

**SUBSTITUTE FOR
HOUSE BILL NO. 4637**

A bill to regulate transportation network companies in this state; to provide for the powers and duties of certain state officers and entities; and to prescribe penalties and provide remedies.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "transportation network company act".

3 Sec. 3. As used in this act:

4 (a) "Department" means the state transportation department.

5 (b) "Digital network" means an online-enabled application,
6 software, website, or system offered or utilized by a
7 transportation network company that enables the prearrangement of
8 rides with transportation network company drivers.

9 (c) "Personal vehicle" means a motor vehicle that is used by a

1 transportation network company driver that satisfies both of the
2 following:

3 (i) The vehicle is owned, leased, or otherwise authorized for
4 use by the transportation network company driver.

5 (ii) The vehicle is not a taxicab, limousine, or commercial
6 vehicle.

7 (d) "Prearranged ride" means the provision of transportation
8 by a transportation network company driver to a transportation
9 network company rider, beginning when a transportation network
10 company driver accepts a ride requested by a transportation network
11 company rider through a digital network controlled by a
12 transportation network company, continuing while the transportation
13 network company driver transports the requesting transportation
14 network company rider, and ending when the last requesting
15 transportation network company rider departs from the personal
16 vehicle. Prearranged ride does not include a shared-expense
17 carpooling or vanpooling arrangement or transportation provided
18 using a taxicab, limousine, or other commercial vehicle.

19 (e) "Transportation network company" means a person operating
20 in this state that uses a digital network to connect transportation
21 network company riders to transportation network company drivers
22 who provide prearranged rides. Transportation network company does
23 not include a taxi service, transportation service arranged through
24 a transportation broker, ridesharing arrangement, or transportation
25 service using fixed routes at regular intervals.

26 (f) "Transportation network company driver" means an
27 individual who satisfies all of the following:

1 (i) Receives connections to potential passengers and related
2 services from a transportation network company in exchange for
3 payment of a fee to the transportation network company.

4 (ii) Uses a personal vehicle to offer or provide prearranged
5 rides to transportation network company riders upon connection
6 through a digital network controlled by a transportation network
7 company in return for compensation or payment of a fee.

8 (g) "Transportation network company rider" means an individual
9 who uses a transportation network company's digital network to
10 connect with a transportation network company driver who provides a
11 prearranged ride to the transportation network company rider in the
12 transportation network company driver's personal vehicle between
13 points chosen by the transportation network company rider.

14 Sec. 5. (1) Neither a transportation network company nor a
15 transportation network company driver shall be considered a common
16 carrier, motor carrier, or contract carrier, or to provide taxicab
17 or commercial vehicle service.

18 (2) A transportation network company driver is not required to
19 register his or her personal vehicle as a commercial or for-hire
20 vehicle.

21 (3) As used in this section, "motor carrier" means that term
22 as defined in section 1 of the motor carrier act, 1933 PA 254, MCL
23 475.1.

24 Sec. 7. (1) A transportation network company shall not operate
25 in this state without first having obtained a permit from the
26 department under this act.

27 (2) The department shall issue a permit to an applicant that

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- 1 meets the requirements of this act and pays a permit fee of [
2 \$1,000.00 if 100 or fewer personal vehicles have been approved for the
provision of prearranged rides through the transportation network
company's digital network, \$10,000.00 if between 101 and 1,000 personal
vehicles have been approved for the provision of prearranged rides
through the transportation network company's digital network, and
\$30,000.00 if more than 1,000 personal vehicles have been approved for
the provision of prearranged rides through the transportation network
company's digital network.] The department shall expend
3 money received from permit fees under this subsection to defray the
4 costs of enforcing this act.
5 (3) To obtain a permit under this act, a transportation
6 network company shall submit an application to the department that
7 includes all of the following information:
8 (a) Proof that the transportation network company has
9 satisfied the insurance requirements of this act.
10 (b) Name and contact information for a designated contact
11 person for the transportation network company.
12 (c) Whether the transportation network company is a
13 corporation, limited liability company, or other type of business
14 entity.
15 (d) The name and address of the applicant.
16 [(e) The number of personal vehicles that the transportation
17 network company has approved for the provision of prearranged rides
18 through the transportation network company's digital network, in 1 of the
19 following increments:
20 (i) Zero to 100.
21 (ii) One hundred and one to 1,000.
22 (iii) One thousand and one or higher.]
23 (4) The department may audit the records of that
24 transportation network company, including a random sample of the
25 transportation network company's records related to drivers, in
26 accordance with all of the following:
27 (a) The audit described in this subsection may be conducted no
more than 2 times per year.
(b) The audit may take place at a third-party location agreed
upon by the department and the transportation network company.
(c) Notwithstanding subdivision (a), the department may within
a reasonable time frame investigate a complaint related to public
safety or a violation of this act, if the department has received
details of the nature of the complaint before the investigation

