Projected Labor Hours

The Section 3 New Rule went into effect on November 30, 2020, with a transitionary period lasting until July 1, 2021. All construction and housing contracts executed after November 30, 2020, are subject to compliance with the Section 3 New Rule. This guidance provides direction on a new reporting requirement that involves making Section 3 Labor Hour projections for the subsequent reporting quarter. Projected hours are not required for Annual reporting.

New Rule Safe Harbor Goals

- 25% of all labor hours must be performed by Section 3 workers.
- 5% of that 25% should be performed by Targeted Section 3 workers.
- Please note that Targeted workers *are* Section 3 workers. Therefore, the 5% allocation for targeted Section 3 workers contributes directly to the overall 25% requirement.

Reporting Projected Section 3 Labor Hours

The new rule requires grantees to report Projected Labor Hours for Section 3 workers on a quarterly and annual basis. We understand that each project is unique and projecting labor hours may be challenging; therefore, we have provided some basic guidance for calculating these *estimated* projection totals. Projected Section 3 Labor Hours for Section 3 workers and Targeted Section 3 workers can be calculated by dividing each safe harbor goal by 2. Dividing the total number of Section 3 labor hours by 2 provides a more reasonable projection target. Please see the example below.

Example

You have a construction project with an estimated 9,600 total labor hours. This total is determined by multiplying the estimated crew size by the estimated weekly hours and the estimated duration of the project. The 25% Safe Harbor goal has been achieved in this example by reaching 20% Section 3 Labor Hours and 5% Targeted Section 3 Labor Hours. To determine Projected Labor Hours, simply divide each Safe Harbor Goals by 2. Remember, these projections are estimates and do not need to be precise. For the example below, a 16-week timeframe was used to represent a full reporting period (one quarter).

Crew size	Time frame (weeks)	Estimate of weekly hours	**Total hrs.**	S3 Goal (20%)	**S3 Labor Hr. Projection**	T-S3 goal (5%)	**T-S3 Labor Hr. Projection**
12	16	50	**9,600**	1,920	**960**	480	**240**

$$Total\ labor\ hours = ((Crew\ size\ x\ Weekly\ hours)Time\ frame)$$
$$((12\ \text{x}\ 50)16) = \mathbf{9{,}600}$$

$$Section\ 3\ hours = \frac{(Total\ labor\ hours\ x\ .2)}{2}$$
$$\frac{(9{,}600\ \text{x}\ .20)}{2} = \mathbf{960}$$

$$Targeted\ Section\ 3\ hours = \frac{(Total\ labor\ hours\ x\ .05)}{2}$$
$$\frac{(9{,}600\ \text{x}\ .05)}{2} = \mathbf{240}$$

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Other methodologies to determine projections may include averages calculated from past projects of similar type, e.g., single-family housing project using averages calculated from a past single-family housing project. Please note, methods for determining projected Section 3 labor hours are at the contractor's discretion. The examples above are suggestions of possible methods to determine projected labor hours but are by no means the only options.

Reporting

All reporting metrics under the new rule should to be entered in TIGR. Subrecipients or their designees will report actual labor hours, qualitative measures, and may include comments on those qualitative measures in the "other" field of the Section 3 report in TIGR. **Until further notice, please include Total Section 3 Projected Labor Hours and Projected Section 3 Targeted Labor Hours in the "Other" section of the reporting page.** Projection totals should be entered for the subsequent quarter**.** For example, Q4 Projected Labor Hours will be included in Q3's report.

Projections should be entered in TIGR each quarter starting with FY23-Q4, due on September 10, 2023. For FY23-Q4, please include projection totals for FY24-Q1. The Section 3 reporting schedule is summarized below:

FY Reporting Schedule		
Report Type	**Reporting Period**	**Due Date**
Quarter 1	September 1 to November 30	December 10th
Quarter 2	December 1 to February 28	March 10th
Quarter 3	March 1 to May 31	June 10th
Quarter 4	June 1 to August 31	September 10th
Annual	September 1 to August 31	September 30th

F.A.Q.

1. **Am I required to provide labor hour projections for contracts that were executed after November 30th, 2020, but prior to this guidance?**

   Answer: Contractors will be required to provide labor hour projections for open contracts that are subject to the Section 3 new rule. Reporting projection totals for previous quarters will not be required. Projection totals should be entered in TIGR each quarter starting with FY23-Q4 (due September 10, 2023). For FY23-Q4, please include projection totals for FY24-Q1.

2. **Am I required to provide projected hours for contracts that were executed prior to November 30th, 2020?**

   Answer: No, this only applies to contracts that are subject to Section 3 New Rule and were executed after the end of the transition period on July 1, 2021

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3. **If no work is completed for a particular quarter, am I still required to enter labor hour projections?**

   Answer: No. If no work is projected for the forgoing quarter, you may simply include a note in TIGR stating, "No work is projected to be completed for the quarter."

4. **Will there be a penalty for not meeting projections?**

   Answer: There will be no penalties for failing to meet projected numbers. However, GLO's Section 3 coordinator will continue to review quarterly and annual reports to evaluate all quantitative and qualitative measures performed.

5. **Why is this required, and what is the purpose?**

   Answer: The Section 3 New Rule is a requirement under 24 CFR Part 75 and is meant to promote sustained employment and career development for Section 3 workers while focusing reporting on key metrics that align with standard business practices.

6. **Will this need to be reported for each individual project?**

   Answer: Reporting is required for all applicable portions of a contract. For example, you will report projected labor hours for a single-family housing contract as a whole, not the individual single-family units that fall under that contract. To explain this further if you have two contracts to construct 10 single family homes, with the contract numbers 22-123-123-J333 and 22-123-123-J334 you will submit separate reports for J333 and J334 which would encompass all 10 homes under each work order number rather than 20 individual reports.

7. **What if I do not have TIGR access?**

   Answer: If you do not have access to TIGR please reach out to the GLO Section 3 coordinator who can provide you with a form to report labor hours.

8. **Will we still be required to report on old rule projects?**

   Answer: Yes, you will continue to report on old rule projects using the same processes you have been.

For any questions or assistance, reach out to the GLO's Section 3 Coordinator, Justin Garcia, at justin.garcia.glo@recovery.texas.gov or the Section 3 inbox at Section3Inbox@recovery.texas.gov

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