

**HOUSE OF REPRESENTATIVES  
FINAL BILL ANALYSIS**

<b>BILL #:</b>	CS/CS/HB 1361	<b>FINAL HOUSE FLOOR ACTION:</b>		
<b>SUBJECT/SHORT TITLE</b>	Clerks of Court	114	Y's 0	N's
<b>SPONSOR(S):</b>	Judiciary Committee; Civil Justice & Claims Subcommittee; Clemons	<b>GOVERNOR'S ACTION:</b>	Approved	
<b>COMPANION BILLS:</b>	CS/CS/SB 918			

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**SUMMARY ANALYSIS**

CS/CS/HB 1361 passed the House on March 5, 2018, and subsequently passed the Senate on March 7, 2018.

The clerk of court is a constitutional officer in every county. The many duties of the clerk include collecting monies and paying those monies over to the appropriate person or government entity, conducting foreclosure sales, and maintaining court records.

The Florida Disposition of Unclaimed Property Act (Act) provides that property held for the benefit of another must be turned over to the state if unclaimed for the statutory length of time. The Department of Financial Services (DFS) administers the program. One current statute presumes funds held by a clerk of court are unclaimed after 5 years, requires turnover to DFS after such 5-year period, and requires a court order for DFS to pay the unclaimed monies to the owner. However, the Act presumes funds held by a clerk of court are unclaimed after 1 year and provides for claims and payment through DFS without court order.

Unclaimed surplus funds after a foreclosure sale are treated differently. They are held by the clerk while an appointed surplus trustee attempts to find the owner. The appointment lasts for one year, after which the surplus is turned over to DFS. A junior lienholder may only file a claim against the surplus during the first 60 days after appointment of the surplus trustee.

Some drivers who have received a traffic ticket may avoid points assessed against his or her license by completing a driver improvement course; other drivers are required to attend the course by law. Upon completion, the driver must file the completion certificate with the clerk of court to avoid license suspension.

CS/CS/HB 1361 repeals the statutory authorization for surplus trustees and repeals the 5-year unclaimed funds provision together with the related court order requirement to claim funds not related to foreclosure. The bill requires the clerk to hold an unclaimed foreclosure surplus for one year, after which it is turned over to DFS, similar to how other unclaimed property held by a clerk is treated. The bill extends the claim period for subordinate lienholders after foreclosure, allowing any party claiming entitlement to a foreclosure surplus to file a claim with the clerk at any time up to the point where the clerk transmits the funds to DFS. Additionally, the bill requires a driver improvement school to transmit completion certificates to the appropriate clerk through the Florida Courts E-Filing Portal.

The bill has an indeterminate, but likely insignificant, fiscal impact on DFS and the clerks of the court.

The bill was approved by the Governor on March 21, 2018, ch. 2018-71 L.O.F., and will become effective on July 1, 2018.

**This document does not reflect the intent or official position of the bill sponsor or House of Representatives.**

**STORAGE NAME:** h1361z.CJC

**DATE:** March 23, 2018

## I. SUBSTANTIVE INFORMATION

### A. EFFECT OF CHANGES:

#### **Background**

##### Clerk of the Circuit Court

The office of the clerk of the circuit court is established in the state Constitution.<sup>1</sup> The Clerk performs a wide range of record keeping, information management, and financial management services for the judicial system and county government. Clerk duties include conducting foreclosure sales, collecting and accounting for monies owed to persons and governments, and keeping records of court cases.

##### Unclaimed Property, In General

In 1987, the state enacted the Florida Disposition of Unclaimed Property Act (the Act). The Act is based on the Uniform Unclaimed Property Act adopted by the Uniform Law Commission, and protects the interests of missing owners of property while the state derives a benefit from the unclaimed and abandoned property until the property is claimed, if ever.

Under the Act, the Bureau of Unclaimed Property, a division within the Department of Financial Services (DFS), is responsible for receiving abandoned property, attempting to locate the rightful owner, and returning the property or proceeds to the owner. There is no statute of limitations in the Act; the owner may claim his or her property at any time and at no cost.

