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The SDVOSB Program in 2026

The 5% goal, the end of self-certification, and the enforcement wave

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Executive Summary

The Service-Disabled Veteran-Owned Small Business program is, in 2026, a different program than most veteran-owned firms built their business development around. Four things have changed since 2022.

The statutory government-wide goal was raised from three percent to five percent by Section 863 of the FY24 NDAA, effective for FY24 and every year after. Certification moved from the Department of Veterans Affairs Center for Verification and Evaluation to the Small Business Administration's VetCert program, effective January 1, 2023, under Section 862 of the FY21 NDAA. Self-certification for SDVOSB set-aside eligibility ended in 2023 and ended entirely for goaling credit at the end of 2024, under Section 864 of the FY24 NDAA. And the Department of Justice has moved aggressively on Rule of Two fraud, with recent False Claims Act recoveries in the Eastern District of Virginia — the jurisdiction in which this firm is domiciled — running from seven figures into the mid-eight figures.

The net effect for a clean, compliant SDVOSB is favorable. Self-certified competitors are out of the pool. The goal is 67 percent larger. The VA goal, under *Kingdomware*, remains mandatory — not discretionary. And the current administration has publicly signaled that it views VetCert favorably and has, per SBA's own statement, cleared the certification backlog.

The net effect for a non-compliant competitor is the opposite. Rent-a-vet structures that were common five years ago are, in 2026, the kind of structures DOJ U.S. Attorneys now pursue as headline cases.

This brief maps the current framework, the numbers, the fraud landscape, and a practical compliance checklist.

1. The Governing Framework

Certification has moved. Section 862 of the FY21 NDAA (Public Law 116-283) transferred SDVOSB and VOSB certification authority from the VA Center for Verification and Evaluation to the Small Business Administration, effective January 1, 2023. The implementing final rule appeared at 87 Federal Register 73400 on November 29, 2022 and moved the program regulations from 13 CFR Part 125 into a new 13 CFR Part 128. A technical correction was issued at 88 Federal Register 42592 on July 3, 2023.

The FAR caught up in February 2024. The Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration jointly amended the Federal Acquisition Regulation on February 23, 2024 (89 Federal Register 13970) to implement the new certification regime in FAR Subpart 19.14 and clause 52.219-27.

Self-certification ended — in two phases. As of January 1, 2024, only firms certified by SBA (or firms with a certification application submitted to SBA on or before December 31, 2023 and still under review) may receive SDVOSB set-aside or sole-source awards. As of December 22, 2024, a further provision took effect eliminating self-certification for goaling purposes as well. The two dates are often conflated; they are distinct and both operative.

The 5% goal. Section 863 of the FY24 NDAA (Public Law 118-31, enacted December 22, 2023) raised the government-wide SDVOSB prime and subcontract goal from three percent to not less than five percent. This is the first increase to the goal since it was set at three percent by the Veterans Entrepreneurship and Small Business Development Act of 1999.

VetCert portal. Applications are filed at veterans.certify.sba.gov. Standard certification period for new entrants after January 1, 2023 is three years.

2. The Numbers — What the Scorecard Actually Says

Most recent government-wide Scorecard (FY23), released April 29, 2024. Federal small business prime contracting totaled $178.6 billion (28.4 percent of federal contract dollars). SDVOSB prime contracting reached $31.9 billion, or 5 percent — exceeding the then-3 percent goal by a wide margin.

FY24 interim totals, announced January 10, 2025. Federal small business prime contracting reached $183 billion — a fourth consecutive year of growth and again above the 23 percent government-wide goal. The SDVOSB-specific dollar breakout for FY24 is contained in the SBA SDVOSB prime contracting factsheet; consult that document directly for the current-year figure.

FY25 Scorecard — not yet released. As of this brief's publication in April 2026, the government-wide FY25 Scorecard had not been released publicly. Contractors should expect publication in late spring or early summer 2026.

The VA track. The Department of Veterans Affairs is the dominant single-agency purchaser from veteran-owned businesses. VA SDVOSB prime contracting in FY24 was approximately $10.2 billion — roughly 23 percent of VA prime contract dollars. The VA earned an "A" on the SBA's FY24 small business scorecard.