1 takes place.

2 Sec. 9. A transportation network company operating under a
3 permit issued under this act shall maintain an agent authorized to
4 receive service of process in this state.

5 Sec. 11. On behalf of a transportation network company driver,
6 a transportation network company may charge and collect a fare for
7 services provided to a transportation network company rider, if all
8 of the following are satisfied:

9 (a) The transportation network company discloses the fare
10 calculation method on its website or within the software
11 application service.

12 (b) The transportation network company provides the
13 transportation network company rider with the applicable rate being
14 charged and the option to receive an estimated fare before the
15 transportation network company rider enters the transportation
16 network company driver's personal vehicle.

17 Sec. 13. A transportation network company's software
18 application or website shall display a picture of the
19 transportation network company driver and the registration plate
20 number of the personal vehicle to be used for the prearranged ride
21 before the transportation network company rider enters the
22 transportation network company driver's personal vehicle.

23 Sec. 15. Within a reasonable period of time after a
24 prearranged ride is completed, a transportation network company
25 shall transmit an electronic receipt to the transportation network
26 company rider listing all of the following information:

27 (a) The origin and destination of the trip.

1 (b) The total time and distance of the trip.

2 (c) An itemization of the total fare paid, if any.

3 Sec. 17. (1) Beginning on the effective date of this act, a
4 transportation network company driver, or a transportation network
5 company on a transportation network company driver's behalf, shall
6 maintain primary automobile insurance that recognizes that the
7 transportation network company driver uses the vehicle as a
8 transportation network company driver or otherwise uses a vehicle
9 to transport passengers for compensation and covers the
10 transportation network company driver while he or she is logged on
11 to the transportation network company's digital network or while he
12 or she is engaged in a prearranged ride.

13 (2) During the time that a transportation network company
14 driver is logged on to the transportation network company's digital
15 network and is available to receive transportation requests but is
16 not engaged in a prearranged ride, all of the following types of
17 automobile insurance are required:

18 (a) Residual third party automobile liability insurance as
19 required under chapter 31 of the insurance code of 1956, 1956 PA
20 218, MCL 500.3101 to 500.3179, in the amount of at least \$50,000.00
21 per person for death or bodily injury, \$100,000.00 per incident for
22 death or bodily injury, and \$25,000.00 for property damage.

23 (b) Personal protection insurance and property protection
24 insurance in the amounts and of the types of coverage required by
25 chapter 31 of the insurance code of 1956, 1956 PA 218, MCL 500.3101
26 to 500.3179.

27 (3) During the time that a transportation network company

1 driver is engaged in a prearranged ride, all of the following types
2 of automobile insurance are required:

3 (a) Residual third party automobile liability insurance with a
4 minimum combined single limit of \$1,000,000.00 for all bodily
5 injury or property damage.

6 (b) Personal protection insurance and property protection
7 insurance in the amounts and of the types of coverage required by
8 chapter 31 of the insurance code of 1956, 1956 PA 218, MCL 500.3101
9 to 500.3179.

10 (4) The requirements of subsections (2) and (3) may be
11 satisfied by automobile insurance maintained by a transportation
12 network company driver or a transportation network company, or a
13 combination of both.

14 (5) If the insurance required by subsection (2) or (3) lapses
15 or does not provide the required coverage, insurance maintained by
16 a transportation network company shall provide the coverage
17 required by this section, beginning with the first \$1.00 of a
18 claim, and the transportation network company's insurer shall
19 defend the claim.

20 (6) Coverage provided under an automobile insurance policy
21 maintained by a transportation network company shall not be
22 dependent upon a personal automobile insurer denying the claim
23 first and shall not require a personal automobile insurer to deny
24 the claim first.

