



**MINNESOTA
BUSINESS
SNAPSHOT**

This report is a collaboration between the Office of the Minnesota Secretary of State and St. Cloud State University, School of Public Affairs Research Institute.



OFFICE OF THE MINNESOTA
SECRETARY OF STATE



SCHOOL OF PUBLIC AFFAIRS
RESEARCH INSTITUTE
ST. CLOUD STATE UNIVERSITY.

Office of the Minnesota Secretary of State

Administration

180 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155
651-201-1324

Business Services

Retirement Systems of Minnesota Building
60 Empire Dr., Suite 100
Saint Paul, MN 55103
651-296-2803

I am pleased to introduce the Minnesota Business Snapshot.

In 2015 the Office of the Secretary of State, in partnership with St. Cloud State University, began to design a voluntary survey with the goal of making a publicly available compilation of economic and demographic characteristics of new business filers – the focus of our current quarterly reports – and existing businesses that renewed their filings. Relying on the expertise of the School of Public Affairs Research Institute at St. Cloud State University, we chose to create a new product to make available demographic and geographic data about the formation of new businesses and the growth of existing businesses in Minnesota. The data collected resulted in the following document, the Minnesota Business Snapshot.

This would not have been possible without the civic and entrepreneurial spirit of so many Minnesotans who operate businesses and non-profits in our state. In fact, the genesis of the Minnesota Business Snapshot began before I was first elected Secretary of State. I was at an event when a military veteran approached me with a problem – he wanted to do business with other veteran-owned businesses but didn't have a way to identify which businesses were run by vets. After assuming office the following year, more requests like this came in, and I always thought back to that vet. The hard work of many went into this report, but the idea and credit for this Snapshot is most properly attributed back to that exchange with a resident of Minnesota. It serves as a good reminder that the best ideas come from the people.

When this project started, we anticipated a 10-15 percent response rate from new and repeat businesses. Instead, Minnesotans responded as they so often do – with care and enthusiasm for the public good. More than 60 percent of roughly 60,000 new business filers volunteered to answer our survey, and more than 118,000 existing Minnesota business filers did so as well. This outpouring of voluntary responses was critical to our work, which will ultimately benefit Minnesotans who now have access to a trove of demographic information about the people who drive the Minnesota economy.

This data within this report demonstrates the opportunity for economic advancement that entrepreneurship in Minnesota provides to women, communities of color, recent immigrants and refugees. A far greater share of new filings are made by members of these communities, as compared to renewals. This data, layered over geographic variables, will be valuable for existing organizations and those seeking a competitive advantage.

I look forward to the future of this partnership between my office, St. Cloud State, and the people of Minnesota. This survey is called the Minnesota Business Snapshot because it is a story about business formation at a single point in time. It is my hope that this work will further strengthen Minnesota's already strong business climate and become a valuable tool for business owners and entrepreneurs.

My office has long been committed to streamlining the efficiency of business services offered by our staff. In making available our newest product, the Minnesota Business Snapshot, we are increasing the value of our business services division through a new data tool and further strengthen Minnesota's business climate.

A handwritten signature in black ink that reads "Steve Simon". The signature is written in a cursive, flowing style.

Steve Simon

Minnesota Secretary of State

In the first quarter of 2014, the inaugural Quarterly Economic and Business Conditions Reports were published by the Office of the Minnesota Secretary of State.

These reports—produced in collaboration with the St. Cloud State University School of Public Affairs Research Institute—highlight new business filings in the State of Minnesota, broken out in six different geographic areas, as a key ingredient of measuring regional economic performance around the state. The reports are found on the Secretary of State’s website, and are also archived in the St. Cloud State University (SCSU) Institutional Repository. The reports also feature predictive indexes of leading economic indicators, maps, regional labor market information, regional bankruptcies, data from the largest metropolitan areas within the region, and a summary of state and national economic indicators.

While other researchers have used new business filing data to analyze economic conditions for the state as a whole, the Minnesota Office of the Secretary of State appears to be unique in using these data to publish quarterly economic performance reports for different regions around the state.

