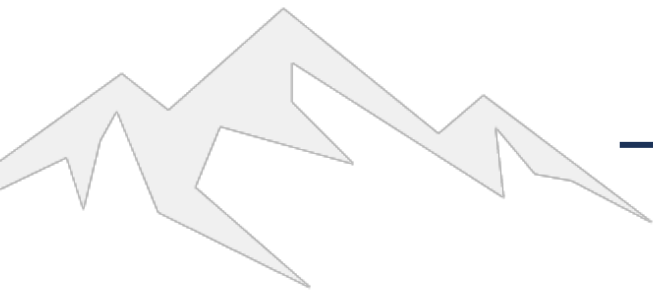




Colorado's Business Climate in Decline

May 2026

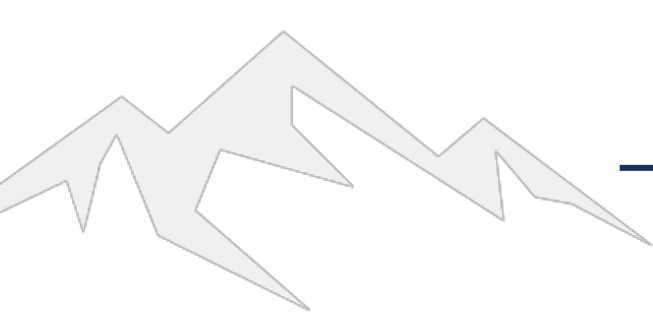


About the Author

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Elizabeth serves as the Outreach Director and Policy Analyst at Advance Colorado. She previously worked for the Colorado House of Representatives for nearly three years as a legislative aide, where she assisted in policy work across a range of issue areas for the caucus. Elizabeth earned dual undergraduate degrees in Politics and Philosophy from Colorado Christian University. While at CCU, she served as President of the Philosophy Club, participated in First Liberty's D.C. Fellowship Program, and worked with the Centennial Institute. She and her husband, Jason, live in Littleton.



Introduction

For decades, Colorado worked to cultivate a reputation as one of the most dynamic and business-friendly states in the country. With factors such as a flat corporate income tax rate of 4.4%, a diverse economy that spans from agriculture to aerospace, low costs for starting a business, and natural beauty contributing to its reputation, Colorado’s environment has attracted both startups and major corporations, helping position the state as a hub for innovation in the United States.

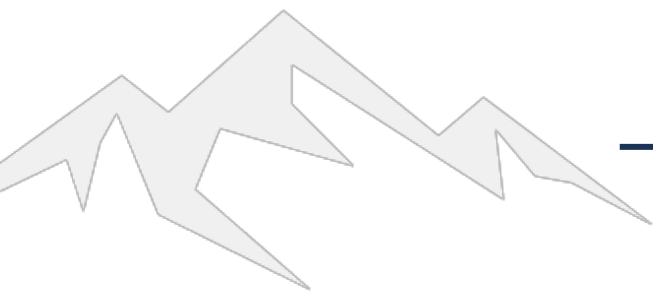
However, recent data and business feedback suggest that this reputation is shifting in the opposite direction. Concerns about increased red tape, higher costs, and anti-business policies have become more prominent among employers and industry groups. At the same time, a growing number of companies have either relocated or expanded their operations elsewhere.

Taken together, these trends suggest that Colorado is at an inflection point. As of 2026, it has been ranked the 6th most regulated state and 36th on the Chief Executive's Best & Worst States for Business ranking. While Colorado retains many structural advantages, the trajectory of its policy environment and business sentiment raises important questions about its long-term economic competitiveness. (1)(2)

Rising Regulatory Burdens

One of the most frequently cited challenges facing businesses in Colorado is the rapid expansion of regulatory requirements. Over the past several years, employers across industries have reported a growing volume of rules, mandates, and compliance obligations that must be navigated in order to operate within the state. This type of red tape has not only complicated the day-to-day operations of businesses but has also added more costs business owners are forced to bear. The consequences are clear, as Colorado now ranks 38th in the nation for the cost of doing business. (3)

The Colorado Chamber Foundation’s most recent regulatory update has found that Colorado experienced a considerable increase in state-level



business restrictions last year, growing from 200,000 in 2024 to over 205,000 in 2025, a 2.4% increase. (1)

200,000+

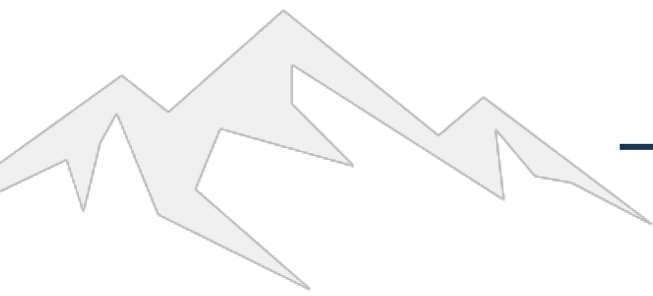
The number of state regulations on businesses in Colorado, with 45% identified as excessive or duplicative.

