

By the Committees on Rules; Banking and Insurance; and
Judiciary; and Senator Grall

595-03368-25

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A bill to be entitled

An act relating to trust fund interest for purposes approved by the Supreme Court; creating s. 655.97, F.S.; authorizing financial institutions to hold funds in specified trust accounts to be used for specified purposes; requiring such financial institutions to pay a certain minimum interest rate or dividend; requiring that the interest rate be at least a specified percentage; requiring a financial institution to submit a quarterly rate validation sheet and affidavit to the Chief Financial Officer attesting that it will pay a minimum certain interest rate or dividend; requiring that the affidavit attest that certain information is true and factual; requiring the Chief Financial Officer to verify certain information; providing applicability; providing an effective date.

WHEREAS, in September 1981, the Florida Supreme Court implemented the nation's first Interest on Trust Accounts (IOTA) program, establishing a vital funding source for civil legal aid, justice system improvements, and public service programs for law students, and

WHEREAS, Funding Florida Legal Aid (FFLA), formerly known as The Florida Bar Foundation, and the Florida Bankers Association have cooperated for decades to sustain the program and encourage participation, and

WHEREAS, in March 2023, the Florida Supreme Court adopted new rules requiring lawyers to secure interest rates based on the Wall Street Journal Prime Rate, compelling banks to pay

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higher rates for IOTA accounts than for other similar accounts,
and

WHEREAS, 44 states, the District of Columbia, and Puerto Rico have mandatory IOTA programs modeled after Florida's pre-2023 system, while 5 states and the U.S. Virgin Islands operate voluntary or opt-out programs, and

WHEREAS, the 2023 rule change made Florida an outlier compared to other jurisdictions where IOTA rates are typically benchmarked against interest-bearing checking account rates, and

WHEREAS, the Wall Street Journal Prime Rate serves as a benchmark for lending and is not used to set deposit account rates, and

WHEREAS, the 2023 rule change resulted in banks paying higher rates on funds in IOTA accounts, resulting in record revenues, exceeding \$279 million, paid to FFLA during the 2023-2024 fiscal year, nearly four times the prior peak rate and far exceeding average annual interest revenues, and

WHEREAS, in October 2024, the Florida Supreme Court authorized FFLA to hold nearly \$143 million in reserve, and

WHEREAS, it is in the best interests of this state for the Legislature to establish statutory benchmarks for IOTA rates to ensure regulatory safety, fairness, and sustainability, similar to the quarterly interest rate determinations made by the Chief Financial Officer for interest paid on court judgments, NOW,
THEREFORE,

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 655.97, Florida Statutes, is created to read:

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655.97 Lawyer or law firm trust account interest rates.—

(1) A financial institution may hold funds in an interest-bearing trust account of a lawyer or law firm in which the institution remits interest or dividends on the balance of the deposited funds to an entity established by the Supreme Court for the purpose of providing or facilitating the provision of free legal services to low-income individuals or for other purposes authorized by the Supreme Court. If the institution holds such an account, it must pay at least the highest interest rate or dividend generally available from the institution to its comparable business or consumer accounts or nonmaturing deposit accounts, provided that the trust account meets or exceeds the same minimum balance or other account requirements. The trust account interest rate must be at least 0.25 percent if the Federal Funds Effective Rate is less than 4 percent. The trust account interest rate must be at least 0.5 percent if the Federal Funds Effective Rate is 4 percent or greater.

(a) The financial institution must submit a rate validation sheet and affidavit to the Chief Financial Officer by the 10th day of each quarter attesting that it will pay at least the same interest rate or dividend on the lawyer or law firm trust accounts that it is paying on its comparable business or consumer accounts or nonmaturing deposit accounts and that the rate will be at least 0.25 percent if the Federal Funds Effective Rate is less than 4 percent or at least 0.5 percent if the Federal Funds Effective Rate is 4 percent or greater.

(b) The affidavit must attest that the rate information submitted on the rate validation sheet is true and factual.

(c) The Chief Financial Officer shall verify that the rate

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88 validation sheet and affidavit have been received by the
89 Department of Financial Services.

90 (2) This section does not apply to interest rates
91 established by written contract or obligations unrelated to the
92 trust accounts described by this section.

93 Section 2. This act shall take effect upon becoming a law.