

Business Formation in Connecticut: 2000-2015

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The Connecticut Secretary of the State's office maintains records of all business entities in the state.¹ From these records, an aggregation of business type and location has produced interesting data on business formation change in Connecticut over time. This information is available publicly from 1980 to 2015 by business entity type and geographically down to town levels.² This article examines business formation change from 2000-2015 and shows how recent cyclical factors have impacted business development in the state.

By Business Type

During the past 15 years of available data, statewide business formation peaked in 2007 at 25,048 establishments, 31% above 2000 levels. It troughed in 2010 at 20,199 and was 22,714 in 2015. When this statewide topline is broken down into contributing component industry type it indicates that 93.3% of Connecticut business formations were LLCs (Limited Liability Company) in 2015.

Three major business entity types comprise a majority of formations in the state, LLCs, Stock Corporations, and Nonstock Corporations. Combined these three types have increased their

share from 97.6% of all business formations in 2000 to 99.1% in 2015. The remaining 0.9% of Connecticut business formations includes Limited and General Partnerships, Benefit Corporations, and Statutory Trusts.

During this 15 year period some noticeable shifts in formation by entity share occurred. LLCs had the largest share increase, increasing 10.1 percentage points to 93.3% of business formations in 2015, whereas Stock Corporations had corresponding loss, decreasing by 7.0 percentage points to 4.0%. Nonstock Corporations also experienced a decline, falling from 3.4% to 1.8% by 2015.

The business formation data is also available by Connecticut and Non-Connecticut businesses. As a percent of total business formations in the state, Non-CT businesses last peaked in 2008 at 4.4%, dipped to 4.0% in 2013 and reached 4.4% again from 2014 to 2015.

Business Formation By County

Business formation has varied significantly across the state over the past 15 years. County level analysis helps illustrate this contrast. County-level business entity growth has increased the most in Fairfield County, which

increased from 6,092 business formations in 2000, to a 2007 peak of 9,048. After falling to 7,519 business formations by 2010, the region has rebounded, at or above 8,600 entities from 2012 onward and peaked at 9,209 in 2015 (chart).

Hartford and New Haven counties exhibited similar, flatter change over time, respectively, growing from 4,618 and 4,418 formations in 2000, to peaks of approximately 5,600. As of 2015 the two counties have formation counts of 4,831 and 4,819, respectively.

The remaining counties of the state have relatively lower formation counts ranging between 310 and 1,383 over the 15 year span. The smaller counties in Connecticut all experienced similar peak to trough contractions and post trough formation growth below 6.6%, slower than the three largest counties.

Town Level Change

Of the state's 169 cities and towns, the largest increases in business formations from the prior peak year of 2007 to 2015 were Bridgeport (+214, +26.6%), Stamford (+120, +8.2%) and Norwalk (+95, +11.4%). The largest decreases over that term happened in Hartford (-98, -11.4%), Westport (-78, -15.4%) and Newtown (-77, -32.7%).

This newly-available aggregation of Connecticut business registration data helps illustrate where shifts within the state economy are occurring. After a 19.4% drop in business formation from the 2007-2010, the current statewide level of 22,714 is just 9.3 percent below peak levels. ■

1 Summary statistics are published monthly in the Connecticut Economic Digest on page 7.

2 Connecticut Data Collaborative. Connecticut Businesses, <http://ctbusiness.ctdata.org>.