(3)

In addition to thousands of additional regulations, the Colorado Chamber found that Colorado has maintained its status as the 6th most regulated state in the country, since 2024. The cumulative effect of these regulations is not limited to any single policy change. Rather, it reflects a broader trend in which the overall compliance burden continues to increase over time, resulting in an unpredictable environment for small business owners and large corporations alike.

The response from the business community has not been quiet. According to the Colorado Chamber’s 2026 Legislative Agenda, 70% of Colorado business leaders cite regulatory burdens in the top three of challenges for their business, and 97% of business leaders support implementing periodic regulatory evaluations to review and streamline existing rules. This near-unanimous level of support highlights the extent to which regulatory accumulation has become a central concern for employers in the state. (3)

An analysis of Colorado’s regulatory climate highlights how this “expanding rulebook” has created a more challenging environment for small businesses especially, which must navigate increasing complexities while also remaining competitive. They often lack dedicated compliance teams and sufficient legal resources to constantly change at each new whim of state regulators, often making it impossible to absorb regulatory costs. As a result, the expansion of regulatory requirements can act as a disproportionate barrier to growth,



diverting time and resources away from core business operations and often forcing eventual closure. Some of these new regulatory burdens include:

- Requirements for businesses to include pay ranges in job postings and post promotion opportunities internally.
- Heavier compliance expectations for paid sick leave or wage transparency, rather than abiding by internal company policies.
- Businesses being forced to increase their minimum wage, causing them to let go of employees or halt hiring entirely.
- Stricter energy and environmental standards with costs for updates, higher utility bills, and fines for failing to comply.
- Expanding paid leave for employees for family or medical reasons under Colorado’s Family and Medical Leave Insurance program, affecting payroll and staffing logistics.
- Stronger enforcement of new rules and regulations through hefty fines if employers fail to comply. (4)

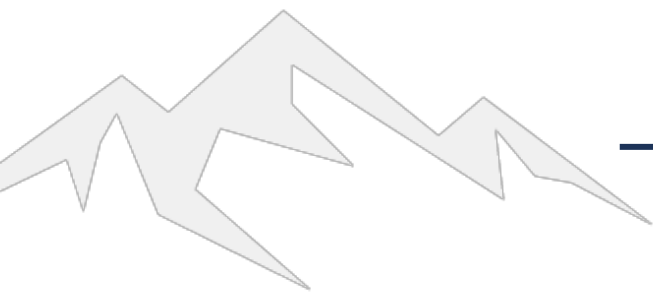
For small businesses especially, those costs are not easy to bear.

On top of these challenges is the growing use of policies that allow for private rights of action against businesses. These provisions enable individuals to bring lawsuits directly against companies for alleged violations, increasing legal exposure and the risk of costly litigation.



(3)

Businesses in Colorado face added costs from all fronts: fines from the state if they forget to post a salary in their job posting, their utility bills increasing due



to the latest environmental standards, or going to court because a former employee brought a lawsuit. While many regulations are designed to broaden workers' rights, expand access to benefits, and increase transparency, the extreme volume of new regulations stick small businesses with high compliance costs and thin margins.

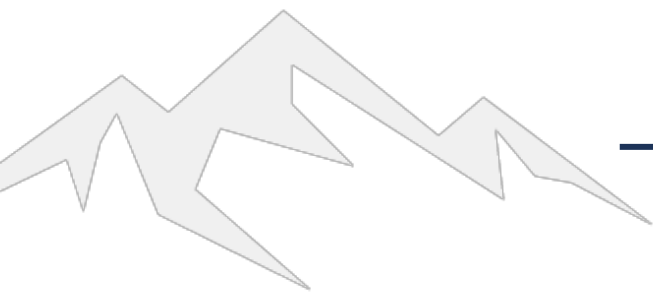
Business Sentiment and Employer Concerns

As mentioned above, the effects of these regulatory and cost pressures are clearly reflected in employer sentiment. Recent survey data conducted by the Colorado Chamber Foundation indicates that businesses across Colorado are concerned about the direction of the state's economic environment.

