Estimating the Impacts of Changing U.S. Tariff Policy

September 4, 2025

STATE OF COLORADO

Governor's Office of State Planning & Budgeting

COLORADO

Governor Jared Polis

Contents

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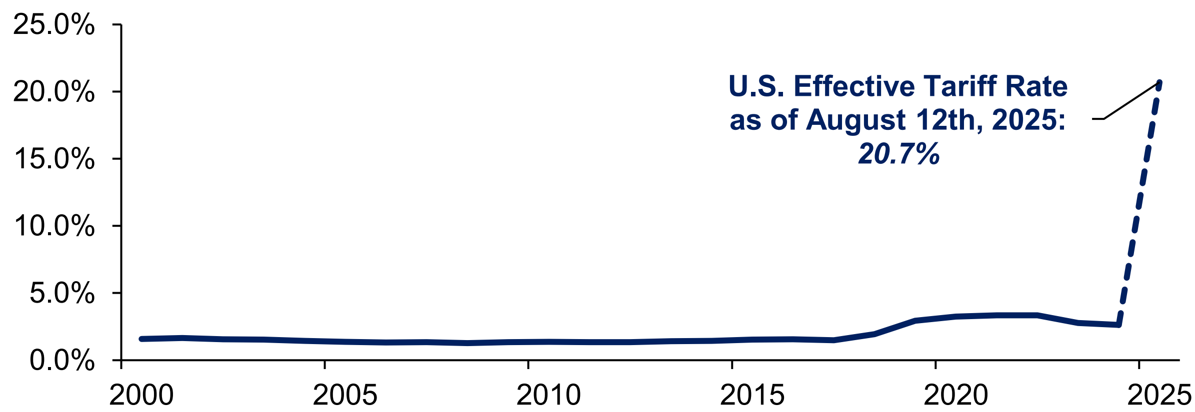
Executive Summary

In accordance with Executive Order D 2025 008 enacted by Governor Polis, the Office of State Planning and Budgeting (OSPB) submits this report which estimates the impact from tariffs on Colorado's economy.

OSPB finds that increased tariffs will likely lead to worse economic outcomes for both the U.S. and Colorado. Under current tariffs imposed by the Trump administration as of August 12, 2025, the effective tariff rate in Colorado has increased sevenfold since last year. In 2024, the estimated effective tariff rate in Colorado was 3.0 percent, and it has now increased to 21.0 percent following broad-based tariff implementation from the federal administration on certain nations and products. The U.S. estimated effective tariff rate has increased from 2.6 percent in 2024 to 20.7 percent. To understand how high the currently implemented tariffs are, the last time they exceeded the current effective levels was over a century ago in 1910. This stark change in American trade policy can be likened to an economic shock to global trade and will lead to American and Coloradan businesses and consumers paying more for every-day goods due to higher inflation.

Figure 1. Effective Tariff Rate in U.S. Increases by Nearly Eightfold Since Last Year



Elevated tariffs are also expected to have more acute impacts on certain sectors and regions of the Colorado economy compared to others. Key industries in Colorado such as agriculture, construction, energy, aerospace, and goods-focused businesses are some of the most exposed from higher tariffs and the potential for retaliatory tariffs abroad. The remainder of this

Executive Summary provides high-level information on OSPB's findings related to the impact of tariffs on the U.S. and Colorado economies from 2025 to 2027.

Economic Impacts of Tariffs

Increased tariffs result in higher costs to businesses and consumers, which have downstream economic consequences across all parts of the U.S. and Colorado economies. Within each economic area OSPB included in this report, three separate tariff scenarios are provided that analyze how different tariff policy environments impact both the U.S. and Colorado economies. The 2024 Tariff Scenario includes tariff policies that were in place during 2024 prior to the Trump administration's imposition of new, broad-based tariffs. The Current Tariff Scenario includes current tariff policies as of August 12, 2025 and is unchanged by a U.S. federal appeals court decision on August 29 to affirm a lower court's finding that the executive branch does not have the authority to impose most tariffs that they implemented. Current tariffs remain in place until October 14 to allow time for the Trump administration to file an appeal to the Supreme Court. The Escalatory Tariff Scenario includes potential increased tariffs that could take place in the near future, beyond current tariff policies.

Gross Domestic and State Product: Economic growth is significantly impacted by tariff policy. While the 2024 Tariff Scenario would be expected to lead to economic growth at its potential, the Current Tariff Scenario is expected to result in slower growth due to a pullback in investments and labor demand, with corporations forced to reduce spending in other areas as they are likely to absorb some of the cost of import taxes. The Escalatory Tariff Scenario is expected to result in a mild recession as additional job losses lead to slowing consumer demand.

Inflation: Inflation is significantly impacted by tariff policy, because tariffs are an additional cost imposed on goods. Tariffs have a direct cost increase on the specific goods that have tariffs levied against them, but tariffs can also have significant indirect or knock-on effects on the prices of other goods and services throughout the economy. While the 2024 Tariff Scenario would likely lead to the U.S. continuing on a disinflationary path to the Federal Reserve's target of two percent, the Current and Escalatory Tariff Scenarios are expected to result in re-inflation in 2025, with peak year-over-year inflation in 2026 that is a drag on the national and local economies.

Monetary Policy: The new tariff implementation throughout 2025 has resulted in the Federal Reserve maintaining a higher federal funds rate and more restrictive monetary policy than was previously expected. By maintaining the federal funds rate at a higher level, the Federal Reserve is attempting to combat inflation by limiting aggregate demand in the economy. While restrictive monetary policy can mitigate inflation, it also slows economic activity through higher costs for investment and borrowing, leading to reduced overall spending.

Consumer Spending: Tariffs threaten to induce a slowdown in consumer activity as higher prices and the potential for reduced availability of certain goods erode purchasing power, leading to reduced discretionary purchases. The impacts of tariffs on consumer spending are most dependent on the degree to which tariffs are passed through to consumers and the product categories that see price increases. Generally, as the effective tariff rate increases, consumer spending is projected to fall due to demand destruction caused by inflation.

Wages and Income: The imposition of broad-based tariffs on imports negatively impacts wage and salary growth in the U.S. and Colorado by weakening consumer demand, which in turn reduces business sentiment and profits, and eventually weighs on the labor market via layoffs and slower hourly earnings growth. Simultaneously, they can have similar effects on overall personal income by weakening proprietor income, asset income, and rental income. OSPB expects that higher tariffs will lead to lower personal income growth in the U.S. and Colorado.

Housing and Non-Residential Construction: The housing and non-residential construction industries are particularly exposed to tariff impacts through the importation of critical construction materials like lumber, steel, aluminum, copper, electronics, appliances, and other fixtures and furnishings. It is further impacted because tariffs will likely lead to a restrictive monetary policy environment for a longer period of time. This will lead to continued stagnation in new development due to weak demand and the high cost of capital. Further, these impacts will likely lead to an overall weaker macroeconomic environment, which will limit construction activity.

Global and Domestic Energy: Energy markets have been negatively impacted throughout 2025 due to the federal administration's new tariff implementation. Tariffs on steel, aluminum, and imports from certain nations have increased input costs market-wide, and they have also roiled global demand expectations, leading to downgraded oil price forecasts. The renewable energy sector will also see increased input costs from tariffs, as will electric utilities due to increased input costs from steel, aluminum, and copper tariffs for transmission infrastructure. The combination of higher input costs on renewable energy infrastructure and transmission infrastructure will likely lead to higher consumer utility bills in the coming years.

Labor Market: Tariff impacts to the labor market are generally indirect and come as a result of businesses making decisions to offset higher costs of tariffs by cutting costs in other areas. If businesses have to lay workers off, unemployment will rise, and given the broad basis of imposed tariffs, many businesses will be similarly affected. This will lead to difficulty for laid off workers to find new employment, thus increasing the length of time workers are unemployed, as well. In turn, new jobs are not expected to be added at the same rate as layoffs, which will lead to a contraction of the labor market.

Colorado Sectoral and Regional Impacts of Tariffs

The major Colorado economic sectors identified as most impacted by tariffs include agriculture, construction, durable and nondurable goods, energy, healthcare, and technology and advanced industries. In total, these sectors represent over 90 percent of the international trade conducted by Colorado businesses and nearly half of Colorado GDP and direct jobs.

Agriculture: Agriculture in Colorado comprises a relatively small share of direct state GDP and jobs but has a large multiplier effect on related industries such as food services as well as an outsized influence in the state's international trade activity. Agricultural products are the top export from Colorado, comprising over 25 percent of all state exports and valued at nearly $3 billion in 2024. In the first half of 2025 compared to the first half of 2024, meat-related exports from Colorado fell $38.9 million. Using input-output impact analysis, this is equal to direct and indirect impacts estimated to total 265 lost jobs and $80.0 million in GDP loss within Colorado.

Construction: Colorado's construction industry is a major contributor to the state's economy, adding $33 billion, or 6 percent, to state GDP in 2024. As tariffs increase input costs, decrease developer profitability, reduce household and business purchasing power, and introduce economic uncertainty, a downturn in the construction industry is likely to have widespread impacts across several aspects of the state economy.

Colorado Energy: Energy is Colorado's largest import as oil, gas, petroleum, and coal products comprise over one-fifth of all state imports. Nearly all the state's imported oil and gas comes from Canada, which currently has a 10 percent energy tariff imposed. Additionally, components for electrical grid infrastructure along with inputs for renewable energy such as wind, solar, and batteries are also imported into the state. Nearly all major energy and electric infrastructure within the state is exposed to tariffs on steel, aluminum, and copper.

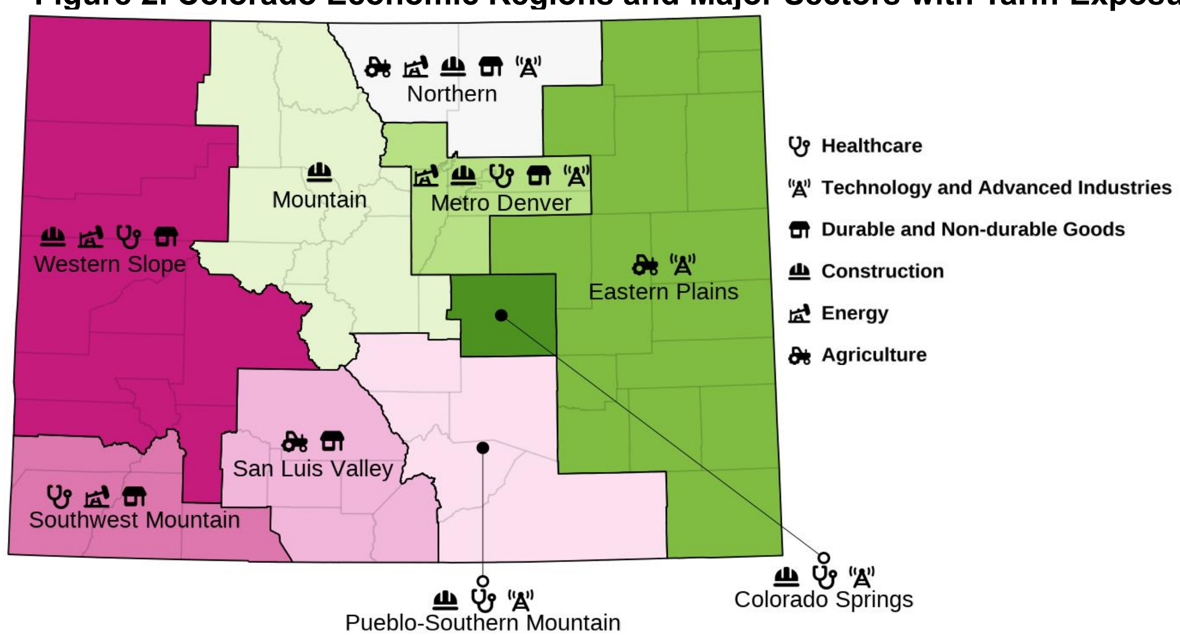
Healthcare: The U.S. healthcare system heavily depends on imported medical equipment and drugs. The price impacts of tariffs on these products, their inputs and components, and the countries that supply them are likely to cause fiscal strain on healthcare providers and other healthcare-related businesses and also increase consumer costs associated with medical care.

Durable and Nondurable Goods: The durable and nondurable goods sector in Colorado provides over 500,000 jobs in the state and contributes $82 billion toward state GDP. This sector also comprises 19 percent of total Colorado imports at $3.1 billion. One of the more acute impacts of tariffs are seen within durable goods as an estimated one-third of durable goods, such as automobiles and household appliances, are imported to the United States. OSPB estimates that the impact of tariffs on durable and nondurable goods in the state will result in up to $600 million in additional costs to Colorado consumers.

Technology and Advanced Industries: Advanced industries - identified as aerospace, advanced manufacturing, bioscience, electronics, energy, infrastructure engineering, and information technology - collectively account for about a third of Colorado's total wage earnings, sales revenue, and exports. Aerospace in Colorado is an acutely impacted industry due to the 39 percent tariff currently levied against Switzerland. Colorado imported $741 million from Switzerland related to aerospace in 2024. Compared to the first half of 2024, the first half of 2025 saw computer and electronic product exports decline by $141.9 million in Colorado, which has estimated direct and indirect impacts totaling 476 lost jobs and $200.6 million in GDP loss within the state. Similar analysis with a 5 percent reduction in expected output in the aerospace industry resulted in an estimated 195 lost jobs and $61.6 million in GDP loss.

Industries by Region: Impacts from tariffs on these sectors will have varying impacts on regions throughout Colorado, dependent upon a region's economic reliance on certain sectors. For the purposes of this report, OSPB has broken out the state into nine regions to discuss the regional economic impacts of tariffs: Colorado Springs Region, Denver Metro, Eastern Plains, Mountain Region, Northern Region, Pueblo-Southern Mountains Region, San Luis Valley, Southwest Mountain Region, and the Western Slope. This section of the report analyzes the sectoral impacts of tariffs and the regions within Colorado that are most economically reliant upon those sectors. The following figure illustrates the boundaries for each region and the prominent sectors within the regions that are most impacted by tariffs.

Figure 2. Colorado Economic Regions and Major Sectors with Tariff Exposure



State of Colorado Revenue Impacts of Tariffs

Tariffs are expected to slow economic activity by weakening consumer demand, which will result in lower spending, falling business profits, slower wage growth, and a weaker asset market. Subsequently, these impacts on the economy will result in lower State revenue collections, primarily by reducing individual income, corporate income, and sales tax revenue with other more modest impacts, as well. Similar to the Economic Impacts section, this section examines three scenarios: the 2024 Tariff Scenario, Current Tariff Scenario, and Escalatory Tariff

Scenario. The Current Tariff Scenario includes implemented tariffs as of August 12, which result in a 21.0 percent effective Colorado tariff rate, while the 2024 Tariff Scenario reflects a lower effective tariff rate of 3.0 percent. The Escalatory Tariff Scenario results in the effective Colorado tariff rate increasing to 25.5 percent. The following does not include estimates for all revenue subject to TABOR but focuses on the largest General Fund and cash fund revenue streams.

Individual income, corporate income, and sales and use tax comprise approximately 90 percent of General Fund revenue in a fiscal year, so the State is especially affected by economic activity that impacts these revenue streams. In total, OSPB estimates that the Current Tariff Scenario results in $241 million (-1.4 percent) less in General Fund revenue collected by the State in FY 2025-26 compared to the 2024 Tariff Scenario. This loss grows to a total of $448 million, or -2.6 percent, under the Escalatory Tariff Scenario. In FY 2026-27, OSPB estimates that the Current Tariff Scenario results in $440 million less (-2.3 percent) in General Fund revenue collected by the State, which grows to a $805 million loss, or -4.3 percent, in the Escalatory Tariff Scenario.

Figure 3. General Fund Revenue Loss by Scenario

	FY 2025-26 Forecast	FY 2026-27 Forecast
Current Tariff Scenario	**($241.1)**	**($439.6)**
Escalatory Tariff Scenario	**($448.0)**	**($804.9)**

Note: This data reflects the expected General Fund revenue loss relative to the 2024 Tariff Scenario. The data reflects the total revenue loss under each scenario and is not additive between scenarios.

In July 2025, OSPB prepared an updated revenue forecast to its June 2025 forecast following the enactment of the federal reconciliation bill, H.R. 1, which had individual and corporate tax policy provisions in the bill that had significant negative revenue impacts on the State. In that updated forecast, OSPB projected that State revenue is expected to fall $742 million below the TABOR cap in FY 2025-26 before increasing above the cap again in FY 2026-27 by $411 million. Compared to that forecast, the Escalatory Tariff Scenario would place the State further below the TABOR cap in FY 2025-26 and at more risk of falling below the cap in FY 2026-27. It is important to note that this is not an official OSPB forecast which also looks at other areas outside of tariffs – rather, it is meant to illustrate the potential impacts that additional tariffs could have on State revenue collections and inform forecasts.

State of Colorado Expense Impacts of Tariffs

With tariffs expected to directly increase costs on various goods and have a secondary impact of slowing the economy, they will also have a significant impact on the State of Colorado's budget, with certain areas of the budget more exposed to tariff impacts than others. Increased costs from tariffs will constrain areas of the State's budget, which could necessitate policy decisions to reallocate resources, reduce service levels, or limit the scope of certain programs. This section discusses specific areas of the State budget which are most directly impacted from tariffs.

However, this section is not an all-inclusive analysis of the myriad potential direct and secondary budget impacts from tariffs.

Healthcare and Human Services: Colorado faces budgetary pressures from increasing drug and medical supply prices through Medicaid, public health programs, correctional facilities, and employee benefit plans, which could be further exacerbated by tariffs. In the event that tariffs slow the economy into a recessionary period resulting in job losses and lower household income, several State social service programs are likely to experience increased enrollment as a result of more people falling under qualifying income levels due to layoffs and stagnating wage growth, including Medicaid, Supplemental Nutrition Assistance Program (SNAP), and Colorado Works (also known as TANF), which would lead to increased costs to State government.

Housing: One of the largest housing initiatives in the State was passed by voters in 2022 via Proposition 123, which funds housing programs and services. Inflation related to construction materials may become the most pressing issue caused by tariffs when it comes to supporting Proposition 123 housing initiatives in Colorado, limiting the number of developments. With income revenue diverted to Proposition 123 also projected to weaken alongside slowing corporate and personal income growth, the combination of lower revenue and higher costs are likely to result in decreased units produced in the state.

School Finance and K-12 Education: School finance will be impacted by higher inflation as each one-tenth of a percentage point increase in inflation results in approximately $10 million in additional school finance funding requirements. School finance is partially funded through the State Education Fund revenue diversion, which is projected to decrease due to the negative impacts of tariffs on Colorado taxable income. Similar to Proposition 123, revenue is projected to grow more slowly while costs are expected to rise, which will cause additional fiscal strain on the State.

Transportation: Transportation operations in Colorado will be impacted by tariffs due to increased costs on many inputs such as steel and aluminum. The Colorado Department of Transportation's construction cost index increased in the first half of 2025 after seeing relatively flat growth in 2023 and 2024. These challenges could delay infrastructure improvements, impact planning and delivery timelines, and ultimately reduce the overall efficiency of the state's transportation system.

Capital Construction: With elevated tariffs imposed on integral capital construction inputs, such as steel, aluminum, and copper, the State's costs for capital construction are expected to increase. Construction material costs for producers were deflationary over most of 2023 and 2024, but during the second quarter of 2025, construction material prices recorded inflation once again largely from tariff impacts, jumping by an average of 3.2 percent over those months compared to last year. Increased costs for construction materials will constrain the State's capital construction budget and limit the scale and scope of certain capital projects.

Unemployment Insurance: In the event of an economic slowdown, there is expected to be an increase in utilization of State services like unemployment insurance. While the Unemployment Insurance Trust Fund would generally cover the costs of unemployment claims, in the event of a severe recession, it is possible that the fund could become insolvent. Depending on how the federal government decides to structure loans to support the trust fund, there is a risk that General Fund dollars could need to be utilized. This particular loan and repayment structure has not been utilized before, but the general uncertainty regarding the federal government's budget decisions makes this a risk worth highlighting.

Introduction

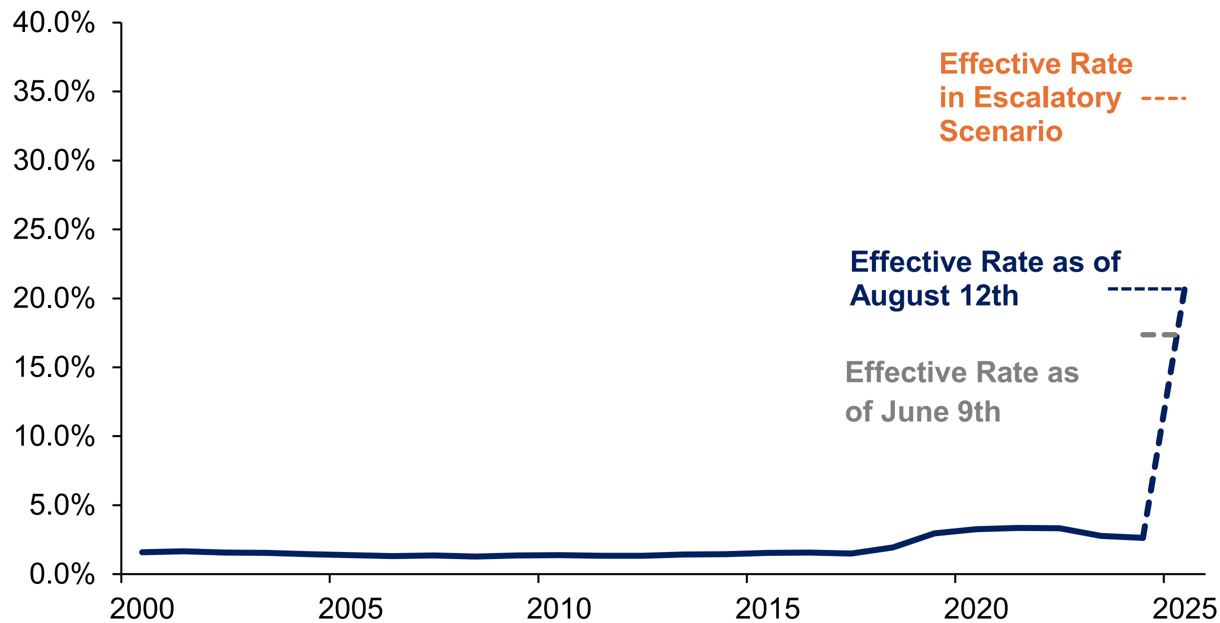
On July 14, 2025, Governor Polis signed an executive order (Executive Order D 2025 008) requiring specific state agencies to analyze the impacts related to changes in U.S. tariff policy, including the requirement that the Office of State Planning and Budgeting (OSPB) produce a report "estimating the impact of Colorado's tariff burden." The executive order states that, "Where possible, this report shall reflect both the estimated impact to date of U.S. Tariff Policy on Colorado's economy, as well as the potential future impacts of currently effective tariffs and paused or delayed tariffs, assuming they were to become effective. This report shall focus on specific vulnerable geographies and sectoral impacts, including housing construction, especially where those impacts are acute and particularly harmful to Colorado companies and consumers. Finally, this report shall estimate the financial impacts of the identified tariffs on Colorado's economy."

This report, published on September 4, 2025, is to fulfill the requirements of the executive order and is intended to estimate the impact of heightened trade barriers on Colorado's economy. To do so, OSPB first created a baseline scenario using trade policy from 2024 ("2024 Tariff Scenario"), including forecasts of U.S. and Colorado economic variables as well as Colorado state revenue under such conditions. Then, that scenario's output is compared with both 1) a currently implemented tariff scenario ("Current Tariff Scenario"), including all fully implemented tariffs as of August 12th, as well as 2) an escalation tariff scenario ("Escalatory Tariff Scenario") which includes the imposition of currently paused tariffs and recently announced or threatened tariffs under consideration that are yet to be implemented. In addition to this work, the executive order also requested a focus on specific sectoral and geographic impacts in Colorado, which finds broad-based impacts across the state, including important economic drivers to the state. Finally, OSPB also considers certain operations within State government that are expected to face additional financial pressures in response to elevated tariff policies.

To fully appreciate the need for this analysis first requires context related to the significant increases in tariffs implemented this year relative to recent history. Based on OSPB's calculations, currently implemented tariffs are estimated to be 7 times higher than they were last year for Colorado and nearly 8 times higher for the U.S. This is based on a calculation of the effective tariff rate, which aggregates all trade barriers into the U.S. and Colorado based on import-weighted averages. A deeper description of this analysis is described in the next section, entitled Tariff Rate Environment.

To understand how high the currently implemented tariffs are, the last time they exceeded the current effective levels was over a century ago in 1910. Since the Great Depression, effective tariff rates have declined, dropping below 10 percent during World War II and remaining in single digits until this year. Since the end of World War II, the U.S. became increasingly integrated with its allies in Europe, East Asia, and the Americas. In particular, during the period known as "the third wave of globalization," the U.S. signed free trade agreements with 20 countries between 1985 and 2007, including multilateral agreements with North America (NAFTA) and Central America (CAFTA-DR) as well as major trade partners like South Korea and Australia. This resulted in greater access to foreign markets and lowered the resulting effective tariff rate from 3.7 to 1.3 percent in 2007, which reduced costs for U.S. consumers.

Figure 4. Historical U.S. Effective Tariff Rate and 2025 Scenarios

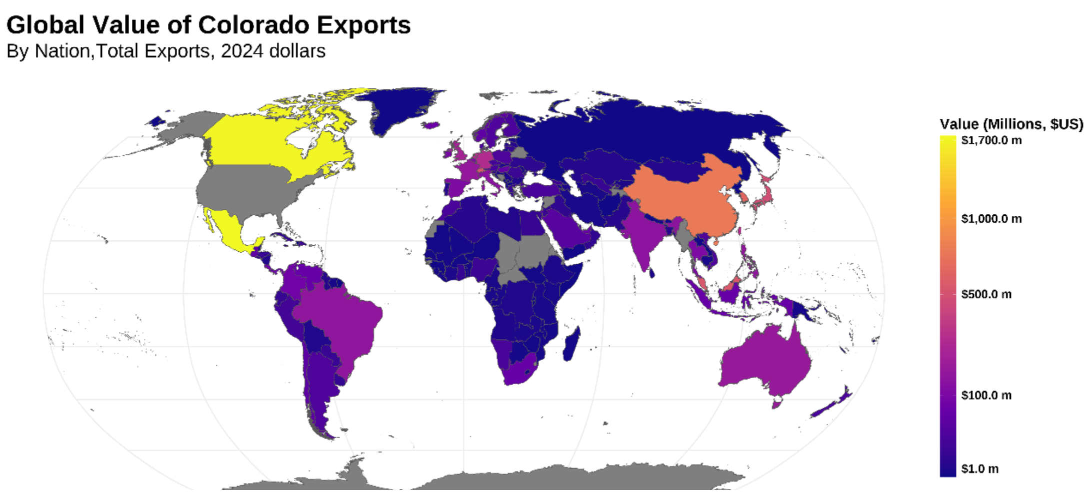


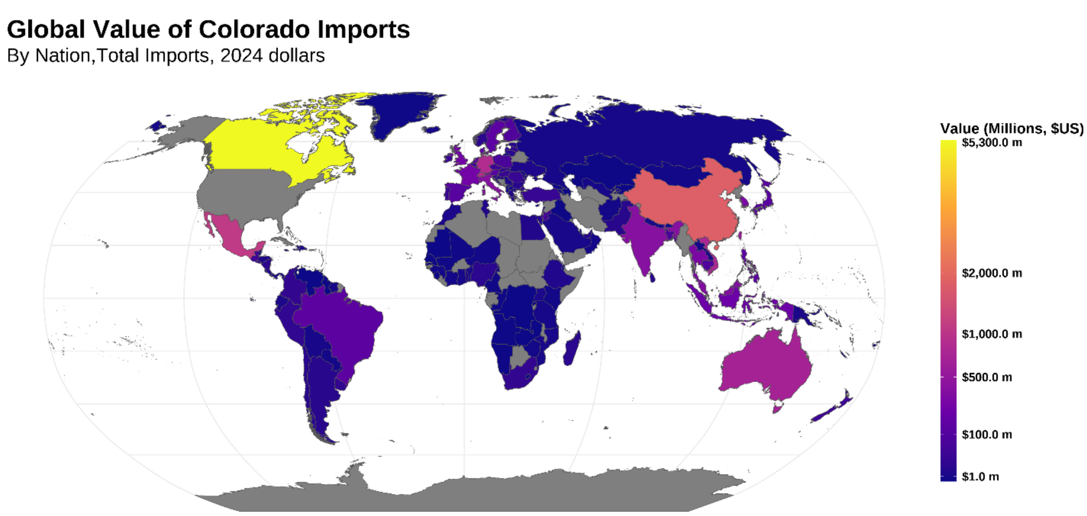
Source: U.S. Customs and Border Protection, U.S. International Trade Commission, U.S. Census Bureau, OSPB calculations

However, since 2007, despite ongoing trade negotiations like the Transatlantic Trade and Investment Partnership proposal with the European Union and the Trans-Pacific Partnership proposal with 11 other countries including Japan, no significant trade agreements that have provided new access to foreign markets have been signed. The only agreement since that time has been the United States-Mexico-Canada (USMCA) agreement, which largely maintained NAFTA with some modifications, including increases in dairy product access, changes to the automobile rules of origin requirements, an increase in the de minimis exemption threshold and other labor and intellectual property related adjustments. Additionally, during the first Trump administration, new tariffs were imposed on imports from China under Section 301 of the Trade Act of 1974, intended to provide relief from unfair trade practices. These tariffs were largely left in place by the Biden administration. The first Trump administration also imposed 25 and 10 percent tariffs on steel and aluminum respectively by utilizing a national security justification under Section 232 of the Trade Expansion Act of 1962. Therefore, the U.S. effective tariff rate increased from 1.5 percent in 2017 to 3.4 percent by 2021. Note that those tariff rates are based on duties reported by U.S. Customs and Border Protection and imports reported by U.S. Census Bureau. By 2024, while the Biden administration did hold many trade barriers in place, some tariffs, such as those on EU steel imports, were rolled back and the overall effective tariff rate fell slightly to 2.6 percent.

