

Service-Disabled Veteran-Owned Small Business Contracting Program Changes

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Annual Contracting Goal Increase

The National Defense Authorization Act (NDAA) for Fiscal Year 2024 (P.L. 118-31), enacted December 22, 2023, increased the federal government’s annual goal for contract awards to Service-Disabled Veteran-Owned Small Businesses (SDVOSBs). Per Section 863 of the new law, “not less than 5 percent” of the dollar value of prime contract and subcontract awards must now be awarded to SDVOSBs each year. Previously, this goal had been set at 3% by Section 502 of the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50). The SDVOSB goal is just one of five goals for contracting with small businesses set by Congress (see **Table 1**).

Table 1. Statutory Contracting Goals

Type of Firm	Goal	Measure of Contract Awards
Small Businesses	23%	Dollar value of prime contract awards
Small Disadvantaged Businesses (SDBs)	5% ^a	Dollar value of prime and subcontract awards
Women-Owned Small Businesses (WOSBs)	5%	Dollar value of prime and subcontract awards
Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)	5% ^b	Dollar value of prime and subcontract awards
HUB (Historically Underutilized Business) Zone Small Businesses	3%	Dollar value of prime and subcontract awards

Source: 15 U.S.C. §644(g)(1)(A); P.L. 118-31.

Notes: Prime contracts are made directly to a business from an agency. Subcontracts are made between prime contractors and businesses. Some federal prime contracts require a contractor to subcontract with small businesses to create more opportunities for those firms.

- Executive action increased the statutory SDB goal. In FY2024, agencies must collectively award at least 13% of contract spending to SDBs, per [Office of Management and Budget Memorandum M-24-01](#), in order to increase this share of award dollars to 15% by 2025.
- P.L. 118-31, the National Defense Authorization Act for Fiscal Year 2024, increased the SDVOSB goal from 3% to 5%.

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The prior 3% SDVOSB contracting goal was met for the first time in FY2012 and federal agencies have continued to meet it every year since. In FY2022, the most recent year for which [goal achievement data has been released](#), agencies collectively awarded 4.57% of prime contract dollars and 2.16% of subcontract dollars to SDVOSBs. Since FY2017, the government has awarded at least 4% of prime contract dollars to SDVOSBs (see [Table 2](#)).

Table 2. SDVOSB Contract Awards, FY2015-FY2022

(\$ in billions)

Fiscal Year	Amount of Federal Contract Award Dollars	Percentage of Prime Contract Awards	Percentage of Subcontract Awards
2022	\$28.1	4.57%	2.16%
2021	\$25.0	4.41%	2.14%
2020	\$23.7	4.23%	2.14%
2019	\$21.8	4.34%	1.95%
2018	\$20.6	4.27%	2.10%
2017	\$17.9	4.05%	1.90%
2016	\$16.3	3.98%	1.60%
2015	\$13.8	3.93%	1.80%

Sources: U.S. General Services Administration (GSA), “Sam.Gov Data Bank, Static: Small Business Goaling Report [FY2015-FY2022],” at <https://sam.gov/reports/awards/static>; Small Business Administration (SBA), “Small Business Procurement Scorecard [FY2015-FY2022],” at <https://www.sba.gov/document/support-small-business-procurement-scorecard-overview>.

Notes: SBA excludes certain contracts when procurement data is unavailable or because the work cannot realistically be performed by small businesses. According to the SBA’s Goaling Guidelines, most excluded contracts are acquisitions on behalf of foreign governments, awarded to mandatory and directed sources, or funded with non-appropriated, agency-generated funds. Purchases valued at less than \$10,000 are also excluded because they are not tracked in the Federal Procurement Data System. The value of contracts with these exclusions is referred to as the “small business eligible” value.

The Small Business Administration (SBA) oversees small business procurement goal-making for individual agencies and consults with them to establish annual goals that collectively add up to government-wide goals, as required by [Section 15\(g\)\(2\) of the Small Business Act](#). Agency goal attainment is an aspirational pursuit without punitive consequences for failure to meet goals. The SBA creates annual Small Business [Procurement Scorecards](#) and the GSA produces [annual reports](#), both of which can attract scrutiny of contracting practices. Any agency that does not achieve a goal must submit a “corrective action report” to the SBA, denoting the reasons it failed to achieve the goal and proposing a “corrective action plan.”

For more information on small business contracting goals, see CRS Insight IN12018, *Federal Small Business Contracting Goals*, [Federal Small Business Contracting Goals](#).

Certification of Firms

Coinciding with the increase in the SDVOSB contracting goal is implementation of a government-wide SDVOSB certification process, and the end of SDVOSB self-certification. Section 862 of the FY2021 NDAA (P.L. 116-283) required the SBA to establish this certification (and periodic recertification) process, transferring firm certification duties to the SBA from the Department of Veterans Affairs (VA). The VA will nevertheless continue to determine whether an individual qualifies as a veteran or

service-disabled veteran. The SBA has [issued regulations](#) for certification, available at [13 C.F.R. Part 128](#). In order to be eligible for SDVOSB contracting preferences such as contract set-asides and sole-source awards, a firm must be certified through the new SBA certification platform at <https://veterans.certify.sba.gov/>.

Although the FY2021 NDAA required SBA to establish a new SDVOSB certification process by January 1, 2023, SBA provided a one-year grace period to businesses. SDVOSBs were allowed to continue to self-certify during that period, which ended January 1, 2024. Some firms effectively have a longer grace period before certifying with SBA. According to [the final rule](#) implementing the new process, firms that had been “verified” by the VA’s former certification system prior to January 1, 2023, could be deemed “certified by SBA during the time that remains in the firm’s three-year term of [program] eligibility.”

With the start of 2024 and the recently increased SDVOSB contracting goal, agencies could face headwinds in pursuing the new SDVOSB goal while SDVOSBs adapt to the new certification process and attain necessary certification and recertification. For more information on the SDVOSB contracting program, see CRS Report R47226, *Federal Contracting by Veteran-Owned Small Businesses: An Overview and Analysis of Contemporary Issues*.

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