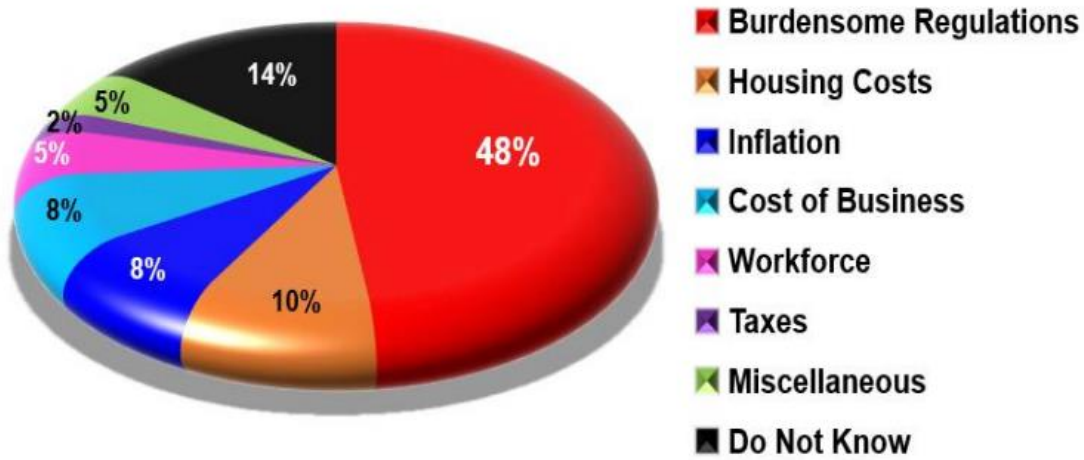
The Colorado Chamber's 2025 Business Survey discovered widespread dissatisfaction with the regulatory climate and growing anxiety about rising costs. Of the 169 business leaders interviewed for the survey, 76% say that regulations have led to increased costs of products, 71% say regulations have negatively impacted their business, and 63% say their business' productivity has reduced.

These regulations have also impacted workers, the Chamber reports, with: "67% of employers saying they have had to reduce wages offered due to regulatory costs and 51% saying regulations have prevented additional hiring and job growth."

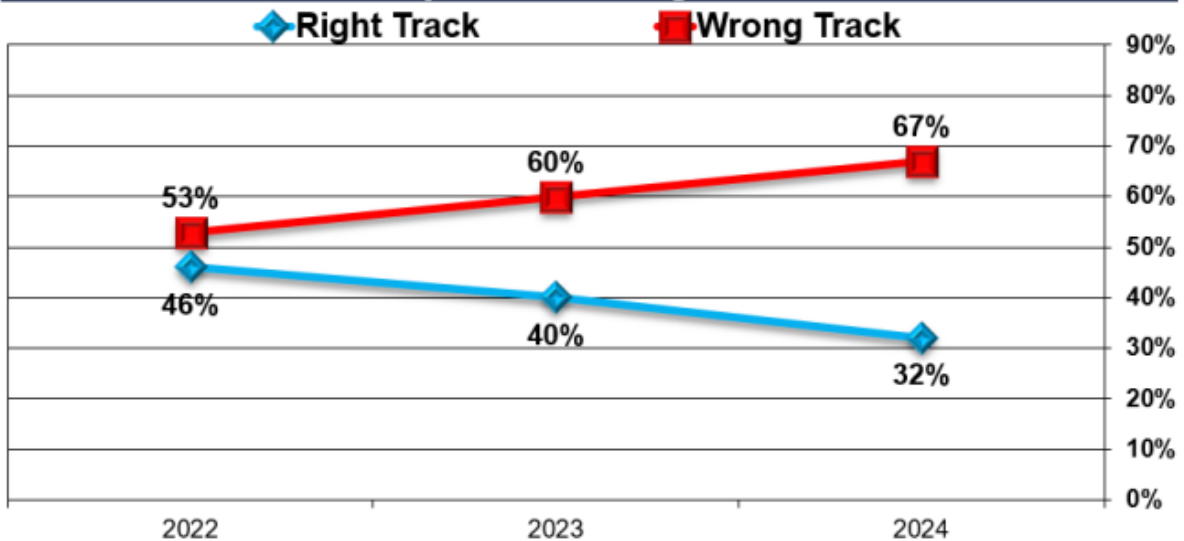
Another key finding from the survey stated that two-thirds of business leaders in Colorado believe that the state's economy is heading in the wrong direction – up from 60% in 2023 and 53% in 2022. (5)