Which brings us to this report. In the fall of 2015, Minnesota Secretary of State Steve Simon and his team began to reach out to various key stakeholders to design a voluntary survey that could be completed by new and continuing business filers that would; a) provide an opportunity for Minnesota businesses to collaborate with one another more easily and, b) would provide more detailed information on the economic and demographic make-up of Minnesota businesses.

The result was the **Minnesota Business Snapshot**—a voluntary five question survey that was first offered to business filers in September 2016. The quarterly reports provide information from the Minnesota Business Snapshot (MBS) on the new firm’s employment, revenues, the business sector it has entered, and whether the new entity is a full- or part-time endeavor for the new business filer. Summary information from this data set—including whether the new business owner self-identifies as a member of the disability community, a woman, a member of a community of color, a veteran, and/or a member of the immigrant community—is also published in each quarterly report. The data from the MBS, either in its totality or in customized search results can be purchased from the Secretary of State’s office by calling 651-296-2803 or 1-877-551-6767.

The growing set of MBS data provides new opportunities to analyze economic and business conditions around the state. Given the size and complexity of the business filing data set—there are tens of millions of records across numerous filing categories—it is beyond the scope of these reports to analyze the MBS information in detail each quarter. This annual report is the initial attempt to undertake a truly detailed analysis of the Minnesota Business Snapshot. For example, for the first time, annual renewals and reinstatements are included in the analysis. In addition, the report looks at MBS information across a range of different geographical representations—statewide, planning areas, and seven different counties.

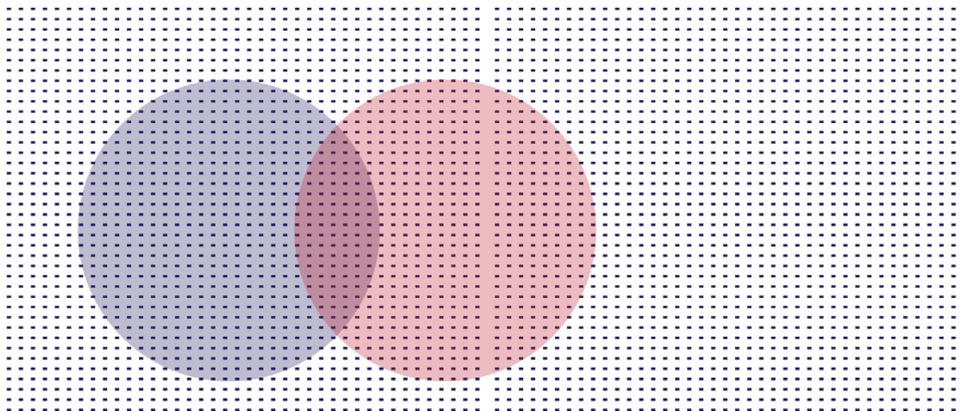
This annual report begins with an executive summary that serves as a primer for the remainder of the report. The report continues with an analysis of the MBS dataset by geographic region (this is Part 1 of the main section). Readers who wish to study the geographic distribution of MBS responses for new and continuing business filers i) by quarter, ii) across the state, iii) by planning area, and iv) throughout seven counties that are included in this study, will want to turn to this section first.

Part 2 looks at the distribution of new and continuing filers across a range of different demographic characteristics that are found in the MBS survey. Data in this section are broken out for males/females, members of a disability community, military veterans, members of a community of color, and immigrants across a variety of dimensions, including different geographical regions (statewide, planning area, county). While none of the three parts in the main section of this report are completely self-contained, the reader who is primarily interested in the demographic distribution of MBS results can turn to this section first.

Part 3 examines the business information for new and continuing filers from the Minnesota Business Snapshot. For example, it highlights information from across the state, planning areas, and counties that relate to employment levels and revenue ranges for Minnesota businesses. This section also looks at the numbers of part- and full-time business owners across the state. The distribution of Minnesota businesses across different industries is also examined in this portion of the MBS.

