



NASS IDEAS Award Application – 2012 State of Colorado

Nominating State Office:

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Program Title:

Quarterly Business and Economic Indicators Report

Project Lead:

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Program Description:

The Colorado Secretary of State administers the state's central business registry. This incorporates hundreds of thousands of data points, including information on new business start-ups, trademarks, and dissolved businesses. Previously, this information had not been analyzed to provide value on a macro level.

Yet the information contained in the business registry has turned out to be helpful as an economic indicator. We partnered with the Leeds School of Business at The University of Colorado. They compared our business filings with other types of economic data to see if filings could predict economic trends. In fact, they found a correlation between new business filings and job growth.

Next, we created a quarterly report that we publish on our website and provide to the public at no charge. This information is one more tool business and public policy leaders can use when making important decisions, like hiring new employees and investing in business expansion.

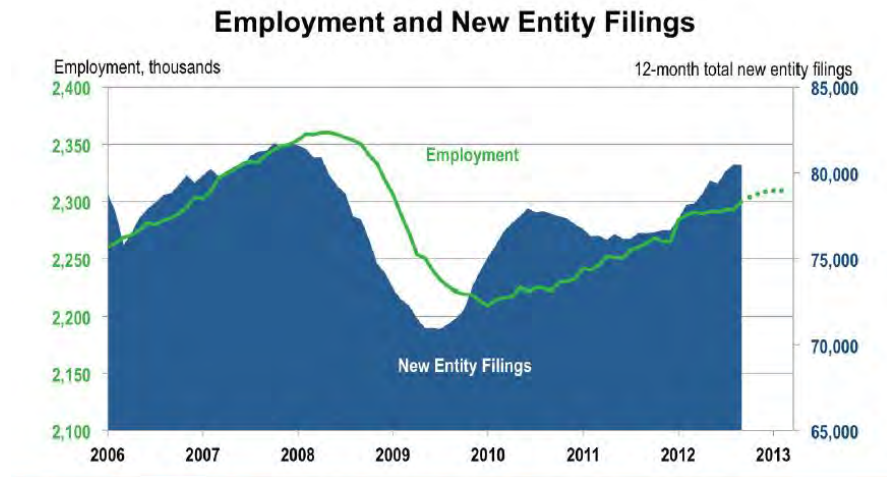
General Subject Area:

Business Registration

History

The Secretary of State runs Colorado's central business registry. The registry is an ocean of business data—information like new business start-ups, trademarks, and dissolved businesses. But no one had ever before analyzed this information to see if it could provide helpful insights into Colorado's economy. The Quarterly Business and Economic Indicators Report changed that.

Our office lacked the expertise needed to analyze the data. So we began in September or 2011 searching for a partner among Colorado's academic institutions. We chose the Business Research Division at The University of Colorado's Leeds School of Business. The Business Research Division provides high quality economic and fiscal analysis, market research, and customized research projects. It's a trusted source of economic information in Colorado, so it was an obvious partner.



Employment and New Entity Filings graphic from Third Quarter report

The Business Research Division (BRD) ran a regression analysis comparing business filing data with economic trends. The analysis followed several steps:

- Began by reviewing more than 6.8 million transactions from 1990 to 2011.
- From there, they categorized 37 transaction types from 2005 forward into five similar filing activities: new entity filings, existing entity filings, trademarks, trade names, and dissolution filings.
- A time series was created for each filing activity and compared against myriad economic data.

The analysis found that new entity filings were a leading indicator of employment. It also found that annual reports, or existing entity renewals, are a lagging indicator for Colorado real GDP and wages. Lagging indicators do not provide as much value for business and public policy decision makers as leading indicators.

So, we decided to focus on the connection between new business registrations and employment. As BRD economist Richard Wobbekind said on the conference call for the first report, "Finding turning points is difficult in economic forecasting. This seems to be a good indicator of the turning points." The predictive nature of the new business registration correlation with employment provides another tool for business owners when making strategic decisions like hiring new employees or opening another location.

The Report

The first Quarterly Business and Economic Indicators Report was released on May 9, 2012. It covered filing data from the first quarter of 2012. The six-page report contains data, graphics, and commentary from the Business Research Division. The highlight of the report was the finding that new entity filings are a predictor of short-term future employment changes.

