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UNDERSTANDING THE ECONOMIC IMPACT OF HYPERSCALE DATA CENTERS IN NORTHWEST INDIANA

BACKGROUND

This brief summarizes findings from a 2026 study by Saurav Roychoudhury, professor of finance and economics at Capital University, and Justin M. Ross, professor of finance and economics at the Paul H. O'Neill School of Public and Environmental Affairs, Indiana University Bloomington, examining the potential economic impacts of hyperscale data center development in Northwest Indiana, including Lake, Porter, LaPorte, Jasper, Newton, Pulaski, and Starke counties.¹ Hyperscale data centers are large-scale digital infrastructure facilities that provide the computing and data-storage capacity needed for cloud computing, artificial intelligence (AI), and other digital services. The brief evaluates the potential regional employment, earnings, and economic output associated with constructing and operating a hypothetical hyperscale data center. It also discusses implications for policymakers, economic development practitioners, utility providers, and local governments.

As demand for cloud computing, artificial intelligence (AI), and digital services continues to grow, communities across the United States are attracting increasing interest from hyperscale data center developers.² Unlike traditional manufacturing facilities, data centers require large investments in power infrastructure, specialized equipment, land, and construction but typically employ relatively few workers once operational.

Because data centers differ from many traditional economic development projects, policymakers, utility providers, economic development practitioners, and local governments are increasingly evaluating their potential benefits and costs. Potential benefits include construction activity, tax revenue, and supplier spending,

KEY FINDINGS

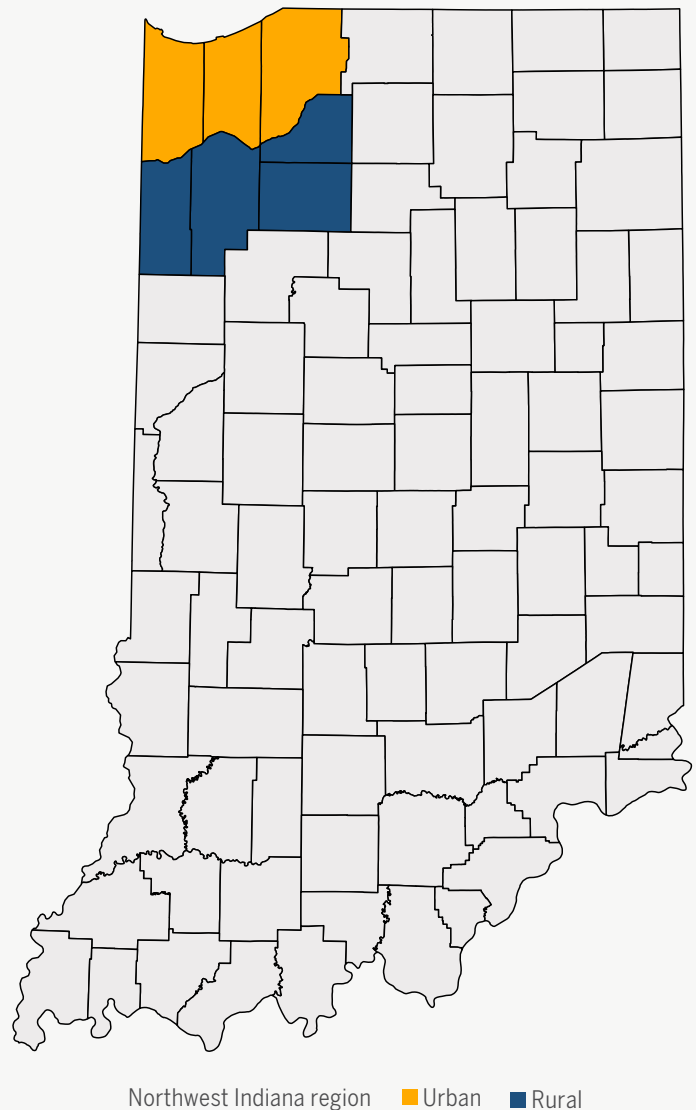
- A hypothetical 1-gigawatt (GW) hyperscale data center campus could generate \$5.45 billion in construction-phase output and support nearly 14,700 construction job-years (One job-year equals one full-time job for one year).
- Ongoing operations could support \$691 million in annual regional output and approximately 2,090 jobs.
- Construction, utilities, maintenance, and related services generate most local economic benefits, since much data center equipment is manufactured outside the region.
- Data centers support broader employment through suppliers, contractors, utilities, and telecommunications firms, even though permanent on-site staffing remains relatively modest.
- Project size is the primary driver of economic impacts, while assumptions about staffing and worker commuting play a smaller role.
- Economic impacts are only one component of project evaluation. Economic impact estimates measure economic activity rather than overall community benefit and should be weighed alongside infrastructure, energy, housing, workforce, and environmental considerations.