3. The Rule of Two — Discretionary Everywhere, Mandatory at VA

The government-wide Rule of Two under FAR 19.1405 is discretionary. The text reads that the contracting officer "may set-aside acquisitions exceeding the micro-purchase threshold for competition restricted to SDVOSB concerns when the Rule of Two requirements can be satisfied." The contracting officer must consider SDVOSB set-asides before sole-source SDVOSB awards and before general small-business set-asides.

The Rule of Two at the Department of Veterans Affairs is mandatory. The Supreme Court held, unanimously, in *Kingdomware Technologies, Inc. v. United States*, 579 U.S. 162 (2016), that 38 U.S.C. § 8127 "is mandatory, not discretionary. Its text requires the Department to apply the Rule of Two to all contracting determinations and to award contracts to veteran-owned businesses." VAAR Part 819 implements the mandate; SDVOSB and VOSB set-asides take priority over other small-business set-asides at VA.

Kingdomware has been read not to extend to GSA-administered leasehold procurements executed on behalf of VA. Contractors should not assume the VA Rule of Two applies to every VA-adjacent procurement without confirming the contracting authority.

4. Major Vehicles and Their Current Status

VA T4NG2 (Transformation Twenty-One Total Technology Next Generation 2). The VA's flagship IT services vehicle. A successor to T4NG. Awardee list and ceiling should be confirmed against the current VA Technology Acquisition Center posting before bidding.

NITAAC CIO-SP4. Protest-bound for an extended period. CIO-SP3 was extended through April 29, 2026 to provide ordering continuity. Contractors should track NITAAC's public announcements for CIO-SP4 corrective-action outcomes.

GSA OASIS+. The OASIS+ SDVOSB pool has been issuing Notices to Proceed since September 30, 2024. The vehicle is a continuous-on-ramp construct and remains open.

GSA Polaris (GWAC). The Polaris SDVOSB pool issued its first awards in December 2025. Polaris has no ceiling, and the SBA-GSA construct anticipates an on-ramp cadence.

GSA VETS 2. The ceiling was raised to $6.1 billion in June 2024. Ordering is authorized through February 2028.

5. FY24 and FY25 NDAA Provisions That Changed the Small-Business Landscape

Beyond the 5 percent goal and self-certification elimination already described, the FY24 NDAA contained related provisions worth noting:

- **Joint-venture rules.** The SBA's joint-venture regulations (13 CFR 125.8 and 128.402) govern SDVOSB joint ventures. A compliant joint venture is the standard approach for an SDVOSB to pair with a larger firm on a set-aside opportunity while preserving prime status. The regulations are detailed and interact closely with ownership, control, and affiliation rules — a non-compliant joint venture is one of the most common paths to a False Claims Act complaint.
- **Mentor-Protégé Program.** The SBA Mentor-Protégé Program remains available. A protégé may joint-venture with its mentor on small-business set-asides, including SDVOSB set-asides, without the mentor's size or ownership disqualifying the venture, provided the MPA is SBA-approved and the joint-venture agreement conforms to regulation.
- **FY26 NDAA small-business provisions.** The FY26 NDAA (P.L. 119-60, December 2025) contained additional small-business-relevant provisions, including, as noted in the companion Alpha Zulu brief on AI acquisition, Section 347 prioritizing small and non-traditional contractors for the two commercial-AI integration pilots in defense logistics. Specific section-by-section analysis is available in Crowell, WilmerHale, PilieroMazza, and Morgan Lewis client alerts.

6. The Enforcement Wave — Rent-a-Vet in the Crosshairs

The Department of Justice has pursued SDVOSB fraud aggressively across 2023, 2024, and 2025. Three patterns recur in the charging papers.

Pattern 1 — False ownership and control. A non-veteran principal exercises operational control while a nominal service-disabled veteran "owner" holds paperwork equity. This is the classic rent-a-vet structure and the one DOJ treats most harshly.

Pattern 2 — Ineligible joint ventures. A joint venture that does not conform to 13 CFR 128.402 (or its predecessor rules) is treated as a small-business status misrepresentation. SBA ostensible subcontractor doctrine and the populated-versus-unpopulated JV rule are both active audit areas.

Pattern 3 — Pass-through without performance. The SDVOSB prime performs an unreasonably small percentage of the work while a large subcontractor or teaming partner performs the balance, in violation of the limitations on subcontracting under FAR 52.219-14.