Current law establishes varying time periods which trigger the presumption that property is unclaimed:

- 5 years if held by a person or entity in the private sector.<sup>2</sup>
- 5 years if held by a clerk of court in the court registry.<sup>3</sup>
- 3 years if the property is the unclaimed equity of debt of a business association,<sup>4</sup> except that the period is 6 months if the business is in the course of dissolution.<sup>5</sup>
- 2 years if held by a person in a fiduciary capacity for the benefit of another person under a trust instrument.<sup>6</sup>
- 2 years if resulting from the demutualization, rehabilitation, or reorganization of an insurance company.<sup>7</sup>
- 1 year if held by any public agency, including a clerk of court.<sup>8</sup>
- 1 year if a utility deposit.<sup>9</sup>
- 1 year if a court-ordered refund held by a business.<sup>10</sup>
- 1 year if owed as wages.<sup>11</sup>

Holders of unclaimed property are required to file an annual report with DFS, and must transmit the unclaimed property with the report, between January 1 and May 1 of each year. The report and transmittal must include all property considered unclaimed in the previous calendar year. In the report, the holder of property must note the apparent owner of the property.<sup>12</sup>

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<sup>1</sup> Fla.Const., art. V, s. 16.

<sup>2</sup> S. 717.102(1), F.S.

<sup>3</sup> S. 43.19, F.S. This section conflicts with the 1 year provision in s. 717.113, F.S., see further discussion below.

<sup>4</sup> S. 717.1101, F.S.

<sup>5</sup> S. 717.111, F.S.

<sup>6</sup> S. 717.1125, F.S.

<sup>7</sup> S. 717.1071, F.S.

<sup>8</sup> S. 717.113, F.S. This section conflicts with the 5 year provision in S. 43.19, F.S., see further discussion below.

<sup>9</sup> S. 717.108, F.S.

<sup>10</sup> S. 717.109, F.S.

<sup>11</sup> S. 717.115, F.S.

<sup>12</sup> S. 717.117, F.S.

Upon the payment or delivery of unclaimed property to DFS, the state assumes custody and responsibility for the property.<sup>13</sup> The original property owner retains the right to recover the property, and any person claiming an interest in the property delivered to DFS may file a claim for the property, subject to certain requirements.<sup>14</sup> Claims for recovery of unclaimed property may be filed by or on behalf of any person with an interest in the property.<sup>15</sup> While the Act provides the opportunity for the owner to recover the full value of their property at no cost, claimants may designate someone to submit the claim for them by executing a power of attorney agreement. The claimant may also sell the right to the property to certain individuals who are registered with DFS.<sup>16</sup> In either case, the transaction is subject to a fee limitation, unless a disclosure statement is provided to the claimant, in the form and with the content specified in the Act.<sup>17</sup>

DFS is required to make a determination on a claim within 90 days. If a claim is determined in favor of the claimant, DFS must deliver or pay over to the claimant the property or the amount DFS actually received or the proceeds, if it has been sold by DFS.<sup>18</sup> All proceeds from unclaimed property are deposited by DFS into the Unclaimed Property Trust Fund.<sup>19</sup> DFS may retain up to \$15 million to make prompt payment on verified claims and to cover costs incurred by DFS in administering and enforcing the Act. All remaining funds must be deposited into the State School Fund to be used for public education.<sup>20</sup>

### Unclaimed Property Laws Related to the Clerks of Court

There are conflicting and overlapping laws regarding unclaimed property held by a clerk of court:

- Section 43.19, F.S., provides for the disposition of unclaimed money paid into the court registry. If such unclaimed funds remain in the registry for 5 years or more, the court must direct that the money be deposited with the Chief Financial Officer to the credit of the State School Fund. A person, firm or corporation entitled to any of the money may obtain an order directing the payment of the money to the claimant by petitioning the court and providing written notice to the state attorney and proof of entitlement to the money.<sup>21</sup> Thus, while most unclaimed funds are distributed to the owner upon application approved by DFS, unclaimed funds from the clerks may only be distributed upon court order.
- Section 717.113, F.S., a part of the Act, presumes property held by the clerk unclaimed after 1 year must be paid to DFS after the 1-year period. Disposition is governed by the Act.
- Property held by the clerk as a result of a foreclosure sale is subject to the surplus trustee process at ss. 45.032 - .035, F.S. See description below.

Sections 43.19 and 717.113, F.S., conflict with one another. A recent appellate decision attempted to reconcile the two, calling the interaction between the statutes "confusing" and "unclear."<sup>22</sup>

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<sup>13</sup> S. 717.1201, F.S.