while concerns often focus on electricity demand, land use, housing pressures, and the relatively small number of permanent jobs related to operating the facility. Assessing these impacts can be challenging because a substantial share of spending on specialized equipment and technology systems often occurs outside the host region.

Northwest Indiana has recently emerged as a potential destination for hyperscale data center development due to its available land, proximity to Chicago, strong transportation infrastructure, electric power assets, and growing interest from major technology companies. Several large projects have been proposed or announced in the region, including developments associated with Meta, Microsoft, Amazon Web Services, and other technology firms. The study area includes both the urbanized and industrialized counties near Chicago and more rural counties with smaller labor markets and business bases. These counties differ substantially in population, workforce availability, supplier networks, and infrastructure capacity. As a result, communities with skilled workers, specialized contractors, established supplier networks, and the infrastructure needed to support large-scale development may capture a larger share of the economic benefits associated with data center investment. Economic impacts therefore may not be distributed evenly throughout the region.

To understand the potential implications of such investments, Roychoudhury and Ross developed a framework to estimate the regional impacts of a hypothetical hyperscale data center campus in Northwest Indiana. To estimate regional economic impacts, they used the U.S. Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II), a widely used economic impact modeling framework. The study examined projects ranging from 0.5 gigawatts (GW) to 1.5 GW, representing investments between \$5 billion and \$15 billion, and estimated impacts during both the construction and operational phases.¹ A gigawatt equals one billion watts of electrical power. Therefore, facilities of this size require enormous amounts of electricity, comparable to what hundreds of thousands of households consume.

Figure 1. Study area for the hypothetical 1 GW data center economic impact analysis



Note: The Northwest Indiana READI region spans a diverse set of communities. Lake, Porter, and LaPorte counties are generally more urbanized and economically integrated with the Chicago metropolitan area, while Jasper, Newton, Pulaski, and Starke counties are generally more rural and less densely populated. As a result, counties within the region differ in population, workforce availability, supplier networks, and infrastructure capacity.

FINDINGS

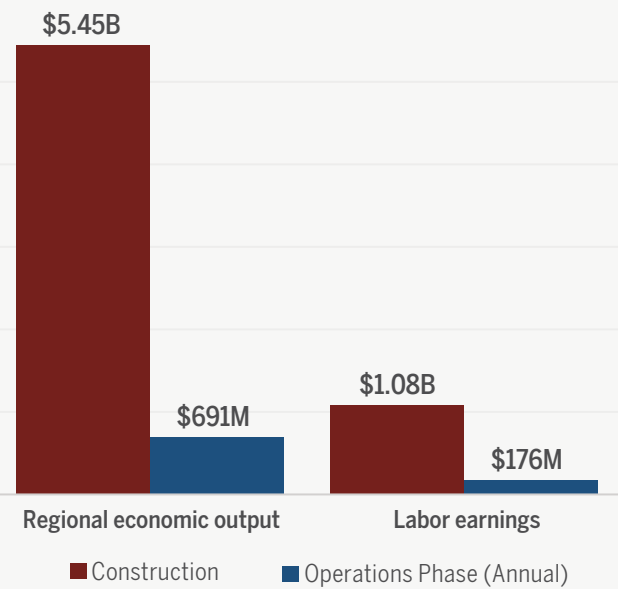
The findings estimate economic activity associated with hypothetical hyperscale data center development in Northwest Indiana. These estimates measure economic activity, not overall community benefits and costs.

CONSTRUCTION DRIVES THE LARGEST ECONOMIC IMPACTS

For a hypothetical 1-GW campus with a \$10 billion investment, researchers estimate that construction would support approximately (Figure 2):

- \$ 5.45 billion in regional economic output
- \$1.08 billion in labor earnings
- 14,651 construction job-years over a three-year construction period (One job-year equals one full-time job for one year.)