As readers work through this report they will realize how the variables in the Minnesota Business Snapshot interact with one another in such a way that Minnesota business conditions can be analyzed across a variety of different combinations. Space limitations restrict a more full exploration of the variables, but countless data combinations are feasible with the MBS information.

A concluding section is offered to highlight some of the key findings from this inaugural report as well as the considerable potential of this data set. A short glossary at the end of the document covers some of the less familiar terms that are used in the study. The uniqueness of the Minnesota Business Snapshot makes it a valuable resource to researchers, economic development officials, policy makers, public officials, and especially entrepreneurs. It is hoped that this annual report provides a springboard for others to utilize and analyze this rich data set.



Key Findings and Future Opportunities

This first annual report of the Minnesota Business Snapshot (MBS) highlights the ways in which this rich data set can be used to evaluate business and economic conditions across a range of geography and demographic metrics in the State of Minnesota. Opportunities for entrepreneurs, policy makers, researchers, economic developers, and public officials to use this information will continue to evolve as this data set expands and trends emerge.

Among the many key findings highlighted in this initial installment of the Annual Report of the Minnesota Business Snapshot:

Minnesotans are civically engaged

Initial estimates about the number of entities that would answer the survey hovered around 10 – 20 percent. However, the response rate to the MBS among new business filers averaged approximately 60 percent in each quarter of 2017. The fact that so many people answered the survey told us two things: that Minnesotans saw the questions being asked as relevant and that they wanted to participate and share information with their fellow businesses.

Construction is robust in Minnesota

Other than the catch-all “other services” sector, the largest number of new business owners in 2017 was in the construction sector and was most popular for male new filers. The retail trade sector is the most popular with female new business owners.

Minnesotans appear bullish about the success of their new endeavors

55 percent of new business owners are full-time. 58 percent of continuing filers consider themselves to be full-time—the other 42 percent are part-time business owners.

The Twin Cities continues to enjoy robust performance as a percentage of the state’s economic activity

The Twin Cities planning area (seven counties), representing approximately 59 percent of the state population, accounts for about 69 percent of new business filings and 64 percent of continuing filings of renewal/reinstatement.

Women entrepreneurs in greater Minnesota outperform their counterparts in Twin Cities

For example, there is an eight percent difference between the region with the highest percentage of female new business filers (the Northeast planning area) and that with the lowest percentage (the Twin Cities).

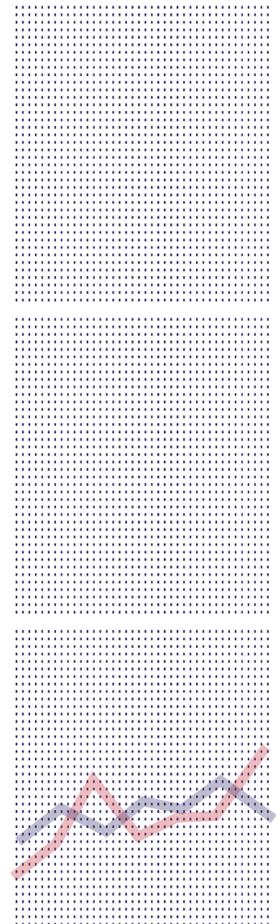
The Northeast planning area has the largest percentage of new and continuing filers who are veterans; the Twin Cities has the lowest share of veteran business owners. Overall 5.5 percent of new filers completing the MBS are military veterans. This is lower than the 6.6 percent of continuing filers who report being veterans.

Recent immigrant new business owners are almost exclusively from the Twin Cities

2,268 of the 2,565 (representing 88.4 percent) immigrant new business owners who completed the MBS are from the Twin Cities. Besides the “other services” sector, the most popular sectors of new business owners from the immigrant community are construction, transportation/warehousing, health care/social assistance, and retail trade.

