

# Estimated economic impact of READI 1.0

## Local leverage supplement

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# EXECUTIVE SUMMARY

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In December 2023, the Indiana Economic Development Corporation (IEDC) contracted with the Purdue University Center for Regional Development (PCRD) and Indiana University Public Policy Institute (PPI) to evaluate the impact of the Regional Economic Acceleration and Development Initiative (READI) across economic and social dimensions. READI launched in 2021 with a \$500 million appropriation from the Indiana General Assembly to fund quality-of-life and economic acceleration projects in 17 regions representing all 92 counties of Indiana. In its first phase, READI 1.0, a total of 388 projects were approved across the state focusing on three key areas: quality of life, quality of place, and quality of opportunity. Those 388 projects reported an additional \$11.8 billion in local leverage funds from local government, philanthropic, and private sources.

The PCRD and PPI project team estimated the economic impacts of the initial allocation of state-appropriated project funds for READI 1.0 and developed a report to present the results of their analysis, completed in July 2024. It detailed the estimated economic impacts (employment, labor income, and economic output) and the tax and industry-level impacts of \$469,605,314 of state-allocated project funds across each of the 17 READI 1.0 regions. The \$469 million in project funds came from the original \$500 million appropriation from the Indiana General Assembly. Projects marked for administration fees were excluded from the analysis. The report also outlined READI's aggregate estimated statewide economic impacts.

In addition to state-allocated project funds, local READI regions identified in their collective applications to IEDC \$11.8 billion in reported local leverage funds. The project team analyzed project budgets and narratives to begin understanding the full economic impact of READI 1.0. This report presents the estimated economic impacts derived from a sample of the projects that received portions of this \$11.8 billion in funding. These findings will enable IEDC to make a preliminary estimate of the full economic impact of READI 1.0. The project team chose 24 projects across the 17 READI regions for this analysis. READI grant and leveraged-funds spending will occur across multiple years as these projects are completed. Thus, the project team based the economic impact estimates on approved project budgets, not actual expenditures. Results in this report provide an estimate of one-time effects and do not represent effects from ongoing operations or visitor expenditures to local attractions and amenities. The project team also normalized results in this report on each \$1 million of budgeted expenditures, due to the assumptions and conditions required for analysis. A detailed methodology for this analysis appears in the final section of this report.

# LOCAL INVESTMENT IMPACTS

To receive a state-funded READI 1.0 grant, regions had to demonstrate that other non-state public, private, and philanthropic funds would be invested to support their projects. The IEDC approved 338 READI 1.0 projects across the state. The additional investments identified by local READI grant recipients totaled an estimated \$11,782,000,000 (\$11.8 billion). An analysis of spending data from the sample of projects—representing \$1.6 billion in local investments—results in an estimated economic impact multiplier of 1.85. This means that every \$1.00 of local funding invested into a READI project will generate an estimated \$1.85 in economic output. In other words, every \$1 million in local investments will produce an estimated \$850,000 in additional economic output. Also, for every \$1 million spent, 11 jobs are estimated to be created and approximately \$689,000 will be earned in labor income.

For comparison, the \$469 million in project funds from the state of Indiana resulted in a statewide economic impact of \$859,559,028 and 5,536 jobs created. This is a multiplier of 1.83, and about 11 jobs created per million dollars, which indicates that the local leverage funds are being spent similarly to the state funds.

## Economic outputs

The broader economic impacts of the local investment in READI projects depend on the specific industry in which an investment is made. The project team categorized local investment spending into three types—construction, equipment, and services—based on an analysis of budget line items from the projects in the sample. Construction investments include funds devoted to infrastructure—such as buildings, sewage systems, roadway paving and renovation, and others. Equipment generally includes investments in fixtures, machinery, and software. Services include investments primarily in design services, environmental consulting, business support, and similar services. Table 1 summarizes the estimated impacts of \$1 million of local investment in READI projects on Indiana’s economy. These calculations include economic output for three types of activity. The first type is economic activity directly associated with each project (direct). The second type is economic activity generated by suppliers and supply chains (indirect). The final type is economic activity from the spending of wages and income in communities (induced).