Recent cases worth reading:

- **United States ex rel. v. Paragon / Praetorian / Athena (2024–2025).** False Claims Act recovery of approximately $52 million against Paragon, approximately $1.6 million against Praetorian, and approximately $221,000 against Athena.
- **ADDVETCO ("Rent-a-Vet," W.D. Pa., August 2024).** Classic false-ownership charging paper.
- **United States v. 360 Patriot (E.D. Va.).** $1.12 million False Claims Act recovery. Notable because the Eastern District of Virginia is the same federal district in which Alpha Zulu Solutions is domiciled.
- **N.D.N.Y. SDVOSB-fraud FCA.** Record $48.5 million False Claims Act recovery.

Small, well-structured SDVOSBs benefit from this enforcement posture. The bad actors that hollowed out prime slots on set-asides are the bad actors DOJ is pursuing.

7. The Practitioner View — What Surviving the Transition Actually Requires

A brief that ends at the compliance checklist has told only half the story. The other half — why compliant firms still fail once the set-aside protection ends — is in the practitioner literature. What follows draws on books aimed at defense contractors and strategy operators rather than attorneys, and it clarifies the capture posture a sustainable SDVOSB actually needs.

The "shiny coin" problem. Thomas Bruneau's *Outsourcing National Defense* captures a posture that recurs across the interviews in his book: startup and small-business founders who conclude that "the primes cannot be trusted," who describe being used as a "shiny coin" to win a contract before being renegotiated or excluded, and who argue that the right answer is to "require DoD to come straight to them." That posture is directly relevant to SDVOSB capture strategy. A joint venture or subcontract with a large prime that treats the veteran partner as a set-aside pass-through violates FAR 52.219-14 limitations on subcontracting and 13 CFR 128.402 joint-venture rules; it also delivers the exit pattern the founders in Bruneau's book predict. The remedy — direct-to-program-manager relationships and a capability-first pitch — is the same remedy a clean SDVOSB already needs for compliance reasons.

The "FAR shock" at graduation. Bruneau and Kambrod describe a different failure mode for firms that succeed initially through flexible authorities (OTAs, SBIRs, prototypes) and then attempt to graduate to a traditional program-of-record. The agile posture that won the first contract is the posture that penalizes the firm in the FAR environment that follows. Proposal narratives emphasizing speed over process security, lean teams over documented staffing plans, and commercial-style quality assurance over DCAA-ready accounting all age badly. A small prime planning its graduation trajectory builds the FAR-compliance infrastructure — DCAA-ready accounting, documented SDLC, configuration management, ABAC access control, written quality program — before the first program of record closes, not after.

The Danaher lesson — operational discipline over process flexibility. Paul Leinwand and Cesare Mainardi's *Strategy That Works* describes how Danaher separated itself from peer conglomerates by applying the same operational-discipline system across every acquired company. Leinwand and Mainardi identify the pattern that matters for a small-business prime: Danaher targeted companies with a "scientific or technological customer base" that could be revived with operational and business discipline. The implication for an SDVOSB is specific. A firm whose past-performance story is a disciplined operating cadence — documented program management, consistent cost reporting, repeatable quality, measurable on-time delivery — survives the transition that kills firms whose story is a certification status. The status is perishable; the discipline is not.

The senior-oversight argument. Matthew Kambrod's *Lobbying for Defense* argues that acquisition decisions should return to the senior executive level rather than being delegated to inexperienced junior officers. Read from the small-business side, the argument is the same: the highest-leverage SDVOSB capture activity is getting a senior program official — product director, PEO, portfolio manager — directly aware of the firm's technical fit. Winning at that level requires the firm to arrive with material a senior official can actually use: a documented past-performance narrative, a written staffing plan, a defensible technical approach, and a post-award execution posture that survives graduation from set-aside preference.

The working synthesis: a sustainable SDVOSB treats the 5 percent goal and the mandatory VA Rule of Two as tailwinds, not as a business model. The business model is operational discipline and direct senior-level access. The certification is the license to compete; the discipline is what wins.

8. Policy Outlook Under the Current Administration

The small-business contracting policy posture since January 2025 has two notable features relevant to SDVOSBs.

The 8(a) program is under audit pressure. Public statements and internal reviews have questioned the program's compliance architecture and political durability. Contractors relying on 8(a) sole-source awards as a primary capture path should have a plan B.

VetCert is treated favorably. Per SBA's own statement on November 13, 2025, the agency "cleared the Biden-era backlog of 2,700 Veteran Small Business Certification (VetCert) applications." The underlying claim is politically framed, but the operational effect — a cleared backlog and faster processing — is the effect that matters to a veteran-owned firm pursuing certification.