In addition, other relevant and interesting data points explored in this report include:

- The Central planning area has a 10 percent share of both new and continuing filings. The Northeast and Southwest planning areas have the lowest number of filings.
- Hennepin and Ramsey counties accounted for 42 percent of continuing business filers that completed the MBS in 2017.
- The share of female new business owners who completed the MBS in 2017 was 37 percent. The share of female filers for renewal/reinstatement was 30 percent.
- With the exception of the generic “other services” sector, the most common industry for female renewals/reinstatements is real estate/rental/leasing. The professional/scientific/technical sector is particularly popular with female continuing filers in the Twin Cities.
- There are more than four times the number of male continuing filers with greater than \$1 million in annual business gross revenues as there are female continuing filers in the Twin Cities planning area (the overall ratio of male to female continuing filers in the Twin Cities is 2.3 to 1).
- Of those who filled out the MBS, 11.2 percent of new business filers were from a community of color. Only 5 percent of continuing filers report being a member of a community of color.
- There is a wide variation across Minnesota planning areas in the share of both new and continuing business owners who are members of a community of color. For example, nearly 15 percent of new business owners in the Twin Cities are from a community of color. By contrast, this percentage is only a little over 3 percent of new filers in the Northeast, Northwest, and Southwest planning areas.
- Only 2 percent of new business filers and 1.4 percent of continuing businesses who filed for renewal/reinstatement report being members of a disability community. Other than “other services”, the most popular sectors for new filers who are members of the disability community are arts/entertainment/recreation, retail trade, and professional/scientific/technical sectors.
- 6.9 percent of new business filers who completed the MBS are from an immigrant community. This is much higher than the 2.7 percent of continuing filers who report being immigrants.
- A side-by-side comparison of demographic characteristics and business information for continuing business filers is provided for Hennepin and Ramsey counties. Hennepin County has a larger share of renewal/reinstatement filings who are female, veterans, immigrants, or part-time business owners. Conversely, Ramsey County has a greater percentage of male and full-time business owners.
- 95 percent of new business filers have 0-5 employees and 2.5 percent have 6-50 employees. 86.3 percent of renewals/reinstatements are by firms who have 0-5 employees. 9 percent of continuing filers have an employment level of 6-50 workers.
- Most new businesses (51.3 percent) in Minnesota begin with 0-\$10,000 in annual gross revenue. Another 6.9 percent have \$10,001-\$50,000 in revenues. 1,012 (2.7 percent) new businesses report annual gross revenues in excess of \$1M.
- Only 25 percent of continuing businesses report annual gross revenues below \$10,000. 15 percent have revenues between \$10,001 and \$50,000. Another 19 percent have revenues in the \$50,001 - \$250,000 range. Ten percent have between \$250,001 and \$1M, and 9 percent of renewals/reinstatements were filed by firms with more than \$1M of gross revenues in 2017.
- The most popular industries for part-time new owners are retail trade, real estate/rental/leasing, and arts/entertainment/recreation. The most popular industries for full-time new business filers are construction, professional/scientific/technical, and retail trade.



Executive Summary—A Primer for the MBS Annual Report

The Minnesota Business Snapshot (MBS) is a voluntary survey completed by business owners or their representatives when they file to create or renew business entities. In 2017, 37,325 new and 118,509 existing businesses completed the MBS. This survey will provide business owners and policy makers with key insights about business formation, entrepreneurship and economic growth.

The 37,325 responses of new business owners to the MBS represents 60% of the 61,424 new business filings in the state, ensuring that the sample is representative of the entire population of new businesses in Minnesota. While it is harder to know what share of existing businesses is represented by the 118,509 responses in the MBS from renewals or reinstatements, we know that (according to the Internal Revenue Service) in 2016 there were 192,476 corporations, LLCs and partnerships that filed tax returns in Minnesota. This is not the entire story, however, because this number excludes sole proprietorships. According to the U.S. Census, in 2014 there were 394,690 businesses in Minnesota that did not hire an employee, and in 2012 the Census concluded there were 489,494 business owners in Minnesota. Thus, the existing firm sample has a smaller response rate.