**TABLE 1. Estimated economic output for every \$1 million invested**

INDUSTRY	ECONOMIC OUTPUT
Construction	\$1,849,347
Operations	\$1,892,005
Equipment	\$1,841,140

## Employment

Like economic output, the employment generated by local investment in READI projects depends on the specific industry in which an investment is made. The project team estimated the number of jobs each industry of investment created and based on the budget breakdowns of the 24-project sample. Table 2 provides estimates of jobs created per \$1 million of local investments. Direct, indirect, and induced economic outputs formed the basis for estimating job creation.

**TABLE 2. Estimated jobs created for every \$1 million invested**

INDUSTRY	DIRECT	INDIRECT	INDUCED	TOTAL
Construction	7	2	3	11
Operations	8	2	2	13
Equipment	3	2	2	8

Similarly, the project team estimated labor income based on local investment in three industries associated with READI projects. Table 3 summarizes the resulting estimated direct, indirect, and induced labor income.

**TABLE 3. Estimated labor income for every \$1 million invested**

INDUSTRY	DIRECT	INDIRECT	INDUCED	TOTAL
Construction	\$469,820	\$109,054	\$151,837	\$730,712
Operations	\$371,185	\$157,326	\$136,932	\$665,443
Equipment	\$262,811	\$187,130	\$118,124	\$568,065

## Tax impacts

Local investments associated with READI projects—other than ongoing operations—generate a one-time contribution to government revenues in the form of state and local taxes. For every \$1 million spent on local investments, READI projects are estimated to generate \$49,608 in state tax payments for each \$1 million of project expenditures. Likewise, READI projects are estimated to generate \$18,825 in local tax payments. Taxes generated include sales, property, and other miscellaneous taxes.

**TABLE 4. Estimated tax impacts for every \$1 million invested**

STATE TAX IMPACTS	
Sales tax	\$26,565
Income tax	\$19,516
Other taxes	\$3,527
<b>Total</b>	<b>\$49,608</b>
REGIONAL TAX IMPACTS (ALL TAXING DISTRICTS STATEWIDE)	
Property tax	\$14,876
Income tax	\$2,757
Other taxes	\$1,192
<b>Total</b>	<b>\$18,825</b>

# METHODOLOGY

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The Indiana Economic Development Corporation (IEDC) investments only funded part of READI 1.0 projects' costs. To receive IEDC funds, regions had to demonstrate that they could acquire additional public, private, and philanthropic investments to support their projects. The IEDC approved 388 READI 1.0 projects across the state. Additional investments from local sources totaled an estimated \$11,782,000,000 (\$11.8 billion). The diversity in geography, scale, and variety of local investment funding sources introduces many complexities for economic impact analysis. Due to these complexities, the project team could not be specific about the economic impacts of these local investments and instead opted to analyze general findings per \$1 million spent. The following sections provide the team's key assumptions and the analysis method.

## Project sample

To simplify the analysis and obtain a credible estimate of the impacts of local investments on Indiana's economy, the project team generated a final sample of 24 out of the 388 READI 1.0 projects using the reported total leverage amount, which includes non-state funds and state-funded READI grants. The initial sample comprised all projects with a reported total leverage amount over \$100 million (n=16), the four projects with the lowest reported total leverage amount (n=4), and a random sample of all projects with leverage amounts in between these two sums (n=15). This initial sample group included 35 projects. After a crosscheck with Ernst & Young LLP (EY), IEDC's contractor for project data collection, one project in the sample of 35 had been discontinued and its budget was no longer available, giving the project team a total sample of 34 projects. The project team adjusted the sample to include only individual budget plans that could be consolidated, leaving a final sample of 24 projects (\$6 billion in local leverage funds, 2% of total projects). This final 24-project sample represents \$1.6 billion (13.6% of total investments). The analysis portion of this methodology includes further explanation of this consolidation process. After discussion with IEDC regional teams, the project team determined this sample was representative of the larger pool of projects READI 1.0 funded.