During recent years, the U.S. maintained a similar profile of trade partners, with the largest foreign destinations of U.S. exports being the European Union, Canada, Mexico, China, the United Kingdom, and Japan. The most significant share of imports into the U.S. are from similar countries, including, in respective rank order, from the European Union, Mexico, China, Canada, Japan, and Vietnam. While Colorado exports and imports have a generally similar nation composition as shown in the figure below, note that the top export destinations for Colorado are Mexico, Canada, China, South Korea, Malaysia, and Switzerland. Meanwhile, Colorado imports the most from Canada, China, Mexico, Switzerland, Taiwan, and Vietnam.

Figure 5. Heat Map of Colorado International Trade Partners





Source: U.S. Census Bureau, USA Trade Online

In 2025, a combination of emergency and reciprocal tariffs imposed by the Trump administration have led to a baseline 10 percent tariff levied on all imports, though many countries and products face higher rates, and there are also exceptions for lower tariffs on goods imported from Canada or Mexico that are USMCA compliant. More detail on this can be found in the next section. Based on existing top trade partners, Colorado's higher reliance on trade with Canada does not currently lead to significant increases in tariffs given that approximately 90 percent of American-Canadian trade is covered under the low USMCA rates. However, the additional exposure to Switzerland is of greater importance to the Colorado market given that Switzerland now faces some of the highest tariffs of any country at 39 percent.

The rapid acceleration of trade barriers during the second Trump administration has significantly outpaced the first term. Instead of relying solely on more traditional tools like Section 232 tariffs on aluminum, steel, copper, and automobiles, the majority of the tariff impacts are related to the concept of "reciprocal" tariffs. Those tariffs are designed to improve the U.S. trade deficit with other nations, though there are risks of retaliation that would limit U.S. exports as well. The reciprocal tariffs along with International Emergency Economic Powers Act tariffs on Canada, Mexico, and China have been contested in the court system. As of August 29, the U.S. Court of Appeals for the Federal Circuit affirmed a lower court's finding that the executive branch does not possess the authority under the law to impose sweeping tariffs on using those mechanisms, as discussed further in the Tariff Rate Environment section. The tariffs remain in place, though, until October 14 to allow time for the Trump administration to file an appeal to the Supreme Court. If the Supreme Court decides the broad-based tariffs in question should be reversed, it is possible that the effective tariff rate for the U.S. and Colorado could fall to 6.3 percent and 4.2 percent, respectively, depending on the ruling. However, the administration would likely take action to use other protectionist policy tools, though the pace and breadth of the protectionist policies would likely be more limited.

The new trade policy environment has also become complex, with little transparency at times and differing interpretations on how existing trade policies are implemented. An example would be how to determine specific cases when tariffs are additive (applied in addition to most-favored nation tariffs) or not. Additionally, trade policy sometimes does not comport with economic theory and elevated levies are placed on goods that the U.S. cannot produce adequate amounts of domestically to meet demand, like tropical fruits and coffee. Finally, the frequently changing announcements produce an unstable economic environment, which leads to uncertainty for businesses and consumers, which are likely to reduce investments and overall demand accordingly.

With the various changes in trade and tariff policy over 2025, the importance of Colorado's international trading partners and specific products has come more into focus. The following tables on the next page illustrate Colorado's top trading partners by the value of imports and exports, as well as the top products that the state imports and exports.

Figure 6. Colorado's Top International Trading Partners in 2024

Annual Data					
Exports			Imports		
Nation	$ Value	Share	Nation	$ Value	Share
Total	**$10.50B**		**Total**	**$16.79B**	
Mexico	$1.74B	16.5%	Canada	$5.37B	32.0%
Canada	$1.64B	15.7%	China	$1.80B	10.7%
China	$0.76B	7.2%	Mexico	$1.09B	6.5%
South Korea	$0.63B	6.0%	Switzerland	$0.88B	5.2%
Malaysia	$0.55B	5.2%	Germany	$0.88B	5.2%
Switzerland	$0.54B	5.1%	Vietnam	$0.79B	4.7%
Japan	$0.47B	4.5%	Australia	$0.70B	4.2%
Netherlands	$0.31B	2.9%	Taiwan	$0.56B	3.4%
Taiwan	$0.30B	2.8%	India	$0.40B	2.4%
Germany	$0.29B	2.7%	Italy	$0.39B	2.3%

Source: U.S. Census Bureau USA Trade Online

Figure 7. Colorado's Top Goods Traded Internationally, 2024

Annual Data					
Exports			Imports		
Product	$ Value	Share	Product	$ Value	Share
Total	**$10.50B**		**Total**	**$16.79B**	
Food & Kindred Products	$2.29B	21.8%	Oil & Gas	$3.32B	19.8%
Computer & Electronic Products	$2.06B	19.7%	Computer & Electronic Products	$2.82B	16.8%
Machinery, Except Electrical	$1.14B	10.8%	Machinery, Except Electrical	$1.62B	9.7%
Chemicals	$0.90B	8.5%	Transportation Equipment	$1.41B	8.4%
Transportation Equipment	$0.71B	6.8%	Food & Kindred Products	$0.94B	5.6%
Fabricated Metal Products	$0.69B	6.6%	Electrical Equipment, Appliances & Components	$0.93B	5.5%
Primary Metal Mfg	$0.44B	4.2%	Leather & Allied Products	$0.69B	4.1%
Miscellaneous Manufactured Commodities	$0.44B	4.2%	Apparel & Accessories	$0.68B	4.0%
Agricultural Products	$0.43B	4.1%	Miscellaneous Manufactured Commodities	$0.58B	3.4%
Electrical Equipment, Appliances & Components	$0.33B	3.2%	Chemicals	$0.52B	3.1%

Source: U.S. Census Bureau USA Trade Online

With countries and various products facing new tariffs in 2025 under the Trump administration's trade policies, the remainder of this report will analyze what this means for the U.S. and Colorado economies. The report contains five sections which explore various ways the national and state economies are impacted, as well as how the State of Colorado's governmental finances are impacted. These sections include:

1. **Effective Tariff Rates** which provides information related to effective tariff rates in the U.S. and Colorado and how these rates are calculated. The section also includes effective tariff rates under three separate tariff scenarios.
2. **Economic Impacts to the U.S. and Colorado** provides information related to how tariffs impact different areas of the economy in the nation and state. This section also includes national and state economic impacts under three separate tariff scenarios.
3. **Colorado Sectoral and Regional Impacts** provides information on how industries and regions within the state are impacted by tariffs with a focus on industries and regions most acutely impacted by tariffs.
4. **State Fiscal Impacts – Revenue** provides information on how some of the largest State of Colorado revenue sources are impacted by tariffs. This section also includes State revenue impacts under three separate tariff scenarios.
5. **State Fiscal Impacts – Expenses** provides information on how tariffs place financial pressure on certain aspects of the State's budget.

When developing how the different effective tariff rate scenarios impact the economy and State revenue, OSPB assumes current law in all other facets, including the passage of the federal reconciliation bill, H.R. 1, as well as existing immigration policy. However, this report does not include State legislation enacted in the 2025 Extraordinary Session that took place in August 2025 due to time constraints. Additionally, when looking at currently implemented tariffs, the most recent imposition of reciprocal tariffs on August 7th did not apply to foreign goods that were loaded onto freight vessels before that date. Therefore, given the usual month-plus lag on goods reaching their final destination, those products currently in transit under the more elevated tariff regime will not have an impact until likely October at the earliest if businesses immediately pass along some of those costs to consumers. In addition to expected lags when translating increasingly elevated tariffs to the corresponding economic outcomes, OSPB expects that the corresponding inflationary, investment, and demand impacts are the largest threat to economic growth over the next year.

Tariff Rate Environment

In order to appropriately estimate the economic impacts of the changes in tariffs, OSPB first independently calculated the effective tariff rates for the United States as a whole and Colorado in particular. Effective tariff rates are designed to be a proxy for the trade barriers that foreign goods face, by weighting the tariffs based on imports by product and country of origin. To fully appreciate the impacts of the currently implemented tariffs by the Trump administration, this report first calculates the effective tariff rate that both the nation and state faced during 2024 at the end of the Biden administration, also referred to as the "2024 Tariff Scenario". After setting the baseline, effective rates are calculated on currently implemented tariffs, and this report incorporates any tariffs implemented as of August 12, 2025, also referred to as the "Current Tariff Scenario." Finally, OSPB considers a tariff escalation scenario based on recently considered or announced tariffs that are not yet implemented, known as the "Escalatory Tariff Scenario." Note that when calculating the Current Tariff Scenario and Escalatory Tariff Scenario, OSPB does not attempt to incorporate consumer and business demand dynamics related to substitution of goods depending on tariffs faced. Those impacts would marginally reduce the effective tariff rates under those scenarios, but those impacts have a moderate band of uncertainty and depend on elasticity assumptions. In short, currently implemented effective tariff rates are 7 to 8 times higher than those faced last year, with additional risk if escalation occurs, as found in the table below.

Figure 8. Effective Tariff Rates by Scenario

	2024 Tariff Scenario	Current Tariff Scenario	Escalatory Tariff Scenario
U.S.	**2.6%**	**20.7%**	**34.5%**
Colorado	**3.0%**	**21.0%**	**25.5%**

Source: U.S. Customs and Border Protection, U.S. International Trade Commission, U.S. Census Bureau, OSPB calculations

Scenario 1: 2024 Tariff Scenario

When calculating historical effective tariff rates for the U.S. as a whole, the calculation is straightforward. OSPB used U.S. Customs and Border Protection data by federal fiscal year on the value of tariffs collected relative to the value of all imported goods. In 2024, the effective tariff rate was 2.6 percent based on reports, which is higher than the 1.4 percent average annual rate during the Obama administration. The increase was due to the first Trump administration increasing trade barriers in a more narrowly tailored form, and those were largely left in place by the Biden administration that followed, as discussed in the introduction. However, in order to estimate effective tariff rates for Colorado, there is no corresponding state-level data on tariff collections. Therefore, OSPB first leveraged the 2024 Harmonized Tariff

Schedule (HS) as produced by the U.S. International Trade Commission. The next step was calculating ad valorem estimates (AVE) for each HS 8-digit product by first translating weight or count based tariffs and quotas, into an approximate percentage. Next, state-level U.S. Census import data by country and product were leveraged to weight the estimates. First, an AVE is calculated for each product by weighting across countries the different rates for most-favored nation, trade agreement, and other rates. Finally, that same import data by product is then used to calculate an aggregated state-level effective tariff rate that accounts for all product trade and nation trade based on import flows. Using this methodology, OSPB estimates that in 2024, the Colorado effective tariff rate was marginally higher than the U.S. at 3.0 percent. OSPB sees the minimally higher state effective tariff rate as tied to the elevated trade weights in Colorado compared to the U.S. from goods including apparel (HS Chapter 62), footwear (HS Chapter 64), and luggage and handbags (HS Chapter 42). Note that all trade-weighted calculations utilize unadjusted data from the U.S. Census Bureau that reflect import data at the destination of entry. Given that Colorado does not have any seaports, this methodology may underweight some of the impacts of trade, but early exploration to adjust trade data by trucking or other data has indicated that the weights would not change significantly.

Scenario 2: Current Tariff Scenario

This scenario includes currently imposed tariffs as of August 12, 2025. Any tariff imposed after this date is not considered within this scenario. In 2025, there have been three separate types of new trade barriers. The first is an expansion of the Section 232 tariffs that were utilized in the first Trump administration. These new elevated tariffs on automobiles, steel, aluminum, and copper utilize the Trade Expansion Act in order to protect national security or strengthen domestic industries.

Figure 9. Section 232 Tariffs[1]

Product	Tariff Rate	Date Implemented or Maintained	Share of 2024 U.S. Imports	Share of 2024 CO Imports
Automobiles[2]	25%	4/3/2025	11.8%	2.7%
Steel and Aluminum[3]	50%	6/4/2025	1.8%	0.8%
Copper	50%	8/1/2025	0.5%	0.4%

1 Part of the Trade Expansion Act that allows the executive branch to impose trade restrictions if imports of a good impair national security
2 Lower rates were agreed to with the EU, UK, Japan, South Korea
3 Lower rates were agreed to with UK of 25%

The Section 232 tariffs are not currently being adjudicated in court, but there are two other tariff measures utilized by the executive branch that are currently effective but are potentially at risk of being reversed. As of August 29, the U.S. Court of Appeals for the Federal Circuit affirmed a lower court’s finding that the executive branch does not possess the authority under the law to impose sweeping tariffs on nearly all U.S. imports through those two measures discussed on the following page. The implementation of that ruling is delayed until October 14, though, to allow time for the Trump administration to file an appeal to the Supreme Court. While the courts may take such action to reverse those tariffs described below, the administration would likely turn toward Section 232 and other policy options to enact tariffs to achieve the administration's goals even if currently implemented tariffs were reversed in court. The procedural requirements of those alternatives, however, would likely slow and limit the breadth of the protectionist policies.

The first of those other measures is the International Emergency Economic Powers Act (IEEPA), which grants broad authority to regulate commerce in the case of a national emergency. Under the currently implemented tariffs, Canada, Mexico, and China face elevated tariffs due to an announced emergency related to domestic fentanyl use, which the current administration sees as exacerbated by a lack of controls from those three nations. For Canada and Mexico, the 35 and 25 percent tariffs respectively only apply to goods that are not a part of the U.S.-Mexico-Canada Free Trade Agreement (USMCA) enacted in President Trump's first term. However, there has been a 10 percent tariff on Canadian potash and energy products since March. For China, there is a 10 percent tariff on all goods (the new global minimum rate) plus a 20 percent IEEPA tariff that is in addition to the 10 percent.

Figure 10. International Emergency Economic Powers Act[1]

Nation	Tariff Rate	Date Implemented or Maintained	Share of 2024 U.S. Imports	Share of 2024 CO Imports
Canada[2]	35%	8/1/2025	12.6%	32.0%
Mexico[2]	25%	3/4/2025	15.5%	6.5%
China[3]	30%	8/12/2025	13.4%	10.7%

1 Law that grants the President broad authority to regulate or prohibit international commerce to a declared national emergency, in this case a response to fentanyl. These tariffs face ongoing challenges in court but are currently implemented.

2 Tariffs of 25 percent and 35 percent on Mexico and Canada only apply to non-USMCA goods. When calculating country-wide effective tariff rates facing these countries by weighting all products, the final rate is lower.

3 China currently faces a 10 percent base tariff combined with 20 percent tariffs related to fentanyl, totaling 30 percent; note that low value transactions are now also tariffed at 54 percent (previously tariff free).

Finally, the third type of tariff tool being used is the reciprocal trade and tariff policy. Reciprocal policies include the aforementioned global baseline tariff rate of 10 percent but includes elevated rates for dozens of trade partners. Below is an abbreviated list of the top partners that import to Colorado and the U.S., listed by share of Colorado imports, though a longer list can be found in the appendix of this report. It is important to note that the below list does not include Colorado's three largest import nations in Canada, China, and Mexico as they currently do not fall under the "reciprocal" tariff policies but under IEEPA and the 10 percent global baseline, in the case of China. Note that India's currently implemented tariff is 25 percent but will increase to 50 percent on August 27th, if there is no progress between the nations on how to address India's current imports of Russian oil, according to the Trump administration. In total, just over half of all Colorado imports fall under reciprocal tariff policies with the remainder of imports largely coming from Canada, China, and Mexico.

Figure 11. Reciprocal Tariffs[1]

Product	Tariff Rate	Date Implemented or Maintained	Share of 2024 U.S. Imports	Share of 2024 CO Imports
European Union[2]	15%	8/7/2025	18.5%	15.5%
Switzerland	39%	8/7/2025	1.9%	5.2%
Vietnam[3]	20%	8/7/2025	4.2%	4.7%
Taiwan	20%	8/7/2025	3.6%	3.4%
India[4]	25%	8/7/2025	2.7%	2.4%
Malaysia	19%	8/7/2025	1.6%	2.1%
Thailand	19%	8/7/2025	1.9%	1.8%
South Korea[2]	15%	8/7/2025	4.0%	1.8%
United Kingdom[5]	10%	8/7/2025	2.1%	1.5%
Indonesia	19%	8/7/2025	0.9%	1.3%
Philippines	19%	8/7/2025	0.4%	0.9%
Brazil[6]	50%	8/6/2025	1.3%	0.8%
Japan[2]	15%	8/7/2025	4.5%	0.7%
Cambodia	19%	8/7/2025	0.4%	0.6%
Israel	15%	8/7/2025	0.7%	0.4%
Rest of World	10%	8/7/2025	9.7%	7.6%

1 New executive actions this year that set the global base tariff at 10 percent with higher specific rates on the trade partners in this table. Tariffs face ongoing challenges in court but are currently implemented

2 EU countries, Japan, and South Korea also have negotiated a lower tariff rate on automobiles of 15 percent, compared to the Section 232 tariff rate

3 Vietnam imports that are transshipped from China will face a 40 percent tariff

4 India's current implemented rate is based on a deadline of Aug. 12th implementation for inclusion; an additional 25 percent tariff was announced with an implementation date of August 27th and is included in the third tariff scenario

5 First 100,000 vehicles pay 10 percent tariff, then 25 percent thereafter; also steel and aluminum tariffs are 25 percent rather than 50 percent

6 Tariffs are a baseline 10 percent tariff with an additional 40 percent tariff based on the President's stated foreign policy concerns, note that the additional 40 percent tariff is excluded for specific products such as orange juice, nuts, furniture, wood, and special metals

After incorporating all the implemented tariffs, OSPB calculated effective tariff rates by product and nation import trade weighting. Despite the U.S. and Colorado having a different makeup of imports from Canada, China, and Switzerland, as well as product specific differences like automobiles, the impacts largely offset and the current estimated effective tariff rates for the U.S. and Colorado are relatively similar. The U.S. is anticipated to face an aggregate effective tariff rate of 20.7 percent based on existing trade policy while Colorado is expected to face a 21.0 percent effective rate. The rates are higher than the OSPB economic forecast from June (U.S. effective tariff rate of 15.6 percent) given additional Section 232 tariffs on copper, IEEPA tariffs increasing on Canada, and elevated reciprocal tariffs on a number of countries including 50 percent tariffs on Brazil and 39 percent on Switzerland. Additional country details can be found in the Appendix section of this report.

Scenario 3: Escalatory Tariff Scenario

Beyond the existing implemented tariffs as of August 12th, it is possible that IEEPA or reciprocal tariffs may be reversed in future court decisions or that any of the tariff rates may be reduced by executive power, thereby reducing overall effective tariff rates from the currently elevated levels. For example, if the Supreme Court were to fully remove all IEEPA and reciprocal tariffs, OSPB estimates that the effective tariff rate for the U.S. would lower to 6.3 percent, with Colorado effective rates lowering further still to 4.2 percent. However, in that case, the Trump administration would likely attempt to impose new protectionist policies, thereby raising effective tariff rates again and create additional uncertainty for businesses and consumers along with it. That being said, there are also risks of further tariff escalation that would increase the effective tariff rate, given recent announcements by the administration. In this scenario, OSPB considers the additional trade barriers that have been announced as possible next steps in trade policy. It is unlikely that all the following actions take place, but it is important to consider given the significant impacts on the effective tariff rates, particularly for the U.S. as a whole. Those actions under consideration are included in the table below and are again trade weighted to arrive at a 34.5 percent effective tariff rate for the U.S. and a 25.5 percent effective tariff rate for Colorado. Note that Colorado is less impacted by this scenario's escalation because the state is less exposed to trade with China and Mexico, as well as pharmaceutical products, when compared with the national aggregate. Note that many pharmaceutical products entered the U.S. without duties in years prior to 2025, based on USITC's tariff schedule.

Figure 12. Escalatory Tariff Scenario

Product	Tariff Rate	Share of 2024 U.S. Imports	Share of 2024 CO Imports
Biopharmaceuticals	250%	6.5%	0.2%
Chips/Semiconductors	100%	1.9%	5.3%

Country	Tariff Rate	Share of 2024 U.S. Imports	Share of 2024 CO Imports
China	145%	13.4%	10.7%
Mexico	30%	15.5%	6.5%
India	50%	2.7%	2.4%

In addition to the tariffs mentioned above that could escalate, this scenario also includes the end to the "de minimis" rule on all countries, which is expected to be implemented on August 29th. Similar to additional tariffs on India that are expected on August 27th, the de minimis tariff changes are after this report's implementation date of August 12th to be included in the Current Tariff Scenario above. This change will mean that packages worth less than $800 will no longer enter the U.S. duty-free, regardless of the trade partner. The end to de minimis duty free shipments from China are already included in the Current Tariff Scenario. The Escalatory Tariff Scenario anticipates that there will be a 100 percent blanket tariff on all companies related to chips and semiconductors, but OSPB recognizes that there may be exemptions for certain businesses. Additionally, nearly 90 percent of all imports from tariffs are exempt from the IEEPA tariffs that could increase to 30 percent, limiting their impact. Finally, OSPB does not anticipate that there is a high likelihood of Chinese imports once again facing a 145 percent tariff rate, and while existing tariffs in the Current Tariff Scenario are anticipated to remain in place as a trade agreement is negotiated, this scenario illustrates the risk of a breakdown in negotiations.

International Retaliation Against U.S. Tariffs

The unilateral implementation of U.S. tariffs invites the risk of retaliatory behavior from key trading partners and their consumers. One form of retaliation against the U.S. would be nations imposing their own reciprocal tariffs, which would make Colorado products less competitive and prohibitively expensive in foreign markets, while also reducing the demand that domestic producers receive for their products. International consumers and companies may also retreat from the American market, leading to reduced tourism activity and demand for U.S. exports.

Colorado Exports

In 2024, Colorado exported a record $10.5 billion of goods to the world, with the highest-value export markets in Mexico ($1.7 billion), Canada ($1.6 billion), China ($0.8 billion), South Korea ($0.6 billion), and Malaysia ($0.6 billion).,[1] Colorado's primary exports include meat (17 percent); critical components of power plants and various types of industrial and mechanical equipment (15 percent); electric machinery (13 percent); optic, photo, medical or surgical instruments (11 percent); and aircraft, spacecraft, and related parts (5 percent).[2] If other countries implement retaliatory tariffs on U.S. goods, Colorado products become less

[1] Young, Olivia *CBS News* (February 3, 2025). "Colorado agriculture producers brace for tariff impacts" (linked).
[2] Colorado Governor's Office (April 13, 2025). "Colorado Helps Lead Lawsuit to Stop Trump Administration's Illegal Tariffs that Are Raising Prices, Causing Economic Uncertainty" (linked).

competitive and prohibitively expensive in foreign markets and foreign businesses and consumers are likely to turn to their own domestic producers or other trade partners, cutting Colorado products out of their markets.

Key trade partners have already considered retaliation against U.S. tariffs, with Canada introducing a $155 billion tariff package on a wide range of goods, while also threatening further tariffs on beef, pork, dairy, fruits and vegetables, aerospace products, and many other product categories.[3] After a volley of threats, tariff implementations, roll-backs, and negotiation extensions, China currently applies an average 32.6 percent tariff on all U.S. goods,[4] along with import restrictions on a range of U.S. agricultural products and export controls on critical minerals used in electronics and defense.[5] Mexico has shown restraint in escalating trade tensions with the U.S., originally threatening retaliatory tariffs ranging from 5 percent to 20 percent on pork, cheese, produce, steel, and aluminum,[6] but ultimately declined to raise tariffs and instead pursued diplomatic solutions and domestic industrial strengthening strategies.

As foreign demand for Colorado products potentially falls, domestic and local markets could face oversupply, which would lower prices and erode profitability. This impact to export demand exacerbates the profitability concerns for Colorado producers, on top of the higher input costs of imported goods and materials from the U.S. tariffs.

Tourism

In July, the Office of Economic Development and International Trade (OEDIT) highlighted the economic importance of Colorado tourism, which contributed $28.5 billion to the economy, $1.9 billion in state and local tax revenues, and supported 188,510 jobs in 2024.[7] Colorado mountain resorts are the most vulnerable to slowing tourism, relying heavily on visitors from Canada, Europe, and Mexico. International visitors make up a significant share of revenue in ski resort towns like Vail and Aspen, where tariff tensions pose a major threat to this vital part of the state's tourism economy. Summer bookings from Canadian tourists in mountain towns across the U.S. is down about 55 percent amid political and trade tensions,[8] however, Colorado has seen a great deal of resilience in international tourism thus far. According to data from Denver International Airport (DIA), international travel through DIA has increased slightly year-over-year through June. Currently, strong ties between Colorado and Canada have supported that growth, with Canadian travelers up 4 percent year over year through June, which is significantly better than the country overall where travel is down. Additionally, DIA is adding

[3] Department of Finance Canada (February 1, 2025). "Canada announces $155B tariff package in response to unjustified U.S. tariffs" (linked).

[4] Bown, Chad, *PIIE* (August 1, 2025). "US-China Trade War Tariffs: An Up-to-Date Chart" (linked).

[5] *BDO* (April 15, 2025). "China - Retaliatory Tariffs Imposed on US-Origin Imports" (linked).

[6] Tabor, Peter *Holland & Knight* (March 4, 2025). "U.S. Implements Threatened Tariffs on Canada, Mexico and China" (linked).

[7] Colorado Tourism Office (CTO), Colorado Office of Economic Development and International Trade (July 29, 2025). "Tourism Industry Contributes $28.5 Billion to Colorado Economy and Supports Over 188,000 Jobs" (linked).

[8] Mulholland, Sarah (June 27, 2025). "Amid Trump shifts, Colorado tourist communities keeping a close eye on who is visiting — and who is not" (linked).

capacity for international flights based on demand, again a departure from U.S. aggregate trends.

In summary, U.S. tariffs and deteriorating international relations have spurred some international travelers to avoid traveling to the U.S., but Colorado tourism has thus far remained relatively stable. However, continued U.S. international policies that possibly alienate allies are a risk that could lead to future declines in tourism. An extended slowdown in international travel to Colorado would have significant economic impacts across the state, especially in the Mountain Region of the state.

Consumer Behavior and U.S. Sentiment

Retaliation against U.S. tariffs is not limited to government policy. Consumers in several countries have also boycotted several U.S. products as a sign of protest. Many Canadian businesses have removed U.S. spirits from liquor stores, increased promotion of Canadian goods over U.S. alternatives, and canceled high-profile contracts with U.S. firms,[9] such as reducing the size of a governmental purchase of U.S. F-35 fighter jets[10] and Ontario's cancellation of a $100 million contract with U.S.-based Starlink.[11] Several European countries have seen a surge in anti-American rhetoric[12] and substitution away from U.S. goods,[13] and politicians and businesses in India have called for boycotts of U.S. companies like Apple, McDonald's, Coca-Cola, and Amazon.[14]

If international consumer and business preferences shift away from U.S. goods and companies, the domestic economy would suffer as fewer products get exported, reducing profits for American companies.

[9] Cassidy, Anne, *BBC* (April 8, 2025). "The Canadians and Danes boycotting American products" (linked).
[10] Brewster, Murray, CBC (March 14, 2025). "Canada reconsidering F-35 purchase amid tensions with Washington, says minister" (linked).
[11] Casey, Liam, *CBC* (July 30, 2025). "Ontario officially cancels $100M Starlink contract, won't say cost to taxpayers" (linked).
[12] Shiltagh, Maggie, *Bloomberg* (March 30, 2025. "Anti-American sentiment rises in Europe as Trump fuels anger" (linked).
[13] Alderman, Liz, *New York Times* (May 5, 2025). "Buy American? No Thanks, Europe Says, as Tariff Backlash Grows" (linked).
[14] Goodyear, Sheena, *CBC Radio* (August 15, 2025). "Trump's tariff threats inspire an 'Elbows Up' movement in India — minus the hockey" (linked).

Economic Impacts of Tariffs

Increased tariffs result in higher costs to businesses and consumers, which have downstream economic consequences across all parts of the U.S. and Colorado economies. This section of the report provides information related to the economic impacts from tariffs on Gross Domestic Product and Gross State Product, inflation, monetary policy, consumer spending, labor market, wages and income, housing and non-residential construction, and energy.

Within each section, three separate tariff scenarios are provided that analyze how different tariff policy environments impact both the U.S. and Colorado economies. The three tariff scenarios are discussed in detail in the "Calculating Effective Tariff Rates" section of this report, but high-level information is provided below.

2024 Tariff Scenario: This scenario includes tariff policies that were in place during 2024 prior to the Trump administration's imposition of new, broad-based tariffs. Under this scenario, the effective tariff rate in the U.S. was 2.6 percent and in Colorado was 3.0 percent. This scenario provides a counterfactual analysis on if the increased tariffs implemented in 2025 were never put into place.

Current Tariff Scenario: This scenario includes current tariff policies as of August 12, 2025. Under this scenario, the effective tariff rate in the U.S. is 20.7 percent and in Colorado is 21.0 percent. For Colorado, current tariff policies result in an effective tariff rate that is seven times higher than the 2024 Tariff Scenario.

Escalatory Tariff Scenario: This scenario includes potential escalatory tariffs that could take place in the near future, beyond current tariff policies. For example, this scenario includes the announced or threatened increased tariffs on China and India, as well as product-specific tariffs such as pharmaceuticals and semiconductors. This scenario results in an effective tariff rate in the U.S. of 34.5 percent and in Colorado of 25.5 percent. While the effective tariff rate in Colorado under this scenario is more than eight times higher than the 2024 Tariff Scenario, Colorado is impacted relatively less than the U.S. under this scenario due to its relatively limited exposure to products from China compared to the U.S.

By analyzing the economic impacts under three separate tariff scenarios, this report examines how economic outcomes for both the U.S. and Colorado would look differently dependent upon the trade and tariff policy environment in place.

Gross Domestic Product and Gross State Product

Economic growth, measured by Gross Domestic Product (GDP) for the U.S. and Gross State Product (GSP) for Colorado, is significantly impacted by tariff policy. While the 2024 Tariff Scenario would be expected to lead to economic growth at its potential, the Current Tariff Scenario is expected to result in slower growth due to a pullback in investments and labor demand with businesses forced to reduce spending in other areas as they are likely to absorb some of the cost of import taxes. The Escalatory Tariff Scenario is expected to result in a mild recession as additional job losses lead to slowing consumer demand, with the U.S. faring worse than Colorado due to a higher effective tariff rate in that particular scenario.

