



Highlands County Funding Study Alternative Funding Options Supplemental Report

Draft

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Highlands County Alternative Funding Options

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I. Introduction

Benesch has been retained by Highlands County to develop impact fees for several service areas. As part of the impact fee study, the County asked for a general review of alternative revenue sources available to the County. This supplemental document provides a comprehensive review of those primary alternative revenue sources. Funding sources are grouped to indicate those solely paid by new growth versus those paid by all residents of the county. In addition, revenue sources that are dedicated to a given service area are indicated.

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II. Revenue from New Growth

In addition to impact fees, there is a limited number of revenue options that are collected only from new development. These are summarized below.

Concurrency and Proportionate Share

Concurrency is the requirement that the proper public facilities are in place and adopted levels-of-service can be achieved for an area experiencing new development. While sanitary sewer, solid waste, drainage, and potable water are the only public facilities and services subject to the concurrency requirement on a statewide basis, local governments may extend the concurrency requirement to additional public facilities within its jurisdiction. Of the service areas studied by this study, many local governments continue to implement concurrency for transportation. We understand that Highlands County does have a transportation concurrency program in place; however, because of the available roadway capacity, the County does not collect a significant amount of proportionate share payments. Given recent legislative changes and that implementation of a transportation impact fee program has implications on the jurisdictions' concurrency programs, the following paragraphs provide further information on concurrency with special focus on transportation.

Comprehensive Planning & Adequate Public Facilities

Local governments are required to plan for adequate infrastructure commensurate with expected growth and development through their adopted Comprehensive Plan. This process can be thought of using the “three-legged stool” metaphor where the following co-equal components should remain in balance and internally consistent within the context of the County’s Comprehensive Plan:

- **Levels of Service Standards (LOS):** A community’s Comprehensive Plan includes adopted standards for public facilities as part of each element of the Comprehensive Plan. With respect to the Transportation Element, LOS standards are usually expressed as letter grades A – F. Technically, these LOS “grades” correspond to different ranges of average peak-hour travel speeds, but they are often generalized as the ratio of average, annualized daily motor-vehicle traffic volume to a roadway’s expected capacity.
- In addition to automobile LOS, a community may adopt alternative or additional transportation system performance measures. Examples of alternative or supplemental

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measures include measurement of duration of congestion rather than peak hour LOS, corridor or sub-area performance measures (similar to transportation concurrency management areas as defined in past Florida Statute), or measures of the per capita or per person trip availability of multimodal infrastructure.

- **Capital Improvements Element (CIE):** The CIE documents the County's financial resources and plan for delivering those capital improvements necessary to maintain adopted LOS standards. The CIE must reasonably balance expected revenues with planned projects and may include projects funded with local tax revenues, state or federally-funded projects, and developer-constructed or financed projects that are the subject of binding development agreements. The CIE may also consider forecasted impact fee revenues, but caution should be applied to ensure that future fee revenues are not encumbered by development credits (discussed in greater detail below). Note that in some cases, when CIE's are not routinely updated, a community's Capital Improvements Program (CIP) may stand in as a record of programmed cost-feasible improvements.
- **Future Land Use Element and Map (FLUE/FLUM):** This aspect of the Comprehensive Plan establishes policies and regulatory principles for land development, determines where different land uses can be built, and generally defines where new development or more intense redevelopment can occur. As a community grows, more intense usage of land generally increases demand for public facilities and services. Accordingly, the FLUM should direct more intense land uses to areas where existing or cost-feasibly planned infrastructure has the capacity to absorb the impacts of new development without breaching adopted LOS standards.

Amendments to the community's Comprehensive Plan are legislative acts meaning that there is no investment-backed expectation that the Plan will be modified. Whether an amendment is initiated by the County or by a property owner/developer, it is incumbent on the local government to evaluate whether the proposed amendment will cause the relationship between Land Use, LOS, and the CIE to come out of balance. When a technical analysis indicates that the intensification of land use, facilitated by a change to the Future Land Use Element/Map, is likely to impact adopted LOS standards in a way that is not supported by the adopted CIE, the County should choose among the following options:

- Deny or defer the proposed land use plan amendment until such time as adequate public facilities are programmed in the CIE.

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- Amend the CIE to ensure that necessary facilities will be provided. This could mean redirecting resources from a part of the community with less urgent needs or identifying additional financial resources, including developer contributions, to add additional cost-feasible projects to the CIE.
- Amend (lower) the relevant LOS standard thereby acknowledging that the potential impacts of the proposed Future Land Use Plan amendment are not fully addressed by the CIE.

Prior to 2011's HB 7207, aka "The Community Planning Act," the requirement that local governments implement concurrency meant that in most respects, future land use, CIE, and LOS standards did not need to be immediately reconciled at the point of a future land use plan amendment. Rather, local governments could rely on their concurrency management system as a "back-stop" to ensure that some internally consistent combination of the three options above were implemented as part of the review and approval of preliminary and/or final development orders.

In other words, at the point of a FLUM amendment, the local government could point to its concurrency management system as "proof" that the amendment would not ultimately result in an imbalance between land use, LOS, and CIE and could defer any technical analysis until such time as a more specific plat or site plan development application was requested. Following HB 7207, this is no longer the case as discussed in the subsection below.

Transportation Concurrency & Legislative Trends

As originally mandated in 1985's Growth Management Act, concurrency meant that local governments could not permit development to proceed unless public infrastructure necessary to meet adopted LOS standards was in place concurrent with the impacts of new development. With respect to transportation concurrency, various adjustments were made over the following 25 years to moderate the effect of concurrency on development approvals. These included the introduction of Transportation Concurrency Exception Areas (TCEAs) in 1992, subsequent amendments to allow for Transportation Concurrency Management Areas (TCMAs) and Multimodal Transportation Districts (MMTDs), the application of proportionate share mitigation as a method to address the traffic impacts of large-scale developments of regional impact (DRIs) and 2005's SB 360 which extended the concept of DRI proportionate share to smaller developments in a limited way. Each of these adjustments acknowledged that unlike potable water, stormwater, solid waste or sewer systems, for which the provision of adequate facilities

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is a non-negotiable health and safety issue; the adequate provision of transportation facilities could more readily be characterized as a quality-of-life issue where countervailing policy objectives such as urban infill and redevelopment may take precedence.

In 2011, HB 7207 further amended Florida Statutes addressing concurrency and resulted in the following substantive changes to how local governments are permitted to regulate the transportation impacts of new development. These changes are also summarized in **Table 1**.

