

DATE: February 6, 2025

TO: Loren Furman
President & CEO
Colorado Chamber of Commerce

FROM: Pat McFerron
President
Cole Hargrave Snodgrass & Associates, Inc.

RE: A Survey of 169 Members of the Colorado Chamber of Commerce
Interviewing Conducted November 25 – December 17, 2024

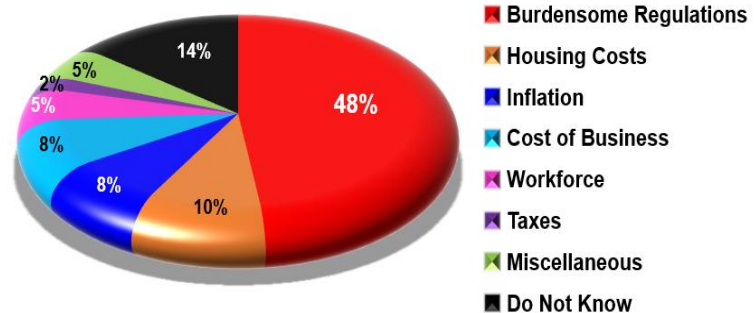
Key Findings

- Business leaders continue to sour in their perception of the state's economy. Two-thirds (67%) now say Colorado's economy is headed in the wrong direction, up from 60% in 2023 and 53% in 2022.
- 71% of respondents say that Colorado's business climate is more costly or burdensome than other states – only 5% hold the opposite view.
- The state-imposed regulatory burden on business dominates the concern of Colorado businesses. Not only do 48% volunteer this concern on an open-ended question, but 70% say it is one of the three greatest challenges their business is facing.
- When asked where they see the greatest regulatory burden, the state (58%) far outdistances federal (18%) or local (23%) regulations as areas for concern.
- Fully 87% of respondents say that state-imposed labor related regulations, like paid leave, are among the most concerning regulations they face.
- Only 29% of Colorado businesses expect to grow their workforce over the next year – down from 41% in 2023 and 48% in 2022. 15% say they will decrease the number of employees, more than doubling what we saw just two years ago.
- More than a quarter of the respondents say their business is unlikely to make future investments in Colorado, a number that continues to climb. Among those with operations already in other states, 47% say they are ending investment in Colorado and more than 30% of those with more than 100 employees say they will invest in other states, but not Colorado.
- Regulatory costs are clearly the top reason businesses say they won't invest in the state. When asked about what hesitancy they have in investing, 37% cite the regulatory burden in the state.
- Blame for not being able to attract and retain workforce talent centers around the high cost of living (73% say it is in the top two concerns) and housing attainability (50% in the top two concerns).
- Likely because they recognize the need for more attainable housing, Colorado business leaders embrace a variety of reforms to increase housing such as construction defects reform (79% favor), incentives for developers and home buyers (71% favor) and local regulatory reform (86%).

Cole Hargrave Snodgrass & Associates is pleased to present this executive summary of findings from its recent study of members of the Colorado Chamber of Commerce. Completed in the middle of December, this study reveals the very high concern business leaders in the Rocky Mountain state have about state regulations. This is clearly the most shocking of the findings.

When asked an open-ended question as to the most important issue facing Colorado, almost half (48%) mention regulations and the regulatory burden. Having conducted more than 50 studies of businesses in states across the nation, this is the greatest concern about regulations I have ever recorded. Housing costs are a distant second (10%).

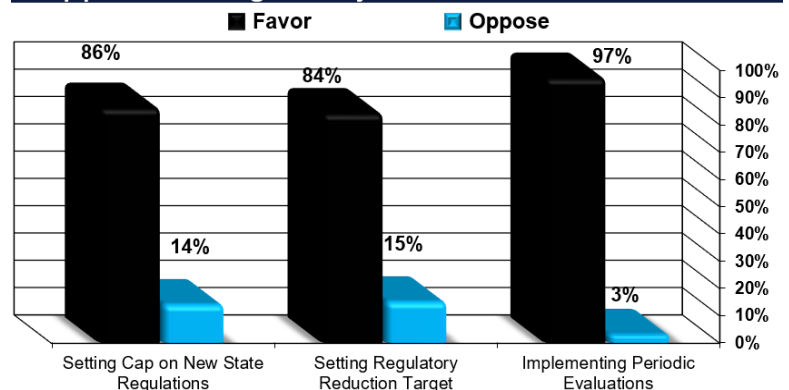
Most Important Issues for CO Business? (Open Ended)



The bulk of the regulatory concern lies at the feet of the state. When asked what level of government creates the greatest regulatory burden, 58% say it is the state while only 18% say it is the federal government and 23% say it is the local government level. Digging further into regulations, the top area of concern is clearly in the labor and employment areas (41% most concerning regulations; 87% have this in their top three of eight options). Just under a third note Colorado's environmental regulations as their top concern and 64% have those in their top three concerns.

The regulatory burden in Colorado is having an effect on business actions. 76% say excessive regulations have led to higher product costs; 67% say it has reduced the amount that can be paid in wages, 63% say it has reduced productivity, and more than half (51%) say the regulatory burden has prevented them from hiring more employees. Among those in key industry groups, such as manufacturers, these percentages are even higher.