Figure 2. Construction and operations and economic impacts of a hypothetical 1 GW data center



Note: Construction impacts reflect total economic activity generated during the build period. Operations impacts reflect economic activity generated annually once the facility is operational.

Larger facilities produce proportionately larger impacts. A 1.5-GW campus could support more than 21,900 construction job-years and generate more than \$8.1 billion in regional output during construction.

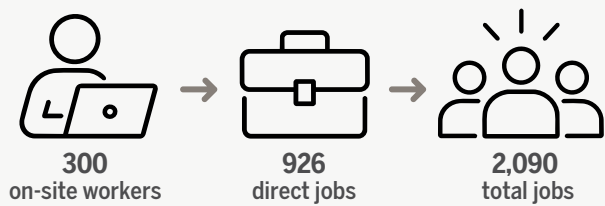
OPERATIONS SUPPORT ECONOMIC ACTIVITY THROUGHOUT THE REGIONAL ECONOMY

For the study’s 1-GW scenario, annual operations are estimated to support (Figure 2):

- \$691 million in regional output
- \$176 million in annual earnings
- 2,096 jobs across the regional economy through direct and supply-chain effects

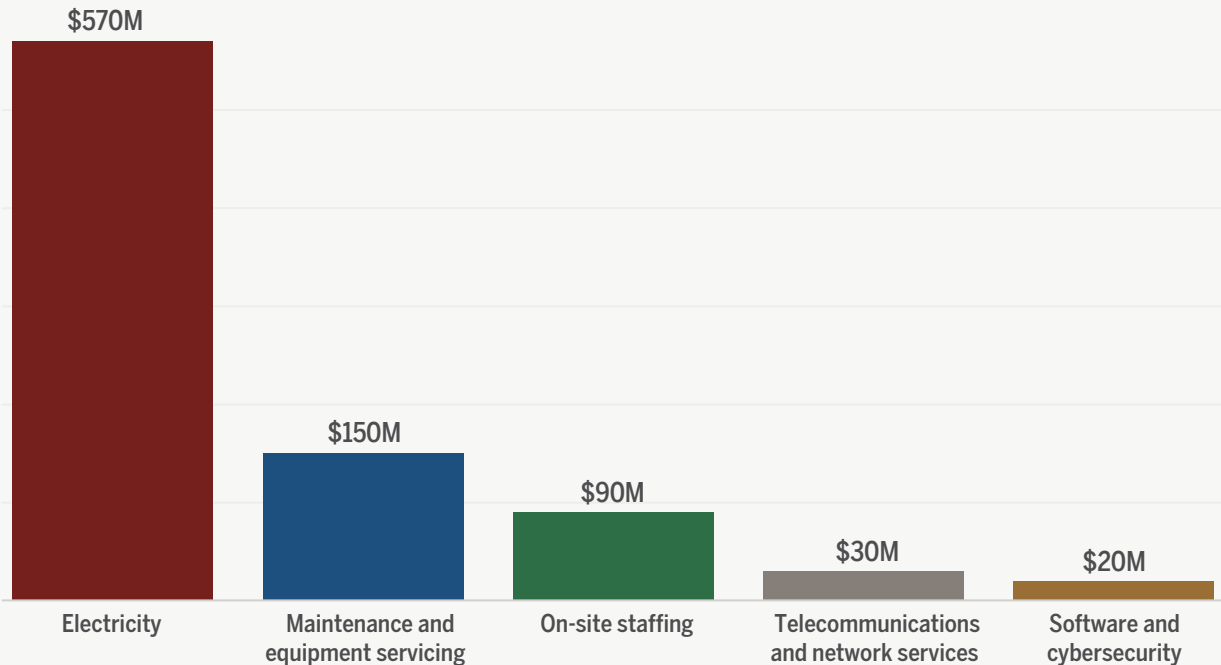
Although the facility itself would employ approximately 300 permanent on-site workers, its ongoing operations would generate demand for electricity, maintenance, telecommunications, equipment servicing, and other support services. As a result, the study estimates that data center operations would support about 2,090 jobs annually across the regional economy (Figure 3).

Figure 3. Employment impacts of a hypothetical 1 GW data center



Electricity is the largest ongoing expense for most hyperscale data centers. The study estimates that a 1-GW campus would spend approximately \$570 million per year on electricity. Because data centers purchase electricity continuously, utility spending becomes a major source of economic activity after construction ends. These expenditures support power plants, electric utilities, maintenance activities, and related services, helping sustain jobs and business activity over the long term (Figure 4).