25 (7) All of the following apply to the automobile insurance
26 described in subsections (2) and (3):

27 (a) It may be placed with an insurer licensed under chapter 4

1 of the insurance code of 1956, 1956 PA 218, MCL 500.402 to 500.480,
2 or, if the insurance is maintained by a transportation network
3 company, a surplus lines insurer eligible under chapter 19 of the
4 insurance code of 1956, 1956 PA 218, MCL 500.1901 to 500.1955.

5 (b) The insurance policy satisfies the financial
6 responsibility requirements described in chapter V of the Michigan
7 vehicle code, 1949 PA 300, MCL 257.501 to 257.532.

8 (8) A transportation network company driver shall carry proof
9 of the insurance required under subsections (2) and (3) with him or
10 her at all times during his or her use of a vehicle in connection
11 with a transportation network company's digital network. The
12 transportation network company driver may provide proof of
13 insurance by a paper or electronic copy of the certificate of
14 insurance. If an accident occurs during the time that a
15 transportation network company driver is using a vehicle in
16 connection with a transportation network company's digital network,
17 he or she shall provide all of the following information upon
18 request to directly interested parties, automobile insurers, and
19 investigating law enforcement officers as required under section
20 328 of the Michigan vehicle code, 1949 PA 300, MCL 257.328:

21 (a) Insurance coverage information.

22 (b) Whether he or she was logged on to the transportation
23 network company's digital network or on a prearranged ride at the
24 time of the accident.

25 (9) If a transportation network company's insurer makes a
26 payment for a claim covered under comprehensive coverage or
27 collision coverage, the transportation network company's insurer

1 shall issue the payment directly to the business repairing the
2 vehicle or jointly to the owner of the vehicle and the primary
3 lienholder on the vehicle.

4 (10) A transportation network company shall disclose all of
5 the following information in writing to a transportation network
6 company driver before that transportation network company driver
7 may accept a request for a prearranged ride on that transportation
8 network company's digital network:

9 (a) The insurance coverage, including the types of coverage
10 and limits for each type of coverage, that the transportation
11 network company provides while the transportation network company
12 driver uses a personal vehicle in connection with the
13 transportation network company's digital network.

14 (b) That, depending on the terms of the policy, the
15 transportation network company driver's personal automobile
16 insurance policy might not provide coverage while the
17 transportation network company driver is logged on to the
18 transportation network company's digital network or is engaged in a
19 prearranged ride.

20 (11) A transportation network company shall disclose on an
21 annual basis and in the event of a material reduction in insurance
22 coverage maintained by the transportation network company on behalf
23 of each transportation network company driver providing
24 transportation services for that transportation network company all
25 of the following information:

26 (a) The automobile insurance coverage, including the types of
27 coverage and limits for each type of coverage, that the

1 transportation network company maintains on behalf of each
2 transportation network company driver while he or she uses a
3 personal vehicle in connection with the transportation network
4 company's digital network.

5 (b) Whether the transportation network company maintains
6 comprehensive and collision insurance that covers a transportation
7 network company driver's personal vehicle and, if such coverage is
8 maintained by the transportation network company, the limits of
9 coverage, applicable deductible, and conditions under which the
10 coverage applies to a vehicle operated by a transportation network
11 company driver.

12 (12) A transportation network company shall disclose
13 prominently, with a separate acknowledgment of acceptance for
14 subdivisions (a) and (c), to a prospective transportation network
15 company driver in the transportation network company driver's
16 written terms of service all of the following before that driver
17 may accept a request for a prearranged ride on the transportation
18 network company's digital network:

19 (a) "Most personal auto insurance policies in Michigan exclude
20 comprehensive and collision coverage while you carry passengers for
21 charge in your motor vehicle and are logged into a transportation
22 network company's digital network or software application. I
23 acknowledge that my personal auto insurance policy may exclude
24 comprehensive and collision coverage while my motor vehicle is
25 carrying passengers for charge."

26 (b) "Is your motor vehicle subject to a lease, loan, or lien?
27 Please indicate Yes or No: _____."