Support for Regulatory Reforms



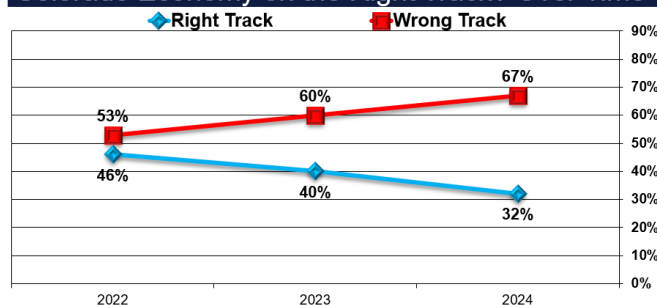
Fully 71% of respondents – and 82% of those who work in multiple states – indicate they believe Colorado's business and regulatory climate is more costly than it is in other states. Only 5% say it is less costly, and not a single respondent from a company with a multi-state footprint made that claim.

Given the concern about regulations, it is no surprise business leaders support reforms like setting a cap on new state regulations (86%), creating a regulatory reduction target (84%), and implementing a system to periodically evaluate the impact of existing regulations (97%).

With the stark toll being taken by the regulatory burden, it is no surprise the general mood of Colorado business leaders has worsened. Currently, only four in ten believe the state's economy is headed in the right direction while 60% say it is on the wrong track, a 13-points in the negative direction since last year. Among the most negative about the economic environment in Colorado are the 12% who operate in multiple states (33% Right Track / 67% Wrong Direction) and those engaged in manufacturing (31% Right Track / 69% Wrong Direction).

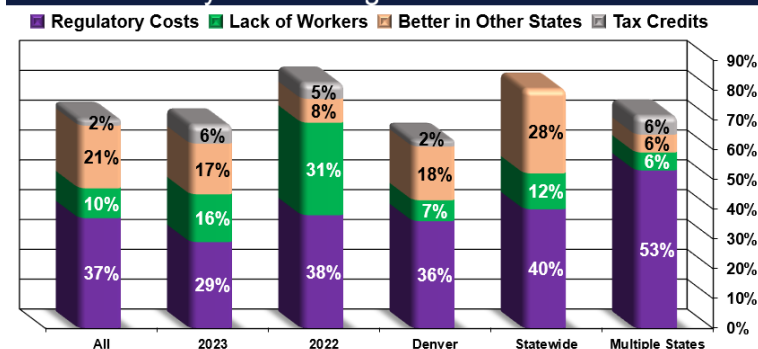
Concerns about the economy and the regulatory burden could have long-term consequences on the state. More than a quarter of those surveyed say they are unlikely to make future investments in Colorado and 45% say they will make investments in other states. Among those with operations already in other states, 47% say they are ending investment in Colorado and more than 30% of those with more than 100 employees say they will invest in other states, but not Colorado.

Colorado Economy on the Right Track? Over Time



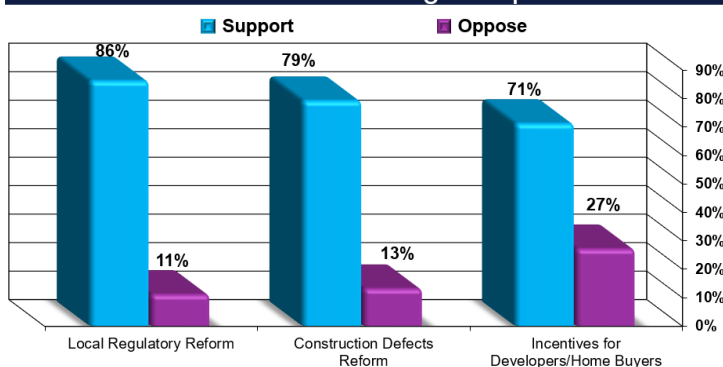
The hesitancy in investing in Colorado is tied to the poor regulatory environment in the state with 37% directly citing that as a reason to not invest in the state. Given that the 21% who say the business climate is better in other states could also be considering Colorado's regulatory burden, that 37% could be underselling its true cost to future economic activity in the state.

What Hesitancy in Choosing Colorado for Investments?



When it comes to workforce needs, we do see a wide variety of needs. Fully 31% of respondents say their top concern is finding employees with soft skills such as dressing appropriately, showing-up on time and being able to work with others, while 30% see a need for those with technical skills and 26% are looking for professional experience in a particular job. Because of this need, we see 41% of Colorado businesses reporting that they currently have openings that they are having difficulty filling.

Solutions for Attainable Housing Comparison



Fully 50% of respondents say that housing attainability is one of the two most important factors when it comes to attracting and retaining talent. As such, we see that there is great support for programs to help those in the workforce attain housing. This support ranges from local regulatory reform to expedite development (86%) to supporting construction defects reform (79%) as well as supporting economic incentives for developers and homebuyers (71%).

While they did not rise to the top overall concern, the study also reveals that Colorado business leaders do place significant importance on both legal reforms that reduce the cost of doing business. Seven-in-ten respondents say that legal reform is either the single most important issue being faced in the state (7%) or one of only a handful of important issues (63%). On this question, we again see those with operations in multiple states being the most critical of Colorado. Among this group with more out-of-state experience, fully 18% say legal reform and reducing legal costs is the most important issue – significantly higher than the 7% we see overall. But it is not just the big players that see this as an issue, among those with fewer than 100 employees, 11% say it is the most important issue and 59% see legal reform as one of a handful.

Overall, it is very clear that Colorado business face unique challenges – especially when it comes to state regulations and housing attainability. It also looks as though legal environment is a growing concern and one in which Colorado is perceived to also be at a competitive disadvantage.