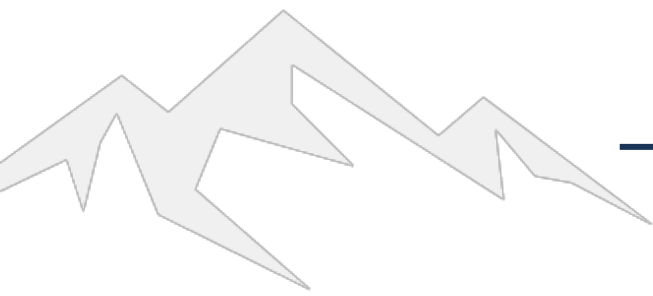
Most Important Issues for CO Business? (Open Ended)



Colorado Economy on the Right Track? Over Time



(6)



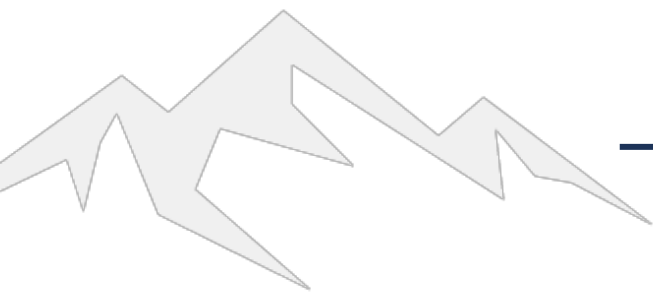
These growing concerns are not limited to anonymous survey responses and should not be ignored by lawmakers. A public-facing initiative, Ensuring Colorado's Innovation Future, includes a letter signed by state leaders and stakeholders acknowledging the need to address the challenges in Colorado's business environment. The letter was signed by over 200 business leaders across the state and by Governor Jared Polis, and it warns of the consequences Colorado's economy faces if the state does not reverse course.

The leaders write: "...we are hearing directly and unequivocally in boardrooms, capital allocation discussions, and private conversations with founders, CEOs, and investors across the country that Colorado is increasingly viewed as a less predictable and less competitive environment for building and scaling technology companies, other growth-oriented businesses, and traditional corporations alike...Colorado is categorized as carrying structural disadvantages that introduce unnecessary risk. The practical result is that capital, company formation, expansion, and high-quality jobs accrue to competing states instead of to Colorado communities." (7)

The existence of such a coordinated effort reflects a broader recognition that Colorado's economic competitiveness may be at risk, as large corporate CEOs and small business owners alike are echoing the same concerns.

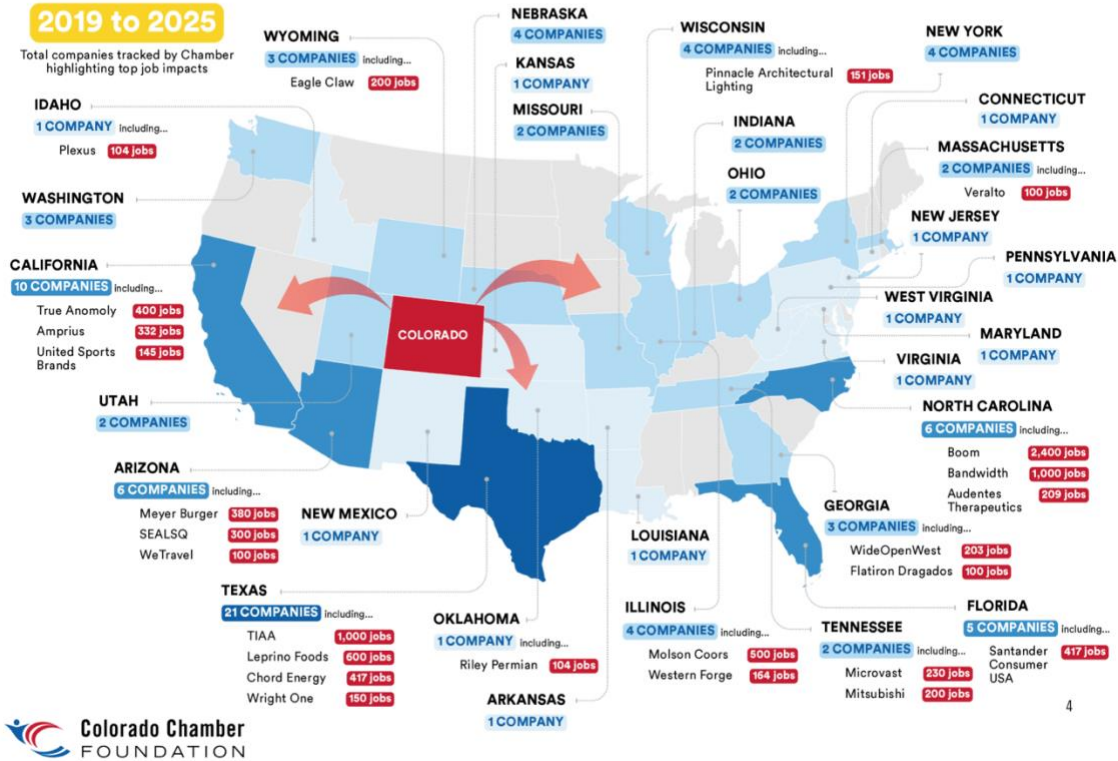
Business Relocations and Corporate Exodus

