

PI Article: What is MTDC?

While the world of higher education (and sponsored research in particular) is often filled with lots of acronyms, one very prevalent acronym is MTDC. MTDC, which stands for Modified Total Direct Costs, functions in two primary ways:

1. It represents the most common denominator of an institution's negotiated Facilities and Administrative (F&A) rates - which are calculated as a fraction and expressed as a percentage, and
2. It is the portion of an individual sponsored award's direct costs to which the institution's applicable F&A rate for that award is applied.

A screen shot of Georgia Tech's current F&A Rate Agreement is shown below, with our definition of MTDC described under the Distribution Bases section.

Section I: RATES - TYPE:			PREDETERMINED (PRED)			
F&A Rates:						
TYPE	FROM	TO	RATE	BASE	APPLICABLE TO	LOCATION
Pred	7/1/2025	6/30/2027	57.4%	(a)	Organized Research (1)	On Campus
Pred	7/1/2025	6/30/2027	26.0%	(a)	Organized Research (1)	Off Campus
Pred	7/1/2025	6/30/2027	66.5%	(a)	Organized Research (2)	On Campus
Pred	7/1/2025	6/30/2027	35.2%	(a)	Organized Research (2)	Off Campus
Pred	7/1/2025	6/30/2027	36.7%	(a)	Other Sponsored Activities	On Campus
Pred	7/1/2025	6/30/2027	52.8%	(a)	Sponsored Instruction	On Campus
<u>DISTRIBUTION BASES</u>						
(a) Modified Total Direct Costs (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.						

The "exclusions" section of the definition is particularly relevant, because any cost directly charged to a sponsored award in one of these categories is not only excluded from the denominator of our calculations for our proposed and negotiated rates, but it will also NOT be assessed the F&A rate when subsequently charged to a sponsored award. The underlying rationale is that excluded costs generally do not generate institutional administrative or facilities burden in the same proportion as salaries, supplies, and routine sponsored activity.

As a result of MTDC:

- The direct costs on an award will often be a mix of costs that bear F&A and costs that do not.
- Two awards with the same total direct costs can produce different F&A recovery amounts because one award may have a different ratio of MTDC to non-MTDC than the other award.
- An award containing substantial equipment, tuition, participant support, or large subawards will have a lower effective F&A percentage than an award without these costs.

If you have any questions on the contents of this article, please contact Josh Rosenberg at josh.rosenberg@business.gatech.edu.