The nature and size of READI 1.0 projects are diverse. This diversity introduces complexities in estimating the economic impact of the total \$11.8 billion invested locally. For instance, some larger capital projects (such as those creating manufacturing centers for highly technical, specialty products) amassed nearly \$3 billion in local funds, while other projects in different regions (for example, those seeking to develop local art and murals) required only around \$20,000 in additional local investment for implementation. Additionally, these projects occur across many regions with varying timelines, further complicating the analysis. Because the project team measures the estimated economic impacts of these projects at a specific point in time, differing timelines may affect these calculations.

Because they are based on a sample, the economic impacts forecast for the locally invested funds cannot be added directly to those estimated for IEDC READI dollars dedicated to all 388 projects. Calculated from the 24-project sample, these findings provide a guide for the potential impacts of locally investing \$1 million in READI projects on Indiana's economy.

## IMPLAN software

To measure the economic impact of READI projects, the project team uses IMPLAN (2022) software's economic input-output model. Input-output modeling is a common method for estimating the economic contributions of a business activity. The foundational concept of input-output modeling is that all industries, households, and

government agencies in the economy are connected through buy-sell relationships and, therefore, any given economic activity supports a ripple of additional activities throughout the economy led by the spending of producers, suppliers, workers, and proprietors.

IMPLAN software's input-output model estimates the direct, indirect, and induced benefits (the latter two are also known as "spin-off benefits") attributable to the business activity in a defined geographic area. Direct effects capture the initial exogenous change in demand generated by project spending. Indirect effects account for the economic impacts of business-to-business purchases in the regional supply chain that stem from initial purchases due to the change in demand. Induced effects measure the expenditure of labor income earned from a project and its impact on the region's economy, especially in local service sectors.

IMPLAN uses data from various federal databases and income and product accounts and matrices to model the business-to-business spending patterns of firms within an industry, employment patterns and wages, and final demand consumption of goods and services.

In IMPLAN, economic output is based on industry analyses of the value of goods and services a business consumes from suppliers and the business income generated. Essentially, output measures the total value of all goods and services produced and reflects all the economic activity a particular business or industry stimulates during the production of its goods and services. Additionally, IMPLAN provides estimates of employee compensation, including wages and benefits, and total full-time or part-time job creation attributable to the new spending.

Finally, IMPLAN provides estimates of key state and regional tax revenues. State tax impacts include social insurance tax, taxes on production and imports (such as sales tax, property tax, motor vehicle license, severance tax, special assessments, and other taxes), corporate profits tax, and personal taxes. Regional tax impacts aggregate county, sub-county special districts (such as fire and school districts), and sub-county general (such as cities and townships) tax impacts.

## Industry estimates

Economic impacts are determined by the industry in which funds were invested. For instance, monies spent on construction cause different ripple effects in the economy than those spent on operations. Aspects of individual project funding fall into multiple industry categories. Therefore, the project team could not use just one to estimate economic effects, which presented a challenge for analysis.

After analyzing detailed budgets of a random sample of READI projects, the project team identified three broad spending purposes for the invested funds: construction, equipment, and operations. Construction expenditure refers to funds spent on building or renovating personal property, parking lots, or sewage infrastructure, etc. Operation expenditure includes finishing activities related to construction or daily operations—such as design or inspection costs, project administration fees, and legal and financial expenditures. Finally, equipment refers to the purchase of software or hardware for these projects.

For the project sample, on average, 68% of local investment in each project was spent on construction activities, 16% on operations, and 3% on equipment. A further 13% of locally invested funds went toward miscellaneous activities that could not be categorized under these three buckets. The project team categorized and added dollar amounts spent for different activities under construction, equipment, or operations and assigned them an IMPLAN code. The project team used its informed discretion to make these category assignments based

on the budgets of the 24 sampled projects. This final list guided the economic impact analysis. The dollar amounts invested in each category and the resulting economic impacts IMPLAN generated only represent the nature of expenditure and impact of local investment and cannot be scaled directly for the larger set of 388 READI projects.

## Analysis

For its first report, the project team used the grant amounts IEDC awarded to each project to estimate the economic impacts of the state-funded READI monies. On behalf of IEDC, Ernst & Young (EY) constructed and maintains a database to store READI 1.0 grant amounts and project data. The project team used this database to create the IMPLAN inputs to estimate the economic impact. For this round of analyses, the project team again turned to this database. Using the same qualifications as before—all projects in the database as of April 1, 2024—the project team again had a list of 388 projects. Because the project team focused on outside funding, rather than the state-funded READI grants, it pulled the individual projects' planned budgets to determine where the non-state leveraged funds were allocated. The project team pursued multiple possible analysis methods before choosing the best fit.