Perhaps the most tangible evidence of changing business conditions in Colorado is the growing number of companies choosing to relocate or expand operations elsewhere. Data compiled by the Colorado Chamber shows a steady pattern of business relocations out of the state:



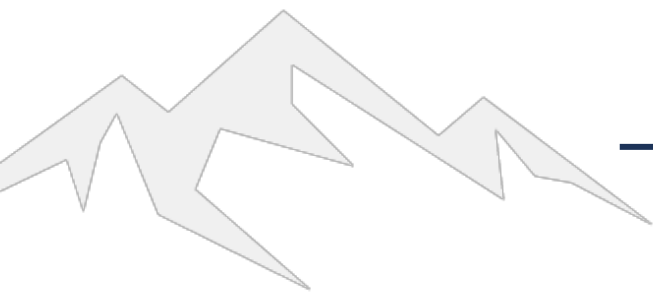
RELOCATION TRACKER: LOST OPPORTUNITIES 2019-25

Map visualization of public announcements of corporate relocations, expansions out of Colorado, and lost site selection opportunities, including major job impacts

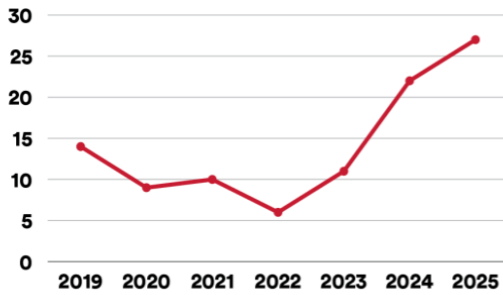


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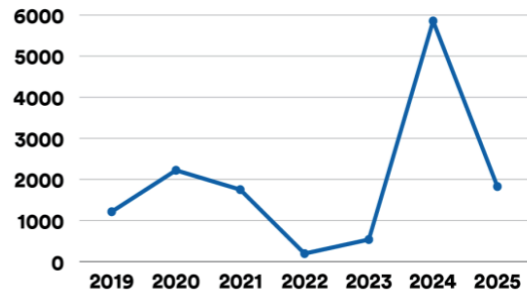
According to the data, 98 companies have either left, relocated, or expanded elsewhere, resulting in 13,607 jobs lost. Common Sense Institute data reaffirms this trend, showing that Colorado now ranks worst in the nation for per-capita employment losses, with 2.25 jobs lost for every 1,000 residents. Additionally, since 2022, Colorado has had a net loss of 34 company headquarters, including major companies like Palantir Technologies, Amprius Technologies, Molson Coors, SEALSQ, and Flatiron Dragados. This decline is particularly significant because headquarters locations often bring high-paying jobs, executive leadership, and broader economic activity. (9)(10)



NUMBER OF RELOCATIONS BY YEAR



KNOWN JOBS LOSS (WHEN AVAILABLE)



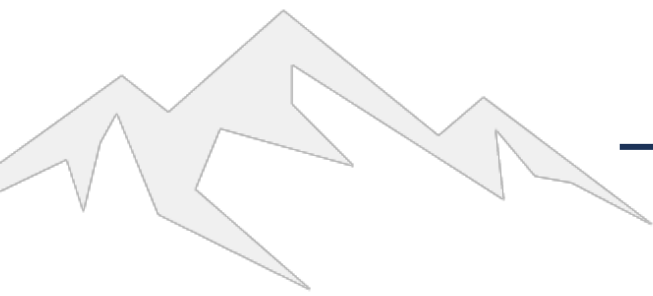
(8)