Scenario 1: 2024 Tariff Scenario

Figure 13. 2024 Tariff Scenario: GDP and GSP Forecasts

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	2.8%	1.8%	2.0%	1.9%
Colorado	1.9%	1.8%	2.1%	2.1%

Source: Bureau of Economic Analysis, OSPB forecast

If the current federal administration had held tariffs constant at 2024 levels, the effective tariff rate of 2.6 percent for the U.S. would have been expected to result in a strong economy that would maintain growth at its potential, continue a disinflationary path alongside loosening monetary policy, expand the investment environment, preserve full employment conditions, and maintain stable consumption. Similarly, the Colorado economy would have been expected to expand with slightly stronger growth than the U.S. as a whole in 2026 and 2027 while only facing a 3.0 percent effective tariff rate.

Scenario 2: Current Tariff Scenario

Figure 14. Current Tariff Scenario: GDP and GSP Forecasts

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	2.8%	1.6%	0.7%	1.7%
Colorado	1.9%	1.6%	0.8%	2.0%

Source: Bureau of Economic Analysis, OSPB forecast

OSPB views a significant share of the current recession risk the U.S. faces as inextricably linked to new trade restrictions introduced this year. The current trade policy environment is the largest driver of reduced economic growth expectations, as frequent announcements both raising and lowering rates have reduced businesses' impulse to invest in new capital projects. Further, expected re-inflation will limit the purchasing power of consumers. With the U.S. facing an estimated 20.7 percent effective tariff rate, OSPB expects growth to begin waning in the second half of the year due to negative growth in investments while personal consumption growth slows. In a recent survey by KPMG[15], approximately half of the businesses that responded suggested that they were planning to delay new capital projects until trade policy becomes more settled. Similarly, National Federation of Independent Business respondents suggest that only 21 percent of firms are planning capital outlays at this time. Additionally, Goldman Sachs economists noted that while only 22 percent of tariffs are currently being passed along to the consumer, it is expected to be 67 percent if businesses react similarly to historical trends[16]. Consumer spending has already slowed, with the last two quarters of personal consumption expenditures representing the lowest growth rates in two years, and further consumer inflationary pressure from tariffs adds another headwind. OSPB expects that this is largely due to the bottom three income quartiles likely cutting back on discretionary spending where possible, while the top income quartile is relatively less affected. Between the fourth quarter of 2025 and the third quarter of 2026, OSPB expects four consecutive quarters of growth below 1.0 percent on a quarter-over-quarter annualized basis. For Colorado, OSPB expects three consecutive quarters of GSP growth of less than 1.0 percent beginning at the end of the year while faced with an elevated tariffs at an estimated 21.0 percent effective tariff rate. Both the U.S. and Colorado are expected to avoid a recession under the Current Tariff Scenario, but it is only by a slim margin with significant recession risk overhanging the economy. While economic growth has only one quarter of negative growth in the forecast window under this scenario, OSPB expects slowing jobs growth, rising unemployment, slowing spending growth, and temporary re-inflation of consumer prices, as discussed later in this section.

Scenario 3: Escalatory Tariff Scenario

Figure 15. Escalatory Tariff Scenario: GDP and GSP Forecasts

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	**2.8%**	**1.5%**	**0.1%**	**1.4%**
Colorado	**1.9%**	**1.6%**	**0.6%**	**1.7%**

Source: Bureau of Economic Analysis, OSPB forecast

If the current federal administration decides to escalate tariffs in line with recent announcements discussed earlier in this report, the resulting effective tariff rates are likely to result in a recession for both the U.S. and Colorado. In all tables in this section, GDP and GSP are reported in annual average terms, which mask the negative quarterly growth rates that OSPB expects. In this scenario, U.S. GDP is expected to contract by approximately one percent per quarter on an annualized basis in the first two quarters of 2026, while Colorado's GSP is expected to contract by a lesser amount of an annualized 0.25 percent each quarter during the same period. In both cases, the contraction is thought to be driven by a downturn in consumer demand due to a weaker labor market, declining real purchasing power, and consumers' exhaustion over continued price growth. The U.S. is expected to contract by more given that there is higher exposure to Chinese imports for the country as a whole relative to Colorado.

[15] *KPMG*. August 2025. "Tariff Business Impact: What executives think now" (linked).

[16] *Wall Street Journal,* Ben Glickman. August 12, 2025. "Trump Calls on Goldman to Replace Economist over Tariff Stance" (linked).

With Colorado's inflationary pressures less significant in this scenario compared to the U.S., the resulting contraction of consumer spending is also thought to be less drastic in the state. Given that the increased impact on prices is expected to be a one-time shock to the economic system, OSPB would expect economic growth to recover to its potential by the end of 2027.

Inflation

Inflation is primarily measured through the Consumer Price Index (CPI), which measures the average change in prices for a basket of final goods and services for consumers. Inflation is significantly impacted by tariff policy. This is because tariffs are an additional cost imposed on goods and services. Tariffs have a direct cost increase associated with the specific goods that have tariffs levied against them, but tariffs can also have significant indirect or knock-on effects on the prices of other goods and services throughout the economy. The direct cost of tariffs is straightforward: if an imported good is purchased that also faces a tariff, then that good will cost more which directly increases inflation when the business passes on the cost to the consumer. The indirect cost of tariffs is a bit more complicated, but it can be best explained through services. If a consumer wants to purchase their favorite service from a service provider, but the goods the service provider uses to perform the services have increased in price due to tariffs, then the service will cost more for the consumer, which also increases inflation. Also, per recent research on short run price impacts,[17] in addition to rising prices resulting from imported goods, domestic prices are also on the rise – likely due to a combination of indirect costs and inflation expectations.

While the 2024 Tariff Scenario would be expected to lead to the U.S. continuing on a disinflationary path from highs reached in 2022 to the Federal Reserve's target of two percent, the Current Tariff Scenario is expected to result in higher inflation in 2025, which rises further in 2026 and is a drag on the national and local economies. Higher inflation in Colorado is expected compared to the nation in 2026 and 2027 due to the state's better economic growth and higher average inflation for shelter. The Escalatory Tariff Scenario is expected to further increase inflation and be a significant drag on consumer spending, labor market, and corporate profits as the cost of living and cost of business are significantly elevated, contributing to a recession.

Scenario 1: 2024 Tariff Scenario

Figure 16. 2024 Tariff Scenario: Inflation Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	2.9%	2.6%	2.0%	2.3%
Colorado	2.3%	2.4%	2.5%	2.4%

Source: Bureau of Labor Statistics, OSPB forecast

If the current federal administration had held tariffs constant at 2024 levels, inflation likely would have continued its disinflationary path from the post-pandemic peaks of 2022 and 2023

[17] *Cavallo, Alberto, Paola Llamas, and Franco Vazquez. August 15, 2025. "Tracking the Short-Run Price Impact of U.S. Tariffs" (linked)*

to the Federal Reserve's target of two percent, thereby loosening monetary policy and incentivizing investment expansion. This would have maintained strong economic growth and stable consumption while reaching the Federal Reserve's terminal neutral rate. The Colorado economy would have been expected to also continue an inflationary path in-line with historical averages, slightly above national inflation as Colorado's economic growth is stronger than the nation.

Scenario 2: Current Tariff Scenario

Figure 17. Current Tariff Scenario: Inflation Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	2.9%	2.8%	3.4%	2.3%
Colorado	2.3%	2.6%	3.6%	2.5%

Source: Bureau of Labor Statistics, OSPB forecast

The current tariff policy under the Current Tariff Scenario is driving large impacts to annual inflation figures, primarily concentrated in 2026 from a one-time price level increase. Businesses accumulated large inventories prior to the implementation of tariffs in early 2025 to avoid cost increases for as long as possible, but OSPB forecasts those inventories to be largely depleted by the end of 2025, which concentrates the inflationary impact of tariffs into 2026. Tariff policy also takes time to implement and thereby impact prices and inflation, which results in the OSPB forecast for inflation in 2025 under the Current Tariff Scenario only 0.2 percentage points higher than in the 2024 Tariff Scenario, but in 2026 becomes 1.4 percentage points higher for the U.S. and 1.1 percentage points higher for Colorado. OSPB's expectation for a concentrated inflation impact under the Current Tariff Scenario is also being driven by the elevated monthly inflation seen in the July 2025 Producer Price Index report, which shows the average monthly price increases faced by producers rather than consumers. Producers are already starting to see the impact of tariff policies on their costs, because they are the conduit between raw goods and consumers. Producers are currently paying for part of the cost of tariffs rather than consumers, as many built up large inventories in early 2025 and many are still determining how much of the cost increase to pass onto consumers. Looking to 2027, inflation growth is forecast to normalize for both the U.S. and Colorado but at a higher base level compared to the 2024 Tariff Scenario following elevated inflation in 2026. The U.S. is forecast to record 2.3 percent annual inflation for 2027 and Colorado is forecast to record 2.5 percent annual inflation for 2027 in this scenario.

Scenario 3: Escalatory Tariff Scenario

Figure 18. Escalatory Tariff Scenario: Inflation Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	2.9%	2.8%	4.2%	3.3%
Colorado	2.3%	2.6%	3.9%	3.0%

Source: Bureau of Labor Statistics, OSPB forecast

If the current federal administration decides to escalate tariffs on certain nations and products, that is expected to further exacerbate the rising inflation faced under the Current Tariff Scenario and prolong inflation well above the Federal Reserve's target for a longer time period. As explored in the Current Tariff Scenario for inflation, the impact to 2025 inflation is estimated to remain relatively stable as producers spend down their inventory surpluses built up in early 2025 and decide how much of the cost of tariffs to pass onto consumers. Additionally, the effective tariff rate faced in the U.S. will be greater than the effective tariff rate in Colorado, which will drive more inflationary increases nationally than locally on a relative basis. Under the Tariff Escalation Scenario, 2026 inflation for the U.S. is forecast to be 4.2 percent and 3.9 percent for Colorado. This is largely due to the proposed increase in the tariff rate levied against China rising to 145 percent. The U.S. is expected to face more inflationary pressure under this scenario given that there is higher exposure to Chinese imports for the country as a whole relative to Colorado, per U.S. Census Bureau trade data. With Colorado inflationary pressures less significant in this scenario, it mitigates losses in consumer spending compared to the U.S. The Escalatory Tariff Scenario also prolongs the impact of elevated inflation into 2027 as increased prices become stickier, and with this level of inflation, it will take time for the market to adjust. The Escalatory Tariff Scenario will also maintain restrictive monetary policy for longer, thereby reducing investment. The elevated inflation forecast under this scenario will lead to declining real purchasing power and consumer exhaustion over continued price growth.

Monetary Policy

The new tariff implementation throughout 2025 has resulted in the Federal Reserve maintaining a higher federal funds rate and more restrictive monetary policy than was previously expected. In the Federal Open Market Committee's (FOMC) Summary of Economic Projections published in September 2024, they expected the federal funds rate to end 2025 at 3.4 percent. In their most recent projections published in June 2025, they now project the federal funds rate to end the year at 3.9 percent – 50 basis points higher than their expectation headed into the year. The Federal Reserve has stated that this change in policy to a more restrictive stance is largely due to tariffs and the subsequent potential for inflationary pressure. By maintaining the federal funds rate at a higher level, the Federal Reserve is attempting to combat inflation by limiting aggregate demand in the economy. While restrictive monetary policy can mitigate inflation, it also slows economic activity through higher costs for investment and borrowing, leading to reduced overall spending. This section analyzes how monetary policy would look different under the three separate tariff scenarios.

The Federal Reserve is charged with a dual mandate: achieve maximum employment while maintaining a stable inflation rate. They have a stated target of maintaining inflation at 2 percent over the long run. Typically, when inflation is increasing above the target rate, they look to increase the federal funds rate to constrict economic activity, and conversely, lower the federal funds rate when the unemployment rate is rising to stimulate economic activity. During 2020 and 2021, the federal funds rate was effectively zero in order to stimulate economic growth during the pandemic. However, over the second half of 2021, the inflation rate jumped above the 2 percent target, leading the Federal Reserve to begin a monetary tightening cycle in early 2022. This rate-hiking cycle continued through mid-2023, reaching a federal funds rate of 5.3 percent in August 2023. That rate was maintained until September 2024 when the Federal Reserve made its first rate cut with the economy on an appropriate disinflationary path. Additional rate cuts continued through January 2025, reaching a federal funds rate of 4.3 percent, but since then, the rate has been maintained at that level due to inflationary concerns sparked by the federal administration's new and broad-based tariffs on nations and products. By analyzing previous FOMC projections and recent market expectations, OSPB has created three separate scenarios for the federal funds rate path projection from 2025 through 2027. If tariffs had remained at their 2024 effective rate of 2.6 percent, the Federal Reserve would have likely made additional rate cuts in 2025 and would reach its terminal neutral rate by mid-2026. Under the Current Tariff Scenario, with the effective tariff rate at 20.7 percent, the Federal Reserve has been hesitant to cut rates in 2025 and will likely not reach its terminal neutral rate until late 2026. Under the Escalatory Tariff Scenario where effective rates reach 34.5 percent, the Federal Reserve would be unlikely to cut rates for the remainder of 2025. Instead, it would likely begin an aggressive rate-cutting cycle in the first half of 2026 due to a deteriorating labor market. Figure 19 depicts these three scenarios with the annual average federal funds rate.

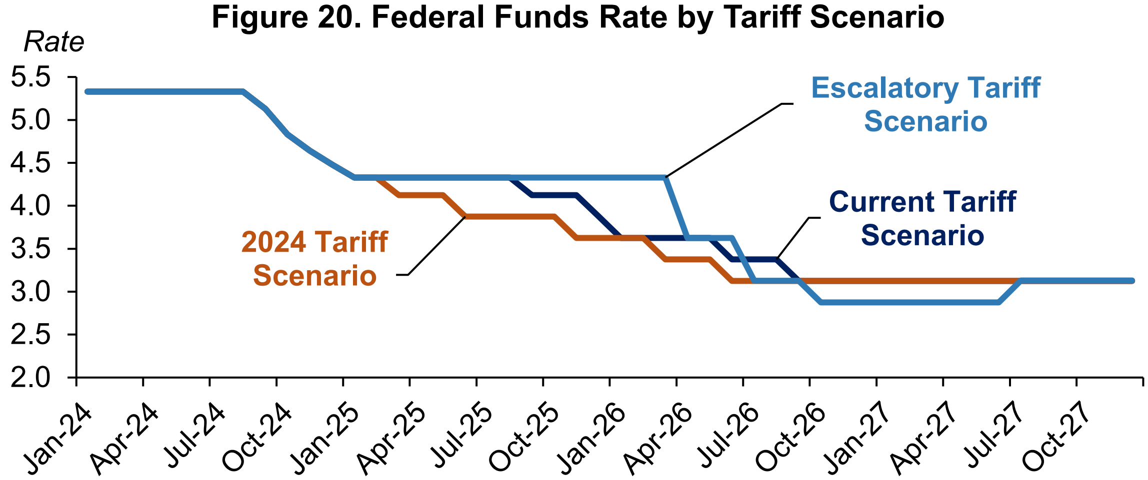
Figure 19. Average Annual Federal Funds Rate by Scenario

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
2024 Tariff Scenario	5.1%	4.0%	3.3%	3.1%
Current Tariff Scenario	5.1%	4.2%	3.4%	3.1%
Escalatory Tariff Scenario	5.1%	4.3%	3.5%	3.0%

Source: Board of Governors of the Federal Reserve System, OSPB forecast

Under these scenarios, the 2024 Tariff Scenario would see the least restrictive monetary policy in 2025 and 2026, as the U.S. economy was likely on a disinflationary path to the 2 percent target prior to the inflation fears that have arisen due to increased tariffs. In 2027, both the 2024 Tariff Scenario and Current Tariff Scenario would see similar federal funds rates due to inflation targets being reached by then in both scenarios. In the case of the Escalatory Tariff Scenario, average rates would remain higher over 2025 and 2026 to limit inflation from an elevated effective tariff rate. However, in 2027, the annual average rate is lower than the other two scenarios due to significant labor market weakness and an increasing unemployment rate. This would lead the Federal Reserve to take a more expansionary policy posture and reduce rates below the levels seen in the other two scenarios wherein the labor market is projected to be stable in 2027. The following figure illustrates the annual expected average rates in the above table on a monthly basis.

Figure 20. Federal Funds Rate by Tariff Scenario



Source: Board of Governors of the Federal Reserve System, OSPB forecast

Consumer Spending

Consumer spending is the primary engine of economic growth in the United States, as the production, sale, and provision of goods and services comprises two-thirds of GDP and provides many jobs and opportunities. However, tariffs threaten to induce a slowdown of consumer activity as higher prices and the potential for reduced availability of certain goods erode purchasing power, which will likely lead to reduced discretionary purchases. Indirectly, the degree to which tariffs cause job losses and reduced income could more severely limit the spending capacity of affected workers. A general increase in the price of goods reduces the purchasing power of consumers' wages and income, tightening their household budgets and forcing a reduction in spending. For example, if a household's monthly grocery bill increases by 10 percent, they may have less available to put towards dining out, purchasing gifts for children, buying new clothing, or going on vacation. Inflationary impacts from tariffs may also be reduced depending upon how quickly companies can alleviate the tariff burden by relocating production or other mechanisms. Facing higher input costs as a result of the tariffs, businesses may also struggle to be able to afford wage increases commensurate with general inflation as a result of the increased cost to their businesses. If wages do not keep pace, then purchasing power declines.

Tariff impacts on overall retail spending data may be somewhat difficult to determine, as they are measured in nominal prices rather than real prices. For example, while a consumer may purchase only two new pairs of pants after the cost of tariffs are absorbed, instead of the three they planned to, it may be the case the net cost of each of those scenarios is equivalent. Still, the consumer's utility is reduced. More information related to real consumer demand will likely be parsed from real personal consumption of expenditures in the quarterly GDP report.

Colorado's mix of goods and countries of origins for imports is weighted more heavily to goods such as apparel, footwear, luggage, and handbags which means that the state is more susceptible to inflation on consumer goods under the 2024 Tariff Scenario and Current Tariff Scenario. However, consumers may have some ability to substitute away from more expensive goods by purchasing cheaper brands or increasing utilization of used alternatives such as thrift stores. The breadth of price increases across consumer goods can also play a role. If narrowly targeted tariffs lead to increases in the prices of a specific type of consumer good, it may be easier for consumers to shift away from purchasing that good and find alternatives, therefore seeing minimal impacts to their purchasing power. Alternatively, broad price increases make it difficult for consumers to avoid paying more, likely limiting their purchases with a narrower focus towards essentials. For example, there would likely be less discretionary spending, resulting in fewer restaurant visits, fewer renovations in homes or furniture purchases, fewer holiday gifts, and more purchasing on groceries and other core expenses.

Scenario 1: 2024 Tariff Scenario

Figure 21. 2024 Tariff Scenario: Retail Sales Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	3.0%	3.8%	4.0%	5.2%
Colorado	1.3%	3.5%	4.7%	5.4%

Source: U.S. Census Bureau, OSPB forecast

Consumer spending had slowed throughout 2024 relative to 2023 and was increasingly reliant on spending from wealthier consumers as consumer sentiment declined. Spending was also weighted more towards goods purchases, which were expected to slow through 2025 as aggregate demand for durable goods moderated. However, OSPB had expected annual overall increases throughout the forecast period under the 2024 Tariff Scenario, with growth rates in Colorado returning to long-term average levels in 2026 and 2027, while normalizing to typical spending trends between goods and services spending.

Scenario 2: Current Tariff Scenario

Figure 22. Current Tariff Scenario: Retail Sales Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	3.0%	2.9%	2.1%	3.8%
Colorado	1.3%	2.0%	2.9%	4.0%

Source: U.S. Census Bureau, OSPB forecast

The impacts of tariffs on consumer spending are dependent on the degree to which tariffs are passed through to consumers and the resulting product categories that see prices increase. In recent history, tariffs have been utilized as targeted tools on a select segment of goods, generally with national security implications or as political leverage. As a result, they have had limited impact on consumer prices and allowed consumers to substitute their choices to less-affected goods. The current U.S policy differs in that it imposes broad-based tariffs across all segments of consumer goods due to the nation-specific tariffs. These impacted goods include food, electronics, clothing, vehicles, appliances, and any other good imported to the U.S. with a tariff levied. As a result, consumers will find it difficult to avoid goods affected by tariff-based price increases from goods produced abroad. Moreover, economic literature has shown that even domestic producers which are not as directly impacted can raise their own prices due to supply constraints or to match their foreign competitors' price increases. As such, consumer spending is expected to slow relative to 2024 expectations both in Colorado and nationally due to demand destruction from higher consumer prices. Under the Current Tariff Scenario, retail sales in Colorado are expected to fall 1.5 percentage points in 2025, 1.8 percentage points in 2026, and 1.4 percentage points in 2027 relative to the 2024 Tariff Scenario with generally similar impacts in the U.S. over the forecast period.

Scenario 3: Escalatory Tariff Scenario

Figure 23. Escalatory Tariff Scenario: Retail Sales Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	3.0%	3.0%	1.7%	3.3%
Colorado	1.3%	2.3%	2.6%	3.6%

Source: U.S. Census Bureau, OSPB forecast

In the Escalatory Tariff Scenario, the conditions under the Current Tariff Scenario are expected to worsen, but largely maintain the same trajectory, with the U.S. declining more quickly than Colorado. There is minimal separation in the Current Tariff Scenario and Escalatory Tariff Scenario because sales are reported in nominal terms, with higher inflation offsetting part of the reduction in demand. Spending is expected to increase in 2025 relative to the Current Tariff Scenario as consumers attempt to stock up on goods before the bulk of the tariffs come into effect, then slow below Current Tariff Scenario rates for the remainder of the forecast period.

Labor Market

Tariff impacts to the labor market are generally indirect and come as a result of businesses making decisions to offset higher costs of tariffs by cutting costs in other areas. As a tax on imports, tariffs impact the prices of both final and intermediate goods, so importers generally have two options: raise prices for consumers, and/or lower other production costs or investments. Businesses with higher profit margins have a greater ability to "absorb" tariffs, but most will have to implement one or both in order to stay open. For most businesses, labor is the largest and most variable cost, so in any higher tariff scenario, job losses are likely as businesses seek to cut costs, which is more desirable since raising prices risks losing customers.

Labor market impacts are more likely to affect the demand side of the market, rather than the supply side. If businesses have to lay workers off, unemployment will rise, and given the broad basis of current tariff policy, many other businesses will be similarly affected and therefore it will be hard for laid off workers to find new employment, thus increasing the length of time workers are unemployed, as well. In turn, new jobs will not be added, leading to a contraction of the labor market and a possible recessionary scenario.

Scenario 1: 2024 Tariff Scenario

Figure 24. 2024 Tariff Scenario: Unemployment Rate Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	4.0%	4.1%	4.0%	4.1%
Colorado	4.3%	4.7%	4.6%	4.7%

Figure 25. 2024 Tariff Scenario: Job Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	1.3%	1.0%	1.0%	1.0%
Colorado	1.1%	0.5%	1.0%	1.0%

Source: Bureau of Labor Statistics, OSPB forecast

The labor market ended 2024 strongly, adding 323,000 jobs in December 2024 with unemployment at 4.1 percent. The labor force experienced positive growth in all but four months of 2024 with an annual net gain of 1.1 million entrants, indicating that workers perceived the labor market as one in which it was relatively easy to find employment. The economy appeared to have reached a post-pandemic equilibrium, with the ratio of jobs per unemployed worker holding steady at 1.1 to 1. The situation was similar in Colorado, though the state's labor market cooled more quickly, with slower year-over-year job growth and higher unemployment, though the jobs per unemployed worker ratio was still relatively high and fluctuated between 1.0 and 1.4 throughout the year. Based on these data, OSPB would have expected continued modest job growth with unemployment close to the estimated natural rate of unemployment (4.4 percent) through the forecast period for both Colorado and the U.S. under the 2024 Tariff Scenario. As a note, the 2024 Tariff Scenario still assumes current federal policies tied to immigration and the federal workforce, which negatively impacts the labor market in 2025.

Scenario 2: Current Tariff Scenario

Figure 26. Current Tariff Scenario: Unemployment Rate Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	4.0%	4.2%	4.6%	4.7%
Colorado	4.3%	4.7%	5.0%	4.7%

Figure 27. Current Tariff Scenario: Job Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	1.3%	1.0%	0.4%	0.5%
Colorado	1.1%	0.5%	0.4%	0.8%

Source: Bureau of Labor Statistics, OSPB forecast

The current environment, in which the tariffs have been implemented, postponed, canceled, changed, and renegotiated for months, has contributed to a highly uncertain environment which has resulted in many businesses holding off on hiring while they wait for the tariff schedule to stabilize. Employers are not interested in increasing their labor costs when a possibility exists that their operating costs will substantially increase. Compared to the 2024 Tariff Scenario, the Current Tariff Scenario results in weaker job growth and higher unemployment rate over the forecast period. Under the Current Tariff Scenario, unemployment is expected to increase by 0.6 and 0.4 percentage points more than the 2024 Tariff Scenario in 2026 respectively in the U.S. and Colorado with Colorado averaging 5.0 percent unemployment.

Scenario 3: Escalatory Tariff Scenario

Figure 28. Escalatory Tariff Scenario: Unemployment Rate Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	4.0%	4.3%	4.9%	5.3%
Colorado	4.3%	4.8%	5.2%	5.3%

Figure 29. Escalatory Tariff Scenario: Job Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	1.3%	0.9%	-0.2%	0.0%
Colorado	1.1%	0.4%	0.0%	0.3%

Source: Bureau of Labor Statistics, OSPB forecast

In the Escalatory Tariff Scenario, the same conditions hold as in the Current Tariff Scenario but are exacerbated due to a higher effective tariff rate. Businesses may accelerate layoffs or be forced to close or reduce business activity as their operating costs grow unsustainably large, thus increasing unemployment and decreasing jobs. In the case that some of the more extreme tariffs are instituted (e.g., those proposed on semiconductors or pharmaceuticals), the labor market upheaval may spread more quickly to sectors that had previously been relatively more insulated from the tariff effect. In Colorado, the import makeup may provide a slight moderating effect to the labor market. For example, Colorado has less import exposure to China compared to the U.S., which could place Colorado in a better position that the U.S. if escalatory tariffs went into effect against China.

Under the Escalatory Tariff Scenario, U.S. job growth on an annual average basis would be projected to turn negative in 2026 with Colorado's remaining flat. The unemployment rate for the year would be expected to increase to 5.2 percent in Colorado. Weak job growth would continue into 2027 under this scenario with the unemployment rate for both the U.S. and Colorado averaging 5.3 percent in 2027.

Wages and Income

The imposition of broad-based tariffs on imports negatively impacts wage and salary growth in the U.S. and Colorado by weakening consumer demand, which in turn reduces business sentiment and profits, and eventually weighs on the labor market via layoffs and slower hourly earnings growth. Simultaneously, they can have similar effects on personal income by weakening proprietor income, asset income, and rental income. OSPB expects that higher tariffs will lead to lower personal income growth in the U.S. and Colorado, as analyzed in this section under three separate tariff scenarios.

Scenario 1: 2024 Tariff Scenario

Figure 30. 2024 Tariff Scenario: Wage and Salary Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	5.8%	4.4%	4.0%	4.4%
Colorado	4.9%	4.3%	4.4%	5.0%

Source: Bureau of Economic Analysis, OSPB forecast

Under tariff policy in 2024, the U.S. and Colorado would be expected to see higher wage and salary growth from 2025-2027 compared to current expectations of a higher tariff environment. With tariffs causing consumer and business uncertainty due to increased costs, this also has an impact on wage and salary growth as businesses respond to a higher-cost environment by either reducing their labor force or slowing pay increases.

Figure 31. 2024 Tariff Scenario: Personal Income Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	5.4%	4.8%	4.5%	5.0%
Colorado	4.7%	4.7%	5.0%	5.4%

Source: Bureau of Economic Analysis, OSPB forecast

Under the 2024 Tariff Scenario, wages and salaries would be expected to grow around average rates following multiple years of above-average growth in the U.S. and Colorado. Similarly, personal income growth would be expected to grow at average rates, but at above the pace of wage and salary growth. This is largely due to baseline forecast expectations that job growth will slow from 2025-2027 due to lower labor force participation and lower in-migration to the U.S.

The expectation that other components of personal income, such as asset income or rental income, will outpace wage and salary growth is constant across all three scenarios, although this relationship is narrower under the Escalatory Tariff Scenario.

Scenario 2: Current Tariff Scenario

Figure 32. Current Tariff Scenario: Wage and Salary Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	5.8%	4.3%	3.4%	3.7%
Colorado	4.9%	4.2%	3.8%	4.4%

Source: Bureau of Economic Analysis, OSPB forecast

Under the Current Tariff Scenario, income growth is expected to weaken compared to the 2024 Tariff Scenario. Current tariffs have a minimal impact in 2025 on wage and salary growth in the U.S. and Colorado as tariffs have been implemented on a rolling basis throughout the year, and typically, the labor market is a lagging indicator of economic distress. There is an expectation that wage and salary growth will fall 0.1 percentage points in 2025 under the Current Tariff Scenario in both the U.S. and Colorado compared to the 2024 Tariff Scenario. However, this difference grows in 2026, with wage and salary growth projected to decelerate by 0.6 percentage points under this scenario relative to the 2024 Tariff Scenario with similar impacts in 2027. A decrease in wage and salary growth of 0.6 percentage points is equal to approximately $1.5 billion in unrealized wages and salaries in Colorado.

Figure 33. Current Tariff Scenario: Personal Income Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	5.4%	4.5%	3.7%	4.3%
Colorado	4.7%	4.4%	4.2%	4.8%

Source: Bureau of Economic Analysis, OSPB forecast

Personal income records slightly larger losses than salary and wage growth under this scenario due to the accompanying weakness in small business income and asset income. This leads to a 0.3 percentage point loss of personal income in Colorado in 2025, which grows to 0.8 percentage points in 2026. This is equal to approximately $4 billion in unrealized personal income for Coloradans.

Scenario 3: Escalatory Tariff Scenario

Figure 34. Escalatory Tariff Scenario: Wage and Salary Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	5.8%	4.2%	2.9%	3.4%
Colorado	4.9%	4.1%	3.4%	4.0%

Source: Bureau of Economic Analysis, OSPB forecast

Under the Escalatory Tariff Scenario, whereby the federal administration ramps up tariffs on China, India, and other products, wage and salary growth in the U.S. and Colorado would fall further. In this scenario, Colorado wages and salaries would be projected to fall by a full percentage point in 2026 compared to the 2024 Tariff Scenario, representing around $2.5 billion in unrealized wages in the state. In this scenario, the labor market would be expected to meet additional distress as elevated tariffs would begin to significantly limit economic activity and crowd out business investment through higher input costs. The Escalatory Tariff Scenario would lead to below-average wage and salary growth in the U.S. and Colorado from 2025-2027.

