

2026-5-17

# A band of technology entrepreneurs sounds the alarm on Colorado's business climate.

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The Denver Gazette · 17 May 2026 · A5 · VINCE BZDEK The Denver Gazette

It's really not a headline you want to see in the national press: "Entrepreneurs Flocked to Colorado. Now Red Tape Is Driving Some Away" warned a recent Wall Street Journal article.



"A vocal band of Colorado software engineers and venture capitalists," wrote the author, "are increasingly grumbling that their tech haven in the Rocky Mountains is devolving into the place of their nightmares: California."

That band is led by Dan Caurso, a tech investor who founded the Boulder-based bandwidth provider Zayo. He recently collected hundreds of signatures for an open letter he sent to state leaders with a list of deregulatory demands.

Caruso also compiled a 77-page "honest assessment" of the state's standing in the tech world and sent it to a handful of public officials.

The report examines 12 factors across four categories: quality of life and institutional depth; business and political climate; cost of doing business; and regulatory landscape.

Colorado is getting worse in attracting and keeping tech businesses in 11 of the 12 factors studied, according to the report's scorecard.

"Colorado's current trajectory is producing measurable consequences: companies leaving, capital being deployed elsewhere, and founders choosing other states," reads the report's executive summary.

The execs who drive the innovation economy are making choices about where to live, build and deploy capital that favor Arizona, Florida, Georgia, Idaho, Nevada, New Mexico, North Carolina, Tennessee,

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Texas and Utah, and disfavor California, Illinois, Maryland, Massachusetts, Minnesota, New Jersey, New York, Pennsylvania and Washington, the report finds. This pattern is largely driven by policy; tax structures, regulatory environments, political postures.

The states that are winning are winning with deliberate policy decisions like Texas's Enterprise Fund, which awards \$878 million across 213 projects.

When the framework is applied to Colorado, the findings are sobering, but "also point to a clear and achievable path to changing the trajectory."

Colorado's scores on quality of life, infrastructure and institutional depth are good. After all, the state ranks third nationally in tech economy concentration.

But Colorado's scores on political climate and regulatory burden put it squarely in "Departure Geography" territory. Its overall score places it closer to states losing talent than the states attracting it. The report's conclusion is that Colorado is strong where it matters least to the current migration pattern and weak where it matters most.

The report is "really an explanation of why we've been put in the category of being far less appealing to capital than we have traditionally been," Caruso told me in an interview.

"We have a lot of good assets and a good culture and climate, but you feel like policy is the main drawback, and regulatory framework."

Colorado is the sixth most regulated state in the country.

"Now, if we ask any of our politicians, do you want tech to be here in Colorado? They'll say absolutely yes," notes Caruso. "And then they'll tell you all the stuff they're doing in order to attract technology and retain it. But what they don't acknowledge is all the other things that they're doing that scare the living sh\*\* out of people who are deploying capital."

The report lists law after law businesses see as burdensome, including those first-in-the-nation AI regulations that the legislature just rewrote, a handful of other AI bills regulating AI's use in chatbots and insurance, a 2020 voter-approved paid family leave program and aggressive greenhouse-gas emission laws.

"I like to use the Aesop's fable, the goose with the golden egg," said Caruso. "And you say, OK, we're gonna slay the goose so we can get that golden egg. Well, the geese are gonna fly away before you get to them. They're gonna take the golden eggs elsewhere, and they're gonna keep laying them."

We cannot continue to assume that lifestyle and legacy institutions will hold people indefinitely, regardless of what the policy environment does to them, in other words.

The report notes that 98 companies have relocated out of Colorado since 2019 — a record 27 in 2025 alone. And 67 percent of business leaders say the state is headed in the wrong direction.

Some 45 percent of Colorado businesses plan to invest out of state in the future, the report mentions.

Only 29 percent expect to grow their in-state workforce (down from 48 percent in 2022).

And yet, the report finds, Colorado's position is uniquely promising. No other state combines "destination-caliber natural assets and institutional infrastructure with the policy flexibility to change course. The innovation engine has not stalled, it is operating despite the policy headwinds, not because of them."

The factors where Colorado scores poorly — political rhetoric, regulatory burden, fiscal trajectory — are precisely the ones within the power of the state leadership to change. The state can reform its regu-

latory posture, stabilize its fiscal trajectory and change its political tone through the normal legislative process.

As a majority independent state, Colorado also has the political space to reject partisan entrenchment and pursue pragmatic, outcomes-driven governance, the report suggests.

Just saying yes to AI is the key to a turnaround, Caruso believes.

Caruso thinks Colorado could lead the way in integrating AI in small ways, putting it directly in people's hands, putting it in factories, putting it everywhere throughout the economy. Focus on real-world applications that make us more efficient, more productive, rather than focusing on AI becoming some sort of super powerful, superhuman intelligence.

"So how do we make sure the best AI models are made available to kids at large?" Caruso asks. "How do we make sure AI is taught in schools at an early age and help teachers learn how to use AI in the schoolroom? How do we get retraining programs in the workforce? How do we get our community colleges to be very proactive with AI? How do we get the big tech companies to make their tools more readily available to the broader communities?"

Could you imagine if in the early days of internet, Colorado decided the internet was bad, and it said, you know, we don't want people using internet in Colorado.

"Do you think that would have stopped the internet from happening?" Caruso asks. "No, Colorado would have been left way behind. That's kind of what we're doing with AI."

"Colorado could be seen as a place where they were doing all the right things to get in front of AI," he proposes. "As a community, as a state, how do we make AI a force for good for everyone in Colorado?" Caruso said the revised AI bill recently passed by the state legislature to soften first-in-the-nation AI restrictions passed last year is a meaningful course correction.

"The Senate vote — alongside the 57-6 House margin — reflects overwhelming bipartisan recognition that the original bill missed the mark. A near-unanimous Senate rebuke is the loudest acknowledgment Colorado was on the wrong path. It's not yet the full reset Colorado's innovation reputation needs," but it's a first step, he said.

"We do need to realize we've embarked on a very new phase of the human journey" with AI, Caruso believes. "And we need to be much more aligned with one another and much more honest with one another and much more thoughtful in what we're trying to do."