Labor market data produced by Common Sense Institute further reinforces these broader economic pressures, indicating that shifts in job growth may be tied to the state’s changing business environment. Over the past 12 months, Colorado’s private and non-agriculture employment growth rates declined by 0.3% and 0.4%, respectively, well below the national averages of +0.4% and +0.2% growth, making the state’s non-agriculture job growth rate 39th in the nation. (11)

The sudden departure of Palantir Technologies – arguably the state’s highest-value company – in February 2026 provides a clear case study of the economic impact of the corporate exodus out of Colorado. An analysis also conducted by Common Sense Institute found that Palantir’s exit will result in 724 lost jobs, a GDP loss of \$106 million, and an economic output loss of \$178 million.

Economic Impact of Palantir's Denver Headquarters Closing	
Total Employment	-724
Population	-544
Gross Domestic Product	-\$106,000,000
Output	-\$178,000,000
Personal Income	-\$107,000,000
State/local Government Spending	-\$6,000,000

(12)

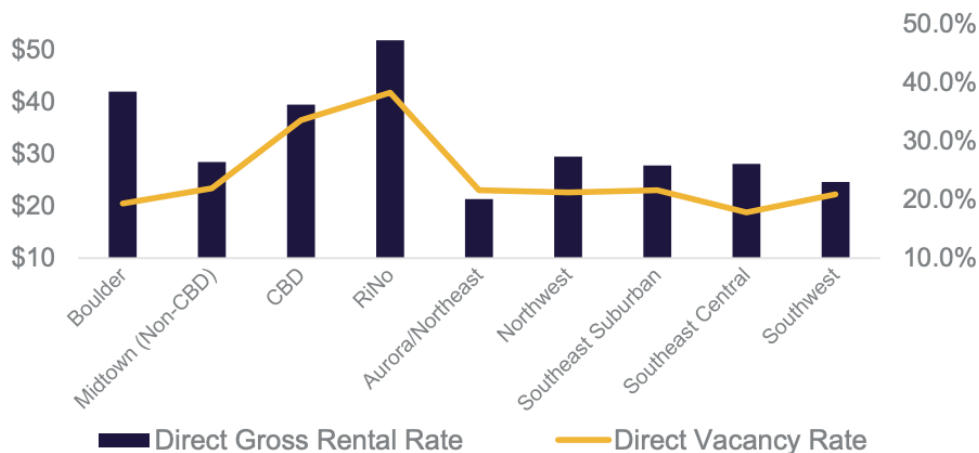


Common Sense Institute's analysis also highlights another point aside from the numbers: high-profile companies' exits to other states jeopardizes Colorado's reputation, making the state appear less favorable to business. If other companies follow in Palantir's footsteps, Colorado's economy could be in big trouble. In the words of the 200 business leaders calling for change: "Once negative momentum compounds, reversing it becomes extraordinarily difficult." (7)(12)

Commercial Real Estate and Urban Economic Signals

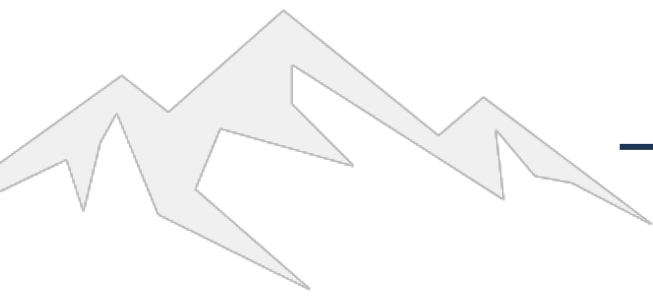
The impact of the negative business trends is also visible in Colorado's commercial real estate market, particularly in the Denver metropolitan area. Elevated office vacancy rates, as documented in Cushman & Wakefield's first-quarter 2026 report, point to reduced demand for commercial space. According to the data, the Denver-Metro office vacancy is now at 26.5%, and in the Central Business District, it's dropped to 35.5%.