In contrast, the number of new firms that have five or fewer employees and less than \$10,000 in revenue make up more than 75% of those who responded to both MBS questions. However, of the 30% of respondents that did not respond to the revenue question, nearly all had five or fewer employees. Of those who renewed or reinstated their business filings, only 36.8% reported five or fewer employees and less than \$10,000 of revenue. In contrast, 4.2% of such firms reported five or fewer employees and at least \$1 million of revenue. Of the 10,219 renewing or reinstating entities with more than \$1 million in revenue, 49% had between six and 50 employees.

This survey is titled Minnesota Business Snapshot, and indeed it is a story about business formation at a single point in time. It is our hope that Minnesotans benefit from access to this information, and that we are able to create a malleable database in the years to come that will be of greater and greater value to Minnesota business owners, policymakers, and academics.

Table 1--Minnesota Business Snapshot Filings by various demographics, 2017. Comparative data from U.S. Census, Survey of Business Owners, 2012

	U.S. Census, Survey of Business Owners, 2012		2017 Minnesota Business Snapshot			
	Total	Percent	Total New	Share of new	Total renewals	Share of renewals
Business Owners	489,494	100%	37,325	100%	118,509	100%
Minority (Community of Color)	47,302	9.7%	4,181	11.2%	5,883	5.0%
Female	141,071	28.8%	13,809	37.0%	35,026	29.6%
Veterans	45,582	9.3%	2,048	5.5%	7,819	6.6%
Immigrant	NA	NA	2,565	6.9%	3,171	2.7%

Table 2--Share of Minnesota Business Snapshot respondents indicating more than \$1 million in revenues, 2017.

Planning areas	New firms	Renewals and reinstatements
Central Minnesota	1.6%	8.9%
Northeast Minnesota	2.6%	8.5%
Northwest Minnesota	3.4%	11.5%
Southeast Minnesota	2.4%	9.9%
Southwest Minnesota	1.6%	10.6%
Twin Cities (7-county)	4.7%	11.7%

Brief Description of Data

Given the size of the business filing data set, SCSU School of Public Affairs Research Institute (SOPARI) researchers split the information on new and continuing business filings that is received from the Office of the Minnesota Secretary of State into a quarterly frequency. Among other things, this allows researchers to highlight seasonal patterns that arise in business filings and makes it possible to produce quarterly reports that highlight economic performance around the state. Some of the data analyzed in this annual report is provided in quarterly tables and charts. In addition, the data from **new** business filers is analyzed separately from **continuing** (which represents those firms that file annual renewals or reinstatements) filers. The new and continuing business filings that are analyzed in this data set are for those firms that file as either a limited liability company, corporation, non-profit, or who file for an assumed name.

Given the way the MBS data are collected, the responses to the MBS survey that are submitted with **new** business filings allow a traditional response rate to be calculated for filling out this voluntary survey. So, for example, in the first quarter of 2017, sixty percent of new business filers filled out the Minnesota Business Snapshot¹. The MBS data have been collected since the final week of September 2016. This means the fourth quarter of 2016 (henceforth referred to as 2016:IV) was the first full quarter in which the MBS data were collected. Since this report represents the MBS responses for a full year of data, we only report the survey responses from calendar year 2017. This allows us to establish 2017 as the baseline year upon which comparisons to future years can be made.

¹ Survey response rates are rounded to the nearest whole number. The true response rate for new business filers in the first quarter of 2017 was 60.078959 percent.

To say that the response rate that has been achieved for new business filers has been above and beyond what was initially anticipated when this project started would be an understatement.

While not all business filers that fill out the MBS complete all of the survey questions, a 60 percent response rate helps establish the validity of this data set in reporting key characteristics of new business filings.²

It is more difficult to interpret the MBS survey response rates of continuing business filers that submit annual renewals or reinstatements. Because the responses used to build the MBS responses for continuing filers is constantly updated when businesses renew or are reinstated, **the most recent MBS response by a company will be used as their response.**

So, for example, if a continuing filer submitted an annual renewal in the fourth quarter of 2016 (2016:IV) and voluntarily completed an MBS survey at that time, this would have been captured in 2016:IV data. If that same business submitted a renewal again in the fourth quarter of 2017 (2017:IV) and once again filled out an MBS survey, the 2016:IV MBS response would be updated to the most recently completed survey. Another continuing filer might have filled out an MBS survey in 2016:IV and then decided not to update the MBS filing when renewing in 2017:IV. This company would still have an MBS response associated with it (but it would represent the survey that was completed in 2016:IV).