<sup>14</sup> SS. 717.117 and 717.124, F.S.

<sup>15</sup> S. 717.124, F.S.

<sup>16</sup> S. 717.1351, F.S. A person desiring to acquire ownership of or entitlement to property reported to DFS must be an attorney licensed to practice law in this state, a licensed Florida-certified public accountant, a licensed private investigator, or an employer of a licensed private investigator.

<sup>17</sup> All contracts to acquire ownership of or entitlement to unclaimed property must have a purchase price that discounts the value of the unclaimed property at the time the agreement is executed by the seller at no greater than 20 percent per account held by DFS. The amount paid to the seller for an unclaimed property account must not be discounted in excess of \$1,000 unless full disclosure is provided to the owner of the unclaimed property. S. 717.1351(2), F.S.

<sup>18</sup> Supra, FN 14.

<sup>19</sup> S. 717.123, F.S.

<sup>20</sup> Id.

<sup>21</sup> S. 43.19(3), F.S.

<sup>22</sup> *Crescenzo v. Atwater (In re Payment of \$13,857.69)*, 136 So.3d 1248 (Fla. 2nd DCA 2014).

## Judicial Sales of Real Property and Surplus Trustees

Foreclosure is the legal process for enforcement of a security interest in real property. Where the parties do not settle or resolve the foreclosure, the property is sold at auction. There are three possible results of a foreclosure sale:

- Where the foreclosing lender is the winning bidder with a bid of the final judgment or some lesser amount, no monies are paid to the clerk for distribution.
- Where the winning bidder is a third party who bid less than the amount of the final judgment, the full amount of the bid minus clerk's fees is distributed to the foreclosing lender.
- Where the winning bidder is any party who bid more than the amount of the final judgment, the foreclosing lender is paid the full amount of the final judgment or has the amount of the judgment credited against its bid, and the remaining funds are processed according to the statutory procedures for a foreclosure surplus.

At common law, the owner of the real property immediately prior to the sale is entitled to any surplus, subject to claims by junior lienholders whose interests were foreclosed.<sup>23</sup> In foreclosure, the plaintiff files a lis pendens in the public records, usually on the day the foreclosure action is filed. Current statutory law presumes that the owner of the real property on the day of the filing of the lis pendens is entitled to the surplus,<sup>24</sup> and junior lienholders have a 60-day time limit from the date of the foreclosure sale to file a claim against the surplus.<sup>25</sup>

Prior to sale, there are two documents that include notice to all parties regarding a potential surplus. First is the final judgment of foreclosure, which gives notice of the 60-day period.<sup>26</sup> Second is the notice of sale, which must be published twice in a newspaper of general circulation and warns junior lienholders of the 60-day period.<sup>27</sup> After the sale, the clerk must prepare a certificate of disbursements, a copy of which must be furnished to every party to the case.<sup>28</sup> The certificate again informs junior lienholders that they have 60 days from the date of the sale in which to file a claim against the surplus. The certificate of disbursements also lists the surplus amount.

The statute provides a form for the prior owner of the property to claim the surplus, and provides that a junior lienholder may seek a court order for disbursement of the surplus to satisfy its claim. This 60-day limit has been upheld by the courts.<sup>29</sup> If no legal claim is made for the surplus within the 60-day period, claims of junior lienholders are barred and the clerk is required to appoint a surplus trustee to locate the owner. As part of the process, the clerk is authorized to deduct certain fees from the surplus funds.<sup>30</sup>

A surplus trustee is an entity that holds and administers surplus proceeds from a foreclosure. The primary duty of a surplus trustee is to locate the owner of record within 1 year after appointment. Surplus trustees are certified by DFS.<sup>31</sup> The clerks assign the surplus trustees to cases using a rotational system developed by DFS.<sup>32</sup>

A surplus trustee is entitled to service charges and fees which are disbursed by the clerk and payable from the surplus. A surplus trustee receives a cost advance of 2 percent of the surplus and upon obtaining a court order disbursing the surplus to the owner of record, the surplus trustee then receives

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<sup>23</sup> *Jelic v. Sears Mortgage Corp.*, 614 So. 2d 1149 (Fla. 4th DCA 1993)("It appears to be settled beyond all question that one claiming a surplus or the right to share in a surplus resulting from a sale under foreclosure must either own the equity of redemption at the time of the sale or must be one then holding a lien or vested right in the property.")