SUBMARKET COMPARISON



(13)

As businesses continue to scale back or leave Colorado, another ripple effect is becoming impossible to ignore in commercial real estate: collapsing



building values. In 2025, 9News reported that office buildings in downtown Denver had lost roughly 40-50% of their value compared to 2019. In some extreme cases, the decline was even more dramatic, as two skyscrapers once valued near \$200 million sold for just \$3.2 million, a staggering drop of more than 90%. The New York Post also reported that the Denver Energy Center was sold for \$5.3 million, a 97% slash from 2013. (14)(15)

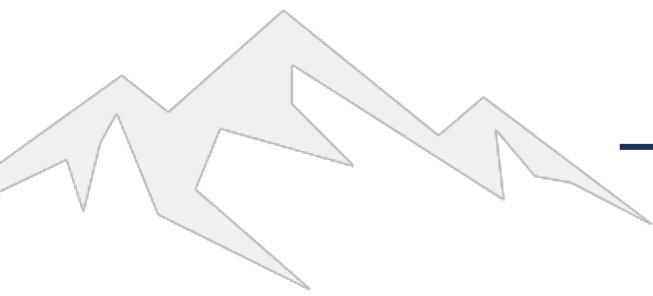
This kind of “fire sale” pricing reflects a market where fewer and fewer businesses are occupying space, leaving property owners desperate to offload buildings at steep losses.

While some of this shift can be attributed to broader trends such as remote work, persistently high vacancy rates still reflect additional underlying economic challenges. When businesses downsize, relocate, or delay expansion, the effects are often felt in the commercial real estate sector. Over time, Colorado can expect these patterns to contribute to reduced economic activity in urban centers and create additional challenges for local governments reliant on property and sales tax revenue.

What is the Solution?

Addressing the compounded challenges facing Colorado’s business climate will require a comprehensive, swift approach.

One proposed step in this direction is SB26-137, a bipartisan bill aimed at improving regulatory processes. Colorado currently has a system where state government agencies can write rules, but the Office of Legislative Legal Services reviews them to ensure the agency is working within its boundaries allowed by law. Under current law, rules made between November 1st, and the following October 31st are set to expire on May 15th of the subsequent year. In practice, however, most rules just get routinely extended by the legislature every legislative session and can stay on the books indefinitely. SB26-137 will change that process by adding a hard 5-year expiration date for these rules, meaning that agencies will have to periodically go back and justify their rules instead of letting them roll over year after year. Additionally, the burden of proof will be on the agencies when determining a rule’s effectiveness, requiring more explicit justification for the continuation of any said rule. The



result of this bill will make it more likely that outdated or overly broad regulations will get revised or even removed. (16)(17)(18)

Another piece of legislation, SB25-156, also targeted excessive state regulations, but was killed by the majority. SB25-156 would have limited state agencies from regulating occupations unless it was necessary for public health, safety, and welfare. The bill also would have repealed a number of programs under the Colorado Energy Office to alleviate many of the costs and other requirements businesses face from harsh energy regulations. (19)

The Colorado Chamber of Commerce suggested several solutions to the regulatory climate in their 2026 Legislative Agenda, including:

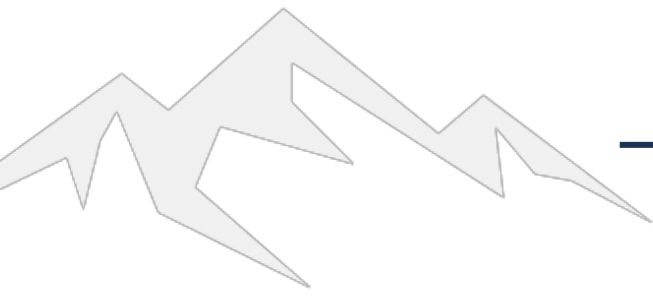
- Halt new regulations on employers to allow the business community time to adapt to existing mandates;
- Reduce government involvement in day-to-day business operations, including employer scheduling and pay practices; and
- Increase rule reviews to improve transparency and eliminate unnecessary regulations. (3)

Efforts such as these reflect growing recognition of the need to revisit how regulations are developed, implemented, enforced, and evaluated over time. Ultimately, the goal of any reform effort in Colorado should be to restore predictability and confidence in Colorado’s business environment so owners, employers, and workers alike can thrive.

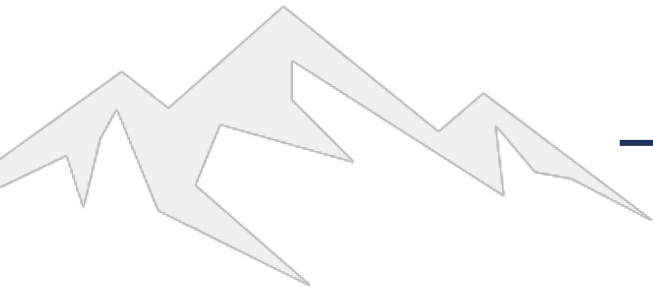
Conclusion

Colorado remains a state with considerable strengths, including a diverse economy, a talented workforce, and an enviable quality of life. However, the data – along with public concerns from hundreds of business leaders – increasingly suggests that the state’s business climate is under strain.