Figure 4. Annual operating expenditures for a hypothetical 1 GW data center



ECONOMIC BENEFITS ACCUMULATE OVER TIME

Over a 20-year operating period, a 1-GW data center campus is estimated to generate approximately:

- \$16.1 billion in lifetime regional output
- \$3.8 billion in lifetime earnings
- Continued support for approximately 2,090 annual jobs across the economy

These impacts reflect not only initial construction and ongoing operations but also periodic equipment replacement and related economic activity.

REGIONAL CHARACTERISTICS INFLUENCE HOW MUCH BENEFIT COMMUNITIES CAPTURE

Communities with larger workforces, stronger supplier networks, specialized contractors, and adequate infrastructure are generally better positioned to capture the economic benefits associated with data center development. As a result, economic impacts may vary substantially across Northwest Indiana counties.

PROJECT SIZE MATTERS MORE THAN MOST OTHER ASSUMPTIONS

Among the factors examined, project size and capital investment had the greatest influence on estimated economic impacts. Other factors, such as where workers live, how much of their income is spent within the region, and the number of permanent employees, affected the estimates to a much smaller degree.

ECONOMIC IMPACTS ARE ONLY ONE COMPONENT OF PROJECT EVALUATION

Economic impact estimates measure economic activity generated by data center construction and operations. However, these estimates should not be interpreted as measures of overall community benefit. They do not account for factors such as electricity demand, water use, housing-market pressures, environmental impacts, public infrastructure costs, or alternative land-use opportunities. As a result, policymakers and community leaders should consider these findings alongside other community priorities, costs, and benefits when evaluating data center development proposals.

CONCLUSIONS AND IMPLICATIONS

Hyperscale data centers represent a distinct form of economic development. Their largest economic contributions are likely to come from construction activity, utility spending, supplier networks, and growth in the local tax base rather than from large numbers of permanent on-site jobs. The study estimates that data center development can generate billions of dollars in economic activity during both construction and operations, although impacts vary substantially with project size.

These estimates describe economic activity rather than overall community benefit. Policymakers, utility providers, economic development practitioners, and local governments should consider the findings alongside energy demand, infrastructure requirements, environmental impacts, housing-market conditions, workforce capacity, and local development goals when evaluating data center projects.

METHODOLOGY

STUDY APPROACH

Researchers used the U.S. Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II) to estimate the economic impacts of hypothetical hyperscale data center campuses in Northwest Indiana.³ The analysis examined three representative project sizes:

- A 0.5-GW campus with a \$5 billion capital investment
- A 1.0-GW campus with a \$10 billion capital investment
- A 1.5-GW campus with a \$15 billion capital investment

The model estimates economic activity associated with construction, operations, supplier purchases, household spending, and periodic equipment replacement over a 20-year period.

CONSERVATIVE ASSUMPTIONS

Because much data center equipment is manufactured outside the host region, the analysis excluded a substantial share of equipment spending from impact estimates. Researchers also considered where workers live and how much business and household spending remains within Northwest Indiana.

UNDERSTANDING THE FINDINGS

Economic impact analysis estimates the economic activity associated with a project, not its overall costs and benefits. Although RIMS II and similar economic-impact models are widely used to estimate regional economic activity, they do not measure all potential community costs and benefits.³ As a result, the estimates presented in this brief do not account for factors such as electric utility rate impacts, water use, housing-market effects, environmental costs and benefits, public infrastructure costs, or alternative land-use opportunities.

REFERENCES

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- 2 Shehabi, A., Smith, S.J., Hubbard, A., Newkirk, A., Lei, N., Siddik, M.A.B., Holecek, B., Koomey, J., Masanet, E., & Sartor, D. (2024). *2024 United States data center energy usage report* (LBNL-2001637). Lawrence Berkeley National Laboratory. <https://doi.org/10.71468/P1WC7Q>
- 3 U.S. Bureau of Economic Analysis. (2018, May 14). *Regional Input-Output Modeling System (RIMS II) user's guide*. U.S. Department of Commerce. <https://www.bea.gov/resources/methodologies/RIMSI-user-guide>

FURTHER READING

Roychoudhury, S., & Ross, J. (2026). *Modeling economic impacts of a hyperscale data center campus*. SSRN. <https://doi.org/10.2139/ssrn.7087540>



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