Service-Disabled Veteran-Owned Small Business Contracting Program

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Among federal small business contracting programs (see CRS Report R45576, *An Overview of Small Business Contracting*) that provide contracting preferences to small businesses, the federal preference for small businesses owned by veterans is specifically for those who are *service-disabled*, known as the service-disabled veteran-owned small business (SDVOSB) contracting program. Separately, the Department of Veterans Affairs (VA) administers a unique program limited to its agency that provides contracting preferences for nondisabled veteran-owned small businesses (VOSBs) but grants priority consideration to SDVOSBs. This In Focus describes SDVOSB program features and requirements, briefly summarizes the VA's VOSB program, and highlights recurring congressional issues of interest related to the promotion of federal contracting with veteran-owned small businesses. For an in-depth discussion of SDVOSB and VOSB policy, see CRS Report R47226, *Federal Contracting by Veteran-Owned Small Businesses: An Overview and Analysis of Contemporary Issues*.

SDVOSB Program Background

Government-wide SDVOSB Contracting Goal and Preferences Granted to SDVOSBs

The Veterans Entrepreneurship and Small Business Development Act of 1999, P.L. 106-50, created a 3% government-wide annual procurement goal for SDVOSBs, applicable to prime contracts (made directly to a business from a government agency) and subcontracts (made between prime contractors and other businesses). The dollar value of SDVOSB contracts has increased each year since FY2003, and the 3% goal was met for the first time in FY2012. The goal was increased to 5% in P.L. 118-31, the National Defense Authorization Act (NDAA) for Fiscal Year 2024. Agencies surpassed 5% in FY2023, FY2024, and FY2025. The percentage of subcontract dollars awarded to SDVOSBs has not met the 3% goal (recent data is available from the SBA's annual procurement "scorecards").

To help the government reach its goal, federal contracting officers may limit competition for contracts for SDVOSBs under specified circumstances, by creating a "set-aside" for SDVOSBs. Contracting officers may also award a sole source contract to an SDVOSB without competition as long as the responsible contractor is able to perform the contract; the award can be made at a "fair and reasonable price;" and the anticipated award price of the contract will not exceed certain thresholds (see CRS In Focus IF13123, *Acquisition Thresholds for Small Business Contractors*).

Other Statutory Small Business Contracting Goals and Preferences

The SDVOSB goal is just one of five statutory goals for federal contracting with small businesses (see CRS Insight IN12018, *Federal Small Business Contracting Goals*). Other government-wide procurement goals for both prime and subcontract dollars have been established for small businesses generally (P.L. 100-656 and P.L. 105-135); small businesses owned by socially and economically disadvantaged individuals (P.L. 100-656); women-owned small businesses (P.L. 103-355); and small businesses located within a HUBZone (P.L. 105-135). In addition, various provisions of the Small Business Act authorize or, in some cases, require, agencies to provide small businesses a preference when making a contract award (see CRS In Focus IF13046, *The Rule of Two in Federal Procurement*).

SDVOSB Certification

Eligible SDVOSBs must be at least 51% owned and controlled by a service-disabled veteran (13 C.F.R. §128.200(b)(2)). An exception allows the surviving spouse of a deceased service-disabled veteran small business owner to be eligible for the program (See 13 C.F.R. §128.202(i)). Section 862 of the FY2021 NDAA (P.L. 116-283) required the creation of a government-wide SDVOSB certification process by January 1, 2023, and the end of SDVOSB self-certification. Business owners apply for SDVOSB certification through the SBA's certification system (at https://certifications.sba.gov/), though it is the VA that determines whether an individual qualifies as a service-disabled veteran. Business owners seeking to remain certified must recertify their eligibility every three years (13 C.F.R. §128.306).

SDVOSB Contract Awards

The table below shows the aggregate amounts of prime contract dollars awarded to SDVOSBs across all agencies for each fiscal year, 2019-2025. The percentage of dollars awarded as prime contracts and subcontracts to SDVOSBs is also shown.

Table 1. Service-Disabled Veteran-Owned Small Business Contract Awards, FY2019–FY2025

($ in billions)

Fiscal Year	Prime Contract Award Dollars	Percentage of Eligible Prime Awards	Percentage of Subcontract Awards
2025	$32.5	5.01%	2.42%
2024	$32.8	5.14%	2.65%
2023	$31.9	5.07%	2.63%
2022	$27.0	4.45%	2.16%
2021	$25.0	4.41%	2.14%
2020	$23.7	4.23%	2.14%
2019	$21.8	4.34%	1.95%

Source: SBA, "Small Business Procurement Scorecard [FY2019-FY2025]," at https://www.sba.gov/certifications/scorecard-summary/.