Figure 35. Escalatory Tariff Scenario: Personal Income Growth Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
U.S.	5.4%	4.2%	3.0%	4.0%
Colorado	4.7%	4.1%	3.6%	4.6%

Source: Bureau of Economic Analysis, OSPB forecast

This scenario would also result in weaker personal income as the combination of lower wage growth, business income, asset income, and rental income would lead to below-average personal income growth. OSPB projects that personal income would grow 1.4 percentage points slower in Colorado during 2026 under an Escalatory Tariff Scenario, leading to approximately $7 billion in unrealized personal income within the state.

Housing and Non-Residential Construction

The housing and non-residential construction industries are particularly exposed to tariff impacts through the importation of critical construction materials like lumber, steel, aluminum, copper, electronics, appliances, and other fixtures and furnishings. The section below outlines OSPB's expectations for construction trends under the three tariff scenarios.

Scenario 1: 2024 Tariff Scenario

Figure 36. 2024 Tariff Scenario: Construction Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
Residential Housing Permits Growth				
U.S.	-2.2%	2.4%	4.1%	1.0%
Colorado	-18.3%	3.9%	7.7%	5.0%
Non-Residential Construction Value Growth				
Colorado	-29.2%	22.5%	8.9%	8.0%

Note: OSPB does not forecast national non-residential construction.
Source: U.S. Census Bureau, Dodge Analytics, OSPB forecast

Prior to the implementation of sweeping tariffs, OSPB expected a 3.9 percent increase in new Colorado housing construction permits in 2025, followed by a 7.7 percent rebound in 2026 and a similarly strong 5.0 percent growth in 2027. Non-residential construction in Colorado was also expected to rebound from a weak 2024 with 22.5 percent growth in 2025, tapering down to 8.9 percent in 2026 and 8.0 percent growth in 2027.

Scenario 2: Current Tariff Scenario

Figure 37. Current Tariff Scenario: Construction Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
Residential Housing Permits Growth				
U.S.	-2.2%	-3.9%	0.8%	5.2%
Colorado	-18.3%	0.5%	2.7%	6.3%
Non-Residential Construction Value Growth				
Colorado	-29.2%	21.6%	2.1%	5.5%

Note: OSPB does not forecast national non-residential construction.
Source: U.S. Census Bureau, Dodge Analytics, OSPB forecast

Colorado housing permit data through the first 6 months of 2025 have fallen short of expectations, leading to a downward revision to 0.5 percent under the Current Tariff Scenario as economic uncertainty and increased input costs of housing construction from tariffs are expected to cap housing permits near 2024 levels. As a larger share of total imported construction materials begin to realize tariff impacts next year, OSPB has revised down 2026 expectations from 7.7 percent under the 2024 Tariff Scenario to 2.7 percent growth in the Current Tariff Scenario. Expectations for 2027 growth are higher in percentage terms due to the 2026 revision downward and the normalization of the new tariff regime but still results in fewer total housing permits over the time period.

National housing permits have come in weaker than expected for 2025, with a downward revision to -3.9 percent in 2025 compared to an expected 2.4 percent growth under the 2024 Tariff Scenario. The subsequent years follow a similar expected path to Colorado with a weaker 2026 at 0.8 percent, and then a rebound in 2027 at 5.2 percent growth. This also results in fewer housing permits for the U.S. over the time period compared to the 2024 Tariff Scenario. Year-to-date 2025 non-residential data for Colorado has come in stronger than expected, though OSPB expects the non-residential market to also slow in the second half of the year as more tariff impacts are realized and development appetites waver, to an annual growth rate of 21.6 percent. As the full weight of tariffs hit the development and investment industries in 2026, OSPB expects moderate growth of 2.1 percent in 2026, followed by a rebound to 5.5 percent in 2027.

Scenario 3: Escalatory Tariff Scenario

Figure 38. Current Tariff Scenario: Construction Forecast

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
Residential Housing Permits Growth				
U.S.	**-2.2%**	**-4.9%**	**-1.1%**	**4.4%**
Colorado	**-18.3%**	**-0.2%**	**-0.5%**	**3.3%**
Non-Residential Construction Value Growth				
Colorado	**-29.2%**	**15.3%**	**-2.7%**	**3.4%**

Note: OSPB does not forecast national non-residential construction.
Source: U.S. Census Bureau, Dodge Analytics, OSPB forecast

In a scenario where tariffs continue to escalate in the second half of 2025, Colorado expectations fall slightly lower to -0.2 percent growth for residential housing permits. Escalating tariff impacts are expected to turn housing permit growth more negative in 2026 at -0.5 percent, before returning to slow-but-positive growth of 3.3 percent in 2027.

The U.S. is also expected to experience a further drag on housing permits in 2025 if tariffs escalate further, falling to -4.9 percent growth, followed by a continued downward trend of -1.1 percent in 2026 before returning to positive, but slower 4.4 percent growth in 2027.
All years of Colorado non-residential construction are expected to worsen slightly under the Escalatory Tariff Scenario with 15.3 percent growth in 2025, -2.7 percent in 2026, and then a small recovery of 3.4 percent in 2027.

Energy

Energy markets have been negatively impacted throughout 2025 due to the federal administration's new tariff implementation. Tariffs on steel, aluminum, and imports from certain nations have increased input costs market-wide, and they have also roiled global oil demand expectations, leading to downgraded oil price forecasts. Average year-to-date oil prices in 2025 are down compared to 2024 partially due to tariffs sparking fears of weaker demand, although the primary cause of lower oil prices this year comes from OPEC-Plus increasing production and supply into the global oil market. While tariffs will raise input costs for natural gas infrastructure as well, that market maintains firmer fundamentals due to strong international demand for U.S. liquefied natural gas (LNG) and growing domestic electricity demand. The renewable energy sector will also see increased input costs from tariffs, while the recently enacted federal reconciliation bill H.R. 1 will weigh heavily on the renewable industry due to the elimination of certain tax credits. Electric utilities will also see increased input costs from steel, aluminum, and copper tariffs for transmission infrastructure. The combination of higher input costs on renewable energy infrastructure and transmission infrastructure will likely lead to higher consumer utility bills in the coming years. More information related to renewable energy infrastructure and electric utilities can be found in the Sectoral and Regional section of this report which contains a Colorado focus, while this section focuses more broadly on global and domestic oil and gas markets.

Following the Trump administration's announcement on April 2, 2025, regarding numerous "reciprocal" nation-specific tariffs, West Texas Intermediate (WTI) oil prices dropped significantly, falling 17 percent by the next week from $72 per barrel to $60 per barrel. This announcement took place one day before OPEC-Plus also announced oil production increases, which also weighed on oil prices. The oil market has largely stabilized since with WTI prices averaging $68 per barrel in July with multiple OPEC-Plus production increases announced since April maintaining a ceiling on oil prices. In August, the U.S. Energy Information Administration (EIA) sharply downgraded its WTI oil price forecast for 2026 to $48 per barrel due to an expectation that the accelerated production increases announced by OPEC-Plus will lead to an oversupply in the market.

While the oil price futures market is primarily focused on increased global supply to the market, tariffs and their potential negative impact on oil demand are also playing a role. By raising costs to consumers through tariffs, global demand for energy is projected to fall due to weaker economic activity. This will translate to lower global oil prices. The following table illustrates OSPB projections for oil prices under three separate tariff scenarios.

Figure 39. Average Annual WTI Oil Prices by Scenario

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
2024 Tariff Scenario	$77	$67	$50	$57
Current Tariff Scenario	$77	$64	$48	$56
Escalatory Tariff Scenario	$77	$63	$43	$50

Source: Energy Information Administration for 2024 data and "Current Tariff Scenario" 2025 and 2026 data. OSPB projections for 2025-2027 data in "2024 Tariff Scenario" and "Escalatory Tariff Scenario" and 2027 data for "Current Tariff Scenario."

Under the three scenarios, oil prices are projected to be weaker as more tariffs are imposed. Given that OPEC-Plus production increases are weighing more heavily on price expectations currently, there is little separation between the 2024 Tariff Scenario and Current Tariff Scenario from tariff impacts. However, there is a larger difference in the Escalatory Tariff Scenario, where prices would be projected to fall 12-14 percent lower in 2026 and 2027 compared to the 2024 Tariff Scenario. This is primarily because China and India would see significantly increased tariffs under the Escalatory Tariff Scenario, which would likely weigh on oil demand in those countries and lead to lower prices. While tariffs would increase input costs to oil and gas operators, consumers would likely see lower retail gas prices at the pump due to lower oil commodity prices, although this would be weighed against a weaker overall economy. This interaction is separate from tariffs on renewable energy infrastructure and electric utility infrastructure, as those increased input costs would pass through to consumer ratepayers.

These increased input costs for energy firms are leading to weakening industry sentiment. In recent industry surveys conducted by the Dallas Federal Reserve, oil and gas firms have pointed toward steel and aluminum tariffs causing increased costs, which are changing their production economics for the worse. They also pointed to the broader federal trade policy causing great market uncertainty, which is weighing on oil prices and also making production less profitable. While not estimated in this report, domestic oil production would likely fall if oil prices were to remain at the sustained below-average levels that are currently projected. The EIA now expects U.S. oil production to decline in 2026 due to lower price expectations and weakening production economics. Colorado would be similarly likely to see a production decline.

Henry Hub natural gas price expectations have remained largely immune from the newly imposed tariffs and other factors weighing on oil prices. While natural gas producers will see increased input costs from tariffs on steel and aluminum, they are also seeing an above-average price forecast. According to the EIA, Henry Hub prices are projected to average $3.75 per million BTU in 2025 and $4.50 in 2026, which are both above long-term average levels. Currently, many of the trade deals negotiated by the Trump administration include the foreign purchase of U.S. LNG, which could place upward pressure on both natural gas production and price, however, if certain trade negotiations were to sour, there could be counteracting effects. If trade policy conflicts were to escalate, trade retaliation related to the U.S. export of LNG could also take place, which would weigh on global demand for U.S. LNG. However, the current expectation is that both international and domestic demand for natural gas will strengthen, which will lead to higher natural gas prices. The combination of higher natural gas prices and increased input costs to electric utilities from tariffs are likely to lead to higher consumer utility bills in the coming years.

Colorado Sectoral and Regional Impacts

Tariffs will have a broad-based impact on all economic sectors and regions within Colorado, however, there are certain sectors with more financial exposure to tariffs than others, which places many regions around the state at greater risk from the economic impacts of tariffs. This section of the report details the economic sectors within Colorado that could be most impacted by tariffs and which regions of the state these sectors are most prominent. More information related to how the industry data is captured and quantified in this section can be found in the endnotes of this report.

Overview of Sectoral and Regional Impacts

The Colorado economic sectors identified as most impacted by tariffs include agriculture, construction, durable and nondurable goods, energy, healthcare, and technology and advanced industries. In total, these sectors represent over 90 percent of the international trade conducted by Colorado businesses and nearly half of Colorado GDP and direct jobs. The following overview provides high-level information related to each sector with additional information provided in the stand-alone sections on each sector.

Agriculture: Agriculture in Colorado comprises a relatively small share of direct state GDP and jobs but has a large multiplier effect on related industries such as food services as well as an outsized influence in the state's international trade activity. Agricultural products are the top export from Colorado, comprising over 25 percent of all state exports and valued at nearly $3 billion in 2024. The diversity of Colorado's geography lends itself to a wide range of agricultural activities, and tariffs will have varying impacts across different subsectors, including meat, dairy, fertilizer, seed stock, grain, and biofuels. In the first half of 2025 compared to the first half of 2024, meat-related exports from Colorado fell $38.9 million. Using input-output impact analysis, this translates to direct and indirect impacts estimated to total 265 lost jobs and $80.0 million in GDP loss.

Construction: Colorado's construction industry is a major contributor to the state's economy, adding $33 billion, or 6 percent, to state GDP in 2024. As tariffs increase input costs, decrease developer profitability, reduce household and business purchasing power, and introduce economic uncertainty, a downturn in the construction industry is likely to have widespread impacts across several aspects of the state economy.

Durable and Nondurable Goods: The durable and nondurable goods sector in Colorado provides over 500,000 jobs in the state and contributes $82 billion toward state GDP. This sector also comprises 19 percent of total Colorado imports at $3.1 billion. One of the more acute impacts of tariffs are seen with durable goods as an estimated one-third of durable goods, such as automobiles and household electronics and appliances, are imported to the United States. Similarly, there are significant imports of certain nondurable goods into Colorado like clothing. OSPB estimates that the impact of tariffs on durable and nondurable goods in the state will result in nearly $600 million in additional costs to Colorado consumers.

Energy: Energy is Colorado's top import as oil, gas, petroleum, and coal products comprise over one-fifth of all state imports. Nearly all the state's imported oil and gas comes from Canada, which currently has a 10 percent energy tariff imposed. Additionally, components for electrical grid infrastructure along with inputs for renewable energy such as wind, solar, and batteries are also imported into the state. Nearly all energy and electric infrastructure within the state is exposed to tariffs on steel and aluminum with renewable production, nonrenewable production, and electricity transmission infrastructure all heavily utilizing these inputs for energy production and deployment. Tariffs are also likely to weigh on global energy demand, which would reduce oil prices and place additional financial pressure on energy companies.

Healthcare: The U.S. healthcare system heavily depends on imported medical equipment and drugs. The price impacts of tariffs on these products, their inputs and components, and the countries that supply them are likely to cause fiscal strain on healthcare providers and other healthcare-related businesses and also increase consumer costs associated with medical care. Secondary impacts of increased medical equipment and drug costs could potentially include increased health insurance premiums, supply shortages, and increased wait times.

Technology and Advanced Industries: Advanced industries - identified as aerospace, advanced manufacturing, bioscience, electronics, energy, infrastructure engineering, and information technology - collectively account for about a third of Colorado's total wage earnings, sales revenue, and exports. Given that many of the tariffs are levied on essential inputs for manufacturing and technology, their imposition is likely to result in a slowdown in Colorado's technological and advanced industries, affecting production and employment statewide. The increased cost on businesses may lead to job cuts to save on labor, as well as redirection of research and development (R&D) funds to cover tariff costs in order to limit the impact on consumers. Compared to the first half of 2024, the first half of 2025 saw $141.9 million fewer computer and electronic products exports, which have estimated direct and indirect impacts totaling 476 lost jobs and $200.6 million in GDP loss. Similar analysis that inputs a 5 percent reduction of output in the aerospace industry resulted in an estimated 195 lost jobs and $61.6 million in GDP loss.

The following table displays each Colorado sector and its contribution to state GDP. The highlighted sectors in orange are the most directly impacted by tariffs and are discussed in this section.

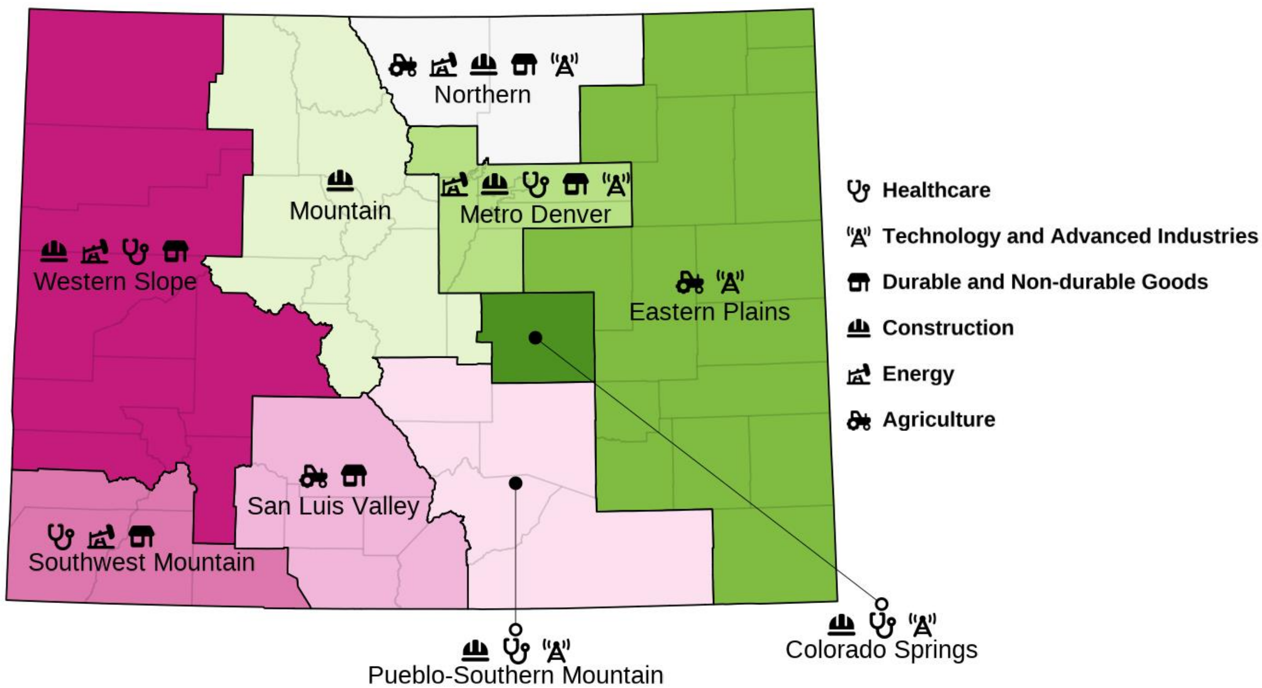
Figure 40. Colorado GDP by Sector

Sector (in $millions)	Nominal State GDP, 2024	Share of State GDP
Agriculture, forestry, fishing and hunting	$3,185.0	1%
Arts, entertainment, recreation, accommodation, and food services	$30,881.8	6%
Construction	$32,976.3	6%
Educational services	$4,502.8	1%
Finance, insurance, real estate, rental, and leasing	$118,437.8	21%
Government and government enterprises	$63,454.9	11%
Health care and social assistance	$33,361.7	6%
Information	$31,630.9	6%
Manufacturing	$28,705.1	5%
Mining, quarrying, and oil and gas extraction	$15,918.4	3%
Other services (except government and government enterprises)	$12,960.8	2%
Professional and business services	$88,914.7	16%
Retail trade	$31,633.4	6%
Transportation and warehousing	$19,667.6	4%
Utilities	$6,661.8	1%
Wholesale trade	$30,429.3	5%
Total for All Sectors	**$553,322.5**	

Source: Bureau of Economic Analysis

Effects from tariffs on these sectors will have varying impacts on regions throughout Colorado, dependent upon a region’s economic reliance on certain sectors. For the purposes of this report, OSPB has broken out the state into nine regions to discuss the regional economic impacts of tariffs: Colorado Springs Region, Denver Metro, Eastern Plains, Mountain Region, Northern Region, Pueblo-Southern Mountains Region, San Luis Valley, Southwest Mountain Region, and the Western Slope. This section of the report analyzes the sectoral impacts of tariffs and the regions within Colorado that are most economically reliant upon those sectors. The following figure illustrates the boundaries for each region and the prominent sectors within the regions that are most impacted by tariffs.

Figure 41. Colorado Economic Regions and Major Sectors with Tariff Exposure



Agriculture

Agriculture is a major driver of Colorado's economy, supporting 18,000 direct jobs and as many as 195,000 indirect jobs in 2024[18] across rural communities, contributing around $47 billion in economic activity annually[19] when including both direct and indirect effects. According to the Bureau of Economic Analysis, the direct impacts of agricultural production amount to around one percent of the state's GDP, or $3.2 billion, but the ripple effects across the economy are much broader including farm inputs like machinery and consumption at retail stores. Agriculture in Colorado comprises a relatively small share of state GDP and jobs but has outsized influence in the state's international trade activity. Agricultural products are the top export from Colorado, comprising over 25 percent of all state exports valued at nearly $3 billion in 2024 according to the USDA. While Colorado is a significant net-exporter of agricultural products, it also imported more than $1 billion from abroad in 2024.

Agricultural economic activity within the state is most prominent in the Eastern Plains and is the largest industry within that region, with over 40 percent of the statewide agricultural economic output taking place there, with a notably higher share of GDP when including complementary upstream (seed, fertilizer) and downstream (processing, distribution) activities. Other prominent regions include the Northern region of the state, comprising just below 40 percent of

[18] Farm Flavor (2025). "Colorado Agriculture 2024" (linked).
[19] Colorado Department of Agriculture (2024). "Colorado Department of Agriculture 2024-25 Performance Plan" (linked).

statewide agricultural economic output, and the San Luis Valley, where agriculture is one of its largest industries. The diversity of Colorado's geography lends itself to a wide range of agricultural activities, and tariffs will have varying impacts across different sectors.

Figure 42. Colorado Agriculture Industry Economic Data

Annual Data, 2024	Sector Total	Share of State Total
State GDP	$3.2 billion	1%
Direct Jobs	18,000	1%
Exports	$2.7 billion	26%
Imports	$1.1 billion	7%

Top CO Agricultural Export Destinations: Mexico, Canada, South Korea, China, Japan

Top CO Agricultural Import Countries: Australia, Canada, Italy, Brazil, Mexico

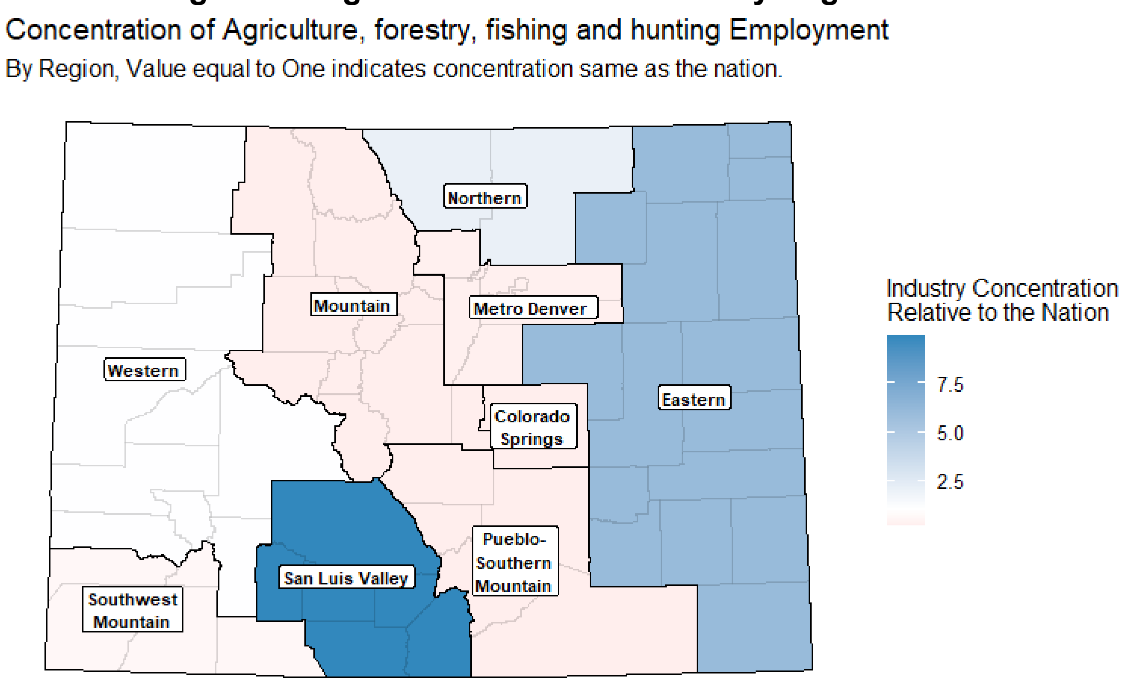
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau

Figure 43. Colorado Regions with Significant Agricultural Economic Activity

	Region GDP - Agriculture	Share of Region's Total GDP	Region's Agricultural Jobs	Share of Region's Jobs
Eastern Plains	$1.5 billion	16%	4,100	8%
Northern	$1.3 billion	2%	4,800	2%
San Luis Valley	$0.2 billion	11%	1,700	10%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Figure 44. Agricultural Concentration by Region



Source: Bureau of Economic Analysis, Bureau of Labor Statistics.

Meat Imports

While the U.S. is a major meat producer, the nation also imports a significant amount of these products.[20] Beef, pork, lamb, and sheep comprise the majority of imports, with the main source countries including Canada, Australia, and Mexico,[21] as well as growing imports from Brazil, Uruguay, and Argentina.[22] In 2024, the U.S. imported 4.6 billion pounds of beef and veal worth an estimated $10.1 billion.[23] The U.S. also imported 1.1 billion pounds of pork,[24] 82,000 metric tons of broiler chicken meat,[25] and 365 million pounds of lamb and mutton in 2024.[26]

Colorado is also a net exporter of meat products with $1.8 billion exported in 2024 (8.1 percent of all U.S. meat exports), but also imports a significant amount of meat at $482.5 million (3.2 percent of U.S.) according to International Trade Administration's Harmonized System data. A large majority of all Colorado meat imports are beef, worth $1.3 billion in 2024 (3.9 percent of all U.S. imported beef).[27] Colorado's significant share of beef imports is due in large part to two multinational meat processor companies in the state that provide large-scale processing on the global supply chain.

As tariffs are applied on meat products and the countries they are imported from, final consumer prices will increase due to the tariffs impact on imported meat prices, as well as shifting demand to U.S. produced meats, which will push domestic prices higher at all stages of the supply chain (calves, live animals and boxed meat wholesale cuts). Under the USMCA, meat imports from Canada and Mexico are largely exempted from tariffs. Of the major suppliers of meat imports to the U.S., Brazil faces the highest tariffs at 50 percent, while Uruguay, Argentina, and Australia are all facing 10 percent. This disparity could potentially shift the balance of U.S. beef trade in a significant way. Another consideration is the impact of increased costs from packaging products, which would increase costs for both exports and imports.

Dairy Imports

While the U.S. is a significant producer and net exporter of dairy, it also imports large quantities of dairy products, primarily from Ireland, New Zealand, Italy, Canada, France, Mexico and the Netherlands. In 2024, the U.S. imported $5.4 billion worth of dairy products, including 473.5 million pounds of cheese valued at $1.9 billion. Other imported dairy products include butter,

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[20] Lee, Jacob (August 12, 2025). "The Comprehensive Guide to Importing Meat Into the US" (linked).
[21] Grossen, Grace (July 17, 0225). "Livestock and Meat International Trade Data" (linked).
[22] The Cattle Range (February 07, 2025). "Beef Imports Surged in 2024; Exports Contracted" (linked).
[23] Kenner, Bart (February 28, 2024). "Outlook for U.S. Agricultural Trade: February 2024" (linked).
[24] US Department of Agriculture; Economic Research Service (2025). "Total U.S. pork imports and exports from 2006 to 2025 (in million pounds)" (linked).
[25] USDA Foreign Agricultural Service (2025). "Import volume of broiler meat to the United States from 2014 to 2025 (in 1,000 metric tons)" (linked).
[26] American Sheep Industry Association (March 11, 2025). "Overview of Lamb and Mutton Imports" (linked).
[27] U.S. Census Bureau: Economic Indicators Division USA Trade Online (2025). "U.S. Import and Export Merchandise trade statistics" (linked).

milkfat products, casein protein, and milk protein concentrates.[28] While these import levels may seem large, they were already restricted by U.S. tariff-rate quotas (TRQs) that limit the volume of dairy that can be imported at low or zero tariffs to protect U.S. producers. Once those amounts are met, higher trade barriers are placed on all additional imports, making it economically infeasible for importers to bring in more dairy products. The United States - Canada - Mexico Agreement (USMCA) carves out provisions from the TRQs for neighboring countries for qualifying products (including most dairy),[29] and currently exempts around 90 percent of Canadian imports from tariffs or duties.[30]

The current international trade policies around dairy products are already restrictive in the volume of products that can be imported to the U.S. However, additional tariffs imposed on imports that previously fell within the TRQs could further restrict import quantities and raise prices. The larger risk to the dairy industry is retaliatory policies from trading partners that could reduce U.S. dairy exports, limiting foreign demand and flooding the domestic market with U.S.-produced supply, depressing farm gate prices and hurting the financial bottom line of dairy farmers in an era where financial viability is already challenged.

Fertilizer Imports

The U.S. is a net importer of fertilizer products. In 2024, the nation exported 8.1 million tons, while it imported 17.0 million tons.[31] There are three types of fertilizer-product nutrient categories: potassium, nitrogen, and phosphorus. The main nutrient imported is potassium, commonly referred to as potash, and is imported from Canada. Potash is an oil-derived product and is treated as an energy import. The trade dynamic between the U.S. and Canada related to energy products is bi-lateral, and potash is directly impacted by energy-related policy. Since March 4, 2025, there has been a 10 percent tariff on Canadian potash after having no tariff in 2024. Fertilizer is a direct, non-substitutable input in all crop production. Colorado's most valuable crops – corn, hay, winter wheat, and potatoes - primarily require nitrogen fertilizers and phosphorus fertilizers, as Colorado's soils are generally not deficient in plant-available potassium.[32] More naturally derived nutrients (green manure, animal waste) that are commonly used in more organic and regenerative production systems are not available at the quantities needed for most commercial enterprises. However, regardless of the type of fertilizer necessary to sustain Colorado's crops, any tariff on fertilizer directly increases the input costs for Colorado agricultural producers of corn, hay, winter wheat, and potatoes. Higher crop prices also mean higher input costs for live animal producers in the state because of increased costs for animal feed. Tariffs on fertilizer means higher costs and reduced profit-margins for agricultural

[28] Cheese Reporter (February 6, 2025). "US Dairy Imports Set New Record In 2024; Cheese Imports At Highest Level Since 2003" (linked).
[29] National Milk Producers Federation (2025). "U.S. Mexico Canada Agreement" (linked).
[30] Waldvogel, Miriam, *The Hill* (August 8, 2025). "Trump's Canada tariff carve-out spares most products — for now" (linked).
[31] P. Austin Hunt (August 6, 2025). "Agricultural Transportation Open Data Platform - Fertilizer Imports and Exports-Nutrient". USDA Agricultural Marketing Service.
[32] J.G. Davis, D.G. Westfall, and S.Y.C. Essah (September 2011 through June 2019). "Crop Series Soil Fact Sheets: 0.522, 0.538, 0.541,0.544". Colorado State University Extension.

producers in the Northern Region, the Eastern Plains Region, and the San Luis Valley region. Higher costs for Colorado crops and live animal producers will mean higher final-product costs for Colorado consumers for a wide variety of common food goods.