But the report contains a wealth of information:

- A graphic with indicators for the coming quarter predicting employment, new entity filings, existing entity renewals, and unemployment;
- Employment forecasts, with the next quarter contrasted against the current quarter, and year-over-year forecast comparisons for the next two quarters;
- Filing data for the prior three months covering existing entity renewals and new entity filings, total entities in good standing, dissolutions, trademark and trade name filings;
- Additional economic indicators for Colorado and the nation, including GDP, employment, personal wealth, wage figures, and building permits.

These final figures are either publicly available or gathered by the BRD for its other reports. These economic indicators add value to the report by providing a greater context for business decision makers.

The Secretary of State publishes the report quarterly and posts it to the Secretary of State's website. It is also emailed to subscribers. There is no cost to access the report.

Following the close of the quarter, the BRD analyzes and prepares the report over the next month. The report is then released on the second Wednesday of the following month. The third quarter report was just released on November 14. Our office has held media conference calls in conjunction with the report's release as well, with economists from the BRD available to answer questions. These calls give the press, especially business and economics focused reporters, a chance to ask questions and dig into the data and forecasts for that quarter.

Significance

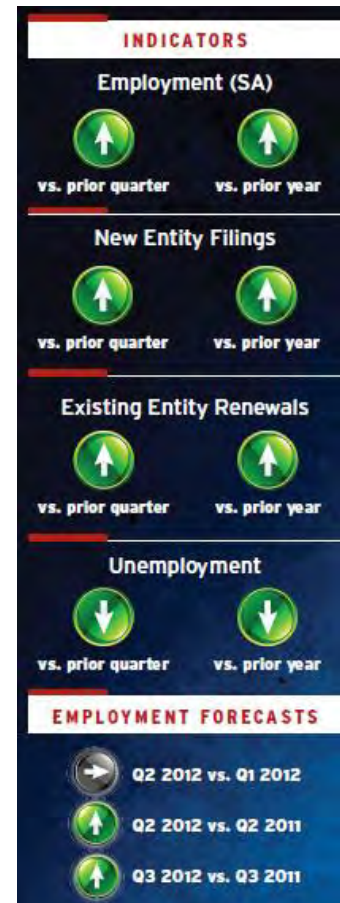
The Quarterly Business and Economic Indicators Report is the first of its kind in the country. No other government office is publishing a periodic report using central business registry data to analyze and predict economic trends. Uncertainty is a paralyzing force for business decision makers. The correlation between new business registrations and employment provides valuable insight into Colorado's economic future. And because this is public data, we have provided the report at no charge to the public. This gives even small businesses on a tight budget access to a powerful predictive tool.

Impacts

"This is valuable economic data and we applaud the Secretary of State for pioneering this use of local data to inform Colorado businesses and consumers about an improving economic climate," said Don Childears, President and CEO of the Colorado Bankers Association, on the release of the first quarterly report.

The quarterly report project has impacted both the Secretary of State's office as well as the state's business and public policy community. The analysis of business filing data has provided our office the opportunity to review trends and explore the impact of office policies on the filing public. Individual businesses, economic development professionals, and public policy decision-makers meanwhile have gained an important tool.

The report has also started discussions on ways we can continue to add value using the public data contained in the central business registry. One possible evolution would be geographic locators to give greater specificity to business activity. Another could be better integrating of the filing system itself across government agencies in Colorado. Filers would be served by a streamlined process while a common system would provide even more data that could be analyzed for economic trends.



Indicators and forecast graphics from the Third Quarter report

Supporting Materials

The Reports

[First Quarter](#)

[Second Quarter](#)

[Third Quarter](#)

Video Announcing Quarterly Report



<http://vimeo.com/41865138>

Media Conference Call Introducing First Report

May 9, 2012

Secretary of State Scott Gessler and BRD economist Richard Wobbekind introduce the report and answer media questions.

http://www.sos.state.co.us/pubs/business/quarterlyReports/2012_Q1.mp3

STATE OF COLORADO
Department of State
1700 Broadway
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Denver, CO 80290



Scott Gessler
Secretary of State

Suzanne Staiert
Deputy Secretary of State

News Release

EMBARGOED UNTIL 1:10PM CALL
May 9, 2012

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Data from Gessler's office predicts Colorado job growth

First quarterly economic indicators report predicts year-over-year job growth

Denver, Colorado – Colorado Secretary of State Scott Gessler today released the first Quarterly Business and Economic Indicators Report from Secretary of State data. The report predicts year-over-year job growth for the next two quarters of 2012.