<sup>24</sup> S. 45.032(1)(a), F.S.

<sup>25</sup> S. 45.032, F.S.

<sup>26</sup> S. 45.031(1)(a), F.S.

<sup>27</sup> S. 45.031(2)(f), F.S.

<sup>28</sup> S. 45.031(7), F.S.

<sup>29</sup> *Saulnier v. Bank of Am., N.A.*, 187 So. 3d 854 (Fla. 4th DCA 2015).

<sup>30</sup> S. 45.035, F.S.

<sup>31</sup> S. 45.034(4), F.S.

<sup>32</sup> SS. 45.034 and 45.035, F.S.

an additional 10 percent.<sup>33</sup> Upon locating the owner of record, the surplus trustee files a petition with the court on behalf of the owner of record seeking disbursement of the surplus funds. If the surplus trustee is unable to locate the owner of record within 1 year of appointment, the clerk notifies the surplus trustee that the appointment is terminated. The clerk then treats the remaining funds as unclaimed property to be deposited with DFS under ch. 717, F.S.

According to DFS, there are currently 83 surplus trustee entities.<sup>34</sup> From inception of the program in 2006 through January 16, 2018, surplus trustees were appointed in 11,649 cases.<sup>35</sup> The total value of surpluses in those cases is \$105,575,140.<sup>36</sup>

### Driver Improvement Schools

Section 318.14(9), F.S., allows most drivers who receive a traffic ticket<sup>37</sup> to elect to attend a basic driver improvement course approved by the Department of Highway Safety and Motor Vehicles (DHSMV). If the individual timely completes the course, adjudication is withheld and no points may be assessed against the individual's driver license for that infraction. In addition, the DHSMV may require individuals involved in certain crashes to complete a driver improvement course as a requirement to maintain their driving privileges.<sup>38</sup>

Driver improvement course providers are required to submit course completion information to the DHSMV through the Driver Improvement Certificate Issuance System within 5 days of completion of the course.<sup>39</sup> The DHSMV replies with a unique course completion certificate number, which validates the course completion certificate. The school is then required to furnish the certificate of completion to the driver, who is required to file the certificate with the clerk of court. Should the driver fail to file the certificate, the clerk presumes that the driver did not complete the course and the clerk must notify DHSMV, who must suspend the driver license.<sup>40</sup>

### **Effect of Proposed Changes**

CS/CS/HB 1361 repeals s. 43.19, F.S., the statute that requires a clerk of court to retain unclaimed funds for 5 years and requires a court order for payment of unclaimed funds. As a result, s. 717.113, F.S., will apply to all funds in the court registry. Funds in the court registry after 1 year are presumed unclaimed and will be turned over to DFS pursuant to the Act. The 1-year time period does not start until the court determines who is entitled to the monies held by the clerk. This resolves the conflict between statutes noted above.

The bill amends procedures relating to the disbursement of surplus funds after a foreclosure. The bill repeals statutory provisions regarding surplus trustees. No surplus trustees will be appointed in foreclosure cases. The bill also repeals related clerk's fees for trustee appointment.

The bill provides that a claim by the owner of record, a subordinate lienholder, an assignee by involuntary transfer, or a voluntary assignee against the surplus may be made at any time prior to when

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<sup>33</sup> S. 45.034(7), F.S.

<sup>34</sup> Florida Department of Financial Services, Agency Bill Analysis for HB 1361 (2018), dated January 16, 2018 and revised February 26, 2018, at page 2. A list of the surplus trustees can be found online at:

<https://www.myfloridacfo.com/division/documents/SurplusTrusteeEntitiesB2017-2018.pdf> (last accessed Feb. 22, 2018).

<sup>35</sup> Supra, FN 34

<sup>36</sup> Id.

<sup>37</sup> S. 318.14(9), F.S., provides that any "person who does not hold a commercial driver license or commercial learner's permit and who is cited while driving a noncommercial motor vehicle for an infraction under this section other than a violation of s. 316.183(2), s. 316.187, or s. 316.189 when the driver exceeds the posted limit by 30 miles per hour or more, s. 320.0605, s. 320.07(3)(a) or (b), s. 322.065, s. 322.15(1), s. 322.61, or s. 322.62 may, in lieu of a court appearance, elect to attend in the location of his or her choice within this state a basic driver improvement course."