Seed Stock Imports

The U.S. imports a significant amount of agricultural seed varieties to have continuous access to diverse and high-quality plant genetics, particularly higher-value products such as fruits, vegetables, and other specialty seeds. These imports are largely supplied by Mexico, Canada, and the European Union. The 35 and 25 percent IEEPA tariffs on Canada and Mexico exempts USMCA-qualifying seeds.[33] However, seed imports from other countries are likely to face tariffs, significantly increasing costs and making it harder for farmers to acquire the import seed products needed for research and development innovations, testing, and growing high-quality Colorado crops. As the various seed imports become more expensive under tariffs, the final products that Colorado consumers purchase at markets and grocery stores will face inflationary pressure. A similar situation exists for livestock genetics.

Grain Imports

Grains and feeds include corn, hay, rice, wheat, and other course/milled grains. The U.S. is a net exporter of grains. In 2024, the nation exported $38.2 billion worth of these goods and imported $23.2 billion.[34] The main imported items are crops that the Colorado climate cannot support like rice or value-added products derived from grains such as snacks and baked goods, pet food, milled rice, and pasta. The primary countries of origin for these imported goods are (in order): Canada, Mexico, Thailand, and Italy. The imported goods are subject to the reciprocal tariff applied to each individual nation as of August 12th, 2025. The most valuable items in this category are now generally subject to either a 7.5 percent or 25 percent rate of duty, which comes in addition to any pre-existing applicable duty. Focusing on impacts to the agricultural sector, the additional tariffs levied on livestock feed is the higher additional tariff of 25 percent, whereas feed that contains at least 10 percent milk solids is levied with a lower additional tariff of 7.5 percent. The additional tariffs on all grain products make it more expensive for agricultural producers to raise live animal products for consumption, which in Colorado would most heavily impact cattle and dairy producers who are primarily located in the Northern Region and the Eastern Plains Region. For the food processing sector, imports of their grain inputs like rice, chickpeas, and oats will increase their production costs.

Biofuel Imports

Biofuel imports in the U.S. have grown significantly in recent years, reaching 11.9 million barrels in 2023, more than doubling 2022 levels, before falling to 10 million barrels in 2024.[35] New 10

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[33] Lebow, Edward, *Haynes Boone* (March 11, 2025). "New USMCA Tariff Exemptions and Requirements for USMCA Qualification" (linked).

[34] USDA Foreign Agriculture Service, Global Agricultural Trade System, Standard Query. Access August 6, 2025.

[35] U.S. Energy Information Administration (EIA) *Statista* (2005). "Import volume of biodiesel into the United States from 2001 to 2024" (linked).

percent U.S. tariffs on the primary sources of biofuels – Canada, China, and Mexico[36] – raise the cost of finished biofuels, as well as cooking oil and animal fats that are widely used across many sectors of the U.S. economy.[37] The tariff impacts are compounded by additional policies such as the potential elimination of subsidies for domestic producers that import foreign cooking oils to produce road fuels. The combined result will likely lead to higher prices and potential difficulties in sourcing biofuels and inputs, especially where there are not significant domestic supplies.[38] Secondary impacts could include diminished progress on environmental goals that benefit from the use of biofuels, and reduced fuel supplies. Finally, the decreased imports may lead to expansion of domestic biofuels, creating even more competition for domestic grains, and ultimately, more competition for livestock feed sources.

International Retaliation Against Colorado Agricultural Exports

U.S. tariffs invite the risk of retaliatory tariffs from our key trading partners, which will make Colorado products less competitive and prohibitively expensive in foreign markets while also reducing the demand and prices that domestic producers receive for their products. The primary agricultural exports from the state include beef, dairy, wheat, corn, fruit, and vegetables,[39] with total agricultural exports reaching $2.7 billion in 2024.[40] The state's highest-value export markets are Canada, Mexico, and China.[41] Combined with increased input prices, Colorado farmers face profitability challenges from supply and demand forces. In one example of more extreme retaliatory tariffs, China increased their tariff on U.S. soybeans, beef, and apples to 84 percent,[42] effectively making those products up to 84 percent more expensive for China's importers overnight. In turn, foreign businesses and consumers are likely to turn to their own domestic producers or other trade partners to supply their demand for agricultural products, cutting U.S. producers out of their markets. As foreign demand for Colorado products falls, the domestic and local markets are likely to be met with oversupply that was previously exported, driving down prices and risking spoilage, which in turn erodes profits and threatens the stability of Colorado's agricultural industry.

Anticipated Impacts of Higher Tariffs on the Beef Industry

In collaboration with Colorado State University's Regional Economic Development Institute, OSPB conducted an economic impact analysis to determine the employment and economic output effects of tariffs under specific event scenarios. To create a scenario for the Colorado beef industry, OSPB used U.S. Census Bureau USA Trade Online State export data to determine the initial impact of tariffs. Colorado beef exports in the first half of 2025 fell $38.9 million compared to the first half of 2024. Utilizing IMPLAN's economic impact analysis software, this

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[36] Krueger, Erin *Ethanol Producer Magazine* (March 4, 2025). "US enacts 10% tariff on Canadian biofuels, Canada weighs retaliatory tariff on biodiesel" (linked).
[37] *Argus* (May 29, 2025). "US tariff ruling could revive biofuel feedstock trade" (linked).
[38] Williams, Brooke, *Yahoo Finance* (March 5, 2025). "Colorado does billions in trade with Canada, Mexico, China: Here's the breakdown" (linked).
[39] Peterson, Eric *Colorado Biz* (March 4, 2025). "What tariffs will mean for Colorado's agriculture industry" (linked).
[40] Office of the United States Trade Representative (2025). "Colorado Exports & Foreign Investment" (linked).
[41] Young, Olivia *CBS News* (February 3, 2025). "Colorado agriculture producers brace for tariff impacts" (linked).
[42] CPR News (July 25, 2025). "Colorado farmers face rising costs and market risks from new tariffs" (linked).

decline resulted in an estimated 54 direct job losses from the initial reduction in beef exports. Secondary or indirect impacts from reduced exports results in an estimated 211 lost jobs and an additional $41.1 million in lost economic output. In total, direct and indirect impacts from this loss in beef exports are estimated to result in a loss of 265 jobs and $80.0 million of economic output in Colorado.

Figure 45. Colorado Beef Economic Impact Analysis

Impact	Change in Employment	Change in GDP
Direct	-54 Jobs	-$38.9 million
Indirect	-211 Jobs	-$41.1 million
Total	-265 Jobs	-$80.0 million
Top Industry Export Destinations: Mexico, Canada, South Korea, China, Japan		

Construction

Colorado's construction industry is a major contributor to the state's economy, adding $33 billion, or 6 percent, to state GDP in 2024.[43] In 2023, there was $8 billion in private non-residential spending in Colorado, while state and local spending for non-residential construction was $7 billion. The industry includes over 22,000 businesses that employ over 190,000 well-paid workers with an average wage of $63,200 per year, according to the Bureau of Labor Statistics QCEW data. As tariffs increase input costs, decrease developer profitability, reduce household and business purchasing power, introduce economic uncertainty, and harm regional resiliency by slowing post-hazard recovery efforts,[44] a downturn in the construction industry is likely to have widespread impacts across several aspects of the state economy.

Figure 46. Colorado Construction Sector Economic Data

Annual Data, 2024	Sector Total	Share of State Total
State GDP	$33.0 billion	6%
Direct Jobs	191,000	7%
Exports	$1.1 billion	11%
Imports	$1.1 billion	6%
Top Industry Export Destinations: Canada, Mexico, Switzerland		
Top Industry Import Countries: Canada, Mexico, China		

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau

[43] Federal Reserve Bank of St. Louis (2025). "Gross Domestic Product: Construction (23) in Colorado" (linked).
[44] Slaney, Jay, *ProcurementIQ* (March 2025). "Disaster Recovery and Rebuilding Costs Report" (linked).

Figure 47. Colorado Regions with Significant Construction Economic Activity

	Region GDP - Construction	Share of Region's Total GDP	Region's Construction Jobs	Share of Region's Jobs
Denver Metro	**$18.5 billion**	**5%**	**110,900**	**6%**
Northern Region	**$4.1 billion**	**7%**	**24,800**	**8%**
Colorado Springs	**$3.5 billion**	**7%**	**17,800**	**6%**
Western Slope	**$2.0 billion**	**9%**	**14,100**	**10%**
Mountain Region	**$1.7 billion**	**7%**	**10,100**	**8%**
Pueblo-So. Mountains	**$0.8 billion**	**7%**	**5,200**	**6%**

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

The regional impacts of tariffs on home construction are likely to hit the Denver Metro region the hardest, where new construction is most concentrated and in highest demand. Other areas acutely impacted include Weld and Larimer counties in the Northern region, the Colorado Springs region, Pueblo in the South, Eagle County in the Mountain Region, and Garfield and Mesa counties on the Western Slope. Other mountain and rural areas experiencing faster population and housing demand growth will also be impacted. Figure 48 below illustrates the areas of the state with the highest number of construction jobs, while Figure 49 shows the relative concentration of those jobs compared to all other industries.

Figure 48. Construction Employment by Region

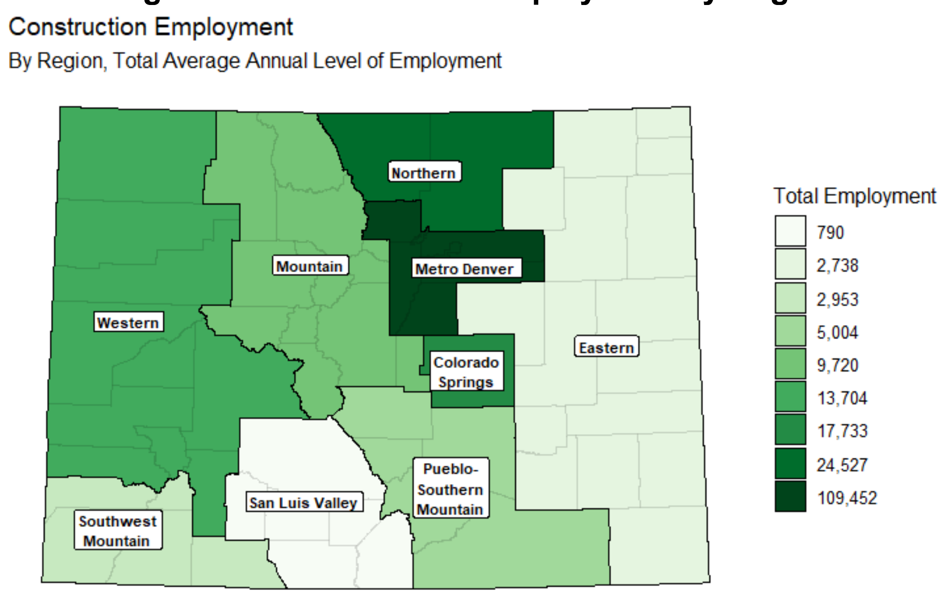
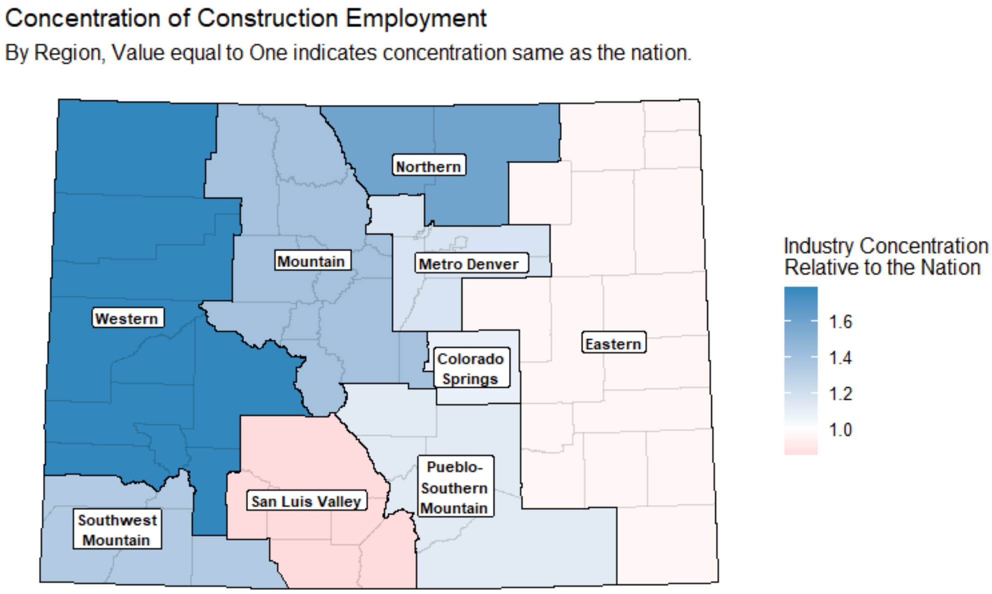


Figure 49. Construction Employment Concentration by Region



Residential

Housing construction requires significant raw material inputs, many of which are imported. The National Association of Home Builders estimates that 7 percent of all goods used in new residential construction are imported,[45] and construction materials can account for up to 35-50 percent of a home's total construction cost. Colorado builders rely heavily on imported lumber, steel, aluminum, and copper for new home construction, while other finished products like appliances, electronics, HVAC systems, and the components used to assemble them in the U.S. are also commonly imported. Tariffs on these materials and the countries that supply them translate directly into higher construction costs and new home prices. Domestic producers may also raise prices in response to higher import prices, as recently announced by American steel producers.[46]

Approximately 20-25 percent of all steel used in the U.S. is imported, 40 percent of which comes from Mexico and Canada, while nearly half of all aluminum used in the U.S. is imported with the vast majority from Canada.[47] Around 30 percent of lumber used in U.S. home construction is imported,[48] 83 percent of which comes from Canada (largely exempt from tariffs under the USMCA[49]). In 2024, Colorado imported $318 million in wood products, as well as $745 million in

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[45] National Association of Homebuilders (2025). "How Tariffs Impact the Home Building Industry" (linked).
[46] Eavis, Peter, *New York Times* (July 22, 2025). "American Steel Just Got More Expensive. Buyers Blame Tariffs" (linked).
[47] *Reuters* (June 3, 2025). "The top sources of U.S. steel and aluminium imports" (linked).
[48] Olick, Diana, *CNBC* (February 3, 2025). "New tariffs could raise home prices and sideline potential buyers" (linked).
[49] *Canadian Timber Frames Limited* (May 8, 2025). "Why Canadian Wood Products Are Exempt from US Tariffs: What US Builders Need to Know" (linked).

fabricated metal products and primary metal manufacturing primarily from Canada, China, and Mexico.[50]

Nearly half of all copper, which is a critical component in electronic, plumbing, and HVAC systems in the U.S., is imported, with more than 90 percent of imports coming from Chile, Canada, Mexico, and Peru.[51] In 2023, the U.S. imported $37.7 billion in home appliances (not including components), primarily from China, Germany, Italy, and Mexico.[52] In 2024, Colorado accounted for $931 million in electrical equipment and appliances imports. [53]

Construction machinery is another indirect but significant component of overall construction costs and capacity. As tariffs impact finished machinery and the globally sourced components used to domestically manufacture equipment (such as steel, aluminum, electronics, hydraulics, and electronics), the costs of production will likely increase and be passed on to buyers. These higher prices cause construction companies of varying sizes to cut back or delay purchases, opting to rent or continue using older machinery. This decline in equipment purchases means lower sales and profitability for machinery manufacturers and retailers, potentially leading to lower production, workforce layoffs, and less economic activity.

The U.S. has implemented significant tariffs on many of these housing construction inputs and components, and the countries from which they are imported. Tariffs on all steel and aluminum imports were raised to 50 percent in June, a significant increase from the respective 25 percent and 10 percent tariffs levied on them by the Trump administration in 2018, which were also a notable escalation where most steel and aluminum imports before that faced little to no tariffs. On July 30, the Trump administration announced a 50 percent tariff on all semi-finished copper and intensive copper derivative product imports,[54] which could increase total U.S. import costs by $8.6 billion or more if tariffs extend to additional downstream products. U.S. mines only account for 5 percent of worldwide ore production and do not have sufficient smelting and refining capacity to produce enough raw copper to supply domestic demand.[55] Country-specific blanket tariffs on the trade partners mentioned above include 35 percent for Canada (excluding USMCA-exempt goods, with 10 percent tariffs on energy and potash), 25 percent for Mexico (excluding USMCA-exempt goods, with 10 percent tariffs on potash),[56] and 15 percent for the European Union (excluding aircraft, chemicals, and pharmaceuticals).[57] The U.S. tariff rate on China is currently paused at a combined 30 percent as trade negotiations continue, although the Trump administration has threatened as high as 145 percent if they are not successful.

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[50] Colorado Office of Economic Development and International Trade (2025). "Colorado Trade: 2019 - 2024 Dashboard" (linked).

[51] Jackson, Lewis and Amy Lv, *Reuters* (July 9, 2025). "Where does the US get its copper?" (linked).

[52] Sherif, Ahmed (April 18, 2024). "Household appliances imports in the U.S. 2002-2023" (linked).

[53] Colorado Office of Economic Development and International Trade (2025). "Colorado Trade: 2019 - 2024 Dashboard" (linked).

[54] Saccomanno, Alex et al., *White &* Case (August 6, 2025). "President Trump Orders 50 percent Section 232 Tariff on Copper Imports" (linked).

[55] *Boston Consulting Group* (July 23, 2025). "Copper Tariffs: The $8.6 Billion Cost" (linked).

[56] Lowell, Michael et al., *Reed* Smith (August 6, 2025). "Trump 2.0 tariff tracker" (linked).

[57] Doherty, Erin, CNBC (July 27, 2025). "Trump announces EU trade deal with 15% tariffs" (linked).

Another important tariff consideration is that higher import prices can also lead domestic producers to raise prices. In an example of tariff-induced domestic price escalation, U.S. steel producers increased prices by 16 percent from the first quarter of 2025 to the second in response to the market conditions created by tariffs.[58] As a result of the combined price effects, steel prices in the U.S. surged by around 77 percent compared to Europe in the early months of 2025,[59] adding over $50 billion in annual costs to steel-dependent U.S. industries such as the automotive, construction, appliance manufacturing, and energy sectors.[60]

Tariffs on construction materials and supplying countries are estimated to increase total construction costs for new homes by 4-6 percent. [61] For a new home that would have originally been priced at $750,000, this translates into a $30,000-45,000 increase in the final price. Combined with high interest rates, tariffs on construction materials will directly and significantly increase list prices and mortgage payments for potential buyers, while also likely increasing home insurance and property tax costs via increased valuations.

By directly increasing input costs and reducing profit margins for developers, tariffs are also likely to further reduce new housing projects, which have declined substantially since their mid-2022 peak and are currently at 8-year lows. Slowing growth in new housing supply will put upward pressure on home prices and exacerbate affordability concerns. Affordable housing projects are specifically at higher risk for delays or cancellation due to their already-tight margins.

OSPB forecasts under the 2024 Tariff Scenario anticipated a rebound in Colorado housing permits for 2025-2027. If higher tariffs are imposed for longer, OSPB expects housing development to remain relatively depressed for the next three years, exacerbating a pre-tariff implementation downward trend that began in mid-2022, shown in Figure 50 below.

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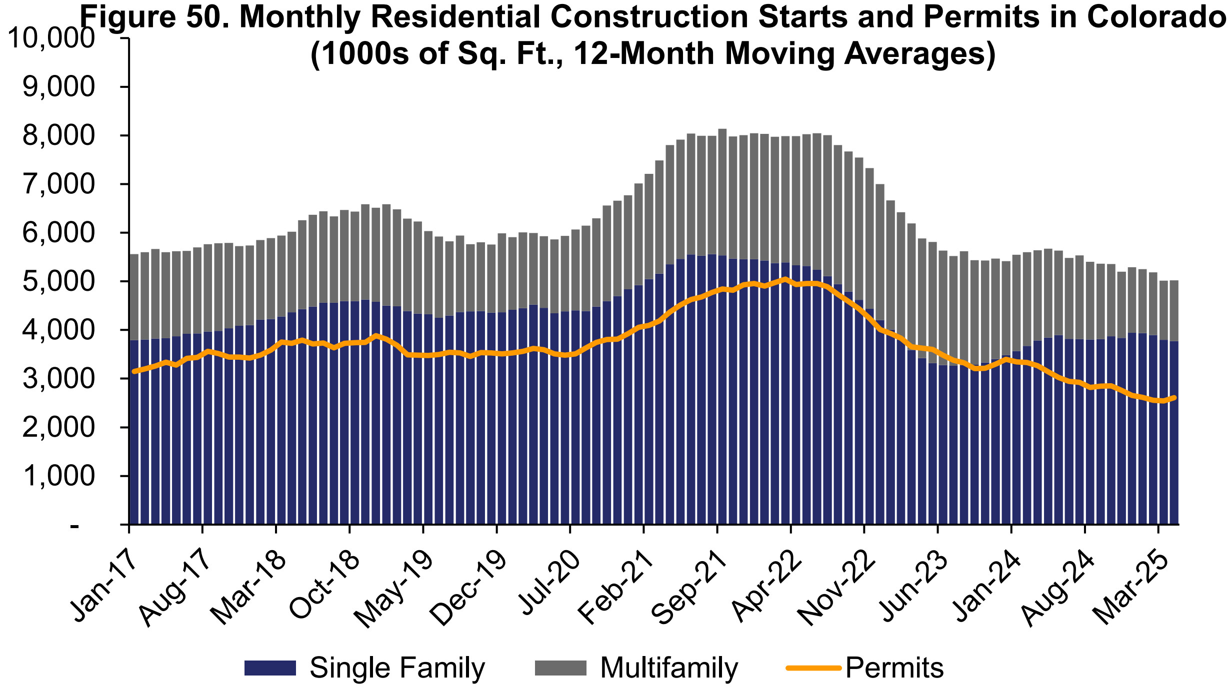
[58] Eavis, Peter, *New York Times* (July 22, 2025). “American Steel Just Got More Expensive. Buyers Blame Tariffs” (linked).

[59] *Indeavor* (2025). “Everything You Need to Know About Steel Tariffs in 2025” (linked).

[60] *BCG* (June 12, 2025). https://www.bcg.com/publications/2025/june-2025-update-impact-us-tariffs-50-percent-on-steel-aluminum

[61] Kissel, Madison (May 13, 2025) “Denver Real Estate Market Update – May 2025 Are Tariffs Impacting Denver Home Prices?” (linked).

Figure 50. Monthly Residential Construction Starts and Permits in Colorado (1000s of Sq. Ft., 12-Month Moving Averages)



Source: DODGE Data Analytics.

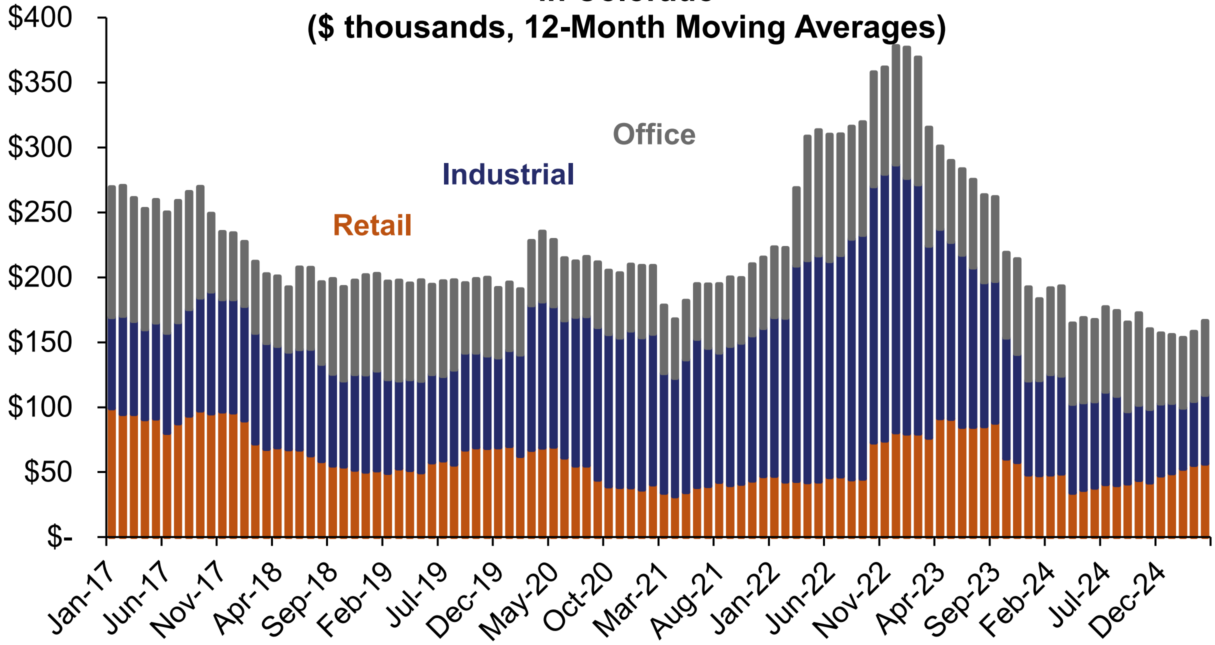
Tariffs on critical construction materials are also likely to impact the costs of insuring new development projects and housing units as a result of increased total costs. As the cost of construction and resulting assessed value and replacement costs of new homes increase with tariffs, insurance rates are expected to rise as well. Insurance premium impacts resulting from higher costs tend to be delayed but could reach $175-185 billion in national homeowners insurance costs in the second half of 2025, and up to $90-100 billion for commercial property.[62]

Non-Residential

Similar to residential construction, tariffs on key construction materials and the countries that supply them will simultaneously increase non-residential construction costs, sales and lease prices, property taxes, and insurance premiums, while also weakening developer sentiment, profit margins, and the level and pace of new development. These dynamics will impact commercial real estate, as well as other public infrastructure construction and maintenance projects related to transportation, schools, hospitals, and other public infrastructure. Figure 51 below shows that commercial real estate development in Colorado has been in decline for the past two years, well before tariffs were implemented, which could further dampen new development through supply chain bottlenecks, unpredictable demand, and delays in investments and project starts.

[62] *Marsh McLennan, Guy Carpenter, Oliver Wyman* (April 9, 2025). "Potential Impacts of Tariffs on US P&C Insurance". Emailed report.

Figure 51. Monthly Commercial Real Estate Construction Starts in Colorado ($ thousands, 12-Month Moving Averages)



Source: DODGE Data & Analytics.

As tariffs have been imposed, the costs for essential components such as steel, roofing, electrical systems, HVAC units, and plumbing have all increased significantly, with a majority of those imports coming from Canada, Mexico, and China. While other market dynamics over the past five years are impacting these costs, input material costs to construction are now as much as 20-40 percent higher than in 2020, according to the Bureau of Labor Statistics (BLS),[63] while overall project costs have risen by 15-25 percent. As a result, profit margins for construction firms have already shrunk by 5-10 percent.[64] If tariffs continue to exacerbate these trends, it is likely that construction companies will take on fewer projects and complete them more slowly and at lower profitability, which would reduce broader economic growth while also potentially leading to downsizing the workforce, creating further drags on the economy through reduced income, spending, tax revenues, and increasing unemployment claims.

Durable and Nondurable Goods

One of the more acute impacts of tariffs are seen with durable goods as an estimated one-third of durable goods, such as automobiles and household electronics and appliances, are imported to the United States. Similarly, there are significant imports of certain nondurable goods into Colorado like clothing. OSPB estimates that the impact of tariffs on durable and nondurable goods in the state will result in up to $600 million in additional costs to Colorado consumers.

[63] Martin, Sarah, *Dodge Construction Network* (March 14, 2025). "How Tariffs May Impact the Construction Industry in 2025" (linked).

[64] Foundation Software (April 21, 2025). "The Impact of Construction Tariffs: What You Need to Know" (linked).

Rising costs and inflation will also impact consumer spending on goods around the state with the I-25 corridor facing negative job impacts, as well. For example, as tariffs place upward price pressure on inelastic goods and services, consumers' discretionary spending ability will decrease, lowering demand within an already uncertain market for durable and nondurable goods. The durable and nondurable goods sector in Colorado provides over 500,000 jobs in the state and contributes $82 billion toward state GDP, comprising 15 percent of the state's total GDP. This sector also comprises 19 percent of total Colorado imports at $3.1 billion. This sector is highly concentrated in the Denver Metro region with nearly 70 percent of the industry's economic output centered there, and it comprises 18 percent of the region's jobs.

Figure 52. Colorado Durable and Nondurable Goods Sector Economic Data

Annual Data, 2024	Sector Total	Share of State Total
State GDP	$81.7 billion	15%
Direct Jobs	512,000	18%
Exports	$0.7 billion	6%
Imports	$3.1 billion	19%

Top Industry Export Destinations: Canada, Mexico, China
Top Industry Import Countries: Vietnam, China, Mexico, Canada

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau

Figure 53. Colorado Regions with Significant Durable and Nondurable Goods Economic Activity

	Region GDP - Goods	Share of Region's Total GDP	Region's Goods-related Jobs	Share of Region's Jobs
Denver Metro	$56.5 billion	16%	324,800	18%
Northern	$7.0 billion	13%	49,200	17%
Western Slope	$3.1 billion	14%	27,300	19%
Pueblo-So. Mountains	$1.8 billion	15%	15,500	18%
Southwest Mountain	$0.8 billion	12%	7,900	19%
San Luis Valley	$0.3 billion	15%	3,000	17%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

<u>Automobiles, Household Appliances, and Clothing</u>

Colorado is largely an importer of durable goods with over $300 million in vehicles and parts imported in 2024, an additional $250 million in household appliances and nearly $400 million in furniture, with these items alone making up around 6 percent of total imports in the state. Similarly, Colorado is a significant net-importer of nondurable goods such as clothing. In 2024, the state imported nearly $700 million in apparel, or 4 percent of total state imports. Significant portions of these products in Colorado are exposed to elevated tariffs imposed on Vietnam (20 percent) and China (30 percent), which are two of the top import countries in Colorado for durable and nondurable goods. Additionally, Vietnamese goods that are trans-shipped from China have a 40 percent tariff imposed, while de minimis purchases from China of less than

$800 now face a 54 percent tariff. Significant tariffs on goods from these countries are likely to translate into inflationary pressure on the consumer. Tariffs imposed on automobiles, steel, aluminum, and copper will also likely lead to higher import costs for certain durable and nondurable goods.