### Method 1

The project team first followed the same method used for the state-funded READI grant analysis: assign a singular six-digit 2022 North American Industry Classification System (NAICS) code to each project based on how the project funds were allocated. This method proved ineffective, as the individual projects were spending reported non-state leverage funds on a wide variety of investment categories. In contrast, individual projects directed the state-funded READI grant spending toward a single project element, or elements, that fell within the same NAICS code. Distilling the reported non-state leverage fund allocations to just one NAICS code would have reflected their economic impacts inaccurately.

### Method 2

The project team tried giving each project a singular NAICS code based on the project end goal. This method proved insufficient, as it fails to accurately capture what the funds are being allocated for and would likely underestimate the economic impact.

### Method 3

The project team then attempted to use multiple NAICS codes for each project. Team members used the individual projects' planned budget line items to determine where the funds were allocated and consolidated NAICS codes across projects to correct for what IMPLAN software could not accommodate. This method proved impossible, as even with consolidation, the IMPLAN software does not have the capacity to run the individual line-item codes from all 388 projects.

### Method 4

The project team also pursued using the previously determined 34-project sample to generate a set of representative NAICS codes from the individual projects' planned budget line items. Once generated, this list of codes could be consolidated across projects to create a list of inputs that address the IMPLAN software's capacity limits. The project team could then use this list of inputs to generate a representative set of estimated economic outputs. Although this method was the best the team tried so far, consolidating NAICS codes in this way proved infeasible because individual project budget plans were not standardized.

## Method 5

Finally, the project team decided to use a method much like the fourth one it tried. The project team eliminated 10 projects from the sample with budget plans that could not be reconciled with the others for code consolidation. The total cost of the remaining 24 projects represented approximately \$4.6 billion of the \$11 billion reported total leverage funds. To streamline the coding and consolidation process, the project team members split all planned budget line items into four categories: construction, services, equipment, and miscellaneous. They consolidated planned budget line items across all projects in the sample. For example, if multiple projects had a planned budget line item of “concrete,” project analysts totaled the respective dollar amounts from all planned budgets placing those amounts under a singular line-item entry named “concrete.” Once they split all the planned budget line items and their monetary amounts into categories and consolidated them, project team members gave each line item its corresponding 2022 NAICS code. Line items without applicable NAICS codes were dropped from the analysis. Project analysts listed line items with identical NAICS codes under a singular NAICS code entry and added their respective monetary amounts together. They then consolidated NAICS codes and gave them corresponding IMPLAN codes, using the guide IMPLAN provides. They listed identical IMPLAN codes under a singular IMPLAN code entry and added their respective monetary values together. Once this process was completed, the team consolidated the IMPLAN codes into a single list and summed and listed their respective monetary values under a singular IMPLAN code entry.

After the consolidation work and data cleaning was completed, the project team had 34 IMPLAN code entries to use across all four categories, representing around \$1.6 billion of the \$11 billion reported total leverage funds. Discarding planned budget line items that did not have applicable NAICS codes and those that lacked the detail needed to determine a relevant NAICS code caused this decrease from \$4.6 billion to \$1.6 billion. Project team members entered these 34 IMPLAN code entries into the IMPLAN software model to find the representative set of estimated economic impacts. They programmed IMPLAN to use 2022 data to estimate initial economic effects and to report results in 2024 dollars.

## Multipliers

This report presents economic impacts for every \$1 million of local funds invested in READI projects. The economic impact analysis of the sample of 24 READI projects produced these multipliers. Multipliers refer to the ratio of economic impacts to the dollars invested to generate those impacts. With the assumption that this ratio remains constant irrespective of the scale of investment, the project team estimated the economic impacts per \$1 million invested to serve as a guide for decision makers. While this guide can be applied to different investment amounts to estimate their economic impacts, actual impacts may vary based on scale and nature of investment.

# GLOSSARY

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The following terms appear throughout this report to describe the project team's analyses.

