

Service-Disabled Veteran-Owned Small Business Contracting Program Changes

Updated June 6, 2024

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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IN12313

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-FY2023

(\$ in billions)

Fiscal Year	Amount of Federal Contract Award Dollars	Percentage of Prime Contract Awards	Percentage of Subcontract Awards
2023	\$31.9	5.07%	2.63%
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: Small Business Administration (SBA), “Small Business Procurement Scorecard [FY2015-FY2023],” 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. 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/>.

Furthermore, in order for agencies to count a contract with a SDVOSB toward their annual procurement goal, the award must be made to a certified SDVOSB (per Section 864 of the National Defense Authorization Act for Fiscal Year 2024 (P.L. 118-31)). Subcontract awards by prime contractors to SDVOSBs must also be made to certified firms in order for them to be counted toward agency SDVOSB subcontracting goals. According to a [direct final rule](#) issued by the SBA, regulations eliminating goal credit for contracts with self-certified SDVOSBs become effective August 5, 2024.

Agencies could face headwinds in meeting the SDVOSB goal, due to the increased goal level along with the change in how agencies may count contracts towards the goal. At the same time, there could be a smaller pool of SDVOSB suppliers for agencies and prime contractors; not all eligible SDVOSBs may necessarily obtain certification in time (or at all) for the existing pool to remain unchanged; the [SBA estimates](#) that “as many as 20,408 self-certified SDVOSBs” may still apply for certification. 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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