- Transportation concurrency was made a local government option rather than a state mandate.
- Local governments that chose to continue implementing transportation concurrency were prohibited from requiring developers to construct, dedicate, or otherwise pay for improvements that exceed the developers “proportionate share.”
 - This requirement was applied not only to administrative development orders such as property subdivision, site plans, and building permits but also to zoning amendments where additional density/intensity is granted through a quasi-judicial process.
 - The methodology for calculating a development’s proportionate share was generally defined in statute and expressly excludes the costs of reducing or eliminating transportation system “back-logs.” How local governments interpret this requirement can substantially impact the effectiveness of their proportionate share system.
 - By making proportionate share the singular means of mitigating development transportation impacts within a concurrency management system, HB 7207 expanded the prior requirement that “proportionate fair share” contributions offset (are credited against) impact fee assessments.
- As an alternative to transportation concurrency, local governments are encouraged to adopt alternative transportation funding systems (aka Mobility Fees).
 - A mobility fee is functionally the same as an impact fee.
 - When a local government repeals and replaces concurrency with a Mobility Fee, or other alternative funding system, development mitigates its transportation system impacts without conducting a traffic impact study and identifying specific roadway system improvements necessary to maintain adopted LOS standards.
 - In the case of administrative approvals (e.g., subdivision, site plan, building permit) a local government may not deny, time, or phase a development that pays its Mobility Fee.

- Florida Statutes omit zoning amendments (where new entitlements may be granted through a quasi-judicial process) from the prohibition above. This has been interpreted by some local governments to mean that if a local government repeals and replaces concurrency with a Mobility Fee (or similar) system, they may deny, time, or phase developments that require a zoning amendment if the development will result in unmitigated breaches to roadway LOS standards.

Table 1: Transportation Concurrency (Pre & Post 2011)

	Pre-2011	Post-2011
Authority	Required by Florida Statute	Local government option
Concurrency Management System	Local government adopts level-of-service (LOS) standards and establishes technical traffic study requirements to evaluate whether individual developments will cause LOS standards to be breached.	
If Failure in Level of Service is Projected	<ul style="list-style-type: none"> • Developer makes improvements to restore LOS. • Developer phases project. • Developer delays/withdraws project. 	Developer makes Proportionate Share contribution.
Impact Fees	Developer makes improvement(s) to maintain LOS AND pays Impact Fees .	Proportionate share contributions are creditable against impact fee obligations.
Pay-and-Go Option	SB 360 (2005) introduced “Proportionate Fair Share,” a pay-and-go option limited to improvements included in the 5-year CIE (Comp Plan) .	Option to repeal and replace transportation concurrency with an alternative transportation funding system (Mobility Fee).

Proportionate Share

Proportionate share is a methodology that attempts to reconcile the need to maintain roadway LOS with the fact that transportation system improvements are “lumpy” and the mechanisms through which transportation concurrency are implemented may result in dissimilar costs to similarly situated development based on the scale or timing of a specific development. The “lumpiness” problem results because it is not practical to add some fraction of a lane or widen a road for a shorter distance than dictated by the logical termini of a project. If an improvement is needed to maintain LOS, that improvement often creates a surplus of capacity beyond that is necessary to offset the subject development’s impacts.

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If the developer that triggers the need for an improvement funds the entire cost and subsequent developments benefit from the surplus capacity, the first development is at a competitive disadvantage. This is magnified in the case of larger-scale developers because depending on the specific technical requirements of a local government's traffic impact study procedures, they are likely to significantly impact a larger network of roadways than would be the case with the incremental build-out of smaller scale developments. This means that larger scale developments could bear a higher pro-rata cost for maintaining LOS standards than a group of smaller-scale developments which have similar adverse impacts in the aggregate.

To address this, proportionate share was originally introduced as part of the DRI process. The operation of proportionate share and functions as explained in the simplified example below:

- Pursuant to a traffic impact study, a development's traffic will add 250 peak-hour, peak-direction trips to each of three roadways (A, B, and C). These roadways currently operate within the local government's adopted LOS standards, but none of the roadways can absorb the development's traffic and remain within the standards.
- The next logical improvement necessary to maintain the adopted LOS standard on these roadways is widening each from 2-lanes to 4-lanes—an improvement that increases their capacity by 750 peak-hour, peak-direction trips.
- The total increased capacity of 2,250 trips (750 x 3 roads) far exceeds the development's traffic on the impacted network of 750 trips (250 x 3 roads).

Even if the developer is able to recover the cost of the surplus capacity by selling impact fee credits¹ to other developers in the area, the up-front cost-of financing the improvements and the uncertainty of when and how credits may be redeemed may make the development financially infeasible. By applying proportionate share, the developer pays only for their portion (1/3rd) of the costs to create the required capacity (2,250 trips added / 750 trips consumed). The risk of financing the remaining cost of needed improvements is then shifted to the public.

In this scenario, the developer's proportionate share contribution for adversely impacted roadways A, B, and C will be pooled to make one or more substantive improvements to the impacted network (e.g., widen road A). The remaining roadways will operate below the adopted LOS until such time as the local government or other developers fund the additional required

¹ Impact fee credits are a mechanism for local governments to allow developers to recoup the cost of financing capital improvements that exceed their proportionate share responsibility. When a developer holds impact fee credits, they may sell these credits to other developers, that benefit from the same improvements that generated the credits, and these developers pay their impact fees due with the credit "certificates" rather than cash.

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improvements. In a scenario where subsequent developers start projects that also impact roadways A, B, and C, it is likely that their traffic impact studies will not include adverse impacts to Road A, since it has been widened, creating a surplus capacity. If these developments only adversely impact roadways B and C, their proportionate share obligations are likely to be less than the first developer. This results in diminished returns in the process through which developer contributions fund needed roadway improvements.

In theory, the “remainders” of development impacts that are not addressed through proportionate share contributions should be addressed over time through the collection of impact fees. However, as discussed below, the impact fee credit requirements made standard in 2011’s HB 7207 and the fungibility of impact fee credits introduced as part of 2021’s HB 337 mean that a local government’s fee program becomes less effective at addressing gaps in adopted LOS standards resulting from development. This is discussed further in the next section below.

Impact Fee Credits

Current Florida Statutes require that a dollar-for-dollar credit be issued for any proportionate share contribution, or other exaction, required of developers for the same general type or class of public facilities for which the impact fee provides. Since 2021, transportation impact fee credits are assignable and transferable at any time after establishment. Credits from one development or parcel may be transferred to another that is within the same benefit district or in an adjacent benefit district that benefits from the improvements that generated the credits². Credits under road impact fees may also be transferred and used to offset a Mobility Fee. This means that switching from a concurrency system with roadway impact fees to a Mobility Fee system does not clear outstanding issued credits. Furthermore, projects do not need to be listed in the jurisdiction’s Capital Improvements Projects (CIP) to be eligible for credit.