Outdoor Recreation

The outdoor recreation industry in Colorado could also see tariff impacts, as the industry represented over 3 percent of Colorado GDP in 2023, according to analysis from the Bureau of Economic Analysis. Most outdoor industry businesses are also represented by small business owners, which again will see cost impacts due to tariffs. For these businesses, the majority of goods imported for outdoor industry production and sale is imported from countries like Cambodia, Vietnam, and Taiwan, which currently have elevated tariffs imposed on their goods, ranging from 19-20 percent.[65] Other key sectors of the outdoor industry like sport-fishing, which is an important industry in Colorado, have already seen these impacts. The American Sportsfishing Association reports that approximately 60 percent of fishing gear is imported, from reels and rods imported from China to bait and aluminum primarily imported from Canada.[66] The outdoor industry in Colorado, which has been recovering economically after pandemic recession impacts, will be further affected due to tariffs, as the industry relies heavily on imported gear.

Colorado Durable Goods Production

Many production companies of durable goods in Colorado are already seeing significant costs associated with tariffs as well. For example, Eagle Creek, a luggage company based in Colorado, reported they already pay between 17-20 percent in tariffs on materials sourced in Vietnam. Increases in tariffs for companies reliant on imported materials may be detrimental to the fiscal health of these businesses, who must shift a significant amount of their focus to scenario planning.[67]

Energy

Energy is Colorado's top import as oil, gas, petroleum, and coal products comprise over one-fifth of all state imports. Nearly all the state's imported oil and gas comes from Canada, which currently has a 10 percent energy tariff imposed. Additionally, components for electrical grid infrastructure along with inputs for renewable energy such as wind, solar, and batteries are also imported into the state. Within the state, oil and gas production is a key industry as Colorado ranked 4th in the U.S. in oil production among all states in 2024 and is a top 10 state in natural gas production. Colorado is also a national leader in renewable energy deployment with wind and solar energy comprising nearly 2.5 times more of electric power generation in Colorado

[65] Amelia Arvesen, *Outside* (April 18, 2025). "The Price of Outdoor Gear is About to Go Way Up" (linked).
[66] Dac Collins, *Outdoor Life* (March 7, 2025). "'No One's Immune.' Tariffs Set to Wallop the U.S. Fishing Gear Industry" (linked)
[67] Sydney Ember, *New York Times* (July 11, 2025). "How a Luggage Manufacturer in Colorado Has Survived Trump's Trade War. So Far." (linked)

compared to the national average, using EIA data. Nearly all energy and electric infrastructure within the state is exposed to tariffs on steel, aluminum, and copper with renewable production, nonrenewable production, and electricity transmission infrastructure all heavily utilizing these inputs for energy production and deployment. Risks to the energy industry in Colorado from tariffs are two-fold: 1) Tariffs will increase input costs for energy producers and electric utilities, squeezing profit margins and passing on higher costs to consumers while likely reducing new renewable energy deployment and 2) Tariffs are likely to weigh on global energy demand, which would reduce oil prices, placing additional financial pressure on oil and gas firms through weakening revenue on top of higher input costs.

Figure 54. Colorado Energy Sector Economic Data

Annual Data, 2024	Sector Total	Share of State Total
State GDP	**$22.6 billion**	**4%**
Direct Jobs	**38,000**	**1%**
Exports	**$0.1 billion**	**1%**
Imports	**$3.4 billion**	**20%**
Top Industry Export Destinations: Canada, Mexico		
Top Industry Import Countries: Canada		

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau

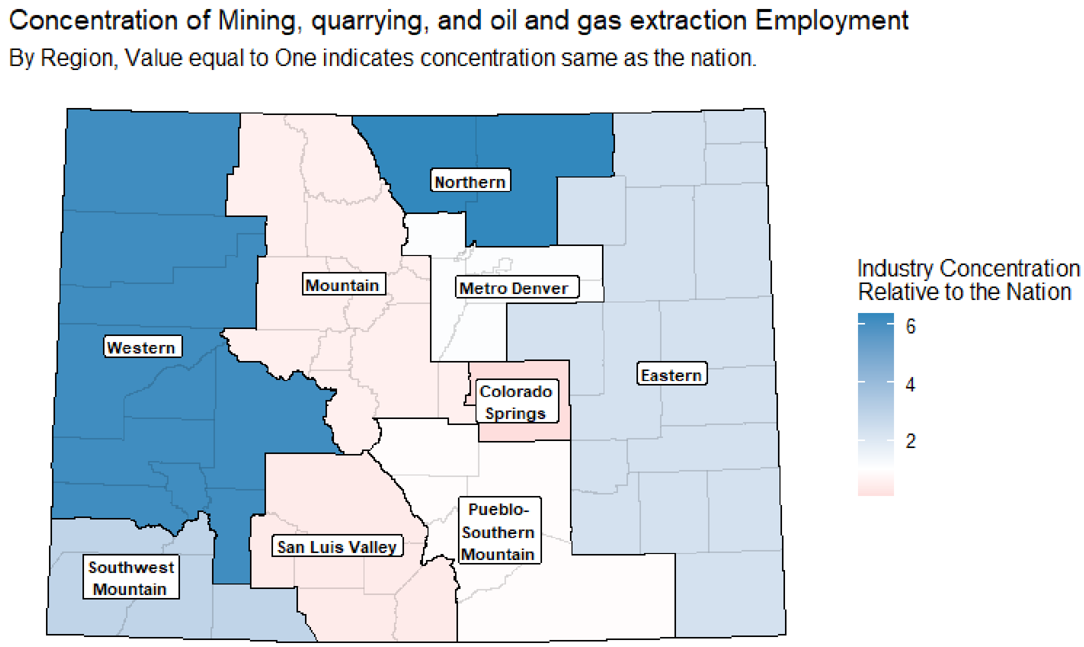
Figure 55. Colorado Regions with Significant Energy Economic Activity

	Region GDP - Energy	Share of Region's Total GDP	Region's Energy Jobs	Share of Region's Jobs
Northern Region	**$10.5 billion**	**19%**	**8,600**	**2%**
Denver Metro	**$6.5 billion**	**2%**	**14,600**	**1%**
Western Slope	**$2.9 billion**	**13%**	**4,500**	**2%**
Southwest Mountain	**$1.0 billion**	**15%**	**800**	**2%**

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Over 80 percent of oil production in Colorado takes place in the Northern region of the state in Weld County, and while Weld County also leads in natural gas production, there are also significant pockets of production on the Western Slope in Garfield County and in the Southwest Mountain region in Montezuma and La Plata counties. Various energy companies are headquartered in the Denver Metro region with some production also taking place in Adams, Arapahoe, and Broomfield counties. These areas are more acutely impacted by changes to the energy market compared to other regions in the state.

Figure 56. Energy Employment Concentration by Region



Currently, most steel and aluminum imports have tariffs of 50 percent, which have direct input cost impacts on energy production. These increased input costs for energy firms are leading to weakening industry sentiment. In recent industry surveys conducted by the Dallas Federal Reserve, oil and gas firms have pointed toward steel and aluminum tariffs causing increased costs, which are changing their production economics for the worse. They also pointed to the broader federal trade policy causing great market uncertainty, which is weighing on oil prices and also making production less profitable. If trade policy conflicts were to escalate, trade retaliation related to the U.S. export of liquefied natural gas (LNG) could also take place, which would weigh on global demand for U.S. LNG. Currently, many of the trade deals negotiated by the Trump administration include the foreign purchase of U.S. LNG, which could place upward pressure on both natural gas production and price, however, if certain trade negotiations were to sour, there could be counteracting effects.

On the renewable energy side, firms are also faced with higher tariffs on steel and aluminum as well as particular components related to renewable energy infrastructure. Most of the solar supply chain resides in Southeast Asia and China, and with elevated tariffs on countries in this region, this will lead to increased input costs for solar energy infrastructure. The wind energy supply chain is more globally spread with significant manufacturing in the U.S. However, about 17 percent of wind components in the U.S. are imported from China, according to a McKinsey and Company report.[68] Tariffs will also impact battery storage and electric vehicle batteries and components. According to the same report from McKinsey and Company, tariff policy could reduce installed solar capacity by 9 percent by 2035 in the U.S. relative to baseline expectations,

[68]Christian Therkelsen, Diego Hernandez Diaz, and Humayun Tai, McKinsey and Company (July 22, 2025). "How might tariffs affect the energy transition?" (linked).

with lower impacts to wind capacity. However, there is additional downward pressure on new wind, solar, and battery storage installments in coming years from other federal policies, including the recent rescinding of renewable energy tax credits in the federal reconciliation bill, H.R. 1.

The increased costs for companies on infrastructure related to natural gas, wind, solar, and battery storage will have downstream impacts on Colorado consumers through increased electricity and heating utility bills. The deployment of this infrastructure will face rising costs due to tariffs on steel and aluminum, as well as nation-specific tariffs, which will be passed on to consumers. Consumer utility bill costs are further exacerbated by other federal policies, such as H.R. 1, which will increase the costs of renewable energy projects due to the ending of renewable energy tax credits. Many of the increased utility costs to consumers will be lagged due to the nature of the rate-setting process, but Colorado electric utilities will likely pass on the higher costs they face for electric infrastructure due to tariffs, the elimination of tax credits, and longstanding supply chain issues in the coming years.

Healthcare

The U.S. healthcare system heavily depends on imported medical equipment and drugs. The price impacts of tariffs on these products, their inputs and components, and the countries that supply them are likely to cause fiscal strain on healthcare providers and other healthcare-related businesses and also increase consumer costs associated with medical care. Secondary impacts of increased medical equipment and drug costs could potentially include increased health insurance premiums, supply shortages, and increased wait times. In Colorado, the healthcare industry is the state's largest stand-alone industry employer with 390,000 jobs and contributes $33.4 billion to the state's GDP. Certain regions within the state are more economically reliant upon the healthcare industry, including the Denver Metro, the Colorado Springs region, the Western Slope region, the Pueblo-Southern Mountains region, and the Southwest Mountain region. Of these regions, the Pueblo-Southern Mountain is the most exposed to the fiscal health of the healthcare industry with 21 percent of jobs in that region related to healthcare compared to 13 percent statewide.

Figure 57. Colorado Healthcare Sector Economic Data

Annual Data, 2024	Sector Total	Share of State Total
State GDP	**$33.4 billion**	**6%**
Direct Jobs	**390,000**	**13%**
Exports	**$1.4 billion**	**14%**
Imports	**$1.4 billion**	**8%**

Top Industry Export Destinations: Canada, China, Switzerland, Netherlands, South Korea, Mexico
Top Industry Import Countries: Mexico, China, Germany, Canada, Malaysia, Finland

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau

Figure 58. Colorado Regions with Significant Healthcare Economic Activity

	Region GDP - Healthcare	Share of Region's Total GDP	Region's Healthcare Jobs	Share of Region's Jobs
Denver Metro	$20.1 billion	6%	229,700	13%
Colorado Springs	$3.8 billion	7%	52,600	17%
Western Slope	$1.8 billion	8%	24,400	17%
Pueblo-So. Mountains	$1.3 billion	11%	17,600	21%
Southwest Mountain	$0.5 billion	8%	5,600	14%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Medical Equipment

The supply chain for medical devices, supplies, and other products is highly globalized and therefore extremely vulnerable to tariffs. Following the pandemic, the National Academies of Sciences, Engineering, and Medicine (NASEM) formed a committee to study and make recommendations to improve resilience in medical supply chains within the U.S. [69] However, despite this work, little progress has been made in actually making the supply chain more resilient, and as such, medical supplies and devices are at risk of major cost increases due to tariffs. The U.S. imported $41 billion worth of medical instruments in 2024, making it the 12th most imported product class in the U.S. economy. [70] Mexico was the source country that made up the greatest share of these items ($12.0 billion), followed by Germany ($4.5 billion), Costa Rica ($4.2 billion), Ireland ($3.1 billion), and China ($2.3 billion). [71] When expanded to include additional medical products, including personal protective equipment (PPE), which is overwhelmingly imported from China, this estimate grows to $75 billion. [72] The American Hospital Association (AHA) estimates that, in all, about 70 percent of medical devices that are marketed in the U.S. are exclusively manufactured in other countries, meaning that there is no option to immediately switch to domestically produced items instead. [73] Furthermore, a federal CARES Act-directed joint study by the U.S. Departments of Defense, Health & Human Services, Homeland Security, and Veterans Affairs found that reshoring the entire supply chain for medical products would be unachievable, and even if this was done, it would not have the ability to scale up to meet the needs of a public health crisis. [74]

All of these factors mean that the vast majority of medical products are subject to tariffs and therefore likely to result in higher costs and the potential for less availability of healthcare. Tariffs affect the healthcare industry from both the supply and demand side. On the supply side, hospitals must pay more for supplies (including single-use, high-margin items like needles, gloves, and masks), which stresses budgets and may require them to pass extra costs to

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[69] Bridget Balch, AAMC (May 29, 2025). "Health care sector braces for supply chain uncertainty with changing tariff policies" (linked).

[70] Observatory of Economic Complexity (June 2025). "Medical Instruments in the United States" (linked).

[71] Ibid.

[72] American Hospital Association (April 2025). "The Cost of Caring: Challenges Facing America's Hospitals in 2025" (linked).

[73] Ibid.

[74] NASEM et al. (March 2022). "Building Resilience into the Nation's Medical Product Supply Chains" (linked).

patients. Tariffs may result in firms within certain foreign companies (or certain countries) ceasing trade with the U.S. as it becomes unprofitable, as has happened in other industries,[75] which may lead to shortages and other supply chain issues like those faced during the pandemic. Certain treatments may therefore become unavailable in this scenario, particularly in rural or underfunded hospitals with fewer resources to absorb additional costs. On the demand side, patients will likely pay more for copays or out-of-pocket costs or they may see their insurance premiums rise, which may cause them to delay seeking treatment and avoid preventative care. At a large enough scale, this may reduce demand for medical care sufficiently to cause hospitals and other providers to reduce services or close altogether.

Pharmaceutical Drugs

The U.S. purchases a significant volume of its pharmaceutical drugs and active ingredients from foreign countries under Chapter 30 of the U.S. Harmonized Tariff Schedule,[76] which covers approximately 6.5 percent of all U.S. imports. An estimated $234 billion[77], or 90 percent,[78] of all prescription drugs used in the U.S. are imported. Ireland supplied $66 billion (28 percent) of imports in 2024, followed by Switzerland ($19 billion, 8 percent), Germany ($17 billion, 8 percent), Singapore ($16 billion, 7 percent), and India ($13 billion, 6 percent).[79] In terms of volume, India supplies half of all finished generic drugs to the U.S., [80] while China accounts for 23 percent of U.S. pharmaceutical imports (by weight) [81] and is the main global source for active pharmaceutical ingredients (APIs). [82] Mexico provided 18.5 percent of U.S. imports (by weight) in 2021, primarily lower-cost medications and intermediates. [83] Several other European Union countries also supply pharmaceuticals to the U.S., including Belgium, Italy, the United Kingdom, Denmark, and France.

While many of these countries face nation-specific tariffs,[84] Trump has also recently threatened to impose increased tariffs on pharmaceutical drug imports, escalating to 150 percent and then as high as 250 percent.[85] These potential tariff rates represent a dramatic increase for many

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[75] The Times of India (August 13, 2025). "Gujarat manufacturing sectors brace for impact as 50% tariff threat looms" (linked).
[76] United States International Trade Commission (2025). "Harmonized Tariff Schedule of the United States, Chapter 30 – Pharmaceutical Products" (linked).
[77] Voronoi (February 26, 2025). "Top Exporters of Medicinal and Pharmaceutical Products to the U.S. in 2024" (linked).
[78] Conte, Niccolo, Visual Capitalist (July 6, 2025). "United States Charted: U.S. Pharmaceutical Drug Imports from China" (linked).
[79] Voronoi (February 26, 2025). "Top Exporters of Medicinal and Pharmaceutical Products to the U.S. in 2024" (linked).
[80] Rechenberg, Andrew (May 29, 2025). "U.S. Dangerously Reliant on High-Risk Imported Drug Supply" (linked).
[81] Conte, Niccolo, Visual Capitalist (July 6, 2025). "United States Charted: U.S. Pharmaceutical Drug Imports from China" (linked).
[82] Rechenberg, Andrew (May 29, 2025). "U.S. Dangerously Reliant on High-Risk Imported Drug Supply" (linked).
[83] Heritage, Andrew (January 9, 2023). "Skyrocketing Pharmaceutical Imports to the U.S. Endanger National Security" (linked).
[84] Lowell, Michael, et. al, ReedSmith (July 28, 2025). "Trump 2.0 tariff tracker" (linked).
[85] Constantino, Annika Kim, *CNBC* (August 5, 2025). "Trump says pharma tariffs could eventually reach up to 250%" (linked).

current pharmaceutical products that currently face zero or low tariff rates,[86] and would much more directly and dramatically increase costs to the healthcare industry and consumers. These cost impacts would ripple throughout the country but especially where manufacturers and wholesalers are likely to pass tariff-related costs on to states and patients since public programs have limited negotiating power and are required to provide coverage for essential drugs. In addition to price impacts, tariffs can disrupt supply chains, creating shortages and delays that could further exacerbate price hikes. Even if a high pharmaceutical-specific tariff is not adopted, more localized tariffs are still likely to have repercussions on drug prices, since the pharmaceutical supply chain is highly globalized with many medications containing components from multiple countries.

Tariff Impacts on Colorado's Health Care Industry

Colorado's health care industry accounted for $33.4 billion in 2024, or 6 percent of the state's GDP, [87] and changes to economic policy at the national level can have significant downstream implications for Colorado employment, economic output, and tax base. As health care firms face higher costs, they may consider layoffs or other downsizing efforts to cut costs elsewhere, which could result in lower overall economic activity, fewer services, lower service quality, and less innovation.

In a public health context, drug prices can have profound impacts on public health outcomes. The U.S. Centers for Disease Control and Prevention found an estimated nine out of 10 people over the age of 65 rely on these drugs to maintain their long-term health. Where U.S. prescription drug prices are already three times higher than those of other countries, the cost of critical medications can be prohibitive. Almost half of adults age 50 and older "have either skipped filling a prescription due to costs, or know someone who has," according to the American Association of Retired Persons.

These public health implications can impact lower-income families in particular. A number of Managed Care Organizations (MCO) and Fee-for-Service providers participate in the 340B Drug Pricing Program, [88] which relies on drug manufacturers to provide low-income patients with discounted prices. If budgets cannot keep pace with rising prices, cuts to drug formularies, stricter prior authorizations, and reduced access are all possible.

Technology and Advanced Industries

Despite the Trump administration's stated goal of increasing domestic manufacturing, proposed and enacted tariffs will likely cause hardship to burgeoning technological industries and other advanced industries in Colorado and the U.S. Advanced industries - identified by the Office of

[86] United States International Trade Commission (2025). "Harmonized Tariff Schedule of the United States, Chapter 30 – Pharmaceutical Products" (linked).
[87] Colorado Office of Economic Development and International Traded - Choose Colorado (2025). "Health and Wellness in Colorado" (linked).
[88] Colorado Department of Health Care Policy and Finance (2025). "340B Policy and Procedures Manual" (linked).

Economic Development and International Trade (OEDIT) as aerospace, advanced manufacturing, bioscience, electronics, energy, infrastructure engineering, and information technology - collectively account for about a third of Colorado's total wage earnings, sales revenue, and exports.[89] These industries can be found throughout the state but are especially concentrated along the I-25 corridor: Northern Colorado, the Denver Metro, Colorado Springs, and Pueblo.

Figure 59. Colorado Technology and Advanced Industries Sector Economic Data

Annual Data, 2024	Sector Total	Share of State Total
State GDP	$60.4 billion	11%
Direct Jobs	226,000	8%
Exports	$3.7 billion	36%
Imports	$5.4 billion	32%
Top Industry Export Destinations: Canada, Malaysia, China, Taiwan, Philippines, Netherlands, Singapore		
Top Industry Import Countries: Switzerland, Canada, China, Taiwan, Germany, Australia, Mexico, Malaysia		

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau

Figure 60. Colorado Regions with Significant Technology and Advanced Industries Economic Activity

	Region GDP - Tech/Industries	Share of Region's Total GDP	Region's Tech/Industries Jobs	Share of Region's Jobs
Denver	$46.0 billion	13%	146,400	8%
Northern	$6.0 billion	11%	32,100	11%
Colorado Springs	$3.5 billion	7%	17,400	6%
Pueblo-So. Mountains	$1.0 billion	9%	6,500	8%
Eastern Plains	$0.8 billion	8%	5,600	10%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

The State of Colorado has invested significantly in these industries, particularly through the Advanced Industries Accelerator Grant Program, which was created in 2013 to provide access to capital and support for innovators. It is unclear whether demand for the grants will be impacted and will likely depend on whether the increased costs of intermediate materials like copper, steel, and aluminum are high enough to be cost-prohibitive even with access to grant funding. In any case, given that many of the tariffs have been proposed and levied on essential inputs for manufacturing and technology, their imposition is likely to result in a slowdown in Colorado's technological and advanced industries, affecting production and employment statewide.

[89] OEDIT (2024). "Advanced Industries Accelerator Grant Program: Annual Report Fiscal Year 2023-2024" (linked).

Aerospace & Defense

Due in part to the prominence of the U.S. Air Force in Colorado - including the Air Force Academy's home in Colorado Springs - Colorado is a national leader in the aerospace industry and boasts the greatest concentration of aerospace jobs in the country: 55,000 employees across 2,000 companies.[90] According to the U.S. Census Bureau, in 2024, Colorado exported more than $500 million in aerospace, spacecraft, and related parts, which accounts for just over 4.8 percent of total exports. Meanwhile, about 6.2 percent of imports are in the aerospace and related parts sector, with Switzerland accounting for nearly 73 percent of all aerospace imports. Switzerland now faces a 39 percent tariff under the Trump administration's reciprocal tariff policy, which will dramatically increase the cost of importing aerospace-related goods in Colorado. These recent tariffs have effectively overturned the 1980 Agreement on Trade in Civil Aircraft, which had required signatories to eliminate tariffs on aircraft components and outputs among one another.[91] Industry experts have cited this as a major reason for the U.S.'s ability to be a global leader in aerospace production, and that status is now more at risk.

The product-specific Section 232 tariffs that have been imposed on a national security basis are particularly impactful on the defense industry. Those that have been affected include steel, aluminum, and copper parts, all of which are at 50 percent tariff rates and are critical inputs into defense manufacturing.[92] Other goods, including semiconductors, integrated circuits, polysilicon, and critical minerals, are currently undergoing investigations by the Department of Commerce to determine the national security implications of importing them.[93] While many defense firms anticipate being able to largely absorb the additional costs, the tariffs' impact on so many crucial inputs could be significant.[94] Even if firms can absorb these costs, they still are likely to result in lower profits and therefore result in a slowdown on aggregate for the industry. OSPB considered the impacts of a 5 percent reduction in foreign demand for aerospace products, based on the combination of higher input costs and retaliatory tariffs, which would result in an estimated 195 lost jobs and $61.6 million in GDP loss, per economic impact analysis done in collaboration with CSU using IMPLAN software.

Figure 61. Colorado Aerospace Economic Impact Analysis

Impact	Change in Employment	Change in GDP
Direct	-106 Jobs	-$48.4 million
Indirect	-89 Jobs	-$13.3 million
Total	-195 Jobs	-$61.6 million
Top Industry Export Destinations: Canada, Brazil, France, Mexico, Germany		

[90] ColoradoBiz (July 15, 2025). "Polis signs order to fight Trump tariffs hurting Colorado" (linked).
[91] Office of the United States Trade Representative (n.d.). "Aircraft" (linked).
[92] Lazaro Gamio, Tony Romm, & Agnes Chang, New York Times (July 31, 2025). "Tracking Trump's New Tariffs on Every Country" (linked).
[93] Michael Lowell et al., ReedSmith (July 31, 2025). "Trump 2.0 Tariff Tracker" (linked).
[94] Stephen Losey, Defense News (May 5, 2025). "Defense firms closely watching tariffs, but split on potential stings" (linked).

Advanced Manufacturing

In recent years, Colorado has significantly expanded its investment in advanced manufacturing industries and has been established as a Regional Technology and Innovation Hub (Tech Hub) under the CHIPS and Science Act. In particular, the state has focused on developing its quantum industry and now boasts the highest concentration of quantum companies and jobs in the world. However, this is a highly globalized industry and as such relies heavily on critical hardware that is imported from other countries. Three main components are superconducting qubits (niobium and aluminum), trapped ion lasers (rare earth elements), and cryogenic cooling systems (helium-3)[95]. The U.S. is 100 percent net-import reliant on niobium, which is produced almost exclusively in Brazil and Canada.[96] While niobium is classified as a critical mineral under USMCA and is therefore not subject to Canada's tariffs, most U.S. imports (72 percent) of the mineral come from Brazil and is therefore subject to the 10 percent base rate, though it is exempted from the elevated 50 percent rate that has been imposed on most other Brazilian goods.[97] Niobium is not produced anywhere in the U.S., and while there are production facilities in development, such as Elk Creek in Nebraska[98], it is not possible for the U.S. to produce at scale to meet the demands of quantum computing. Aluminum, while more readily available, has been targeted with 50 percent tariffs worldwide, increasing superconductor costs as well. For trapped ion lasers, the U.S. is 80 percent net-import reliant on rare earth elements like lanthanides and yttrium. While domestic production increased in 2024, they are still largely imported from China, which accounts for 70 percent of the share of all rare earth imports to the U.S.,[99] as well as 60 percent of global extraction and 87 percent of processing.[100] These materials are subject not only to the U.S. blanket tariff on Chinese goods, but also to China's potential retaliatory actions restricting exports of rare earth minerals and metals to the U.S. Finally, helium-3 is not significantly subject to tariffs, but other aspects of cooling systems are, such as steel. All of these factors add up to an increase in cost burdens and supply constraints for advanced manufacturing, particularly in quantum technologies, that will likely hamper growth for these crucial industries and have an outsized impact on Colorado.

Compared to the first half of 2024, the first half of 2025 saw $141.9 million fewer computer and electronic product exports in Colorado. Using IMPLAN software to estimate the direct and indirect impacts of demand losses to that sector results in an estimated 476 lost jobs and $200.6 million in GDP loss.

[95] Sustainability Directory (March 31, 2025). "Sustainable Quantum Infrastructure" (linked).
[96] USGS (February 4, 2021). "Niobium Deposits in the United States" (linked).
[97] Steel Orbis (July 31, 2025). "Brazilian pig iron and niobium ferroalloys excluded from high import tariff in the U.S." (linked).
[98] NioCorp (n.d.). "The Elk Creek Critical Minerals Project" (linked).
[99] Felix Richter, Statista (April 14, 2025). "The U.S. Relies Heavily on Rare Earth Imports From China" (linked).
[100] Antonia Zimmermann, Politico (June 18, 2025). "China's got the world in a rare earth choke hold" (linked).

Figure 62. Colorado Computer & Electronic Products Economic Impact Analysis

Impact	Change in Employment	Change in GDP
Direct	-253 Jobs	-$141.9 million
Indirect	-223 Jobs	-$58.7 million
Total	-476 Jobs	-$200.6 million
Top Industry Export Destinations: Malaysia, China, Taiwan, Canada, Philippines		

Beer & Breweries

Beer and brewing have become nearly synonymous with Colorado over the last few decades, but the tariffs and national demand trends are threatening the industry. The National Beer Wholesalers Association (NBWA) calculates the total annual economic impact of Colorado's brewing industry at $13.1 billion,[101] equating to 2.4 percent of state GDP in 2024.[102] This includes $5.2 billion in direct economic output, supporting 27,381 jobs and $1.5 billion in wages, while the indirect impact (supplier and induced) supports an additional $7.9 billion in output, 33,881 jobs, and $2.5 billion in wages.[103] As such, tariffs on key inputs like aluminum and steel at 50 percent threaten to have a substantial effect on the industry's operation and therefore the state's economy. Beer is brewed in steel kegs, and the overwhelming majority is sold in aluminum cans. In Colorado, canned beer makes up 65.1 percent of beer sales, slightly above the national average of 64.1 percent.[104] Aluminum is the most expensive single component of beer manufacturing, making up 11.4 percent of the total manufacturing cost.[105] The first Trump administration had already placed 10 percent tariffs on aluminum, stressing breweries' bottom line, but the increase to 50 percent in 2025 will significantly raise costs at a time when the industry is already struggling due to changing consumer tastes away from beer. More craft breweries closed in 2024 than opened for the first time in two decades.[106] While large brewers like Anheuser-Busch or Molson Coors will likely withstand tariff headwinds through absorbing some of these costs and raising prices for consumers, craft brewers, whose profit margins are much thinner, will be less able to absorb costs. Craft beer is a highly discretionary good, and as such, consumers are much more sensitive to price changes than on other items. Given that Colorado has the fourth most craft breweries of any state (a rate of 10.3 breweries per 100,000 adults of drinking age), the industry faces significant risks at a local level.[107] Overall, the tariffs will strike a serious financial blow to the brewing industry in Colorado and elsewhere.

[101] The Beer Institute & National Beer Wholesalers Association (May 2025). "Beer Serves America: A Study of The U.S. Beer Industry's Economic Contribution in 2024" (linked).
[102] U.S. Bureau of Economic Analysis (March 28,2025). "SAGDP1 State Annual Gross Domestic Product (GDP) Summary" (linked).
[103] The Beer Institute & National Beer Wholesalers Association (May 2025). "Beer Serves America: A Study of The U.S. Beer Industry's Economic Contribution in 2024" (linked).
[104] The Beer Institute (November 2024). "Packaging Mix" (linked).
[105] The Beer Institute (March 2018). "What's Behind the Most Expensive Component of Beer Brewing?" (linked).
[106] Alicia Wallace, CNN (February 2025). "US Craft Beers - Brewed in Steel, Canned in Aluminum - Could Get Crushed By Tariffs" (linked).
[107] Brewers Association (2024). "State Craft Beer Sales & Production Statistics, 2024" (linked).