The Secretary of State's office commissioned a study to find if the oceans of data in its business filing registry could provide helpful economic indicators. The Business Research Division at the University of Colorado's Leeds School of Business conducted the study and found a correlation between business filing data and employment.

"This new report gives business leaders another tool when they make important decisions, like hiring new employees," Secretary Gessler said. "I'm pleased to announce our first report indicates job growth for 2012 in Colorado."

"This is valuable economic data and we applaud the Secretary of State for pioneering this use of local data to inform Colorado businesses and consumers about an improving economic climate," said Don Childears, President and CEO of the Colorado Bankers Association.

Secretary Gessler will join Richard Wobbekind, Executive Director of the Business Research Division and Senior Associate Dean for Academic Programs at the University of Colorado Boulder, on a conference call today to introduce the findings from the first Quarterly Business & Economic Indicators Report.

Conference Call

Wednesday, May 9, 2012
1:10PM

Call-in number: 877-820-7831

Participant passcode: 584893#

A copy of the Quarterly Report is attached here. The report is embargoed until the conference call at 1:10PM.

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From the Denver Business Journal

:<http://www.bizjournals.com/denver/news/2012/05/09/colorado-secretary-of-states-office.html>

Colorado secretary of state's data points to job growth

Denver Business Journal by Heather Draper, Reporter

Date: Wednesday, May 9, 2012, 2:23pm MDT



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Colorado should experience year-over-year job growth in the next two quarters, according to data compiled by Colorado Secretary of State [Scott Gessler](#).

A jump in new business entity filings and existing entity renewals were credited in the prediction of job growth in the next six months. New entity filings in the first quarter of this year hit their highest level since the first quarter of 2005, according to the data.

Gessler on Wednesday released the first Quarterly Business and Economic Indicators Report based on data from its business filing registry.

The Business Research Division at the University of Colorado's Leeds School of Business conducted the study and found a correlation between business filing data and employment. Gessler's office commissioned the study to find if the reams of data in its business filing registry could provide helpful economic indicators.

"This new report gives business leaders another tool when they make important decisions, like hiring new employees," Gessler said. "I'm pleased to announce our first report indicates job growth for 2012 in Colorado."

Economist [Richard Wobbekind](#), executive director of the Business Research Division at Leeds, said he and his staff analyzed a variety of different data sources from the Secretary of State, "but only a couple of things were really valuable in terms of forecasting ability."

The new entity filings turned out to be the most valuable economic indicator, with a 63 percent correlation going forward four months, Wobbekind said.

"We found new business formation in the state will add precision to short-term forecasting out to six months," he said.

Nearly 22,600 startups submitted filings in the first quarter, up 2.5 percent from the first quarter of 2011.

"As these filings are a leading indicator, this jump augurs well for Colorado's economic picture," the report said.

The number of existing entity renewals also rose in the first quarter, jumping 14.4 percent from the fourth quarter of 2011.

"As existing entity renewals tend to follow the great economy, this growth reaffirms a strengthening business climate in Colorado," the report said.

Heather Draper covers banking, finance, law and the economy for the Denver Business Journal and writes for the "Finance Etc." blog. Phone: 303-803-9230.

Rising business starts in Colorado point to more jobs

By Aldo Svaldi *The Denver Post The Denver Post*

Posted: 5/9/2012

DenverPost.com

Business and nonprofit registrations in Colorado rose during the first quarter, which should support continued job growth in the months ahead, according to a new report Wednesday from the Colorado Secretary of State and the University of Colorado Boulder.

There were 22,599 new entity filings in the first quarter, a 7.4 percent increase from the first quarter of 2011.

The bulk of those new filings were business related, primarily limited liability companies at 16,364, and corporations at 2,909, with a sprinkling of non-profits at 828. The remainder were less common structures like cooperatives, partnerships and foreign-based businesses.

The number of entities in "good standing" with the state, meaning they are current on filing requirements, was 480,230, up from 460,631 in same first quarter a year earlier.

Colorado Secretary of State Scott Gessler said his office sits on a mountain of data, but lacks an economist to pull out the "gold" that might be useful to businesses and public officials.

So he asked Richard Wobbekind, an economist and executive director of the Business Research Division at C.U. Boulder's Leeds School of Business, to sift through the data. The result will be a free quarterly economic report.

Of the many strands of information the Secretary of State collects, one thing in particular, new entity filings, correlated well with changes in overall employment, Wobbekind said.

Had economists had that information available to them before the 2008 downturn, they would have received several months warning of what was coming, he said.