When a development’s proportionate share contributions (or other exactions) are less than their assessed impact fees, the impact fee credits are generally consumed by the subject development. The advantage to the community is that projects get funded more quickly since the developer contributions are usually conveyed prior to substantial build-out of the development whereas impact fees are paid overtime as individual building permits are pulled. The advantage to the development is that the improvements are likely to have a more direct benefit to the

² These changes were implemented as part of HB 713 (2019), SB 1066 (2020), HB 337 (2021), and HB 479 (2024). Some conditions apply.

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development site rather than improvements within the development's impact fee benefit district that may be further from the site.

When proportionate share contributions (or other exactions), exceed the impact fee owed by a development, the surplus impact fee credits become a fungible commodity and constitute a liability on future impact fee collections. Understanding the totality of a local government's impact fee credit balance, and how those credits are organized by impact fee benefit district, is important to forecasting actual impact fee revenues.

As mentioned previously, Highlands County has a transportation concurrency system in place and payments for transportation impacts, if applicable, are required prior to beginning development. However, proportionate share is not a source of significant revenue for the County since most roads have available capacity. If the County implements a transportation impact fee, it is important to review the concurrency regulations to ensure they reflect the coordination of the two programs.

New Development Fees

In Florida, various stages of new development require a review by the local government. Typically, there is a fee associated with these services that allows the local governments to recoup costs associated with performing these services. Examples of fees include, but are not limited to:

- Comprehensive plan amendments
- Zoning amendments
- Development of regional impact
- Improvement (development) plans review
- Site plan reviews
- Preliminary/final plat review
- Building plan reviews
- Building permits
- New construction inspection fees
- Certificates of occupancy

The Highlands County Engineering Department provides a list of new development fees. Based on input from the County, it is our understanding that the fees associated with the Building Department's services are updated regularly and tend to cover the related cost. New development review/inspection related services provided by the Planning & Zoning Department

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and Fire Marshal's Office should also be reviewed to ensure related costs are recovered through the fees.

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III. Revenue from Existing Population and New Growth

This section provides a summary of alternative funding sources that are paid by both new growth and the existing population. Most of the revenues from these funding sources is generated by the existing population. The County’s population growth rate averaged 1.6 percent over the past three years, which represents the approximate portion generated by new growth. In the case of certain revenue sources, such as sales tax, fuel tax, and user fees, tourists and other visitors to the County also contribute. Based on the information provided by Visit Sebring, average number of daily visitors and tourists amounts to approximately six percent of the resident population, which also provides an estimate to the level of their contributions through certain taxes. The following sections are organized in terms of revenue sources that fund multiple services versus those dedicated to certain services.

Funding Options for Multiple Service Areas

Local Discretionary Sales Surtaxes³

In Florida there are nine separate local discretionary sales surtaxes, also known as local option sales taxes, authorized in law. Local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales, use, service, rentals, admissions, and other authorized transactions. The potential surtax rate varies from county to county depending on the eligibility to levy each particular surtax in that jurisdiction. These taxes apply to the first \$5,000 of any single taxable item but this limitation does not apply to the rental of commercial property, transient rentals, or services.

The Department of Revenue administers, collects, and enforces the surtaxes. Current law requires that any initial levy or rate change can only take effect on January 1st and any levy termination can only take effect on December 31st.

Any referendum to adopt, amend, or reenact a local discretionary sales surtax must be held at a general election, as defined in s.97.021, F.S. Furthermore, a referendum to reenact and expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax, and the referendum may appear on the ballot only once within the 48-month period.

³ Local Government Financial Information Handbook, May 2025

Types of Local Discretionary Sales Surtaxes:

- Charter County and Regional Transportation System Surtax – Highlands County is not eligible for this surtax.
- Local Government Infrastructure Surtax – Highlands County has in place a 1.0-percent surtax.
- Small County Surtax – Highlands County is not eligible for this surtax.
- Indigent Care and Trauma Center Surtax – Highlands County is eligible for this surtax; however, it is not implemented.
- County Public Hospital Surtax – Highlands County is not eligible for this surtax.
- Voter-Approved Indigent Care Surtax – Highlands County is eligible for this surtax; however, it is not implemented.
- Pension Liability Surtax – Highlands County is eligible for this surtax; however, it is not implemented.
- Emergency Fire Rescue Services and Facilities Surtax – Highlands County is eligible for this surtax; however, it is not implemented.
- School Capital Outlay Surtax – Highlands County has this tax in place at 0.5-percent.

Of the surtax options listed above, six of them are subject to a combined rate cap of one percent.

These include:

- Local Government Infrastructure Surtax;
- Small County Surtax;
- Indigent Care and Trauma Center Surtax;
- County Public Hospital Surtax;
- Voter-Approved Indigent Care Surtax; and
- Pension Liability Surtax.

Since Highlands County has in place a one-percent local government infrastructure surtax, it would not be able to levy any of these other surtaxes that the County is eligible for until the current local government infrastructure surtax expires.

Local Government Infrastructure Surtax

This surtax may be levied at the rate of 0.5 or 1.0 percent pursuant to an ordinance enacted by a majority vote of the county's governing body and approved by voters in a countywide referendum. Generally, the proceeds must be expended to finance, plan, and construct infrastructure; acquire land for public recreation, conservation, or protection of natural

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resources; or finance the closure of local government-owned solid waste landfills that have been closed or are required to be closed by order of the Department of Environmental Protection.

The surtax proceeds are distributed to the county and its municipalities in one of the following ways:

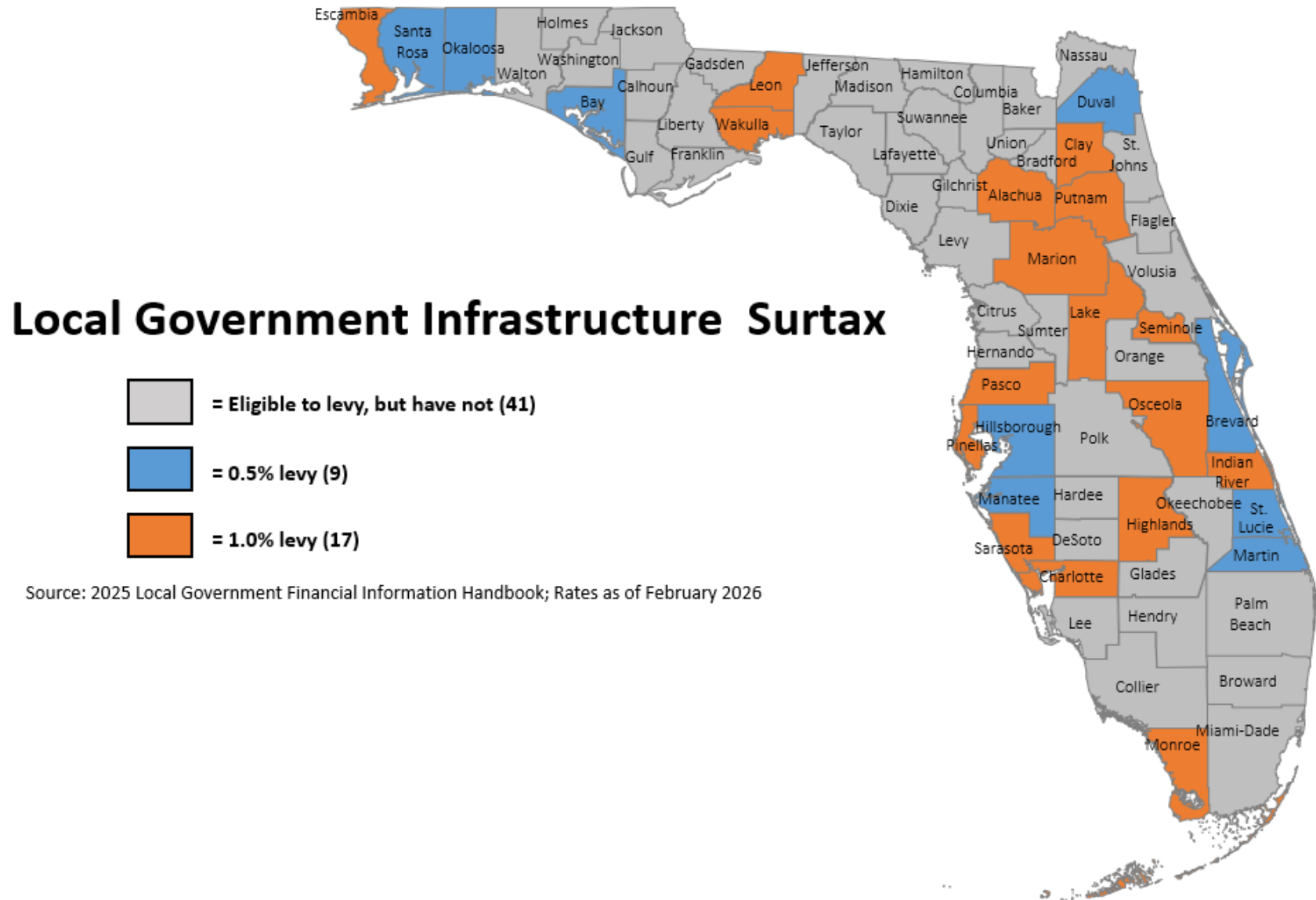
1. Interlocal agreement between county and municipalities, which can also include a school district if other governing bodies consent.
2. In the absence of interlocal agreements, the distribution is based on the Local Government Half-Cent Sales Tax distribution formula.

Highlands County imposed a 1.0-percent levy in November 1989 and has twice extended the levy, now set to expire December 31, 2033. This sales tax generates approximately \$18.5 million per year, countywide. Map III-11 presents other Florida counties that have implemented this surtax.

As mentioned previously, revenues from this task can be used for all the service areas included in this study.

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Map III-1: Local Government Infrastructure Surtax



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Emergency Fire Rescue Services and Facilities Surtax

This surtax may be levied at a rate of up to 1.0 percent pursuant to an ordinance enacted by a majority vote of the county's governing body and approved by voters in a countywide referendum. Any county that has imposed two separate discretionary surtaxes without expiration cannot levy this surtax. The proceeds must be expended for specified emergency fire rescue services and facilities such as, but not limited to, the following:

- Preventing and extinguishing fires;
- Protecting and saving life and property from fires, natural or intentional acts, or disasters;
- Enforcing municipal, county, or state fire protection codes and laws pertaining to the prevention and control of fires; and
- Providing pre-hospital emergency medical treatment.

All counties (except for Madison County and Miami-Dade County) are eligible for this surtax, but only two of them have it currently in place (Hamilton County at 1-percent and Liberty County at 0.5-percent).

School Capital Outlay Surtax

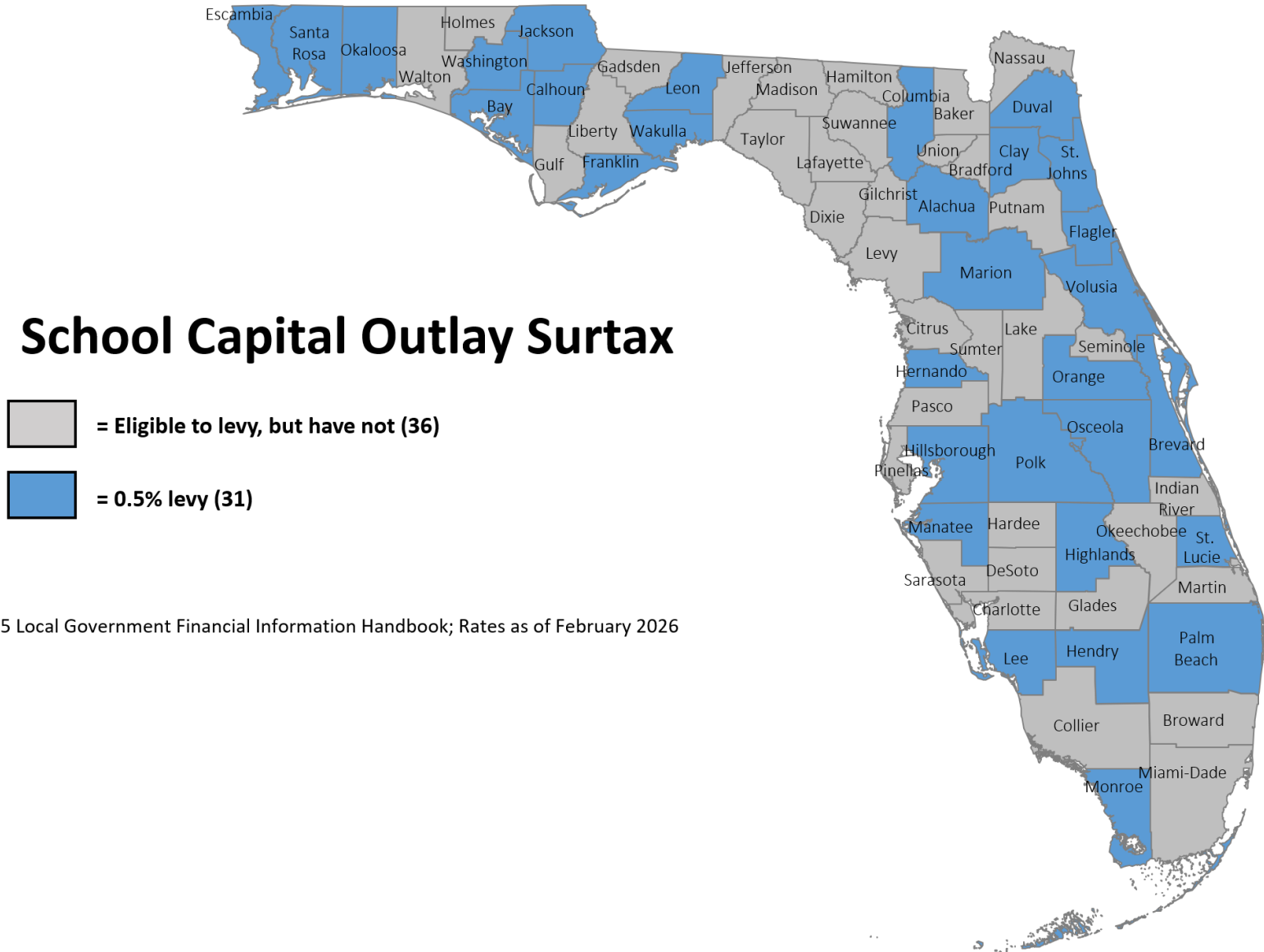
Florida's school districts may authorize the levy of this surtax at a rate of up to 0.5 percent pursuant to a resolution conditioned to take effect only upon voter approval in a countywide referendum. The proceeds are expended for:

- Fixed capital expenditures or fixed capital costs associated with the construction, reconstruction, or improvement of school facilities and campuses, which have a useful life of 5 or more years, as well as any land acquisition, land improvement, design, and engineering costs;
- Purchase, lease-purchase, lease, or maintenance of school buses which have a life expectancy of 5 years or more;
- Retrofitting and providing for technology implementation, including hardware and software, for the various sites within the school district;
- Service bond indebtedness used to finance authorized projects and any accrued interest may be held in trust to finance such projects.

Highlands County imposed a 0.5-percent levy in January 2017 which is set to expire December 31, 2036. This sales tax generates approximately \$9.2 million per year, countywide. Map III-2 presents other Florida counties that have implemented this surtax.

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Map III-2: School Capital Outlay Surtax



Source: 2025 Local Government Financial Information Handbook; Rates as of February 2026

Non-Ad Valorem Special Assessments

Local governments may levy and collect non-ad valorem special assessments to fund capital improvements and operational costs for certain services, including, but not limited to:

- Fire Protection
- Emergency Medical Services (First responder/basic life support services)
- Garbage Disposal
- Sewer Improvement
- Street Improvement
- Parking Facilities

Special assessments need to demonstrate benefit to the property; as such, not all services are eligible to be funded with assessments. For example, law enforcement costs cannot be recouped with a special assessment program. A close linkage must be established between benefit from the facility and the assessment paid for the service.

Special assessments can be adopted by the Board of County Commission or through a referendum if the Board chooses to do so. It is common for local governments to implement an assessment program for certain services, such as fire rescue or stormwater, for the entire service area. Highlands County currently has fire and solid waste assessment programs in place.

Examples of other counties using an assessment program include:

- Columbia County – Fire Assessment and Solid Waste Assessment
- Hardee County – Fire Assessment
- Hernando County – Fire Assessment
- Lake County – Fire Assessment
- Polk County – Fire Assessment
- Sumter County – Fire Assessment

In addition, local governments can provide the option to implement an assessment program at the neighborhood level. In this case, if the majority consensus (51 percent of the property owners) is reached, an assessment program for services such as utilities or roads that benefit primarily the said neighborhood, could be developed within the boundary of properties that agreed to be assessed. Highlands County offers this service to residents. Examples include:

- Sebring Country Estates Special Benefit District – Provide streetlights
- Istokpoga Marsh Watershed Improvement District – Flood & erosion control
- Avon Park Estates Special Benefit District – Road maintenance

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- Sebring Hills Special Benefit District – Provide streetlights
- Oak Manor Ave Road Paving MSBU – Road paving
- Sun ‘N Lakes of Lake Placid Special Recreation District – Provide recreational facilities
- Lake Haven Estates Special Benefit District – Street lighting
- Highway Park Special Benefit District – Street lighting

Ad Valorem (Property) Tax

Ad valorem taxes are property taxes that are based on the assessed value of real estate property. These taxes fund local services such as schools, fire departments, and municipal services that benefit the community at large. In Florida, the process for calculating ad valorem taxes involves assessing the property’s value at the beginning of the year and applying the millage rate, which is the amount per \$1,000 of property value used to calculate taxes owed. Jurisdictions are generally limited to 10-mills. This revenue source could be used for all services included in this study. Recent millage rates for Highlands County (County Commission) are as follows:

- 2021 = 8.5500
- 2022 = 8.1000
- 2023 = 7.8500
- 2024 = 7.6000
- 2025 = 7.6000

Municipal Services Taxing Unit (MSTU)⁴

The legislative and governing body of a county has the power to carry on county government. To the extent not inconsistent with general or special law, this power includes, but is not restricted to, the power to establish municipal service taxing or benefit units for any part or all of the unincorporated area of the county, within which may be provided fire protection, law enforcement, beach erosion control, recreation service and facilities, water, alternative water supplies, streets, sidewalks, street lighting, garbage and trash collection and disposal, waste and sewage collection and disposal, drainage, transportation, indigent health care services, mental health care services, and other essential facilities and municipal services from funds derived from service charges, special assessments or taxes within such unit only. Examples of other counties using this funding mechanism includes:

- Charlotte County – Beach Dredging and Street Drainage MSTUs
- Orange County – Fire MSTU (2.8437 mills) and Special Tax MSTU (1.8043 mills)

⁴ Florida Statutes 125.01(1)(q)

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- Polk County – Stormwater (0.0941 mills), Parks (0.5286 mills), Libraries (0.1985 mills), Rancho Bonito (9.1272 mills) MSTUs

Note that, in the case of counties, the millage rates associated with MSTU's do not count against maximum allowed ad-valorem cap of 10-mills and they can be collected in addition to the general ad valorem taxes.

Funding Options for Transportation

Local Option Fuel Taxes⁵

County governments are authorized to levy up to 12 cents of local option fuel taxes in the form of three separate levies:

- Ninth-Cent Fuel tax
- 1st Local Option Fuel Tax
- 2nd Local Option Fuel Tax

Ninth-Cent Fuel Tax (1¢/gallon)

This tax may be authorized by an ordinance adopted by an extraordinary vote of the governing body or voter approval in a countywide referendum and it applies to every net gallon of motor and diesel fuel sold within a county. Proceeds may be used to fund transportation expenditures, including:

- Public transportation operations and maintenance;
- Roadway and right-of-way maintenance and equipment and structures used primarily for the storage and maintenance of such equipment;
- Roadway and right-of-way drainage;
- Street lighting installation, operation, maintenance, and repair;
- Traffic signs, traffic engineering, signalization, and pavement markings installation, operation, maintenance, and repair;
- Bridge maintenance and operation; and
- Debt service and current expenditures for transportation capital projects in the foregoing program areas, including construction or reconstruction of roads and sidewalks.

