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## Some Companies Threaten to Leave

For some industry moguls, the thought of sweeping AI regulation has been the nail in the coffin. "North Carolina would love to have us. Texas would love to have us," said Blake Scholl, CEO of Denver-based Boom Supersonic. "We might leave."

Such threats are commonplace in Colorado. Uber threatened to leave the state last year if the governor signed a ridesharesafety bill. The oil-and-gas industry has repeatedly warned that new environmental rules could limit their production capabilities in the state. So far, those companies have stuck around.

The threats are "a scare tactic," said Brianna Titone, a Democratic state representative who co-sponsored the AI legislation. She and other proponents insist the legislation protects consumers from potentially discriminatory and opaque technology.

Sometimes, companies do leave. Data firm Palantir fled California for Colorado in 2020, but left Denver for Miami in February.

image



FROM TOP: DANNY NEWMAN, ALYSON MCCLARAN/ REUTERS

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In Colorado, above, a demonstration aircraft from Denver-based aviation company Boom Supersonic, and at top, a weekly 'vibe coding' event called Let's Vibe.

## Red Tape Roils Colorado's Tech Scene

BY OWEN TUCKER-SMITH

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

During the 2010s, the stretch from Boulder to Colorado Springs, dubbed "Silicon Mountain" for its concentration of founders, was minting a new startup every 72 hours. Now a collection of more than 300 business leaders say burdensome regulations are hindering growth—and that as a result, dozens of companies are skipping town.

A widely circulated report last month from the state's chamber of commerce reported a loss of publicly traded companies based in the state, estimating that Colorado had lost workers from some 98 firms to relocations or failed site-selection opportunities since 2019.

In an interview, Democratic Gov. Jared Polis said that "far more" firms are moving to the state than leaving, and that Colorado was home to 21 "unicorns," or startups valued at more than \$1 billion.

Still, some founders remain unnerved.

Companies' latest complaint is over a landmark state bill regulating artificial intelligence. A previous version of the bill would have required companies to take steps to reduce the risk that AI-based algorithms used for high-stakes decisions such as employment or healthcare discriminate against users.

Elon Musk's xAI is suing Colorado over the bill. The U.S. Justice Department joined Musk's suit in late April, arguing that the bill was unconstitutional and would hinder the nation's technological growth. The Colorado attorney general's office declined to comment.

More than a year of pressure from the business community has led officials to pare the bill down. A new, slimmer version was introduced on Friday—a reflection, said Sean Quinn, a partner at law firm Cooley, of the shifting political tides and the strength of the industry resistance.

Quinn, whose firm advises companies that would be regulated by the law, said the standoff shows that "the United States has, in general, prioritized AI development over regulation." In the U.S., he said, "the protests of the Big Tech companies are heeded."

The episode has laid bare Colorado's growing pains as an aspiring U.S. tech hub with blue-state politics. The state added half a million jobs in the mid-2010s as startup culture and domestic migration drove explosive growth, but the economy has recently grown sluggish. The state lost more nonfarm jobs than it gained last year as its red-hot housing market cooled.

As pressure mounts for lawmakers to scrap the bill, state lawmakers in Denver are scrambling to pass a new one before the legislative session ends in two weeks. “We can do a bill in three days if we don’t screw around,” said state Rep. Brianna Titone.

The Trump administration thinks AI regulation is a task for the federal government, not the states. So does Polis. “I generally agree with the direction the White House is taking to preempt state laws on AI,” he said.

The governor begrudgingly signed the AI bill into law in 2024, but hoped a revised, less burdensome version could serve as a model for a broader federal regulatory framework.

Local business leaders have seized the moment, demanding a wholesale overhaul of Colorado’s regulatory regime—from its environmental guardrails to its labor laws.

Blake Scholl, chief executive of the Denver-based aviation company Boom Supersonic, moved to Colorado a decade ago, inspired by its thriving business climate, but said the pileup of regulations has delayed his construction projects. Scholl and other critics argue the AI bill would add compliance costs and distract attention from companies when they need to focus on winning the AI race. “AI is moving fast. If you can’t move, you’re dead,” Scholl said.

Eve Lieberman, the state’s top economic-development official, said that two Colorado business incentive programs have caused 143 businesses to expand or move to the state since 2019. But Polis acknowledged that Colorado has been less aggressive about offering hefty tax breaks to lure businesses than states such as North Carolina and Texas.

The unease has reached Let’s Vibe AI, a collective of coders who engineer tools out of a rustic warehouse in Denver. Let’s Vibe AI’s Paul Foley said Colorado needs to crack down on the tech “goliaths” while letting builders innovate with room to breathe, and that the AI bill went too far.

Dan Caruso, a tech investor who founded the Boulder--based bandwidth provider Zayo, collected hundreds of signatures for an open letter he sent to state leaders with a list of deregulatory demands.

Caruso also compiled a 77page “honest assessment” of the state’s standing in the tech world and sent it to a handful of public officials. The report, a draft copy of which was viewed by The Wall Street Journal, ticks through a list of laws businesses see as burdensome.

Polis, once an early-internet entrepreneur himself, signed Caruso’s letter, and said he would also sign a bill that would require agencies to determine whether their regulations are antiquated or redundant.

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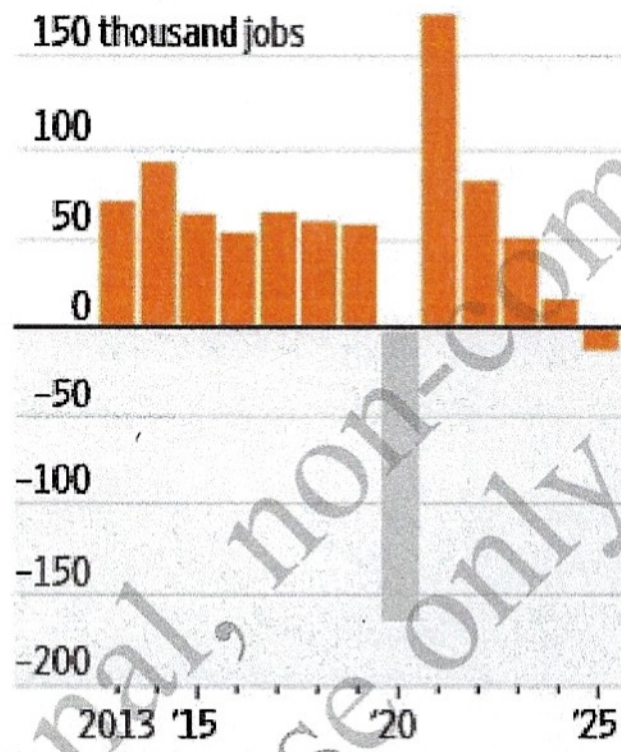
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### Net gain in Colorado's nonfarm jobs



Note: Measured as year-over-year change from December  
Source: Federal Reserve Bank of St. Louis

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