



# FY2025 NDAA: Department of Defense Small Business Contracting

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Congress has authorized the Department of Defense (DOD) to promote small business contracting, including set-asides under certain conditions, and to award [sole-source contracts](#) to small businesses, often through the annual National Defense Authorization Act (NDAA). Throughout its history, DOD has relied on contractors to support a wide range of military operations, including contracts and subcontracts with small businesses, such as small businesses owned by socially and economically disadvantaged individuals (SDBs), women-owned small businesses (WOSBs), small businesses located within Historically Underutilized Business Zones (HUBZones), and service-disabled veteran-owned small businesses (SDVOSBs).

This product provides an overview of selected small business DOD contracting-related provisions in the House-passed and Senate Armed Services Committee (SASC)-reported versions of an FY2025 NDAA ([H.R. 8070](#) and [S. 4638](#)). For more information on DOD contractors, see CRS In Focus IF10600, *Defense Primer: Department of Defense Contractors*; and for more information on small business contracting, see CRS Report R45576, *An Overview of Small Business Contracting*.

## Legislative Proposals

The FY2025 House-passed and SASC-reported NDAA versions both include provisions related to small business contracting. In past NDAAs, Congress has established, disestablished, amended, or directed study of elements of and processes related to small business initiatives, including set-asides and contracting goals. The House-passed and SASC-reported versions of an FY2025 NDAA include multiple proposals pertaining to DOD small business contracting, including small business contracting goals, procurement processes, and reporting and oversight requirements. **Table 1** summarizes selected provisions from H.R. 8070 and S. 4368.

**Table 1. Selected Small Business Contracting Proposals in the FY2024 NDAA Bills**

House-Passed <a href="#">H.R. 8070</a>	SASC-Reported <a href="#">S. 4638</a>
<b>Proposals Related to Small Business Contracting Goals</b>	

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House-Passed <b>H.R. 8070</b>	SASC-Reported <b>S. 4638</b>
§861 would establish a new annual DOD contracting goal for non-disabled, veteran-owned small businesses to be not less than 5% of prime and subcontract award dollars.	No similar provision.
§863 would require DOD to provide training to DOD acquisition personnel to promote contracts with SDVOSBs if DOD fails to reach its SDVOSB contracting goal.	No similar provision.
<b>Proposals Related to the Small Business Vendor Pool</b>	
§862 would require that DOD include military research and educational institutions part of its <a href="#">Small Business Technology Transfer program (STTR)</a> .	§863 would require that DOD establish a pilot program to include military research and educational institutions as part of its STTR program.
§865 would expand a DOD pilot program “under which there have been establishment of locations at which small business concerns...may access shared commercial classified infrastructure.” The expansion would include at least six new locations for shared access of classified information for small businesses, contractors, and higher education institutions.	No similar provision.
No similar provision.	§864 would require that DOD establish a pilot program “to more rapidly estimate allocations for the SBIR and STTR programs,” calculate them at above certain floors, and determine and adjust actual allocations within 30 days of enactment of an appropriations bill.
<b>Proposals Related to DOD Procurement Processes for Small Businesses</b>	
§864 would require that DOD notices for small business contracting opportunities be written “in a manner that is clear, concise, and accessible to a small business concern” and include “key words in the description of the covered notice” such that a small business concern can “easily identify and understand such covered notice.”	No similar provision.
No similar provision.	§861 would require that DOD establish a pilot program to track the number and amounts of small business and “nontraditional defense contractor” contract awards made through Other Transaction Authority (OTA).
No similar provision.	§862 would require that DOD develop a “Small Business Bill of Rights,” to improve DOD communications with small business professionals “related to customer service issues, obtain timely responses, and establish a resolution process construct that all [DOD] components must adhere to.”

**Source:** CRS analysis of legislation.

## Discussion

### Small Business Contracting Goals

[Section 861](#) of H.R. 8070 would require DOD to create an annual contracting goal for non-service disabled veteran-owned small businesses (VOSBs), of not less than 5% of contract award dollars, inclusive of subcontract awards. This section also provides DOD VOSB contract set-aside and sole-source award authorities. It is unclear how the new VOSB goal might impact set-asides and sole-source awards for other types of small businesses for which there are contracting goals (i.e., women-owned small businesses, small disadvantaged businesses, HUBZone businesses, and SDVOSBs).

There are currently five annual government-wide statutory small business contracting goals, including to award 5% of prime contract dollars and 5% of subcontract dollars to SDVOSBs. DOD pursues these goals, as do other agencies. Although no government-wide procurement goal for non-disabled veteran-owned small businesses exists, the Department of Veterans Affairs (VA) has a contracting goal for VOSBs, which is inclusive of non-service disabled VOSBs as well as SDVOSBs. For more information on small business contracting goals, see CRS Insight IN12018, *Federal Small Business Contracting Goals*. For more information on VOSB contracting, see CRS Report R47226, *Federal Contracting by Veteran-Owned Small Businesses: An Overview and Analysis of Contemporary Issues*.

The Small Business Administration (SBA) creates annual [Small Business Procurement Scorecards](#) and the [General Services Administration \(GSA\)](#) produces [annual reports](#), 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." [Section 863](#) of H.R. 8070 would require training for DOD procurement personnel if DOD fails to reach its annual SDVOSB contracting goal. Presently, agency small business contracting goal attainment is an aspirational pursuit with no remedial or punitive consequences for failure to meet goals.

## DOD Procurement Processes for Small Business

[Section 862](#) of S. 4638 requires DOD to develop a "Small Business Bill of Rights," to improve customer service for small business contractors, and increase "the likelihood that small businesses continue to conduct business with [DOD]." While "rights" for small business contractors are not explicitly outlined in this provision, the provision creates administrative requirements of DOD that may assist small business contractors with issues or concerns. For example, DOD "components" would be required to "track and report annual metrics of customer service issues."

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