**IMPLAN:** The name of the economic analysis software used to carry out the study. It stands for "IMpact analysis for PLANning."

**Direct effects:** Jobs, wages, and other economic outputs solely attributable to a particular project/industry.

**Indirect effects:** A particular project/business generates additional economic activity by purchasing goods and services from other industries in the supply chain—i.e., by providing goods and services to a business/project, vendors and suppliers create and/or support further economic growth.

**Induced effects:** How labor income earned from a project impacts the region's economy—i.e., labor income from the project spent to purchase goods and services locally (e.g., groceries, restaurants, retail, etc.) creates a new cycle of spending in the local economy that produces and/or supports jobs in local service-oriented industries.

**Total effects:** Refers to the sum of direct, indirect, and induced effects.

**Labor income:** The sum of employee compensation and business-owner income from a business activity/project.

**Output:** The total value of all goods and services a particular business or industry produces.

**Value added:** The difference between the valuation of a product or service and the cost of producing it.

# APPENDIX

The following table presents the 24 projects used in the preceding analysis. The projects are shown with rounded estimated total leverage funds, their region, and their applicable READI goal. Total leverage funds are the summation of a project's READI 1.0 grant and their reported non-state local government, philanthropic, and private funds. The three READI 1.0 goals are quality of life, quality of place, and quality of opportunity.

**TABLE 5. Project sample details**

PROJECT NAME	ESTIMATED TOTAL LEVERAGE (NEAREST \$10,000)	PROJECT REGION	READI GOAL
Kokomo Industrial Park US31	\$2,778,940,000	North Central	Quality of opportunity
Catalent Infrastructure Project (Project Vicious)	\$396,190,000	Indiana Uplands	Quality of opportunity
Diamond Pet Foods Infrastructure	\$268,050,000	Accelerate Rural Indiana	Quality of opportunity
Mohr Industrial Park Sanitary Sewer (Whiteland)	\$200,620,000	180 Alliance	Quality of place
White River Crossing (Bargersville)	\$178,690,000	180 Alliance	Quality of place
Saxon Indiana Tract 1 ("Kenmara")	\$163,150,000	Northwest	Quality of opportunity
The Silos at Sanders Farm	\$158,720,000	Northwest	Quality of opportunity
Easton Gray (Avon)	\$147,380,000	180 Alliance	Quality of place
US Cold Infrastructure-165 & SR2	\$125,350,000	Northwest	Quality of place
Artesian Avenue Housing & Infrastructure (Martinsville)	\$113,660,000	180 Alliance	Quality of place
Downtown Terre Haute Hotel and Parking Garage	\$41,520,000	Wabash River	Quality of place
The Meadows at Parkview Housing Project and Park Improvements	\$25,080,000	Indiana First	Quality of place
East Corporate Hangar Campus-Gary/Chicago International Airport	\$16,410,000	Northwest	Quality of place
Cameron Education and Innovation Center	\$10,000,000	Northeast	Quality of opportunity
Indiana University Kokomo Innovation Hall	\$3,000,000	North Central	Quality of opportunity
Randolph County 4H Capital Improvement	\$2,200,000	East Central	Quality of opportunity

TABLE 5. Project sample details (continued)

PROJECT NAME	ESTIMATED TOTAL LEVERAGE (NEAREST \$10,000)	PROJECT REGION	READI GOAL
Homes for the Future – Southard Homes In-Fill	\$1,750,000	Wabash River	Quality of place
READY NWI Education Alignment Program	\$680,000	Northwest	Quality of life
West Baden Park Improvement/ Orange County Mural Trail Project	\$490,000	Indiana Uplands	Quality of life
Experiential Learning Coordinator, Saint Joseph – District 7 Career Hub (CTE)	\$300,000	South Bend Elkhart	Quality of opportunity
180 in Color – Boone County: Advance mural	\$20,000	180 Alliance	Quality of life
180 in Color – Boone County: Thorntown mural	\$20,000	180 Alliance	Quality of life
180 in Color – Putnam County Mural Project: Greencastle Criss Construction	\$20,000	180 Alliance	Quality of life
180 in Color – Putnam County Mural Project: Russellville Mural	\$10,000	180 Alliance	Quality of life



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