \$150,000.00
- Offering forgivable loans with a streamlined loan process that allows entrepreneurs to determine how funds are spent.

Conclusion

While a majority of respondents received emergency financial support within the past six months, more than three-fifths of startups said the amount of emergency funding they received was not enough to support their businesses. Respondents were also concerned about the long-term survival of their startups, with a plurality saying they needed emergency financial support to keep their doors open through the end of the year. As Congress continues to debate the framework of a new relief package, we asked respondents to consider some startup-specific policy proposals—such as equity investments, forgivable loans, a startup fund, tax credits, and grants—that have been floated by lawmakers and other companies. While a majority of respondents believed that each of these proposals would help support their companies, a plurality of startups said that creating a designated startup fund to support early-stage firms—many of which have had to compete with more established companies for PPP loans—would have the most positive impact on their businesses.