State Fiscal Impacts - Revenue

Tariffs are expected to slow economic activity by weakening consumer demand, which will result in lower spending, falling business profits, slower wage growth, and a weaker asset market. Subsequently, these impacts on the economy will result in lower State revenue collections, primarily by reducing individual income, corporate income, and sales tax revenue with other more modest impacts, as well. This section details the extent to which tariffs are expected to impact State revenue collections.

Similar to the Economic Impacts section, this section examines three scenarios: the 2024 Tariff Scenario, Current Tariff Scenario, and Escalatory Tariff Scenario. The Current Tariff Scenario includes implemented tariffs as of August 12, which result in a 21.0 percent effective Colorado tariff rate, while the 2024 Tariff Scenario reflects a lower effective tariff rate of 3.0 percent. The Escalatory Tariff Scenario results in the effective Colorado tariff rate increasing to 25.5 percent. The following does not include estimates for all revenue subject to TABOR but focuses on the largest General Fund and cash fund revenue streams. This is not an official OSPB revenue forecast, and it is solely intended to illustrate the potential State revenue impacts from tariffs.

Individual income, corporate income, and sales and use tax comprise approximately 90 percent of General Fund revenue in a fiscal year, so the State is especially affected by economic activity that impacts these revenue streams. In total, OSPB estimates that the Current Tariff Scenario results in $241 million (-1.4 percent) less in General Fund revenue collected by the State in FY 2025-26 compared to the 2024 Tariff Scenario. This loss grows to a total of $448 million, or -2.6 percent, under the Escalatory Tariff Scenario. In FY 2026-27, OSPB estimates that the Current Tariff Scenario results in $440 million less (-2.3 percent) in General Fund revenue collected by the State, which grows to a $805 million loss, or -4.3 percent, in the Escalatory Tariff Scenario.

Figure 63. General Fund Revenue Loss by Scenario

	FY 2025-26 Forecast	FY 2026-27 Forecast
Current Tariff Scenario	($241.1)	($439.6)
Escalatory Tariff Scenario	($448.0)	($804.9)

Note: This data reflects the expected General Fund revenue loss relative to the 2024 Tariff Scenario. The data reflects the total revenue loss under each scenario and is not additive between scenarios.

Under each of these scenarios, individual income tax accounts for the highest absolute revenue loss, mostly because it is the largest General Fund revenue stream. However, sales tax and corporate income tax face larger proportionate losses. Under the Current Tariff Scenario, sales tax revenue comprises 46 percent of the losses over both fiscal years with individual income tax revenue making up 36 percent and corporate income tax revenue making up 14 percent. Sales tax revenue faces the largest losses in this scenario due to tariffs more narrowly impacting consumer demand on goods in Colorado without creating as much weakness in wage growth and business profits. Under the Escalatory Tariff Scenario, however, individual income tax revenue comprises the largest share of revenue loss at 48 percent with sales tax revenue making up 30 percent and corporate income tax revenue making up 17 percent of the total General Fund revenue loss. In the Escalatory Tariff Scenario, wage growth and business profits are more negatively impacted due to elevated tariffs causing greater weakness in statewide economic activity. More information related to individual General Fund revenue components can be found within this section of the report.

Cash fund revenue will also be affected by the economic impacts of tariffs, however, various countervailing effects result in minimal, if any revenue losses. Significant cash fund revenue streams that were analyzed for this report include transportation-related revenue, severance tax revenue, and miscellaneous cash funds. The following table illustrates the impact to cash fund revenue under the Current Tariff Scenario and Escalatory Tariff Scenario.

Figure 64. Cash Fund Revenue Loss by Scenario

	FY 2025-26 Forecast	FY 2026-27 Forecast
Current Tariff Scenario	**($14.9)**	**($9.8)**
Escalatory Tariff Scenario	**($10.3)**	**$0.3**

Note: This data reflects the expected Cash Fund revenue loss relative to the 2024 Tariff Scenario. The data reflects the total revenue loss under each scenario and is not additive between scenarios.

Cash fund revenue impacts are relatively minimal, reflecting less than a one percent impact for each fiscal year under both scenarios. There are expected revenue losses in transportation revenue from weaker gasoline and diesel demand along with softer severance tax revenue collections due to lower oil prices. However, these revenue losses are partially or fully offset from higher interest collections within miscellaneous cash funds due to a higher interest rate environment under those scenarios with other components also increasing within miscellaneous cash funds. More information related to individual cash fund revenue components can be found within this section of the report.

Combined General Fund and Cash Fund revenue impacts result in a $256 million revenue loss in FY 2025-26 under the Current Tariff Scenario and a $449 million loss in FY 2026-27. Under the Escalatory Tariff Scenario, combined impacts result in a $458 million revenue loss in FY 2025-26 and a $805 million loss in FY 2026-27.

In July 2025, OSPB prepared an updated revenue forecast to its June 2025 forecast following the enactment of the federal reconciliation bill, H.R. 1, which had individual and corporate tax policy provisions in the bill that had significant negative revenue impacts on the State. In that updated forecast, OSPB projected that State revenue is expected to fall $742 million below the TABOR cap in FY 2025-26 before increasing above the cap again in FY 2026-27 by $411 million. Compared to that forecast, the Escalatory Tariff Scenario would place the State further below the TABOR cap in FY 2025-26 and at risk of falling below the cap in FY 2026-27. It is important to note that this is not an official OSPB forecast – rather, it is meant to illustrate the potential impacts that additional tariffs would have on State revenue collections. It is also not inclusive of all revenue subject to TABOR but analyzes the major revenue streams. The next OSPB Economic and Revenue Forecast will be published on September 22 and will incorporate the impacts of current trade policy along with the revenue impacts from H.R. 1 to provide official updated TABOR revenue estimates.

Individual Income

Individual income tax revenue is the State's largest revenue source, comprising approximately two-thirds of all General Fund revenue in FY 2024-25. Collections from individual income tax are primarily based upon the strength of the labor market, with the majority of its tax collections coming from payroll remittances. Other drivers of individual income tax collections include the fiscal health of small businesses, trends in the asset markets, and other components of personal income. As described in the Economic Impacts section, tariffs will likely negatively impact growth in Colorado wages and salaries, which in turn, will have a negative impact on individual income tax collections. They are expected to have similar negative impacts on the other components of personal income that impact individual income tax collections. This section provides individual income tax revenue forecasts under the three separate tariff scenarios.

Figure 65. Individual Income Tax Revenue Forecast by Scenario

($millions)	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
2024 Tariff Scenario	$10,044.2	$10,002.7	$10,098.8	$11,382.1
Current Tariff Scenario	$10,044.2	$10,002.7	$10,045.2	$11,193.2
Escalatory Tariff Scenario	$10,044.2	$10,002.7	$9,891.9	$10,993.1

Impacts to individual income tax revenue collections begin in FY 2025-26 with revenue expected to fall by $53.6 million (-0.5 percent) under the Current Tariff Scenario relative to the lower tariff environment under the 2024 Tariff Scenario. In FY 2026-27, this difference grows larger under the Current Tariff Scenario with $188.9 million (-1.7 percent) in unrealized revenue expected when compared to the 2024 Tariff Scenario.

Under the Escalatory Tariff Scenario, negative revenue impacts are greater due to a weaker labor market and business conditions. In FY 2025-26, there is an expected loss of $206.9 million (-2.0 percent) in individual income tax revenue relative to the 2024 Tariff Scenario. This grows to $389.0 million in unrealized revenue in FY 2026-27, or a 3.4 percent loss of total individual income tax revenue that fiscal year.

These expected individual income tax revenue losses reflect the largest revenue losses of any State revenue source, primarily because it is the State's largest source of revenue, and tariffs are expected to weaken the labor market and small businesses. With individual income representing the largest source of revenue, losses in this stream put the State at greater risk of falling below the TABOR cap in the out-years, which would lead to budgetary constraints.

Sales and Use

Sales and use taxes are the second-largest source of revenue in the General Fund, comprising about one-quarter of total revenue in FY 2024-25. This revenue source is highly correlated with the growth in state retail sales, which includes the sale of taxable goods and services in Colorado. With sales and use tax largely dependent on the sale of goods in Colorado, it is acutely impacted by tariffs, which are expected to increase the cost of consumer goods. While there will be some nominal revenue gains from inflation increasing the price of taxable goods, lower sales and use tax revenue is expected from tariffs on net due to weaker consumption from demand destruction caused by the higher price of goods. This section analyzes the sales and use tax forecast under the three separate tariff scenarios.

Figure 66. Sales Tax Revenue Forecast by Scenario

($millions)	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
2024 Tariff Scenario	**$4,362.6**	**$4,441.6**	**$4,613.2**	**$4,860.6**
Current Tariff Scenario	**$4,362.6**	**$4,441.6**	**$4,490.3**	**$4,673.3**
Escalatory Tariff Scenario	**$4,362.6**	**$4,441.6**	**$4,485.8**	**$4,607.8**

Beginning in FY 2025-26, the Current Tariff Scenario is projected to significantly decrease sales tax revenue compared to the 2024 Tariff Scenario by $122.9 million (-2.7 percent) due to demand destruction of discretionary spending. If broad-based price increases across goods force consumers to focus purchases more toward essentials and away from discretionary goods, then a reduction in sales tax is likely since a number of essentials like many groceries and some baby products are exempt from the state sales tax. Within the Escalatory Tariff Scenario, there is a marginally more negative revenue impact in FY 2025-26, but the reduction is mitigated by the expectation that consumers would make significant purchases before the escalatory tariffs went into effect, similar to the first quarter of 2025.

The impacts grow in FY 2026-27 as the Current Tariff Scenario is projected to result in $187.3 million (-3.9 percent) in unrealized revenue compared to the 2024 Tariff Scenario. This amount grows to a $252.8 million (-5.2 percent) loss under the Escalatory Tariff Scenario. While OSPB does not project a worst-case scenario of a net-decline in consumer spending and retail trade, the year-over-year increases mask the overall reduction in real consumer activity due to nominal price increases from tariffs leading to elevated inflation over the two fiscal years.

Figure 67. Use Tax Revenue Forecast by Scenario

($millions)	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
2024 Tariff Scenario	$233.2	$221.7	$248.9	$267.3
Current Tariff Scenario	$233.2	$221.7	$226.3	$244.4
Escalatory Tariff Scenario	$233.2	$221.7	$226.1	$240.9

The use tax revenue forecast under the various tariff scenarios follows a similar trend to sales tax, however, the impact of tariffs is projected to more negatively weigh on use tax. In FY 2025-26, the Current Tariff Scenario results in a 9.1 percent reduction in revenue compared to the 2024 Tariff Scenario. For sales tax, the difference between those two scenarios was 2.7 percent. The more pronounced loss in use tax revenue is primarily due to its exposure to the housing and commercial construction industries, with many construction materials paid through use tax. Weaknesses in these markets are expected due to tariffs, not only because of the direct impacts from increased construction costs, but also because tariffs will likely lead to a restrictive monetary policy environment for a longer period of time. This will lead to continued stagnation in new development due to weak demand and the high cost of capital. Further, these impacts will likely lead to an overall weaker macroeconomic environment, which will limit construction activity. There are comparable negative impacts in use tax projected in FY 2026-27, as well.

Corporate Income

Corporate income tax revenue is generally the third-largest General Fund revenue source, comprising 14 percent in FY 2024-25. This revenue source is primarily determined by the trend of profits among corporations doing business in Colorado. Tariffs will increase input costs for businesses importing products from abroad, which in turn will generally leave the corporation with two options: pass the full cost on to consumers or reduce their profitability by absorbing the costs. Corporations are likely to choose both options to some extent by passing on some costs and absorbing others, while also exploring business productivity gains. However, with tariffs reducing their profitability, corporations will also have a lower State income tax liability, which will reduce corporate income tax revenue collections to the State. Additionally, with tariffs expected to weaken economic activity and consumer spending especially, corporations will likely face additional financial pressures, which will lead to lower State tax revenue. This section provides U.S. corporate profit forecasts and State corporate income tax revenue forecasts under the three separate tariff scenarios.

Figure 68. U.S. Corporate Profits Forecast by Scenario

	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
2024 Tariff Scenario	7.9%	1.7%	-1.4%	6.0%
Current Tariff Scenario	7.9%	1.1%	-2.2%	5.5%
Escalatory Tariff Scenario	7.9%	1.0%	-3.5%	3.8%

As the effective tariff rate increases, U.S. corporate profits are projected to decrease, with corporations absorbing some of the additional costs alongside slowing consumer spending. In 2025, corporate profits would be projected at 0.6 percentage points higher under the 2024 Tariff Scenario, which maintained a much lower effective tariff rate, compared to the Current Tariff Scenario. In 2026, under any scenarios, corporate profits would be expected to decline following years of strong growth, however, the decline is more pronounced under the Current Tariff Scenario and Escalatory Tariff Scenario from higher tariff rates weighing on profitability. In 2027, all scenarios project corporate profits growth, although lower effective tariff rates would translate to a healthier corporate business environment with profit growth of 6.0 percent under the 2024 Tariff Scenario.

Figure 69. Corporate Income Tax Revenue Forecast by Scenario

($millions)	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
2024 Tariff Scenario	$2,796.6	$2,619.5	$2,038.3	$2,166.2
Current Tariff Scenario	$2,796.6	$2,619.5	$1,992.1	$2,119.3
Escalatory Tariff Scenario	$2,796.6	$2,619.5	$1,940.5	$2,055.3

This same trend also takes place with projected corporate income tax revenue collections to the State. In FY 2025-26, corporate income tax revenue collections are projected to be $46.2 million (-2.3 percent) lower under the Current Tariff Scenario versus the 2024 Tariff Scenario. Nearly $100 million (-4.8 percent) in revenue losses are expected under the Escalatory Tariff Scenario. In FY 2026-27, these differences grow larger with the Current Tariff Scenario resulting in $46.9 million in lower revenue compared to the 2024 Tariff Scenario. The Escalatory Tariff Scenario results in $110.9 million (-5.1 percent) in unrealized revenue compared to the 2024 Tariff Scenario.

Transportation

The State of Colorado derives a substantial portion of its cash fund revenue from transportation-related sources. While tariffs are expected to have some impact on these revenue streams, the overall effect is projected to be relatively modest under various tariff scenarios since transportation revenue is generally insulated from the direct impacts of tariffs, though some secondary impacts are expected. In the 2024 Tariff Scenario, OSPB forecasts $1,532.5 million in revenue for FY 2025-26 and $1,610.2 million for FY 2026-27. Under the Current Tariff Scenario, revenue is projected to be $10.0 million lower in FY 2025-26 and $11.6 million lower in FY 2026-27. In the Escalatory Tariff Scenario, the reductions are slightly more pronounced, with anticipated declines of $13.7 million in FY 2025-26 and $14.7 million in FY 2026-27 compared to the 2024 Tariff Scenario.

Figure 70. Transportation Revenue Forecast by Scenario

($millions)	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
2024 Tariff Scenario	$1,425.1	$1,487.2	$1,532.5	$1,610.2
Current Tariff Scenario	$1,425.1	$1,487.2	$1,522.5	$1,598.6
Escalatory Tariff Scenario	$1,425.1	$1,487.2	$1,518.8	$1,595.5

Gasoline remains the largest source of Highway Users Tax Fund (HUTF) revenue and is not as exposed to the economic impacts of tariffs. Gasoline is a price-inelastic good, so price fluctuations resulting from tariffs are unlikely to significantly impact demand. Furthermore, Colorado benefits from substantial in-state oil production and refining capacity, which mitigates the effect of international oil imports on local fuel prices. However, oil and gas from Canada is the state's largest single import at $3.3 billion, which could lead to increased gasoline costs with a 10 percent tariff levied on Canadian energy. Broader economic factors, such as a potential recession from secondary impacts of tariffs or declines in vehicle miles traveled (VMT), are more likely to influence gasoline-related revenues than tariffs directly. Diesel fuel is subject to similar dynamics, though it is more sensitive to fluctuations in freight activity. Since freight shipping is a major driver of diesel demand, tariff-related disruptions to inventory management and logistics could reduce diesel consumption. Tariffs on retail goods leading to increased costs could lead to significant consumer demand destruction, which could also have a negative impact on shipping and diesel demand. As business conditions remain uncertain and transportation costs rise, a continued decline in diesel revenue is anticipated beginning in FY 2025-26 and persisting into FY 2026-27.

Vehicle registration fees, another key component of HUTF revenue, are also expected to have a limited loss from increased tariffs. Although registration fees in Colorado are partially weight-based, a portion is determined by the age of the vehicle. With tariffs increasing automobile prices by as much as 25 percent, consumers are more likely to retain older vehicles or purchase used ones. While this trend could reduce revenue from age-based vehicle fees, the overall effect on registration revenue is expected to be minimal. Specific Ownership Tax revenues, which are based on the year of manufacture of the vehicle and the original taxable value and contribute to the local share of school finance, may be affected more significantly. Additionally, a potential decline in electric vehicle (EV) registrations, related in part to the federal reconciliation bill H.R.1, could impact associated EV registration fees and that impact is incorporated into all three scenarios. However, flat registration-related fees—such as emissions (AIR) account fees, Peace Officer Standards and Training (POST) fees, and Emergency Medical Services (EMS) fees, are expected to remain stable, as registration renewals are projected to remain consistent even if new registrations decline.

Beyond the primary revenue sources, other transportation-related revenue streams may experience secondary impacts from tariffs. These impacts are more likely to be indirect, stemming from broader economic conditions rather than direct tariff effects. For instance, tourism-related revenue such as rental car fees and aviation-related funds could decline if consumer travel decreases due to tighter household budgets. Similarly, the retail delivery fee may experience reductions if consumers limit their discretionary spending and delivery purchases.

Finally, the imposition of 50 percent aluminum tariffs poses a specific risk to the License Plate Cash Fund (LPCF), which previously faced solvency concerns under conditions where aluminum tariffs increased to 10 percent in 2018. This increased pressure on aluminum imports may destabilize operations and the cash fund. To maintain LPCF solvency, fee increases may be necessary, which could have countervailing impacts to other transportation-related revenue losses and increase revenue subject to TABOR.

Severance

Severance tax revenue is highly dependent upon the price and production of oil. As described in the Energy portion of the Economic section of this report, the newly imposed tariffs are projected to have a negative impact on oil prices due to weakening global demand. Subsequently, these tariffs are expected to decrease severance tax revenue. The table below illustrates the severance tax revenue forecast under the three tariff scenarios.

Figure 71. Severance Tax Revenue by Scenario

($millions)	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
2024 Tariff Scenario	$218.4	$62.9	$167.6	$153.3
Current Tariff Scenario	$218.4	$62.9	$159.6	$149.5
Escalatory Tariff Scenario	$218.4	$62.9	$152.1	$133.5

Under all scenarios, severance tax revenue is expected to increase in FY 2025-26 following below-average collections in FY 2024-25 from elevated taxpayer refunds. However, under the Current Tariff Scenario, revenue is expected to increase at a slower rate than it would have under the 2024 Tariff Scenario. This results in a forecast that is $8 million lower in FY 2025-26. Under the Escalatory Tariff Scenario, revenue is expected to fall $15.5 million below the 2024 Tariff Scenario, or approximately 9 percent. In FY 2026-27, there are marginal impacts between the Current Tariff Scenario and 2024 Tariff Scenario as the oil price forecasts converge, but there is greater separation in the Escalatory Tariff Scenario with oil prices projected to decline considerably on a weaker macroeconomic picture. Severance tax revenue would be projected to fall $19.8 million below the 2024 Tariff Scenario, or 13 percent, while falling $16 million below the baseline, Current Tariff Scenario.

These severance tax revenue impacts would result in lower distributions to the Department of Natural Resources (DNR) and Department of Local Affairs (DOLA). Following the initial distribution to decarbonization tax credits administration, the remaining 50 percent of severance tax revenue is distributed to DNR, and the other 50 percent is allocated to DOLA. Of the amount distributed to DNR, 50 percent is allocated toward water projects and loans while the other 50 percent is used for departmental programs, including natural resource and energy-related programs. For DOLA, 70 percent of their share is allocated toward local impact grants and loans for local governments socially or economically impacted by mineral extraction, while 30 percent is distributed to local governments based on measures related to oil, gas, and mining activities.

Declining oil prices would also impact federal mineral lease revenue, however, OSPB expects these impacts to be more limited due to that revenue stream having more reliance on natural gas prices than oil prices. Natural gas prices are expected to be less impacted by tariffs and maintain above-average levels over the forecast period.

General Fund Interest Income

General Fund interest income is dependent upon two factors: interest rates and the General Fund's average monthly balance. Inflationary impacts from tariffs are likely to lead to a higher interest rate environment for a longer period of time. If the balance of the General Fund were to stay the same under the Current and Escalatory scenarios compared to the 2024 Tariff Scenario, then higher interest rates would mean greater interest income earned on its fund balance. However, if the General Fund balance were to decline, this would offset some of the revenue gains from higher interest rates in the Current and Escalatory scenarios. In total, both the Current Tariff Scenario and Escalatory Scenario are projected to increase interest income in FY 2025-26 compared to the 2024 Tariff Scenario with mixed impacts in FY 2026-27. The table below illustrates the General Fund interest income revenue forecast under the three tariff scenarios.

Figure 72. General Fund Interest Income Revenue by Scenario

($millions)	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
2024 Tariff Scenario	$251.6	$166.1	$136.0	$122.6
Current Tariff Scenario	$251.6	$166.1	$140.3	$129.0
Escalatory Tariff Scenario	$251.6	$166.1	$143.1	$96.8

The timing and scale of projected federal funds rate cuts alongside the General Fund's balance leads to mixed outcomes under the various tariff scenarios. For the 2024 Tariff Scenario, if tariffs had remained at their 2024 effective rate of 2.6 percent, the Federal Reserve would have likely made additional rate cuts in 2025 and would reach its terminal neutral rate by mid-2026 with the nation maintaining an appropriate disinflationary path. This assumption means that General Fund interest income revenue would likely fall year-over-year in both FY 2025-26 and FY 2026-27 due to lower interest rates, while maintaining a consistent balance in the General Fund over the period. The Current Tariff scenario is not projected to substantially decrease the General Fund's balance over the forecast period compared to the 2024 Tariff Scenario. However, the Current Tariff Scenario is projected to increase inflation compared to the 2024 Tariff Scenario which would hinder the Federal Reserve from cutting rates at the same pace as they would in a disinflationary environment. Under this scenario, the Federal Reserve would likely not reach its terminal neutral rate until late 2026. This would lead to higher interest rates over the forecast period and increased General Fund interest revenue in both FY 2025-26 and FY 2026-27. The Escalatory Tariff Scenario builds further on the Current Tariff Scenario by placing more upward pressure on inflation, which would lead to interest rates remaining higher for a longer period of time before an expected weakening labor market would cause the Federal Reserve to begin an aggressive rate-cutting cycle in early 2026. This means that the Escalatory Scenario has the highest forecast General Fund interest income for FY 2025-26. However, the Escalatory Tariff Scenario is estimated to have the lowest federal funds rate in 2027 due to economic weakness and would be coupled with increased State expenses through direct costs from tariffs alongside secondary expense impacts. This would substantially decrease the General Fund balance in FY 2026-27 compared to the other scenarios and alongside lower interest rates, would result in the lowest amount of revenue among the three scenarios in FY 2026-27.

Other Miscellaneous Cash Funds Subject to TABOR

The category of Other Miscellaneous Cash Funds includes revenue from over 400 cash fund programs that collect revenue from fees, fines, and interest earnings. The impact of tariffs on each cash fund revenue stream within the category varies greatly in relationship and concentration. For example, as described in the General Fund Interest Income section above, the inflationary impacts from tariffs are likely to correspond with higher interest rates which would increase cash fund interest income earned on its fund balance. This contrasts with cash funds with revenue linked to oil prices, like the Energy & Carbon Management Commission (ECMC) Cash Fund, which would face a downturn in revenues under the Current Tariff Scenario and Escalatory Tariff Scenario. The most influential factor on revenue would be increased program costs for many of the cash funds in the category. Generally, most cash fund programs within this category would face increased costs under any higher tariff scenario and would likely need to increase fee revenue to offset inflationary pressures and cost escalation. In total, higher tariffs are expected to increase other miscellaneous cash fund revenue. The table below illustrates the other miscellaneous cash fund revenue forecast under the three tariff scenarios.

Figure 73. Other Miscellaneous Cash Fund Revenue by Scenario

($millions)	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Forecast	FY 2026-27 Forecast
2024 Tariff Scenario	$937.8	$988.3	$921.0	$1,018.6
Current Tariff Scenario	$937.8	$988.3	$924.1	$1,024.2
Escalatory Tariff Scenario	$937.8	$988.3	$939.9	$1,053.3

Under all scenarios, other miscellaneous cash fund revenue is expected to decrease year-over-year in FY 2025-26 as there was nearly $150 million in revenue-reducing statutory impacts from the 2025 regular legislative session. Under the Current Tariff Scenario, revenue is expected to be marginally greater than it would have under the 2024 Tariff Scenario with the main driver being increased interest income. This results in a forecast of $3.1 million greater for FY 2025-26.

Under the Escalatory Tariff Scenario, revenue is expected to grow $18.9 million higher than the 2024 Tariff Scenario. In FY 2026-27, there are marginal impacts between the Current Tariff Scenario and 2024 Tariff Scenario as the Current Tariff Scenario is forecast to have higher interest income, but there is greater separation in the Escalatory Tariff Scenario with certain increased program costs due to the weaker macroeconomic picture. The three cash funds that would be driving the higher revenue in the Escalatory Scenario over the other two scenarios would be the Adult Dental Fund, the Employment Support Fund, and the Benefit Recovery Fund. In the Adult Dental Fund, revenue subject to TABOR is entirely driven by the expenditures incurred by the implementation of the Adult Dental Medicaid benefit. For the Employment Support Fund and the Benefit Recovery Funds, which are both funds related to Unemployment Insurance (UI) support, they would see increased revenue caused by a higher uptake in program usage. These three cash funds would see increased revenue related to increased usage due to a deteriorating labor market under the Escalatory Scenario, which would lead to increased demand for these social safety net programs.

State Fiscal Impacts - Expenses

With tariffs expected to directly increase costs on various goods and have a secondary impact of slowing the economy, they will also have a significant impact on the State of Colorado's budget, with certain areas of the budget more exposed to tariff impacts than others. Increased costs from tariffs will constrain areas of the State's budget, which could necessitate policy decisions to reallocate resources, reduce service levels, or limit the scope of certain programs. The following section discusses specific areas of the State budget which are most directly impacted from tariffs, including capital construction, healthcare and human services, housing, school finance and K-12 education, transportation, and unemployment insurance. However, this section is not an all-inclusive analysis of the myriad potential direct and secondary budget impacts from tariffs.

Capital Construction

With elevated tariffs imposed on integral capital construction inputs, such as steel, aluminum, and copper, the State's costs for capital construction are expected to increase. After elevated inflation in 2021 and 2022, construction material costs for producers were deflationary over most of 2023 and 2024. However, during the second quarter of 2025, construction material prices recorded inflation once again largely from tariff impacts, jumping by an average of 3.2 percent over those months. Increased costs for construction materials will constrain the State's capital construction budget and limit the scale and scope of certain capital projects.

Separate from new capital construction, the Office of the State Architect has an annual goal of funding controlled maintenance at one percent of the Current Replacement Value (CRV) for existing buildings, which was $201.9 million in FY 2024-25. Even before the new challenges to the construction industry introduced by tariffs, controlled maintenance funding has been inconsistent and below recommended goals due to budgetary constraints, while the State's building inventory continues to grow and age.

Controlled maintenance projects are categorized as life-safety, structural, heating-ventilation and air conditioning, electrical, plumbing, roofing, general maintenance, and infrastructure. In the most critical life-safety cases, a lack of funding impedes inspection, testing, and maintenance (ITM) of the systems and components critical to occupant safety, such as inspecting and maintaining fire alarms, sprinklers, extinguishers, fire-resistant materials, doors, and other critical safety systems.

As tariffs increase construction costs, less maintenance can be completed with the same budget levels. In other words, the same amount of money will now fund a lower amount of maintenance, further exacerbating the cost of current and backlogged projects and making it more difficult to address the volume of work, while the severity of maintenance needs continues to increase with time, which will further increase total costs.

Healthcare and Human Services

Colorado faces budgetary pressures from increasing drug and medical supply prices through Medicaid, public health programs, correctional facilities, and employee benefit plans, which could be further exacerbated by tariffs. Prescription drugs accounted for $724.9 million in Healthcare Policy and Financing (HCPF) expenditures in FY 2023-24, or 4.8 percent of their $15 billion annual total budget - the largest budget of any State department. Drug expenditures associated with Department of Personnel and Administration's (DPA) employee benefit plans have grown significantly in recent years, from $62.9 million in FY 2022-23 to $72.7 million in FY 2023-24 and an estimated $104.4 million in FY 2024-25. CDHS has incurred a relatively stable average of $5.9 million in annual pharmaceutical drug costs over the past 5 years through their mental health hospitals and the Division of Youth Services. DOC provides pharmaceutical drugs to inmates through their medical care programs, spending $30.1 million in FY 2023-24.

In total, Colorado spent an estimated $833.2 million directly on pharmaceutical drugs and coverage benefits in FY 2023-24, a vast majority of which faced zero tariffs under Chapter 30 of the United States International Trade Commission's Harmonized Tariff Schedule.[108] To illustrate the potential impacts of tariffs on pharmaceutical costs to the state under the Escalatory Tariff Scenario, if a 90 percent import ratio is assumed and a 250 percent tariff rate is applied with a full price passthrough to the State's $833.2 pharmaceutical drug spending from FY 2023-24, the total cost would have been three times more at $2.7 billion.

Medicaid & Human Services Caseloads

In the event that tariffs slow the economy into a recessionary period resulting in job losses and lower household income, several State social service programs are likely to experience increased enrollment as a result of more people falling under qualifying income levels due to layoffs and stagnating wage growth, including Medicaid, SNAP, and TANF, which would lead to increased costs to State government.