This means that for any given quarter, there will be some continuing filers that i) submitted an MBS survey for the first time, ii) filled out a new MBS survey, iii) chose not to fill out the MBS, but had previously completed a survey, and iv) chose not to fill out the MBS and had never completed a survey. This makes interpretation of a response rate for continuing filers submitting annual renewals or reinstatements particularly challenging. Consequently, while we analyze the considerable (and rich) volume of MBS data submitted by continuing filers, the reader is cautioned in how to interpret response rates for this set of companies.

In order to further establish the statistical validity of this data set, throughout this report we provide external evidence to which to compare the findings from the MBS data set.

But, the external evidence produced throughout this report does appear to make a strong case for the validity of the MBS data set as a representative sample of valuable business information.

In many cases, these external findings are from a national sample, so care needs to be exercised in comparing this to a Minnesota sample.

There are, of course, many other findings found throughout this document. Future editions of this annual report will be able to extend the research on Minnesota business filings as well as validate the key findings found in the bullet points referenced at the beginning of this executive summary.

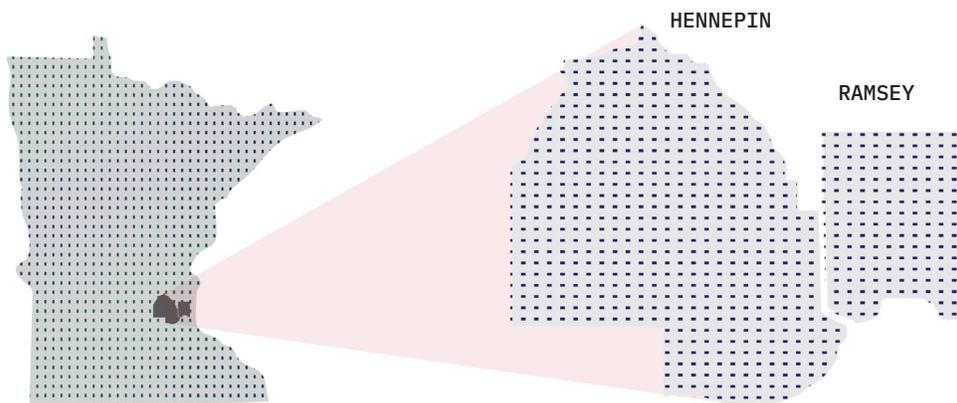
While the separate Quarterly Economic and Business Conditions Reports published by the Office of the Minnesota Secretary of State explore the pattern of new business filings across Minnesota's six planning areas (they also look at aggregate results of quarterly Minnesota Business Snapshot responses by new business owners), this is the first truly comprehensive analysis of renewals/reinstatements of continuing business filers that complete the MBS.

² Consider that there was a total of 61,424 new business filings for incorporation, limited liability company, assumed name, and non-profit in Minnesota in 2017. There was a total of 37,325 responses to the voluntary MBS survey by these new filers. At a 99 percent confidence level, 13,904 responses are needed in order to have a confidence interval of plus or minus 1. With a sample size of 37,325, the responses to the MBS by new business filers far exceed this threshold.

