

State economy cools, burdened by rising costs and regulations

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Editor's Note: Once among the nation's fastest-growing economies, Colorado today confronts mounting challenges that threaten its momentum. This series reveals how a state once defined by prosperity is navigating economic cliffs and ridges. We explore the impact of increased regulations, tariffs, shifting tax policies, the high cost of living and widening urban-rural divides have on businesses, workers, and communities. The series also highlights the push to leverage Colorado's outdoor economy — one of its most valuable assets — for renewed growth, while working to attract industries like quantum and aerospace.



After taking office seven years ago, Gov. Jared Polis set an immediate goal for the Colorado economy: stay one step ahead. Achieving that goal, however, has been met with plenty of turbulence for the two-term governor.

An entrepreneur-turned-politician, Polis has steered the state through a divided political era — bookended by the presidencies of Donald Trump and Joe Biden — and by actions that governments took during the global pandemic that left lasting scars on businesses, one of America's most regulated states, ranking sixth in a 2024 study.

Polis has at times warned against legislation from the Democratic-controlled Colorado General Assembly and has followed through on threats to veto what he calls "unnecessary" or redundant regulations.

But the governor has also signed many of these regulations into law. And some have pushed for what critics call downright anti-business policies, such as the legislation, introduced by a Democrat, to ban

new oil and gas drilling in Colorado by 2030.

Note

The business community said a dramatic increase in new regulations occurred between 2020 and 2023, the results of bills passed by the legislature and signed by the governor.

Ultimately, Democrats, who have dominated state politics since 2018 — prior to that year, Republicans held a foothold at the Capitol, having been the House majority from 2011-2013 and Senate majority 2015-2019, and occupying most of the statewide offices except governor — are in charge of Colorado as its economic engine stalls.

JJ Ament, president and CEO of the Denver Metro Chamber of Commerce, said that while Polis has been good for business, the Democrat-run state Capitol has not.

“It’s been enormously valuable for us to have a governor who understands business and who has been an entrepreneur and a tech entrepreneur,” Ament told Colorado Politics.

But that knowledge and appreciation for the challenges of small business doesn’t always flow through the Democratic-led legislature, particularly in the last two to three years, he said.

Ament noted the sheer volume of new regulations in the past several years.

He pointed to the regulations on oil and gas and air quality, minimum wage, workers’ compensation, and family and medical leave. Then there are the changes people don’t see or hear about, he said, such as energy and building decarbonization, transportation, as well as regulations coming from the Public Utilities Commission.

A study conducted by the Colorado Chamber of Commerce said Colorado has climbed the national rankings by imposing nearly 200,000 individual regulations at the state level, with an estimated 45% being duplicative or excessive.

“Our regulatory climate is now one of the greatest risks to Colorado’s business climate and future growth, and we believe it is the primary reason we’ve been losing momentum in economic competitiveness,” the chamber told Colorado Politics.

Every 10% increase in regulations leads to an estimated loss of 36,000 jobs and 9,000 firms statewide, the Colorado Chamber said, adding regulations slow economic growth by at least 2% annually.

For the business community, the costs of doing business rise with each new regulation, and expansion becomes less likely. For prospective businesses considering Colorado, lesser-regulated states like Texas and Florida are winning the battle.

Polis: Washington DC is not helping Polis said “headwinds nationally” from tariffs to historically high interest rates are also contributing to an economic slowdown.

“Interest rates are very important because that ties into financing for every project,” Polis said. “When you’re building a factory, buying a home with a mortgage, interest rates — they are incredibly important in the economy, and when there’s fiscal irresponsibility at the federal level, it’s an upward pressure on interest rates.”

Note

Polis and President Donald Trump do not often agree, but they have found common ground on interest rates. Trump has continually pressed the Federal Reserve to cut interest rates to fuel the economy.

“Tariffs are a much more direct wound of our own making, where it’s a direct tax on a significant part of our economy,” Polis said. “Colorado, you know, has our two strongest trading partners, Mexico and

Canada. The tariffs are already having detrimental effects, not only in raising consumer prices, which then discourages consumption, but also discouraging investment.”

In pushing for the tariffs, the president said they would reverse decades of what he called unfair treatment by the rest of the world and result in factories and jobs moving back to the United States.

Trump’s implementation of tariffs through executive action will ultimately be decided by a skeptical U.S. Supreme Court, which recently heard arguments.

According to a report commissioned by the governor’s office, tariff rates skyrocketed from 3% in 2024 to 21% in 2025, the highest level in more than a century. The core industries bearing the brunt of the tariff burdens in Colorado included agriculture, aerospace, energy, healthcare, construction, and advanced manufacturing.

Eve Lieberman, executive director of the Colorado Office of Economic Development & International Trade, said companies statewide are citing tariffs as a primary challenge.

“Tariffs for businesses across Colorado have increased sevenfold,” she said. “When the tariffs that these companies are facing across the board, but specifically in certain sectors, such as outdoor recreation, are increasing costs, and then they have to choose whether they pass it along to consumers, or they absorb some of those costs, or both. And that can stifle obvious innovation and productivity.”

The outdoors drive Colorado’s economy

Polis remains optimistic about Colorado’s ability to stay ahead, driven by promising industry growth in aerospace and quantum, and by a consistently reliable outdoor industry that brings travelers from around the world to enjoy the natural beauty of the Rockies.

Some industry experts are also eagerly anticipating the upcoming \$5 billion-a-year ski season.

Polis has invested heavily in the state’s outdoor economy, which goes well beyond skiing.

“So, first of all, the outdoors are a big part of our identity as Coloradans, so I’ll talk about the economic impact, but it’s also part of our quality of life,” Polis said. “It’s our outdoor recreation and fun. It’s why people choose to live here, but it’s also a huge economic driver, and so again, like in anything in business, it wasn’t one thing we did. It’s kind of a suite of things.”

Since taking office, Polis has focused, through Colorado Parks and Wildlife, on adding new state park capacity limits and making significant improvements in state parks.

“We’ve opened up about a million acres of land that had been closed to public visitation,” Polis said.

“State land, more land to public visitation for hunting, fishing, wildlife photography, and we’re continuing that work because we want to provide more opportunities across the state to recreate.”

According to data provided by Colorado Parks and Wildlife, the outdoor recreation sector is larger than construction, finance-insurance, education, healthcare and social assistance. Outdoor recreation alone contributes \$36.5 billion to the state’s GDP, supporting over 404,000 jobs — representing more than 12% of the entire workforce.

Besides outdoor recreation, Lieberman said quantum and aerospace will continue to grow, despite recent tariff setbacks.

Working to achieve Polis’s goal of always being a step ahead, Lieberman said Colorado has been recognized nationally as a “quantum tech hub”.

“We’re the only state that’s designated in funding for having the type of amounts of jobs, investment, Nobel prize winners in this area,” she said. “That’s just one example of how a diversified economy

really drives Colorado, but also how we really lean into the innovation economy as a source of our current and future strengths.”