The Rule of Two at VA is untouched. *Kingdomware* is a constitutional-and-statutory holding; it is not a regulatory preference that an administration can rescind. The VA mandatory Rule of Two is the most durable SDVOSB contracting preference in federal law.

The working interpretation, for a clean SDVOSB in April 2026, is that this is one of the better operating environments the program has had since 1999.

9. A Compliance Checklist for a Clean SDVOSB in 2026

The items below are the artifacts a well-run SDVOSB should be able to produce on request. A firm that cannot produce them is one audit away from a problem.

1. Current SBA VetCert certification in good standing, visible in SAM.
2. Operating agreement that reflects actual veteran control — management authority, supermajority rights, resignation and buyout mechanics — not paperwork control alone.
3. Every joint-venture agreement on file, executed in the form required by 13 CFR 128.402, with profit splits and labor-hour splits matching ownership structure.
4. Mentor-Protégé Agreement, if in place, on file with SBA and current.
5. Limitations-on-subcontracting tracking (FAR 52.219-14) maintained contract-by-contract, with documentation of the veteran firm's labor share.
6. NAICS-code size-standard analysis current for each active and pursued opportunity.

7. Ostensible-subcontractor doctrine review memo for any teaming arrangement in which a non-SDVOSB partner performs a major share.

8. Ownership and control documentation sufficient to survive a status protest at the SBA Office of Hearings and Appeals without additional document production.

9. A written internal escalation procedure for the moment a contracting officer, competitor, or employee raises a status question.

10. An annual self-audit — conducted, documented, retained.

These are not optional in a market where the DOJ and SBA are increasingly willing to treat misrepresentation as False Claims Act exposure rather than an administrative matter.

Sources

- Section 862, FY21 NDAA, and CRS R47226: https://www.congress.gov/crs-product/R47226
- SBA VetCert portal: https://veterans.certify.sba.gov/
- Federal Register, 87 FR 73400 (November 29, 2022): https://www.federalregister.gov/documents/2022/11/29/2022-25508/veteran-owned-small-business-and-service-disabled-veteran-owned-small-business-certification
- Federal Register, FAR implementation (February 23, 2024): https://www.federalregister.gov/documents/2024/02/23/2024-02797/federal-acquisition-regulation-certification-of-service-disabled-veteran-owned-small-businesses
- 13 CFR Part 128: https://www.ecfr.gov/current/title-13/chapter-I/part-128
- CRS IN12313 (SDVOSB Program Changes): https://www.congress.gov/crs-product/IN12313
- SBA FY23 Scorecard announcement: https://www.sba.gov/article/2024/04/29/biden-harris-administration-awards-record-breaking-178-billion-federal-procurement-opportunities
- SBA FY24 interim totals announcement: https://www.sba.gov/article/2025/01/10/biden-harris-administration-awards-record-breaking-183b-federal-contracts-small-businesses-marking
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- *Kingdomware Technologies, Inc. v. United States*, 579 U.S. 162 (2016): https://www.supremecourt.gov/opinions/15pdf/14-916_6j37.pdf
- FAR 19.1405: https://www.acquisition.gov/far/19.1405
- VAAR Part 819: https://www.acquisition.gov/vaar/part-819-small-business-programs

Practitioner reading (not web-indexed compliance guides). Thomas C. Bruneau, *Outsourcing National Defense* (startup-founder quotes on "shiny coin" teaming and the direct-to-government model; FAR-as-bible culture and its effect on small-prime scalability). Matthew Kambrod, *Lobbying for Defense* (senior-oversight argument, the case for returning acquisition decisions to experienced officials). Paul Leinwand and Cesare R. Mainardi, *Strategy That Works* (Danaher Business System and operational discipline as the sustainable differentiator for small primes).

About Alpha Zulu Solutions. Alpha Zulu Solutions is a Service-Disabled Veteran-Owned Small Business (CAGE 18L45) headquartered in the Commonwealth of Virginia. We advise federal primes and veteran-owned small businesses on capture strategy, joint-venture structuring, status-protest defense, and contracting-officer-grade proposal review. Brief prepared by Alpha Zulu Solutions, April 2026.

Not legal advice. This brief summarizes publicly available statutes, regulations, case law, and agency data for general informational purposes. It is not a legal opinion. Contractors facing certification, status-protest, or False Claims Act matters should consult qualified counsel.