1 (c) "Most auto loans and leases in Michigan require the
2 borrower to ensure that the motor vehicle is protected by
3 comprehensive and collision coverage. If your written agreement
4 with your lessor or loan provider requires you to maintain
5 comprehensive and collision insurance on the motor vehicle, using
6 the motor vehicle while logged onto a transportation network
7 company's digital network or software application may violate your
8 legal obligation to your lessor or loan provider under Michigan
9 law. I acknowledge that I may breach the terms of my auto loan or
10 lease if I fail to secure appropriate or additional comprehensive
11 and collision coverage during the term of the loan or lease, while
12 I carry passengers for charge in my motor vehicle.".

13 (13) As used in this section, "material reduction in insurance
14 coverage" does not include the replacement of insurance coverage
15 with substantially similar insurance coverage from a different
16 insurer by a transportation network company.

17 Sec. 19. (1) A transportation network company driver shall be
18 considered an independent contractor, and not an employee of a
19 transportation network company, if all of the following conditions
20 are met:

21 (a) The transportation network company does not prescribe the
22 specific hours during which the transportation network company
23 driver is required to be logged in to the transportation network
24 company's digital network.

25 (b) The transportation network company does not impose any
26 restrictions on the transportation network company driver's ability
27 to use other transportation network companies' digital networks.

1 (c) The transportation network company does not assign a
2 transportation network company driver a particular territory within
3 this state in which he or she may provide prearranged rides.

4 (d) The transportation network company does not restrict a
5 transportation network company driver from engaging in any other
6 occupation or business.

7 (e) The transportation network company and the transportation
8 network company driver agree in writing that the transportation
9 network company driver is an independent contractor.

10 (2) A transportation network company shall not be deemed to
11 control, direct, or manage a personal vehicle or a transportation
12 network company driver who connects to its digital network, unless
13 the parties have agreed otherwise in a written contract.

14 Sec. 21. (1) A transportation network company shall develop
15 and implement a zero-tolerance policy regarding a transportation
16 network company driver's activities while accessing the
17 transportation network company's digital network. The zero-
18 tolerance policy required under this subsection shall address the
19 use of drugs or alcohol while a transportation network company
20 driver is providing a prearranged ride or is logged in to the
21 transportation network company's digital network and available to
22 receive a transportation request.

23 (2) A transportation network company shall provide notice of
24 the zero-tolerance policy required under subsection (1) on its
25 website, and shall also provide on its website a procedure for a
26 transportation network company rider to report a complaint about a
27 transportation network company driver with whom the transportation

1 network company rider was matched and who the transportation
2 network company rider reasonably suspects was under the influence
3 of drugs or alcohol during a prearranged ride.

4 (3) Upon receipt of a complaint described in subsection (2), a
5 transportation network company shall immediately suspend the
6 transportation network company driver's access to the
7 transportation network company's digital network, and shall
8 investigate the incident. The transportation network company
9 driver's suspension shall last for the duration of the
10 investigation.

11 (4) A transportation network company shall maintain records of
12 a transportation network company rider complaint for at least 2
13 years after the date the complaint was received by the
14 transportation network company.

15 Sec. 23. (1) Before an individual may accept prearranged ride
16 requests as a transportation network company driver using a
17 transportation network company's digital network, he or she shall
18 submit an application to the transportation network company. The
19 application required under this subsection shall include, but is
20 not limited to, the applicant's name, address, age, operator's
21 license number, driving history, motor vehicle registration
22 information, and automobile liability insurance information. A
23 transportation network company receiving an application under this
24 subsection shall do both of the following before allowing the
25 applicant to accept prearranged ride requests as a transportation
26 network company driver using the transportation network company's
27 digital network:

1 (a) Annually conduct, or use a third party to annually
2 conduct, a local and national criminal background check of the
3 applicant. The background checks required under this subdivision
4 shall include a search of all of the following:

5 (i) A multistate or multi-jurisdiction criminal records
6 locator or similar commercial nationwide database with validation.

7 (ii) The national sex offender registry database.

8 (b) Obtain and review a driving history research report for
9 the applicant.

10 (2) A transportation network company shall not allow an
11 individual to accept prearranged ride requests as a transportation
12 network company driver using its digital network if any of the
13 following apply:

14 (a) The individual has had more than 3 moving violations or 1
15 major violation in the 3-year period before the date of the
16 application. As used in this subdivision, "major violation"
17 includes, but is not limited to, attempting to evade the police,
18 reckless driving, or driving on a suspended or revoked license.

