

By Senator Grall

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1 A bill to be entitled
2 An act relating to the interest rates applicable to
3 the Interest on Trust Accounts Program; creating s.
4 655.97, F.S.; requiring the Chief Financial Officer to
5 establish quarterly two interest rate alternatives
6 applicable to the Interest on Trust Accounts (IOTA)
7 Program to determine interest paid to Funding Florida
8 Legal Aid (FFLA) by participating financial
9 institutions; requiring such institutions to select
10 one of the two rate alternatives annually; requiring
11 that each rate alternative be set at a specified rate;
12 requiring the Chief Financial Officer to inform FFLA
13 of the rate alternatives established for each upcoming
14 quarter; providing applicability; providing an
15 effective date.

16
17 WHEREAS, in September 1981, the Florida Supreme Court
18 implemented the nation's first Interest on Trust Accounts (IOTA)
19 Program, establishing a vital funding source for civil legal
20 aid, justice system improvements, and public service programs
21 for law students, and

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

26 WHEREAS, in March 2023, the Florida Supreme Court adopted
27 new rules requiring lawyers to secure interest rates based on
28 the Wall Street Journal Prime Rate, compelling banks to pay
29 higher rates for IOTA accounts than for similar accounts, and

29-00504C-25

2025498__

30 WHEREAS, 44 states, the District of Columbia, and Puerto
31 Rico have mandatory IOTA programs modeled after Florida's pre-
32 2023 system, while 5 states and the U.S. Virgin Islands operate
33 voluntary or opt-out programs, and

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

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

40 WHEREAS, the 2023 rule change resulted in banks paying
41 higher rates on funds in IOTA accounts, resulting in record
42 revenues, exceeding \$279 million, paid to FFLA during the 2023-
43 2024 fiscal year, nearly four times the prior peak rate, and far
44 exceeding average annual interest revenues, and

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

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

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

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

58 655.97 Interest on Trust Accounts Program interest rates.-

29-00504C-25

2025498__

59 (1) (a) Each December 1, March 1, June 1, and September 1,
60 the Chief Financial Officer shall establish two interest rate
61 alternatives applicable to the Interest on Trust Accounts (IOTA)
62 Program to determine interest paid to Funding Florida Legal Aid
63 (FFLA) by participating financial institutions. The rate
64 alternatives established by the Chief Financial Officer are
65 effective on the following January 1, April 1, July 1, and
66 October 1, respectively. Each participating financial
67 institution must annually select one of the two rate
68 alternatives.

69 (b) The first rate alternative must be set at the highest
70 interest rate or dividend generally available from the
71 institution to its comparable non-IOTA business or consumer
72 accounts or nonmaturing deposit accounts, provided that the IOTA
73 accounts meet or exceed the same minimum balance or other
74 account requirements. If a financial institution chooses to pay
75 the rate alternative provided by this paragraph, it must submit
76 a rate validation sheet to the Chief Financial Officer to ensure
77 that it has paid at least the same interest on IOTA accounts
78 that it paid on such other accounts.

79 (c) The second rate alternative must be set at 25 percent
80 of the federal funds target rate or 0.25 percent, whichever is
81 higher, net of fees. If a financial institution chooses to pay
82 the rate alternative provided by this paragraph, it is exempt
83 from the rate validation requirement established by paragraph
84 (b).

85 (2) Within 3 days after establishing interest rates under
86 subsection (1), the Chief Financial Officer shall inform FFLA of
87 the rate alternatives for the upcoming quarter.

29-00504C-25

2025498__

88 (3) This section does not apply to interest rates
89 established by written contract or obligations unrelated to IOTA
90 accounts.

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