Rising regulatory burdens, growing legal and compliance risks, and increasing cost pressures are contributing to significant negative economic outcomes, including business relocations, the loss of thousands of jobs, and declining competitiveness across national rankings. The decisions made by policymakers in the coming years will play a significant role in determining



whether Colorado can climb back into its former position as a leading destination for business or continue to lose ground to more competitive states.



Additional Data on Colorado's Business Rankings



Colorado's Business Climate: Warning Signs

Key rankings that show Colorado is becoming a harder place to live, work, and do business.



1



6th

most regulated state

2



36th

on Chief Executive's Best & Worst States for Business ranking

3



38th

in the nation for cost of doing business

4



47th

for cost of living

3rd

most expensive state


5



Dropped from 4th in 2022 to 8th in 2025 for best place to start a business



6



Worst in the Country

(per capita) for net employment loss

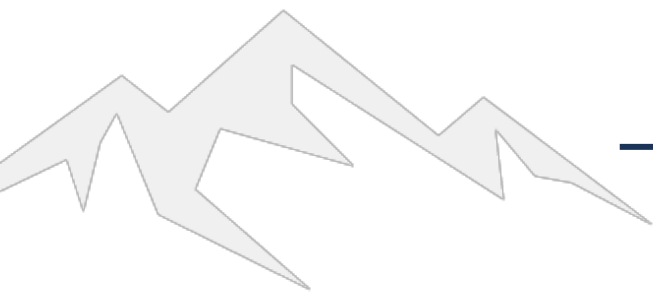


STRONGER POLICY. A STRONGER COLORADO.



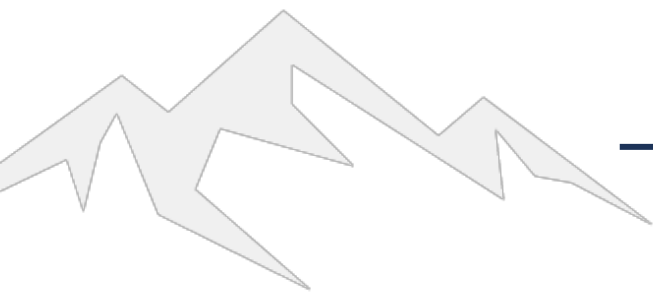
Data sources listed below

(1)(2)(3)(10)



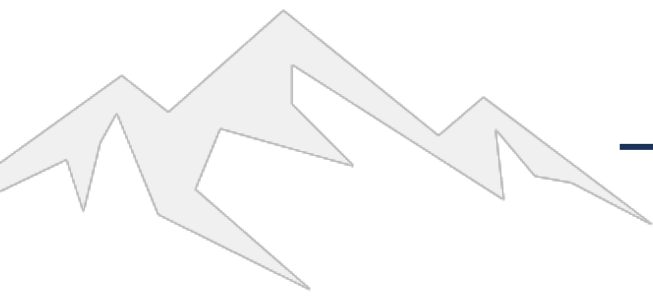
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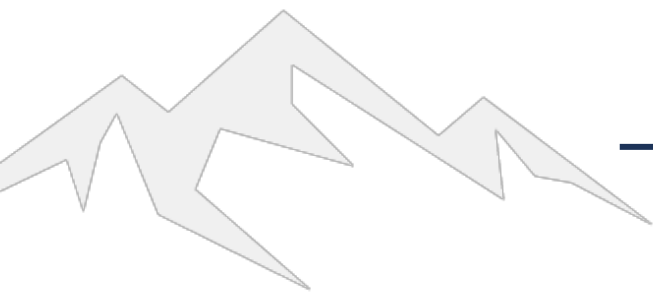
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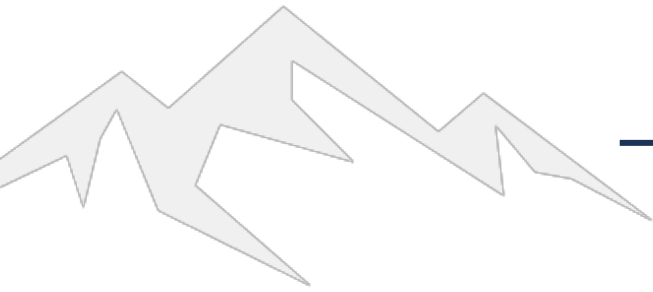
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