<sup>38</sup> S. 322.0261, F.S.

<sup>39</sup> S. 318.1451(6)(f), F.S.

<sup>40</sup> S. 318.15(1)(a), F.S.

the clerk reports the unclaimed surplus to DFS. The bill amends statutory notices in the foreclosure final judgment, the notice of sale, and the certificate of disbursements to conform.

If the owner of record, a subordinate lienholder, an assignee by involuntary transfer, or a voluntary assignee files a claim for the remaining surplus before the clerk remits the surplus to DFS, the funds are not unclaimed and the clerk will hold the funds pending court order. Otherwise, a surplus will be considered unclaimed and subject to transmittal to DFS one year after the foreclosure sale. Because of the timing of the report, a foreclosure surplus under this bill may remain with the clerk and be subject to claims for approximately 13 to 27 months from the foreclosure sale, depending upon the sale date and the timing of the clerk's annual transmittal.<sup>41</sup>

The bill provides that, once the surplus is transmitted to DFS, only the owner of record reported by the clerk, or the estate or beneficiary of a deceased owner of record, is entitled to the surplus. Any surplus of less than \$10 escheats to the clerk.

The bill amends s. 318.1451, F.S., to require a driver improvement school to transmit student course completion certificates through the Florida Courts E-Filing Portal to the appropriate clerk of the circuit court within 3 days of the school's receipt of the unique course completion certificate number. Drivers will no longer be liable for filing the certificate with the clerk.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

Since inception of the surplus trustee program, DFS has received \$10,625 in application fees.<sup>42</sup> Future collection of these fees is eliminated by this bill.

DFS estimates nonrecurring income resulting from the shift from a 5 year holding period by the clerks of court to a 1 year holding period, in FY 2019-2020, of approximately \$4 million.

#### 2. Expenditures:

DFS estimates the total cost to administer the surplus trustee program for the last 11 years has been approximately \$219,680. The bill will require DFS to administer the surplus property directly through the Bureau of Unclaimed Property. This change will result in a negligible workload impact for DFS.

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<sup>41</sup> For instance, if a foreclosure sale in early January 2018 results in a surplus, it would not be unclaimed until January 2019, with a deadline for the clerk to report and transmit the funds to DFS of May 1, 2020 (which may be just shy of 28 months from sale to transmittal). On other hand, a late December 2017 sale would be unclaimed December 2018 and the clerk could file the report and transmittal in January 2019 (which may be just over 12 months later). This variation in timing is typical in unclaimed property laws because of the requirement of a single annual report.

<sup>42</sup> Supra, FN 34.

## B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

### 1. Revenues:

The bill eliminates two clerk's fees in s. 45.035, F.S.: a \$15 fee for notifying the surplus trustee and a \$15 fee for appointing a surplus trustee and supplying them with the copy of the final judgment and the certificate of disbursements, and disbursing to the surplus trustee the trustee's cost advance.<sup>43</sup>

From inception of the program in 2006 through January 16, 2018, there were 11,649 cases assigned to surplus trustees.<sup>44</sup> Assuming the clerks of court are collecting both \$15 fees, this equates to a roughly \$30,000 reduction in revenue statewide for the clerks of court per year. The Clerks of Court Operation Corporation determined the loss of this revenue would have a negligible impact.<sup>45</sup>

### 2. Expenditures:

The clerks of court will no longer be required to notify surplus trustees nor furnish them with a copy of a final judgment. The impact on workload is expected to be neutral.<sup>46</sup>

## C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

According to DFS, the value of the surplus property assigned to surplus trustees since 2006 was \$105,575,140. The maximum amount that the surplus trustee industry could have charged for their services is \$12,699,017, which represents 12 percent of the total value of the disbursed property.<sup>47</sup> The minimum amount is \$2,111,503, representing the 2 percent search fee. There will be an indeterminate impact on surplus trustees.

## D. FISCAL COMMENTS:

None.

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<sup>43</sup> S. 45.035, F.S.

<sup>44</sup> Supra, FN 34.

<sup>45</sup> Florida Clerks of Court Operations Corporation, Legislative Bill Analysis for SB 536 (2017) (on file with Judiciary Committee).

<sup>46</sup> Id.

<sup>47</sup> Supra, FN 34.