19 (b) The individual was convicted within 7 years before the
20 date of the application of any of the following:

21 (i) Driving under the influence of drugs or alcohol.

22 (ii) Fraud.

23 (iii) A sexual offense.

24 (iv) Use of a motor vehicle to commit a felony.

25 (v) A crime involving property damage.

26 (vi) Theft.

27 (vii) An act of violence.

1 (viii) An act of terror.

2 (c) The individual is listed on the national sex offender
3 registry database.

4 (d) The individual does not possess a valid operator's license
5 issued under the Michigan vehicle code, 1949 PA 300, MCL 257.1 to
6 257.923.

7 (e) The individual does not possess proof of registration
8 issued under the Michigan vehicle code, 1949 PA 300, MCL 257.1 to
9 257.923, for each personal vehicle that he or she intends to use to
10 provide prearranged rides.

11 (f) The individual does not possess proof of automobile
12 liability insurance for each personal vehicle that he or she
13 intends to use to provide prearranged rides.

14 (g) The individual is under 19 years of age.

15 Sec. 25. A transportation network company shall not allow a
16 transportation network company driver to accept trip requests
17 through that transportation network company's digital platform
18 unless the transportation network company driver's vehicle has
19 undergone a safety inspection conducted annually by a mechanic
20 licensed by this state before being used to provide transportation
21 services. Each transportation network company driver shall provide
22 to the transportation network company documentation of the
23 inspection required by this section showing that all of the
24 following vehicle components were inspected:

25 (a) Foot brakes.

26 (b) Parking brakes.

27 (c) Steering mechanism.

- 1 (d) Windshield.
- 2 (e) Rear window and other glass.
- 3 (f) Windshield wipers.
- 4 (g) Headlights.
- 5 (h) Taillights.
- 6 (i) Brake lights.
- 7 (j) Front seat adjustment mechanism.
- 8 (k) Doors.
- 9 (l) Turn signal lights.
- 10 (m) Horn.
- 11 (n) Speedometer.
- 12 (o) Bumpers.
- 13 (p) Muffler and exhaust system.
- 14 (q) Tires, including tread depth.
- 15 (r) Interior and exterior mirrors.
- 16 (s) Safety belts.
- 17 (t) Defrosting system.

18 Sec. 27. A transportation network company driver shall not
19 solicit or accept a street hail and shall not use a taxi stand or
20 other area designated for use solely by taxis.

21 Sec. 29. (1) A transportation network company driver shall not
22 solicit or accept cash payments from transportation network company
23 riders for prearranged rides.

24 (2) A payment for a prearranged ride shall only be made
25 electronically using a transportation network company's digital
26 network or software application.

27 (3) A transportation network company shall adopt a policy

1 prohibiting a transportation network company driver from soliciting
2 or accepting cash payments from transportation network company
3 riders, and shall notify transportation network company drivers
4 using its digital platform of the policy required by this
5 subsection.

6 Sec. 31. (1) A transportation network company shall adopt a
7 policy of nondiscrimination with respect to transportation network
8 company riders and potential transportation network company riders
9 and shall notify transportation network company drivers of the
10 policy adopted under this subsection.

11 (2) A transportation network company driver shall comply with
12 all applicable laws regarding nondiscrimination against a
13 transportation network company rider or potential transportation
14 network company rider.

15 (3) A transportation network company driver shall comply with
16 all applicable laws regarding accommodation of service animals.

17 (4) A transportation network company shall not impose an
18 additional charge for providing services to a transportation
19 network company rider with a physical disability because of his or
20 her disability.

21 Sec. 33. A transportation network company driver shall not use
22 a vehicle provided by a car rental company to provide a prearranged
23 ride. As used in this section, "car rental company" means that term
24 as defined in section 3h of the Michigan consumer protection act,
25 1976 PA 331, MCL 445.903h.

26 Sec. 35. A personal vehicle shall display a consistent and
27 distinctive signage or emblem, which may be removable, that is

1 approved by the department at all times while the transportation
2 network company driver is engaged in a prearranged ride or
3 available to receive a transportation request. The signage or
4 emblem shall satisfy all of the following:

5 (a) The signage or emblem shall be sufficiently large and
6 color-contrasted to be readable during daylight hours from a
7 distance of at least 50 feet.

