



General Assembly

January Session, 2005

Raised Bill No. 1350

LCO No. 4463

04463_____JUD

Referred to Committee on Judiciary

Introduced by:
(JUD)

AN ACT CONCERNING THE INTEREST EARNED ON LAWYERS' CLIENTS' FUNDS ACCOUNTS PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 51-81c of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2005*):

3 (a) A program for the use of interest earned on lawyers' clients'
4 funds accounts is hereby established. The organization administering
5 the program shall use such interest to provide funding for (1) the
6 delivery of legal services to the poor by nonprofit corporations whose
7 principal purpose is providing legal services to the poor and (2) law
8 school scholarships based on financial need. Each lawyer and law firm
9 having a clients' funds account shall participate in [such] the program.
10 On and after July 1, 2005, each person or entity having an account
11 established to receive loan proceeds from a mortgage lender, as
12 defined in this subsection, shall participate in the program. Under the
13 program, funds in accounts established to receive such loan proceeds,
14 regardless of the amount, and clients' funds [, which] that are less than
15 ten thousand dollars in amount or [are] expected to be held for a
16 period of not more than sixty business days [,] shall be deposited by

17 participating lawyers, [and] law firms, persons or entities in interest-
18 bearing accounts specifically established pursuant to [this] the
19 program. Funds deposited in such accounts shall be subject to
20 withdrawal upon request by the depositor and without delay. The
21 interest earned [thereon] on such accounts shall be paid to an
22 organization qualified under Section 501(c)(3) of the Internal Revenue
23 Code of 1986, or any subsequent corresponding internal revenue code
24 of the United States, as from time to time amended, which shall be
25 designated to administer [such] the program by the judges of the
26 Superior Court pursuant to subsection (b) of this section. Nothing in
27 this section shall prevent a lawyer or law firm from depositing a
28 client's funds, regardless of the amount of such funds or the period for
29 which such funds are expected to be held, in a separate interest-
30 bearing account established on behalf of and for the benefit of the
31 client. The organization administering the program shall mail to each
32 lawyer, [or] law firm, person or entity participating in the program a
33 detailed annual report of all funds disbursed under the program
34 including the amount disbursed to each recipient of funds. Any
35 recipient of funds under the program which, using program funds,
36 represents a party in an action filed after July 1, 1992, against the state
37 or any officer or agency thereof and is awarded attorney's fees in such
38 action by the court, shall reimburse the program for the amount of
39 attorney's fees received in proportion to the percentage of program
40 funds used for the litigation. No recipient of funds under the program
41 may use such funds to pay the occupational tax imposed pursuant to
42 section 51-81b on behalf of any attorney. As used in this section,
43 "mortgage lender" means any person engaged in the business of
44 making first mortgage loans or second mortgage loans, including, but
45 not limited to, a bank, out-of-state bank, Connecticut credit union,
46 federal credit union, out-of-state credit union, first mortgage lender
47 required to be licensed under sections 36a-485 to 36a-498a, inclusive, or
48 second mortgage lender required to be licensed under sections 36a-510
49 to 36a-524, inclusive.

50 (b) The judges of the Superior Court shall adopt rules to implement

51 [this] the program for the use of interest earned on lawyers' clients'
52 funds accounts, [provided] except that nothing in this section shall
53 grant to the judges of the Superior Court or any other judicial
54 authority any legislative, regulatory or rule-making authority over
55 banks or other financial institutions.

56 (c) [This] The program shall not require the banking corporations or
57 financial institutions receiving such funds, holding such accounts and
58 paying interest [thereon] on such accounts to the depositors of the
59 account to perform any additional administrative functions or assume
60 any additional responsibilities or obligations in connection with [such]
61 the program or the accounts so maintained.

62 (d) An advisory panel shall be established to perform the functions
63 described in subsection (e) of this section consisting of five members to
64 be selected as follows: Three members shall be appointed by the
65 Governor, one of whom shall be an executive director of a nonprofit
66 corporation which provides legal services to the poor in this state; and
67 two members shall be appointed by the cochairpersons of the
68 [judiciary committee] joint standing committee of the General
69 Assembly having cognizance of matters relating to the judiciary. Each
70 member of the panel shall serve for a term which is coterminous with
71 the term of [his] the member's appointing authority. A vacancy shall
72 be filled by the original appointing authority for the balance of the
73 unexpired term.

74 (e) The advisory panel shall: (1) Consult with and make
75 recommendations to the tax-exempt organization administering the
76 program regarding the implementation and administration of the
77 program, including the methods of allocation and the allocation of
78 funds to be disbursed under [such] the program; (2) review and
79 evaluate, and monitor the impact of the program; and (3) report on the
80 program to the [judiciary committee] joint standing committee of the
81 General Assembly having cognizance of matters relating to the
82 judiciary and to the Chief Court Administrator, as may from time to

83 time be requested.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2005	51-81c

Statement of Purpose:

To provide that funds deposited in certain accounts to receive loan proceeds from a mortgage lender shall be subject to the requirements of the Interest on Lawyers Trust Account Program that provides funding for law school scholarships and legal services to the poor.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]