To accommodate statewide equalization, this tax is automatically levied on diesel fuel in every county, regardless of whether the jurisdiction is levying the tax on motor fuel at all. Also, counties

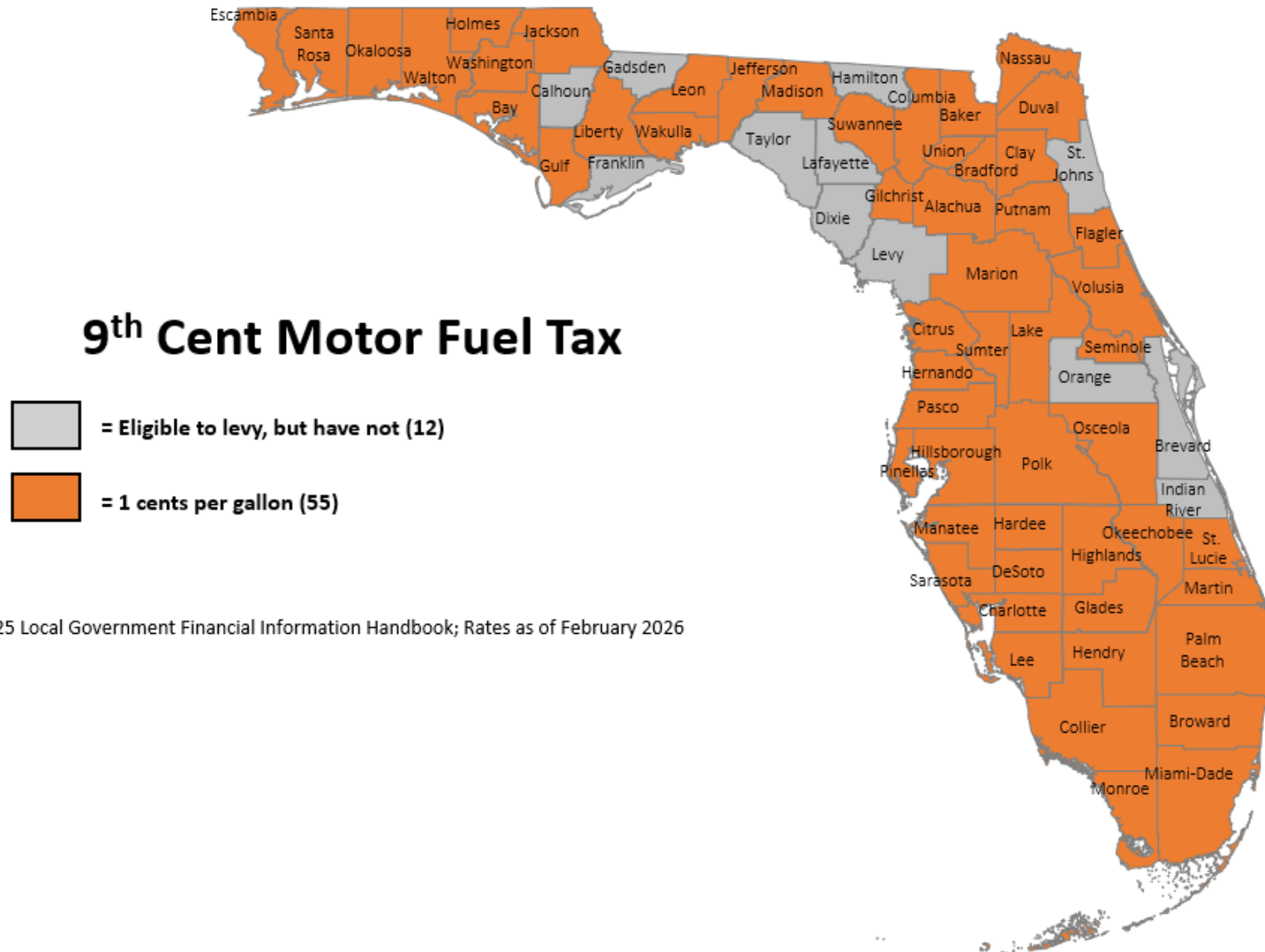
⁵ 2025 Local Government Financial Information Handbook, Feb 2026

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are not required to share the proceeds of this tax with their municipalities. Highlands County has adopted this local option fuel tax (\$0.01) and generates approximately \$582,000 annually (based on information from the 2025 Local Government Financial Information Handbook). Map III-3 presents other Florida counties that have implemented this surtax.

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Map III-3: Ninth-Cent Fuel Tax



Source: 2025 Local Government Financial Information Handbook; Rates as of February 2026

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1st Local Option Fuel Tax (up to 6¢/gallon)