8 (b) The signage or emblem shall be reflective.

9 (c) The signage or emblem shall sufficiently identify the
10 transportation network company with which the vehicle is
11 affiliated.

12 Sec. 37. A transportation network company shall comply with
13 the Michigan consumer protection act, 1976 PA 331, MCL 445.901 to
14 445.922.

15 Sec. 39. A transportation network company shall maintain all
16 of the following records:

17 (a) Individual trip records of transportation network company
18 riders. An individual trip record shall be maintained for a period
19 of at least 1 year after the date the trip was provided. An
20 individual trip record shall contain all of the following
21 information:

22 (i) Pickup and drop-off location.

23 (ii) Duration of the trip, distance traveled, and fare.

24 (b) Individual records of transportation network company
25 drivers. An individual transportation network company driver record
26 shall be maintained for a period of at least 1 year after the
27 transportation network company driver ceases to provide prearranged

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1 rides using the transportation network company's digital network.

2 An individual transportation network company driver record shall
3 contain all of the following information:

4 (i) The name and contact information of the transportation
5 network company driver.

6 (ii) The make, model, and registration plate number of the
7 vehicle operated by the transportation network company driver.

8 Sec. 41. Except as otherwise provided in this section,
9 notwithstanding any other provision of law, transportation network
10 companies and transportation network company drivers operating in
11 this state are governed exclusively by this act and rules
12 promulgated by the department to administer this act under the
13 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
14 24.328. A local unit of government shall not impose a tax upon or
15 require a license for a transportation network company, a
16 transportation network company driver, or a personal vehicle, if
17 the tax or license is related to the provision of prearranged
18 rides. Except as otherwise provided in this section, a local unit
19 of government shall not enact or enforce an ordinance regulating a
20 transportation network company. A local unit of government may
21 issue a civil infraction to a transportation network company driver
22 for a violation of section 17(8), 27, 31, or 35. [An airport shall not
23 prohibit a transportation network company driver from picking up or
24 dropping off a transportation network company rider on airport property.
25 A transportation network company driver shall not be present on property
26 owned by an airport unless 1 or more of the following apply:
27 (a) The transportation network company driver is engaged in a
prearranged ride.
(b) The transportation network company driver is in the process of
vacating the property immediately after completing a prearranged ride.
(c) The transportation network company with which the
transportation network company driver is affiliated has entered into an
operating agreement with the airport that allows the transportation
network company driver to be present on airport property even if the
driver is not engaged in a prearranged ride.]

1 Sec. 43. (1) The department may impose a fine of not more than
2 \$500.00 upon a transportation network company that violates this
3 act. A fine imposed under this subsection shall be paid to the
4 department within 60 days after notification of the violation. All
5 of the following apply to a transportation network company that is
6 found to be in violation of this act:

7 (a) The transportation network company shall take the
8 necessary action to come into compliance with this act within 60
9 days after notification of noncompliance and submit proof of
10 compliance as requested by the department in its notification of
11 noncompliance.

12 (b) The department shall suspend the permit of a
13 transportation network company that fails to comply with
14 subdivision (a).

15 (c) The department shall reinstate the permit of a
16 transportation network company upon receiving proof of compliance
17 from the transportation network company under subdivision (a).

18 (2) The department may impose a fine of not more than \$50.00
19 upon a transportation network company driver who violates this act.
20 A fine imposed under this subsection shall be paid to the
21 department within 60 days after notification of the violation.

22 (3) All fines and fees collected under this act shall be
23 deposited in the comprehensive transportation fund created in
24 section 10b of 1951 PA 51, MCL 247.660b.

25 Sec. 45. The department may alter, suspend, or revoke a permit
26 issued under this act if the department determines in a contested
27 case hearing held under chapter 4 of the administrative procedures

1 act of 1969, 1969 PA 306, MCL 24.271 to 24.287, that a person to
2 whom a permit has been issued under this act has willfully violated
3 or refused to comply with this act.

4 Enacting section 1. This act takes effect 90 days after the
5 date it is enacted into law.

6 Enacting section 2. This act does not take effect unless House
7 Bill No. 4639 of the 98th Legislature is enacted into law.