The peak impacts of a recession on Medicaid enrollment tend to be delayed by 6-12 months after the end of the recessionary period, as was the case following the Great Recession and the COVID-19 pandemic. While the influx of Medicaid enrollees following a recession tend to be shorter-term and less-intensive service utilizers, the increase in enrollment can lead to persistent increases in total costs over a longer period, with a delayed build-up and a slow unwind. Tariff impacts on drugs, medical devices, and equipment can also exacerbate caseload costs and household economics through increased premiums, co-pays, and deductibles, while also potentially leading to reduced benefits and care availability.

[108] United States International Trade Commission (2025). "Harmonized Tariff Schedule" (linked).

Tariff-induced recessionary conditions could also increase SNAP participation, which has higher income-based eligibility thresholds than Medicaid. As tariffs increase prices for both imported and domestic food products, purchasing power is reduced such that a recipient's monetary benefit will be able to buy less food with the same amount of money over time. These impacts disproportionately affect lower-income households more, where a higher share of their income (including SNAP) is needed for essential food purchases. The program has limited ability to make inflationary benefit adjustments since benefits are only evaluated and adjusted once a year in October.

Recessionary impacts could also increase TANF caseload as more people meet eligibility requirements. As with SNAP, the main impacts of tariffs on recipients are through price increases that erode the purchasing power of TANF benefits for basic necessities through broader inflationary pressure.

While Colorado does have a Basic Cash Assistance benefit funded through a portion of the TANF grant that incorporates a cost-of-living adjustment (COLA), TANF does not have regular reviews or adjustments at the federal block grant level to reflect cost of living increases, unlike SNAP. Instead, Colorado backfills the Basic Cash Assistance benefit COLAs with State General Fund. As TANF caseload and inflation increases and requires more General Fund, that money is allocated from State Supportive Services funding, which includes the Employment Opportunities with Wages (CW STEP) and the Stable Housing for Survivors of Abuse programs.

Housing

One of the largest housing initiatives in the State was passed by voters in 2022 via Proposition 123, which funds affordable housing programs and services through the Department of Local Affairs (DOLA) and Office of Economic Development and International Trade (OEDIT). It faces a number of challenges with uncertainty related to tariffs, rising inflation, and slowing job and income growth. As Denver and surrounding areas throughout Colorado continue to see elevated housing costs, the need for additional housing units also continues to increase. Proposition 123, which provides a number of programs to increase residential units, will not only face challenges related to expenses and the cost of building, but in the revenue collected for the program, which is based on Coloradans' taxable income. Current job growth rates are the lowest since the pandemic labor market effects in 2020 and before that, the post-Great Recession rates of 2010, which are likely to lead to weaker taxable income growth. Job growth has likely slowed due to market uncertainty, and companies may continue to show reluctance to create jobs due to tariff impacts on costs to imports and other supplies needed within the majority of job sectors. The combination of these factors will likely cause downward revisions to Proposition 123 revenue estimates alongside increased costs for housing units, resulting in decreased units produced in the state. In FY 2025-26, the State would be expected to lose \$2.5 million to \$7.8 million in Proposition 123 revenue under the Current Tariff Scenario and Escalatory Tariff Scenario, respectively. These losses translate from 0.8 to 2.5 percent in Proposition 123 revenue. In FY 2026-27, these amounts grow to \$6.0 to \$12.7 million in lost revenue, representing 1.8 to 3.9 percent of total Proposition 123 revenue.

Figure 74. Proposition 123 Revenue Forecast Change by Scenario

($millions)	FY 2025-26 Forecast	FY 2026-27 Forecast
Current Tariff Scenario	**($2.5)**	**($6.0)**
Escalatory Tariff Scenario	**($7.8)**	**($12.7)**

Tariffs are also likely to impact inflation and interest rates, placing a further burden on housing initiatives in the state and the implementation of Proposition 123 funding. Interest rates remain in restrictive territory, and due to inflation and higher financing costs, the Colorado Housing and Financing Authority (CHFA) has reported a greater than 50 percent increase in total development costs over the past four years ($268 cost/sq. ft. in 2020 and $408 cost/sq. ft. in 2024), with risk continuing to rise amidst market uncertainty. With market uncertainty surrounding tariffs, there is also the risk of the loss of private investments in Proposition 123 programming, therefore increasing the cost share provided by the State to develop housing units and support affordable housing.

Inflation related to construction materials may become the most pressing issue caused by tariffs when it comes to supporting Proposition 123 housing initiatives in Colorado. The National Association of Home Builders (NAHB) estimates that 7 percent of construction materials used in residential housing are imported, or around $14 billion in goods. Tariffs on imported steel (one-fifth of steel is imported in the United States) currently sit at 50 percent. However, as imports decrease, the cost of domestic steel may increase due to shrinking overall supply, burdening home builders and the cost of construction. Additionally, housing-related activity makes up around 16 percent of U.S. GDP. Not only would inflation on materials stall development, but it would likely negatively impact the country's overall economic output.

Tariffs on ready-mix materials like concrete also put housing production and utilization of Proposition 123 revenue at risk. U.S. cement and ready-mix material market has had limited capacity for years, and with tariffs on these products from abroad, the burden on production will likely increase, as will the price per ton of products like cement. Broad-based inflation to various materials is expected to increase the cost of housing development and decrease the amount of units and affordable housing initiatives the State is able to commit to as both costs increase and revenue decreases.

School Finance and K-12 Education

In FY 2024-25, Colorado's School Finance Act distributed approximately $9.8 billion in state and local funds to the state's 178 school districts for K–12 public education. The school finance formula calculates per-pupil funding for each district based on specific characteristics of that district. The calculation begins with a statewide base per-pupil funding amount, which is set annually by the General Assembly. However, the General Assembly's flexibility is limited by

Article IX, Section 17 of the Colorado Constitution, commonly known as Amendment 23, which mandates that the base amount increases each year by at least the rate of inflation. On average, each one-tenth of a percentage point increase in inflation results in approximately $10 million in additional school finance funding. In addition to school finance, Amendment 23 also requires that the State increase aggregate funding for categorical programs by no less than the inflation rate, which results in an average increase of $0.6 million for each one-tenth of a percentage point increase in inflation.

Together, school finance and categorical funding represent the core caseload cost obligations for K–12 education in Colorado. As a result, rising inflation has a direct and significant impact on school finance costs in Colorado. During periods of elevated inflation, which may be influenced by federal economic policies such as newly imposed tariffs under the Trump administration, the constitutional funding obligations under Amendment 23 place increased pressure on the State budget. These inflation-driven cost escalations affect both school finance and categorical funding requirements, making it more challenging for the State to meet its K–12 education commitments without reallocating resources from other programs. School finance costs are expected to be approximately $20 million higher in FY 2026-27 under the Current Tariff Scenario compared to the 2024 Tariff Scenario with Colorado inflation in 2025 projected to be 0.2 percentage points higher. This grows substantially in FY 2027-28 with school finance costs projected to grow by $110 million more under the Current Tariff Scenario relative to the 2024 Tariff Scenario with Colorado inflation in 2026 projected at 3.6 percent compared to 2024 tariffs placing estimated inflation for that year at 2.5 percent. Under the Escalatory Tariff Scenario, these impacts would grow by $30-50 million more above the Current Tariff Scenario in both FY 2027-28 and FY 2028-29.

Similar to Proposition 123, the primary State Education Fund (SEF) revenue source is derived from Colorado taxable income. The SEF funds a portion of K-12 school finance obligations as well as other K-12 programming. Weaker job growth and personal income growth in Colorado, weighed down from tariff impacts slowing the economy, would lead to lower SEF revenue directed toward K-12 programs. In FY 2025-26, the diversion to the SEF would be projected to fall by $8.5 to $25.9 million, reflecting losses of 0.8 percent to 2.5 percent. In FY 2026-27, this loss grows from $19.9 to $42.2 million in unrealized revenue to the SEF, reflecting losses of 1.8 to 3.9 percent. This is a loss in revenue that would otherwise go toward funding K-12 education and school finance. This loss in revenue would cause additional fiscal strain on the State's budget.

Figure 75. State Ed Fund Revenue Forecast Change by Scenario

	FY 2025-26 Forecast	FY 2026-27 Forecast
Current Tariff Scenario	**($8.5)**	**($19.9)**
Escalatory Tariff Scenario	**($25.9)**	**($42.2)**

The Building Excellent Schools Today (BEST) Grant Program was established to provide annual funding through competitive grants to public schools across Colorado. These funds may be used for the construction of new school buildings, as well as the renovation and repair of existing school facilities and infrastructure systems. In 2025, the Capital Construction Assistance Board and Colorado State Board of Education approved $179 million in BEST grants to support 14 construction projects across 12 school districts and two charter schools. However, total grant requests submitted to the Board amounted to approximately $500 million, highlighting a significant gap between available funding and statewide capital construction needs. As explained in the construction section of this report, tariffs on key building materials such as lumber, steel, aluminum, and copper will contribute to rising construction costs. These increases in material prices elevate the base cost of school construction projects, resulting in fewer projects being funded with the same amount of grant money. Consequently, the BEST program's ability to support necessary facility improvements will be increasingly limited due to the new tariff structure.

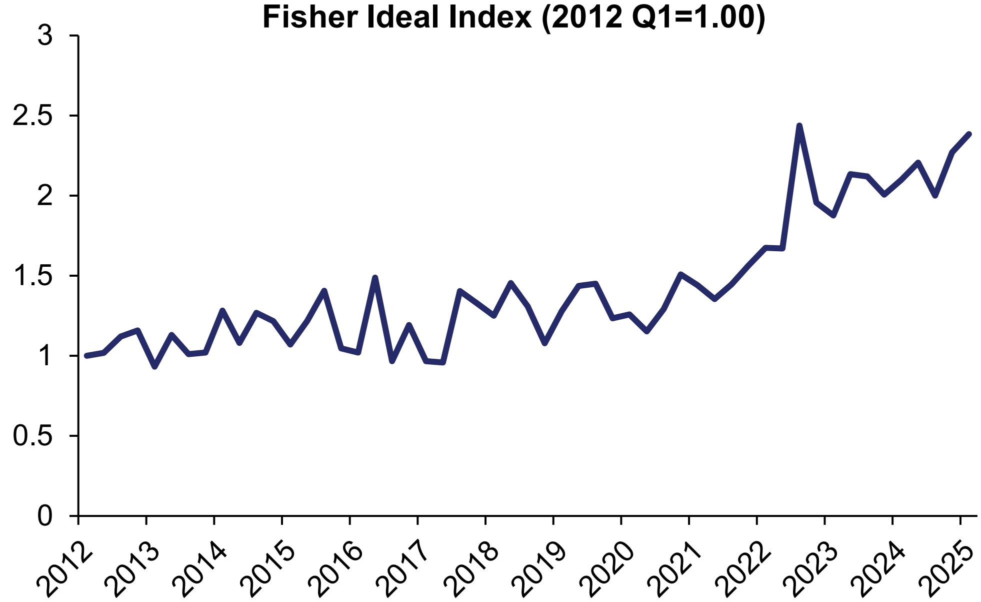
Transportation

Tariffs imposed in 2025 by the Trump administration, particularly those targeting steel and aluminum, have significantly affected transportation infrastructure across the United States, including Colorado. While the administration's broad tariffs on foreign goods have impacted multiple industries, the imposition of tariffs of 50 percent on most steel and aluminum is especially consequential for the transportation sector. These policies have raised the cost of critical construction materials, reviving industry concerns first sparked by the 2018 tariffs during President Trump's initial term.

The increase in costs for essential inputs such as guardrails, rebar, and structural steel places additional strain on Colorado's transportation construction projects. This comes at a time when supply chains are still recovering from the disruptions caused by the pandemic and ongoing geopolitical tensions. The compounding challenges may delay projects and increase overall expenditures for public infrastructure.

The Colorado Department of Transportation (CDOT) tracks construction costs through its quarterly Colorado Construction Cost Index. As illustrated in Figure 76, this index includes key inputs such as Earthwork, Hot Mix Asphalt, Concrete Pavement, Structural Concrete, and Reinforcing Steel, all of which have shown year-over-year price increases. With tariffs adding further cost pressure, continued escalation in these areas is expected, posing additional burdens on both new projects and ongoing maintenance.

Figure 76. CDOT Construction Cost Cumulative Fisher Ideal Index (2012 Q1=1.00)



Source: Colorado Department of Transportation

As material costs rise, Colorado's transportation agencies may be forced to scale back or postpone projects. Budget constraints could become more severe, particularly for smaller contractors who may struggle to manage the increased price volatility. These challenges could delay infrastructure improvements, impact planning and delivery timelines, and ultimately reduce the overall efficiency of the state's transportation system. Additional cost pressures can be felt as new tariffs also impact vehicle and parts imports, which will impact Bustang, snowplow, and other vehicle-based operations within the Department.

CDOT's budget is funded through a combination of cash funds and federal contributions. The primary source of CDOT's cash funds is the Highway Users Tax Fund (HUTF), which is allocated according to a statutory formula and is dependent on vehicle registration, fuel taxes, and related fees. According to the OSPB June Forecast, HUTF revenue is projected to grow by 2.6 percent in FY 2025-26 and 3.9 percent in FY 2026-27. If inflation and tariff-induced cost increases persist and outstrip revenue growth, CDOT will face further limitations on the number and scope of projects it can undertake. Local transportation jurisdictions will also feel the impact, as they will face similar challenges alongside State funding becoming increasingly constrained.

Unemployment Insurance

In the event of an economic slowdown, there is expected to be an increase in utilization of state services like unemployment insurance (UI). UI is paid out of the Unemployment Insurance Trust Fund (UITF), which is funded through employer premiums. In some previous economic downturns - most recently the pandemic recession in 2020 - the UITF became insolvent, though several changes have been made to the funding structure since to help ensure future solvency. First, the solvency surcharge, which increases employer premiums when the reserve ratio is below 0.5 percent, was triggered in 2024 and will likely remain on through 2026. Second, the taxable wage base has increased incrementally each year since 2022 and will do so through 2026 after which the wage base will be indexed to increase relative to real changes in wages. These changes improve forward financing and have led to sustained growth of the UITF, with its balance surpassing $1.0 billion in the second quarter of 2025 and is expected to grow to $2.2 billion by the end of 2030 given moderate economic conditions. The Colorado Department of Labor and Employment (CDLE) provides UITF balance forecasts based on five different scenarios with varying assumptions around economic conditions. This includes forecasts for periods of mild and severe recessions. Were a recession to occur in the near term, CDLE anticipates that the fund would remain solvent through a mild recession, but would have a higher probability of becoming insolvent in a severe recession, with the fund recovering by 2030. While the structure of the fund has improved due to legislative changes passed in 2020, a severe recession in the next few years could burden the fund, and exact additional stress on the Colorado employers who would have to pay higher premiums and surcharges on top of the challenges already being imposed by economic conditions and higher costs from tariffs. Furthermore, insolvency would likely necessitate borrowing funds as it did in 2020. While CDLE was able to cover the interest costs through the wage base increase and stimulus dollars from the American Rescue Plan Act (ARPA), it is possible that future borrowing may require General Fund dollars to cover interest costs, which would have an impact on a constrained General Fund budget. Such need would likely depend on how the federal government structured loans to state UI trust funds, also known as Title XII advances, to help states meet their obligations.

Conclusion

In this report, OSPB found that increased tariffs will likely lead to worse economic outcomes for both the U.S. and Colorado, while also causing fiscal strain on the State's budget. In 2025, the effective tariff rate has increased by sevenfold in Colorado and nearly eightfold in the U.S. The increased tariffs result in higher costs to businesses and consumers, which have downstream economic consequences across all parts of the U.S. and Colorado economies.

By analyzing three separate tariff environments, OSPB developed separate economic forecasts for each scenario. In that analysis, OSPB found that increased tariffs led to lower GDP and GSP growth, lower consumer spending, lower personal income growth, and lower business profits alongside higher inflation and higher unemployment. These economic outcomes were all better under the 2024 Tariff Scenario where effective tariff rates were held constant from 2024, with GDP expected to grow at potential alongside a normalization of other economic variables. Under the Current Tariff Scenario, which represents the current tariff policy as of August 12th, OSPB found that the U.S. and Colorado economies would record significant weakness in 2026, but that it would largely be a one-time shock to the economy due to price increases from tariffs and would begin resolving in 2027. Under the Escalatory Tariff Scenario, OSPB found that the U.S. and Colorado economies would record a mild recession and undergo prolonged weakness in 2026 and 2027 due to extremely elevated tariffs weighing on consumer demand, business activity, and the labor market.

OSPB also analyzed specific sectors and regions in Colorado acutely impacted by elevated tariffs. These sectors included agriculture, construction, durable and nondurable goods, energy, healthcare, and technology and advanced industries. OSPB found that over 90 percent of the international trade conducted by Colorado businesses and nearly half of Colorado GDP and jobs were acutely exposed to tariffs. OSPB then identified the regions within Colorado most reliant upon these industries.

Finally, OSPB found that tariffs have a dual negative impact on the State of Colorado's budget by both reducing State revenue and increasing expenses. Lower State revenue is expected due to weaker personal and corporate income growth alongside weaker consumer spending resulting in reduced State income tax and sales tax revenue. Higher costs for the State are expected from tariffs, increasing costs for capital construction, transportation infrastructure, housing initiatives, and healthcare components with secondary cost impacts on other aspects of the State budget.

Endnotes

The Endnotes section provides information on how economic data in the Sectoral and Regional Impacts section is quantified for each sector. It also provides the list of counties for each region identified in this report. Unless otherwise specified, sector GDP data was derived from the Bureau of Economic Analysis using their reporting on 2024 nominal GDP by state. Regional GDP data was derived from the most recent 2023 GDP by county report from the Bureau of Economic Analysis. Jobs data was derived from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages using state average annual employment in 2024 and average annual employment by county for regional data. Export and import data was derived from the U.S. Census Bureau's USA Trade Online utilizing NAICS codes unless otherwise noted. Using these databases, the below provides specific data codes that were used to quantify these amounts.

Economic Data Used by Sector

Agriculture

- State/Regional GDP: NAICS 11 (Agriculture, forestry, fishing and hunting)
- State/Regional Direct Jobs: NAICS 11 (Agriculture, forestry, fishing and hunting)
- Exports/Imports: NAICS 311 (Food & Kindred Products), 111 (Agricultural Products), 112 (Livestock & Livestock Products)

Construction

- State/Regional GDP: NAICS 23 (Construction)
- State/Regional Direct Jobs: NAICS 23 (Construction)
- Exports/Imports: NAICS 321 (Wood Products), 331 (Primary Metal Mfg.), 332 (Fabricated Metal Products)

Durable and Nondurable Goods

- State/Regional GDP: NAICS 42 (Wholesale Trade), 44-45 (Retail Trade), 48-49 (Transportation and Warehousing)
- State/Regional Direct Jobs: NAICS 42 (Wholesale Trade), 44-45 (Retail Trade), 48-49 (Transportation and Warehousing)
- Exports/Imports: NAICS 313 (Textiles and Fabrics), 315 (Apparel and Accessories), 316 (Leather and Allied Products), 326 (Plastics and Rubber Products), 335 (Electrical

Equipment, Appliances, and Components), 336 (Transportation Equipment excluding 3364- Aerospace Product and Parts Manufacturing), 337 (Furniture and Fixtures)

Energy

- State/Regional GDP: NAICS 21 (Mining), 22 (Utilities)
- State/Regional Direct Jobs: NAICS 21 (Mining), 22 (Utilities)
- Exports/Imports: NAICS 211 (Oil and Gas), 212 (Minerals and Ores), 324 (Petroleum and Coal Products)

Healthcare

- State/Regional GDP: NAICS 62 (Healthcare and Social Assistance)
- State/Regional Direct Jobs: NAICS 62 (Healthcare and Social Assistance)
- Exports/Imports: Harmonized Systems (HS) Codes 30 (Pharmaceutical Products), 90 (optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof)

Technology and Advanced Industries

- State/Regional GDP: NAICS 31-33 (Manufacturing), 51 (Information)
- State/Regional Direct Jobs: NAICS 31-33 (Manufacturing), 51 (Information)
- Exports/Imports: NAICS 333 (Machinery, Except Electrical), 334 (Computer and Electronic Products), 3364 (Aerospace Product and Parts Manufacturing)

Counties within Regions Identified in Report

- **Colorado Springs**: El Paso
- **Denver Metro**: Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson
- **Eastern Plains**: Baca, Bent, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Logan, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, Yuma
- **Mountain:** Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, Teller
- **Northern:** Larimer, Weld
- **Pueblo-Southern Mountains:** Custer, Fremont, Huerfano, Las Animas, Pueblo
- **San Luis Valley:** Alamosa, Conejos, Costilla, Mineral, Rio Grande, Saguache
- **Southwest Mountain:** Archuleta, Dolores, La Plata, Montezuma, San Juan,
- **Western Slope:** Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, San Miguel

Appendix

Appendix Table 1. International Emergency Economic Powers Act Tariffs[1]

Nation	Tariff Rate	Date Implemented or Maintained	Share of 2024 U.S. Imports	Share of 2024 CO Imports
Canada[2]	35%	8/1/2025	12.6%	32.0%
Mexico[2]	25%	3/4/2025	15.5%	6.5%
China[3]	30%	8/12/2025	13.4%	10.7%

1 Law that grants the President broad authority to regulate or prohibit international commerce to a declared national emergency, in this case a response to fentanyl. These tariffs face ongoing challenges in court but are currently implemented.

2 Tariffs of 25 percent and 35 percent on Mexico and Canada only apply to non-USMCA goods. When calculating country-wide effective tariff rates facing these countries by weighting all products, the final rate is lower.

3 China currently faces a 10 percent base tariff combined with 20 percent tariffs related to fentanyl, totaling 30 percent; note that low value transactions are now also tariffed at 54 percent (previously tariff free).

Appendix Table 2. List of Reciprocal Tariffs[1] by Country

Nation	Tariff Rate	Date Implemented or Maintained	Share of 2024 U.S. Imports	Share of 2024 CO Imports
Brazil[2]	50%	8/6/2025	1.3%	0.8%
Syria	41%	8/7/2025	0.0%	0.0%
Laos	40%	8/7/2025	0.0%	0.0%
Switzerland	39%	8/7/2025	1.9%	5.3%
Iraq	35%	8/7/2025	0.2%	0.0%
Serbia	35%	8/7/2025	0.0%	0.0%
Algeria	30%	8/7/2025	0.1%	0.0%
Bosnia and Herzegovina	30%	8/7/2025	0.0%	0.0%
Libya	30%	8/7/2025	0.0%	0.0%
South Africa	30%	8/7/2025	0.4%	0.1%
Brunei	25%	8/7/2025	0.0%	0.0%
India[3]	25%	8/7/2025	2.7%	2.3%
Kazakhstan	25%	8/7/2025	0.1%	0.0%
Moldova	25%	8/7/2025	0.0%	0.0%
Tunisia	50%	8/7/2025	0.0%	0.0%

Bangladesh	20%	8/7/2025	0.3%	0.4%
Sri Lanka	20%	8/7/2025	0.1%	0.0%
Taiwan	20%	8/7/2025	3.6%	3.4%
Vietnam[4]	20%	8/7/2025	4.2%	4.7%
Cambodia	19%	8/7/2025	0.4%	0.6%
Indonesia	19%	8/7/2025	0.9%	1.3%
Malaysia	19%	8/7/2025	1.6%	2.1%
Pakistan	19%	8/7/2025	0.2%	0.0%
Philippines	19%	8/7/2025	0.4%	0.9%
Thailand	19%	8/7/2025	1.9%	1.8%
Nicaragua	18%	8/7/2025	0.1%	0.1%
Afghanistan	15%	8/7/2025	0.0%	0.0%
Angola	15%	8/7/2025	0.1%	0.0%
Bolivia	15%	8/7/2025	0.0%	0.0%
Botswana	15%	8/7/2025	0.0%	0.0%
Cameroon	15%	8/7/2025	0.0%	0.0%
Chad	15%	8/7/2025	0.0%	0.0%
Costa Rica	15%	8/7/2025	0.4%	0.0%
Cote d'Ivoire	15%	8/7/2025	0.0%	0.0%
Democratic Republic of Congo	15%	8/7/2025	0.0%	0.0%
Ecuador	15%	8/7/2025	0.3%	0.0%
Equatorial Guinea	15%	8/7/2025	0.0%	0.0%
European Union[5]	15%	8/7/2025	18.5%	15.5%
Falkland Islands	15%	8/7/2025	0.0%	0.0%
Fiji	15%	8/7/2025	0.0%	0.0%
Ghana	15%	8/7/2025	0.0%	0.0%
Guyana	15%	8/7/2025	0.2%	0.0%
Israel	15%	8/7/2025	0.7%	0.4%
Japan[5]	15%	8/7/2025	4.5%	0.7%
Jordan	15%	8/7/2025	0.1%	0.3%
South Korea[5]	15%	8/7/2025	4.0%	1.8%
Lesotho	15%	8/7/2025	0.0%	0.0%
Liechtenstein	15%	8/7/2025	0.0%	0.0%
Madagascar	15%	8/7/2025	0.0%	0.1%
Malawi	15%	8/7/2025	0.0%	0.0%
Mauritius	15%	8/7/2025	0.0%	0.0%
Mozambique	15%	8/7/2025	0.0%	0.0%
Namibia	15%	8/7/2025	0.0%	0.0%
Nauru	15%	8/7/2025	0.0%	0.0%
New Zealand	15%	8/7/2025	0.2%	0.2%
Nigeria	15%	8/7/2025	0.2%	0.1%
Papua New Guinea	15%	8/7/2025	0.0%	0.0%
Trinidad and Tobago	15%	8/7/2025	0.1%	0.0%
Turkey	15%	8/7/2025	0.5%	0.1%

Uganda	15%	8/7/2025	0.0%	0.0%
Vanuatu	15%	8/7/2025	0.0%	0.0%
Venezuela	15%	8/7/2025	0.2%	0.0%
Zambia	15%	8/7/2025	0.0%	0.0%
Zimbabwe	15%	8/7/2025	0.0%	0.0%
United Kingdom[6]	10%	8/7/2025	2.1%	1.5%
Rest of World	10%	8/7/2025	2.3%	2.9%

1 New executive actions this year that set the global base tariff at 10% with higher specific rates on the partners in this table; tariffs face ongoing challenges in court but are currently implemented
2 Tariffs are a baseline 10% tariff with an additional 40% tariff based on the President's stated foreign policy concerns, note that the additional 40% tariff is excluded for specific products such as orange juice, nuts, furniture, wood, and special metals
3 India's current implemented rate is based on a deadline of Aug. 12th implementation for inclusion; an additional 25% tariff was announced with an implementation date of Aug. 27th and is included in the third tariff scenario
4 Vietnam imports that are transshipped from China will face a 40% tariff

5 EU countries, Japan, and South Korea also have negotiated a lower tariff rate on automobiles of 15%, compared to the Section 232 tariff rate
6 First 100k vehicles pay 10% tariff, then 25% thereafter; also steel and aluminum tariffs are 25% rather than 50%

Appendix Table 3. U.S. Economic Forecast by Tariff Scenario

	2025 Forecast			2026 Forecast			2027 Forecast		
	2024 Tariff Scenario	Current Tariff Scenario	Escalatory Tariff Scenario	2024 Tariff Scenario	Current Tariff Scenario	Escalatory Tariff Scenario	2024 Tariff Scenario	Current Tariff Scenario	Escalatory Tariff Scenario
GDP Growth	1.8%	1.6%	1.5%	2.0%	0.7%	0.1%	1.9%	1.7%	1.4%
Unemployment Rate	4.1%	4.2%	4.3%	4.0%	4.6%	4.9%	4.1%	4.7%	5.3%
Non-agricultural Jobs Growth	1.0%	1.0%	0.9%	1.0%	0.4%	-0.2%	1.0%	0.5%	0.0%
Personal Income Growth	4.8%	4.5%	4.2%	4.5%	3.7%	3.0%	5.0%	4.3%	4.0%
Wages and Salaries Growth	4.4%	4.3%	4.2%	4.0%	3.4%	2.9%	4.4%	3.7%	3.4%
Corporate Profits Growth	1.7%	1.1%	1.0%	-1.4%	-2.2%	-3.5%	6.0%	5.5%	3.8%
Retail Trade Growth	3.8%	2.9%	3.0%	4.0%	2.1%	1.7%	5.2%	3.8%	3.3%
Inflation (CPI)	2.6%	2.8%	2.8%	2.0%	3.4%	4.2%	2.3%	2.3%	3.3%
Federal Funds Rate	4.0%	4.2%	4.3%	3.3%	3.4%	3.5%	3.1%	3.1%	3.0%
Housing Permits Growth	2.4%	-3.9%	-4.9%	4.1%	0.8%	-1.1%	1.0%	5.2%	4.4%
WTI Oil Price per Barrel	$67	$64	$63	$50	$48	$43	$57	$56	$50

Appendix Table 4. Colorado Economic Forecast by Tariff Scenario

	2025 Forecast			2026 Forecast			2027 Forecast		
	2024 Tariff Scenario	Current Tariff Scenario	Escalatory Tariff Scenario	2024 Tariff Scenario	Current Tariff Scenario	Escalatory Tariff Scenario	2024 Tariff Scenario	Current Tariff Scenario	Escalatory Tariff Scenario
Gross State Product Growth	1.8%	1.6%	1.6%	2.1%	0.8%	0.6%	2.1%	2.0%	1.7%
Unemployment Rate	4.7%	4.7%	4.8%	4.6%	5.0%	5.2%	4.7%	4.7%	5.3%
Non-agricultural Jobs Growth	0.5%	0.5%	0.4%	1.0%	0.4%	0.0%	1.0%	0.8%	0.3%
Personal Income Growth	4.7%	4.4%	4.1%	5.0%	4.2%	3.6%	5.4%	4.8%	4.6%
Wages and Salaries Growth	4.3%	4.2%	4.1%	4.4%	3.8%	3.4%	5.0%	4.4%	4.0%
Retail Trade Growth	3.5%	2.0%	2.3%	4.7%	2.9%	2.6%	5.4%	4.0%	3.6%
Inflation (CPI)	2.4%	2.6%	2.6%	2.5%	3.6%	3.9%	2.4%	2.5%	3.0%
Housing Permits Growth	3.9%	0.5%	-0.2%	7.7%	2.7%	-0.5%	5.0%	6.3%	3.3%
Non-residential Construction Growth	22.5%	21.6%	15.3%	8.9%	2.1%	-2.7%	8.0%	5.5%	3.4%