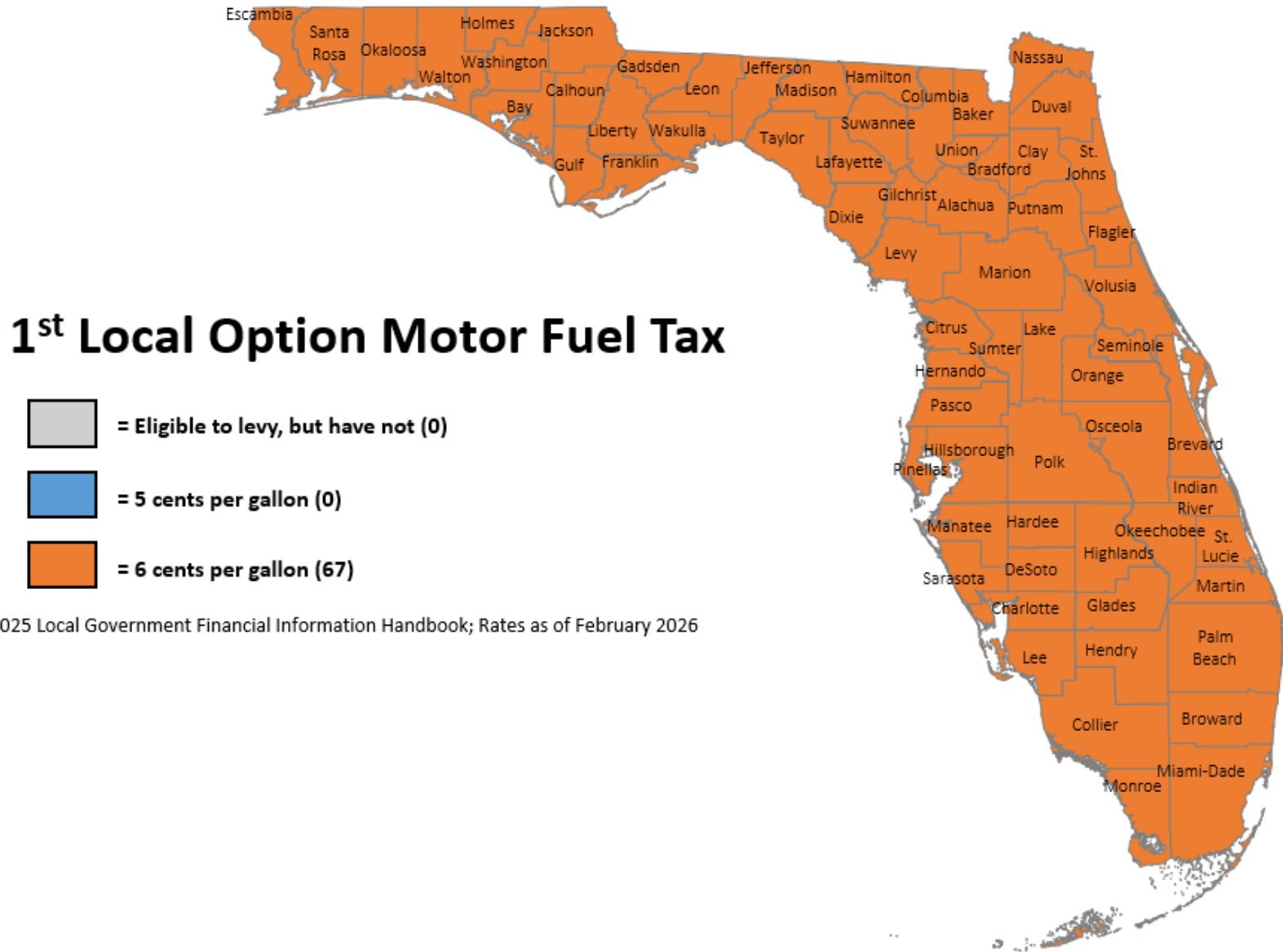
This tax may be authorized by an ordinance adopted by an extraordinary vote of the governing body or voter approval in a countywide referendum and it applies to every net gallon of motor and diesel fuel sold within a county. Proceeds may be used to fund transportation expenditures, including:

- Public transportation operations and maintenance;
- Roadway and right-of-way maintenance and equipment and structures used primarily for the storage and maintenance of such equipment;
- Roadway and right-of-way drainage;
- Street lighting installation, operation, maintenance, and repair;
- Traffic signs, traffic engineering, signalization, and pavement markings installation, operation, maintenance, and repair;
- Bridge maintenance and operation; and
- Debt service and current expenditures for transportation capital projects in the foregoing program areas, including construction or reconstruction of roads and sidewalks.

To accommodate statewide equalization, all six cents are automatically levied on diesel fuel in every county, regardless of whether the jurisdiction is levying the tax on motor fuel at all or at the maximum rate. Proceeds are distributed to a county and its municipalities according to a mutually agreed upon distribution ratio, or by using a formula contained in the Florida Statutes. Highlands has adopted this local option fuel tax (\$0.06) and generates approximately \$3,276,000 annually (based on information from the 2025 Local Government Financial Information Handbook). Map III-4 presents other Florida counties that have implemented this surtax.

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Map III-4: 1st Local Option Fuel Tax



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2nd Local Option Fuel Tax (up to 5¢/gallon)

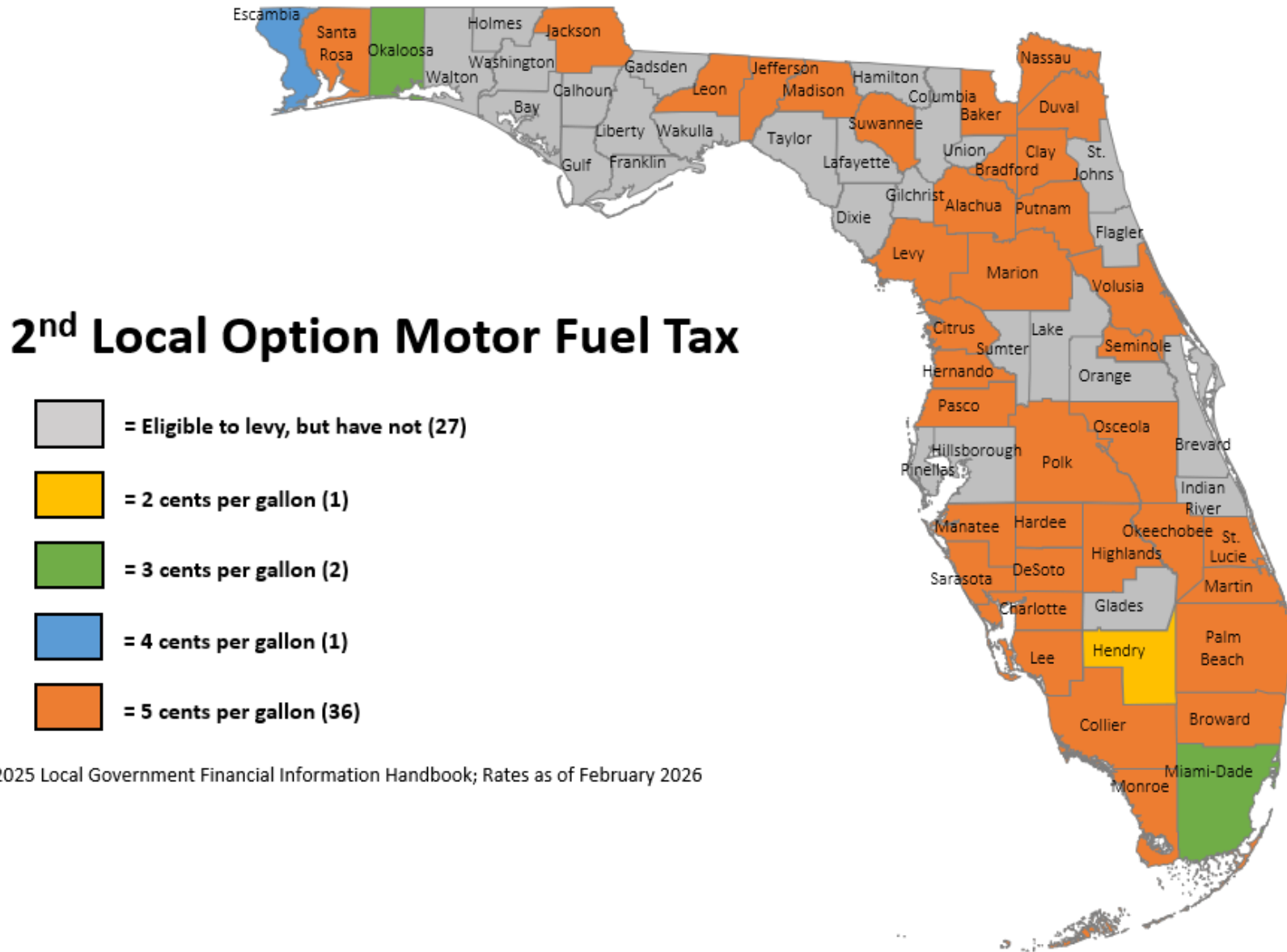
This tax may be authorized by an ordinance adopted by a majority plus one vote of the membership of the governing body or voter approval in a countywide referendum and it applies to every net gallon of motor fuel sold within a county (diesel fuel is not subject to this tax). Proceeds may be used to fund transportation expenditures needed to meet requirements of the capital improvements element of an adopted comprehensive plan or expenditures needed to meet immediate local transportation problems and other transportation-related expenditures that are critical for building comprehensive roadway networks by local governments.