New business registrations in Colorado began a steep decline in early 2008, nearly a full year before employment counts dropped off a cliff.

"Finding turning points is difficult in economic forecasting," Wobbekind said. "This seems to be a good indicator of the turning points."

The new indicator could also shed a light on what is happening to people who are dropping out of the workforce but otherwise getting by financially.

Colorado's labor force of 2.75 million is about as big now as it was back in the fall of 2008 and hasn't grown despite tens of thousands of young people and newcomers to the state seeking work.

People starting businesses don't show up on official employment counts until they have a payroll and start adding staff. And while the rewards for many may be meager, they don't consider themselves unemployed either.

The annual rate of new business filings in Colorado dropped from more than 82,000 in 2007 to under 72,000 in early 2009, but it has since rebounded to 80,000.

The thinking is that if more people are starting businesses in the state, some will need to hire others as they

grow. Conversely, if fewer businesses are registering and more are shuttering, employment will fall.

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From the Denver Business Journal

:<http://www.bizjournals.com/denver/news/2012/11/14/colorado-business-filings-point-to.html>

Colorado business filings point to modest job growth in near term

Denver Business Journal by Heather Draper, Reporter

Date: Wednesday, November 14, 2012, 10:38am MST



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New business filings in Colorado were up in the third quarter from a year ago, which means the state should experience modest employment growth in the near term, according to a report released Wednesday by Secretary of State [Scott Gessler](#).

For the three months ending Sept. 30, there were 19,300 new entities that filed with the Colorado Secretary of State's Office. That's the highest number of third-quarter, new-entity filings since 2007.

Colorado recorded 80,500 new entities for the 12-month period ending in September, and existing entity renewals also rebounded in the third quarter, the report said.

"The strong correlation between new entity filings and total nonfarm employment [indicates] year-over-year employment growth in Q4," the report said. "This growth is expected to continue in 2013."

For the three months ending Sept. 30, about 96,500 entities filed annual reports, slightly higher than the number a year ago. That's the highest third quarter since 2006.

The report said other third-quarter economic indicators that point to positive growth for the state include a 3.2 percent increase in personal income from a year ago, a 4.9 percent hike in year-over-year retail sales, and a 3 percent rise in employee annual wages.

> [Click here to access the full report.](#)

Heather Draper covers banking, finance, law and the economy for the Denver Business Journal and writes for the "Finance Etc." blog. Phone: 303-803-9230.

Colorado's economic indicators rise in third quarter

By Kristen Leigh Painter *The Denver Post* *The Denver Post*
Posted: 11/14/2012

DenverPost.com

All economic indicators tracked by Colorado Secretary of State Scott Gessler and the University of Colorado at Boulder rose during the third quarter, according to a report released Wednesday .

In its first year of implementation, the quarterly business and economic indicators report stresses the importance of new and existing registrations for forecasting employment growth in Colorado.

New business and nonprofit registrations increased from last year's third quarter by 5.8 percent. Between July and September, 19,300 new entities were filed — the highest number of new filings in a third quarter since 2007.

When developing the model, Brian Lewandowski said he and his team at CU's Business Research Division considered a variety of metrics for predicting economic growth.

"The strongest correlation was between employment and new entity filings with about 90 percent correlation," Lewandowski said.

Existing business renewals saw a slightly less impressive improvement, with 0.2 percent more renewals in Q3 2012 over Q3 2011.

Colorado's retail sales, construction and income increased, as well as nonfarm employment, by 37,300 jobs — or 1.6 percent — in 2012 compared with 2011.

"I think all of that adds up to increased consumer confidence," Lewandowski said. "One caveat is that it doesn't take into account a fiscal-cliff scenario."

Their model is operating under the assumption that Congress will come to an agreement, preventing the across-the-board budget cuts.

Wednesday's report notes that Colorado's improvements in both income and employment outpace the nation.

This is only the third quarterly release in the report's history.

"So far, it has seemed to work pretty well," Gessler said. "Going forward, it looks like modestly good news."

Q2's report caused a stir when it reported a 17.9 percent decrease in business registration renewals. Amid complaint from businesses that never received a renewal notification, the state reviewed its system and found an error in its new electronic reminder process.

"What we can say is that the problem is fixed," Gessler said. "It was a combination of a learning curve among the business community and there was room for improvement among our e-mail systems."

Gessler said his office has aggressively reached out to local businesses in an attempt to educate them on the new electronic reminders.