Notes: The "eligible" contract award amount used to calculate percentages excludes certain contracts, such as acquisitions on behalf of foreign governments and those funded with non-appropriated, agency-generated funds. Purchases valued at less than the micro-purchase threshold are also excluded because they are not tracked in the Federal Procurement Data System.

Veterans Affairs VOSB Program

Congress established separate SDVOSB and VOSB contracting preferences at VA, known as the Veterans First program (38 U.S.C. §8127(c)-(d)). VA contracting officers must set aside contracts for SDVOSBs and VOSBs according to an order of priority, as follows:

1. SDVOSBs,
2. VOSBs,
3. 8(a) program participants or HUBZone small businesses,
4. Other small businesses with a preference of some kind (48 C.F.R. §819.7005).

VA contracting officers may award contracts on a sole source basis as long as the contract award will not exceed a certain threshold and the award can be made at a fair and reasonable price. Again prioritizing SDVOSBs, sole source awards can only be made to a VOSB if no responsible SDVOSB has been identified (38 U.S.C. §8127(c); 48 C.F.R. §819.7007; 48 C.F.R. §819.7008).

VOSBs are certified by the SBA through the same online platform as SDVOSBs (https://certifications.sba.gov/). Sometimes referred to as "VetCert," SBA's certification system replaced an older system managed by VA, per Section 862 of the FY2021 NDAA (P.L. 116-283). Like SDVOSBs, VOSBs must be recertified every three years to remain eligible for VA contracting preferences (13 C.F.R. §128.306).

VOSB and SDVOSB Contract Awards by VA

The table below shows the contract dollars awarded to VOSBs and SDVOSBs by VA each fiscal year, 2019-2025. It also shows the percentage, or share, of prime contract dollars that were awarded to VOSBs and SDVOSBs.

Table 2. VA Prime Contract Awards to VOSBs and SDVOSBs, FY2019-FY2025
($ in billions)

Fiscal Year	Prime VOSB Contract Dollars	Percentage VOSB Prime Awards	Prime SDVOSB Contract Dollars	Percentage SDVOSB Prime Awards
2025	$10.3	22.1%	$10.1	21.6%
2024	$10.4	24.1%	$10.2	23.6%
2023	$10.6	17%	$10.4	16.7%
2022	$9.3	16.5%	$9.2	16.3%
2021	$8.4	24.2%	$8.2	23.8%
2020	$7.5	20.4%	$7.5	20.2%
2019	$6.5	23.7%	$6.4	23.4%

Source: U.S. General Services Administration, "Sam.Gov Data Bank, Static: Small Business Goaling Report [FY2019-FY2025]," at https://sam.gov/reports/awards/static.
Notes: Percentages are based on the "eligible" contract award amount, which excludes certain contracts (see Table 1 note).

State and Local Government Programs

State and local governments have contracting programs for veteran-owned firms, including programs that rely on federal certifications. For example, Colorado bases eligibility for state-level contracting preferences on SBA's SDVOSB program eligibility criteria and certification, and Massachusetts accepts SBA's VOSB and SDVOSB certifications for its supplier diversity program. Many other states and localities maintain their own contracting programs with state-specific documentation requirements and certification processes.

Congressional Interest

Support for SDVOSB and VOSB participation in federal contracting remains broadly popular and proposals introduced in recent congresses are aimed at SDVOSBs as well as VOSBs. Some proposed legislation would increase the sole source limit for SDVOSBs, potentially allowing these firms to obtain larger, noncompete contracts: H.R. 3065, introduced in the 117th Congress, H.R. 6648 in the 119th Congress. Other proposed legislation would create agency training requirements aimed at increasing contract awards to SDVOSBs: H.R. 865 and S. 2510 in the 119th Congress.

Because the Department of Defense (DOD; DOD is "using a secondary Department of War designation," under Executive Order 14347, dated September 5, 2025) awards more contract dollars than any other agency, some legislation has sought to directly increase DOD's share of awards to veteran business owners: Section 861 of the House-passed NDAA for FY2025 (H.R. 8070) would have established 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. In the 118th Congress, H.R. 7401, would create a statutory SDVOSB contracting goal and a VOSB contracting goal for DOD that is at least as high as the government-wide SDVOSB goal, in addition to establishing a hierarchy among small business contracting programs at DOD, in which SDVOSBs, followed by VOSBs, are preferred among other types of small businesses. DOD has awarded a little more than 3% of contract dollars to SDVOSBs in recent fiscal years.

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