- Construction of new roads;
- Reconstruction or resurfacing of existing paved roads, or paving of existing graded roads that are deemed to increase capacity; and
- Routing maintenance of roads is NOT considered an authorized expenditure.

Proceeds are distributed to a county and its municipalities according to a mutually agreed upon distribution scheme, or by using a formula contained in the Florida Statutes. Highlands County has adopted this local option fuel tax (\$0.05) and generates approximately \$2,079,000 annually (based on information from the 2025 Local Government Financial Information Handbook). Map III-5 presents other Florida counties that have implemented this surtax.

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Map III-5: 2nd Local Option Fuel Tax



Funding Options for Parks and Recreation and Libraries

User Fees

In addition to General Fund and impact fee revenues, parks and recreation and library services can partially be funded with user fees. These include charges associated with use of recreational facilities, rental space, park entrance fees, parking charges, library fees, among others. It is important to routinely update these fees to ensure the cost of related services is recovered.

Examples in Highlands County include:

- Building rental: Ag Center Conference Rooms and marquee - \$65 per day
- Building rental: Lorida Community Center - \$100 per day
- Building rental: Highlands County Sports Complex - \$300 deposit per event
- Library card: resident library cards are free, but non-residents carry a fee

Local Option Tourist Development Taxes

There are five separate tourist development taxes that county governments may levy.

- Original tax (1 or 2%); Highlands County levies at 2%
- Additional tax (1%); Highlands County levies at 1%
- Professional Sports Franchise Tax (up to 1%); Highlands County levies at 1%
- High Tourism Impact Tax (1%); Highlands County is not eligible to levy
- Additional Professional Sports Franchise Facility Tax (up to 1%); Highlands County levies at 1%

The levies must be approved in a referendum held at a general election with the proceeds generally used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance. Highlands County has adopted a 5-percent tourist development tax which generates approximately \$2,239,000 annually (based on information from the 2025 Local Government Financial Information Handbook). Map III-6 presents other Florida counties that have implemented this surtax.

Funding Options for Emergency Medical Services

EMS/Transport Fees

In addition to revenue sources available for EMS discussed previously, many communities collect EMS/ambulance transport fees that help fund the fire/EMS department. A review of the Fire/EMS Department budgets of several counties (including Hernando, Marion, Osceola, Polk, Sarasota, Seminole, Sumter, Volusia, Orange, and Lake) indicated that these fees fund up to approximately 40 percent of fire/EMS operational budgets.

Funding Options for Children Services, Mental Health Programs, Health Department and Mosquito Control

As part of the funding analysis, Highlands County is interested in understanding the funding options for the following programs:

- Children's Services
- Human Services & Mental Health Programs
- County Health Department
- Mosquito Control

Given that impact fees can only be used to fund buildings and land where these services are located, Benesch contacted ten other counties to identify primary revenue sources used for each of these services. Responses were obtained six of these counties, including:

- Alachua County
- Charlotte County
- Clay County
- DeSoto County
- Hendry County
- Osceola County

The following paragraphs provide a summary of this information.

- Children's Services:
 - General Fund
 - Funding from the Florida Department of Juvenile Justice for the Prearrest Delinquency Program
 - Federal funds for grandparents taking care of children

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- Grants, such as Lutheran Services grant
- Traffic court fees

One of the responding counties indicated that they do not have a specific children's services program; however, they do provide programs at the library and the parks for sports teams.

- Human Services and Mental Health Programs:
 - General Fund
 - Grants
 - Court fees and other charges for services
 - Partnerships with non-profit organizations, such as United Way
- County Health Department:
 - General Fund
 - Grants
 - Permit fees
- Mosquito Control:
 - General Fund
 - Intergovernmental revenues (Federal/State grants)
 - Funding received through a State Financial Assistance Recipient Agreement with the Florida Department of Agriculture and Consumer Services (FDACS) with a local match.

IV. Summary of Findings

This supplemental report provided a summary of primary non-impact fee funding sources available to Highlands County. The revenue sources contributed solely by new growth were indicated. Table 2 provides a summary of these alternative funding options and the service areas that each option can be used to help fund. As previously discussed, “New Growth” funding refers to revenue that is collected solely from new development within the jurisdiction, while the “Existing Population and New Growth” funding refers to revenue that can be collected from current residents and new growth.

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Table 2: Funding Matrix

Service Area	New Growth Only Funding		Existing Population & New Growth Funding								
	Concurrency/ Proportionate Share	Development Review Fees*	General Fund	Local Option Sales Tax	Local Option Fuel Tax	Local Option Tourist Tax**	Special Assessments /MSBUs	MSTU	User/ Transport Fees	Miscellaneous Revenues***	Non-Profit Organizations
Transportation	X		X	X	X		X	X			
Parks			X	X		X		X	X		
Environmentally Sensitive Lands			X	X				X			
Libraries			X	X				X	X		X
Emergency Medical Services			X	X			X	X	X		
Fire Rescue/Fire Marshal		X	X	X			X	X			
Law Enforcement			X	X				X			
Correctional Facilities			X	X							
Broadband			X	X							
Children's Services			X							X	X
Human Services & Mental Health			X							X	X
Health Department			X							X	
Mosquito Control			X								
Planning/Building Department		X	X								

*Fees associated with new development review, building permit, inspection, certificate of occupancy, etc

**Only for qualified projects

***Miscellaneous fees include court fees, permit fees, etc