Special Analysis: Hennepin & Ramsey Counties

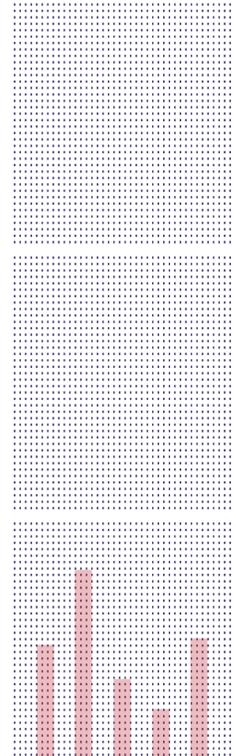
The report analyzes business information at the county level. Among the interesting results from the two largest (in terms of continuing business filing) counties in the state are that:

- Relative to population, Hennepin County has a larger share of business filings than Ramsey County
- Ramsey County has a slightly higher percentage of existing firms with employment in the upper ranges of the MBS survey than Hennepin County
- Perhaps because Ramsey County has, on average, larger businesses, they have a larger share of firms with annual revenues exceeding \$1M than Hennepin County
- Male continuing filers in Hennepin County tend to have relatively high gross revenues in the manufacturing, wholesale trade, health care/social assistance, and accommodation/food service industries. Female continuing filers in Hennepin County appear to not have any sectors for which they have a disproportionately high share of revenues
- Ramsey County male business owners who filed renewals/reinstatements in the construction, manufacturing, wholesale trade, retail trade, finance/insurance, professional/scientific/technical, administrative, and accommodation/food service sectors tended to have a relatively large proportion of firms with revenues in the over \$1M revenue range. Among female owners in Ramsey County, only the construction and wholesale trade sectors (sectors with very few female owners) had the largest share of their firms in the over \$1M revenue category
- Immigrant existing owners who filed renewals/reinstatements in Hennepin and Ramsey counties were unlikely to be in sectors in which the highest revenue classification of over \$1M were likely to be experienced
- Relatively few filers from a community of color in Hennepin County were in sectors that experienced annual business revenues in excess of \$250,000. In Ramsey County, the health care/social assistance and professional/scientific/technical sectors had a relatively large proportion of existing business owners from a community of color with gross business revenues exceeding \$250,000.



The potential uses of this emerging data set are both broad and deep. For example, the MBS allows researchers, economic developers, public officials, policy makers, and entrepreneurs the ability to:

- Connect Minnesota businesses to one another and encourage economic development!
- Access business owner data on a regional basis with relatively little lag in data availability.
- Analyze key demographic characteristics of Minnesota business owners as well as other business information at the county level (and even at the census tract level).
- Visualize—using maps, tables, and charts—patterns of business formation across the state.
- Break down business filing data by new and existing firms.
- Examine the new and continuing business filing status of different types of firms (such as limited liability companies, corporations, assumed names, and non-profits).
- Make county-by-county comparisons of entrepreneurship variables.
- Analyze, over time, changing business conditions around the state, in its planning areas, economic development regions, counties, etc.
- Track the changing composition of business ownership over time of females, immigrants, members of a community of color, military veterans, and members of a disability community.
- Examine the changing sectoral composition of new and continuing business filers, and how this varies from one region to another.
- Supplement other business and economic performance data with timely information on new and continuing business filings.
- Analyze how the overall pattern of firm size—in terms of employment and revenue conditions—changes over time.
- Examine how full- and part-time status of Minnesota business owners varies by region and over time.
- Analyze how changes in the Minnesota Business Snapshot results experience seasonal, cyclical, and structural variation.



Given that it is available with a relatively short lag, it can be used as an alternative to other data sets, when contemporaneous information is needed to evaluate business formation projects. Of course, the MBS can also be used to validate the trends reported in other data measures.

The MBS is unique in its potential as a tool to explore the considerable dimensions of local/regional business filing data in Minnesota.

Using GIS techniques to geocode the millions of records in the data set, details of business filings—including the sectoral distribution of regional firms, their levels of employment and revenues, their part- and full-time status, and various demographic features associated with the business—can now be transformed into maps, tables, and charts that are useful in evaluating local and regional economic performance.

These resources are equally valuable for entrepreneurs to identify regional business opportunities. As a companion to the Quarterly Economic and Business Conditions Reports that are published by the Office of the Minnesota Secretary of State, this annual report promises to be required reading for those who wish to explore the depths of business information in their region.