

Internet Corporation for Assigned Names and Numbers (ICANN) FY21 Draft Budget

20 December 2019



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1 Introduction

This document contains the Internet Corporation for Assigned Names and Numbers (ICANN) fiscal year 2021 (FY21) Draft Budget. ICANN's FY21 fiscal year comprises the following dates:

1 July 2020 - 30 June 2021

The Draft Budget includes a detailed overview of ICANN's financial plan for FY21. For operating plans and five-year financial projections, please see separate document titled: FY21–25 Operating & Financial Plan and FY21 Operating Plan & Budget.

Community Input Into ICANN's Planning Processes

Enabling stakeholder engagement in ICANN's planning process, through accessible information and effective interaction, is a fundamental part of ICANN's multistakeholder model. The ICANN FY21 Draft Budget is now available for Public Comment as is required by ICANN's Bylaws, and in accordance with ICANN's Public Comment process. The publishing of the ICANN FY21 Draft Budget for Public Comment is a key element of transparency and community engagement in ICANN's planning process.

ICANN welcomes and recognizes the past, present, and future engagement of all stakeholders into the ICANN's planning process, whether relative to the strategic plan, operating plan, budget, or ongoing operational and financial updates.

Need Help Understanding the Draft Budget?

The [Acronyms and Terms feature on ICANN.org](#) defines and explains the terminology used in this document.

What is in the FY21 Draft Budget?

The following section explains the terms used to describe the constituent elements of the overall ICANN Draft Budget.

Total ICANN

Total ICANN describes both budgetary components of ICANN (ICANN Operations & New gTLD Program) combined with the IANA Budget.

ICANN Operations

ICANN Operations consists of the ongoing activities performed to coordinate the Internet's technical functions including, but not limited to, such activities as the technical coordination of the domain name system (DNS), management of generic top-level domains, oversight of contractual compliance, and the coordination of the unique identifiers and codes that keep the Internet running smoothly. These activities include the development of policies designed to maintain the security, stability, and resiliency of the DNS.

New Generic Top-Level Domain Program

The New Generic Top-Level Domain Program (New gTLD Program) is coordinated by ICANN org to enable the expansion of the DNS. The New gTLD Program has made it possible for communities, governments, businesses, and brands to apply to operate a gTLD registry, the database of all domain names registered in a top-level domain. The New gTLD Program aims to enhance innovation, competition, and consumer choice.

Public Technical Identifiers

[Public Technical Identifiers](#) (PTI) is a nonprofit organization and affiliate of ICANN that was created in 2016. ICANN org has delegated the performance of most of the Internet Assigned Numbers Authority ([IANA](#)) functions to PTI. The [IANA functions](#) include management of Internet number resources, management of the DNS [root zone](#), and other operational aspects of coordinating the Internet's unique identifiers.

The Draft Budget includes:

- Highlights of ICANN Operations, excluding the New gTLD Program, which is covered separately.
- Activities that have already been submitted for Public Comment and as a part of the IANA Functions FY21 Operating Plan & Budget.
- Highlights from the New gTLD Program.
- Overview of ICANN's FY21 Draft Budget, combining ICANN Operations and the New gTLD Program.

The Appendix includes data on FY21 expenses planned for each functional activity. Each functional activity is also mapped to one of the five objectives of the ICANN Strategic Plan for fiscal years 2021–2025 (FY21-FY25).

Where relevant, comparative information for FY20 is provided, using budget and forecast figures. Any arithmetic inconsistencies are due to rounding.

IANA Operations

The IANA FY21 Operating Plan & Budget was submitted for Public Comment in September 2019 and will be considered for adoption by the ICANN Board in January 2020.

IANA operations are a part of ICANN's total operations and are documented in ICANN's FY21 Operating Plan & Budget.

2 Planning and Budget Overview

The following illustration depicts the five-year planning cycle for fiscal years 2021 through 2025 (FY21-FY25). The planning process consists of the ICANN Strategic Plan for FY21-FY25 and the Five-Year Operating Plan, which provide input and a basis for the annual planning process. The process includes consultation on and development of the IANA Functions Operating Plan & Budget, which feeds into the total ICANN Operating Plan and Budget.



3 ICANN Operations

This section provides an overview of the ICANN Operations funding and cash expenses.

3.1 Financial Overview

3.1.1 FY21 Draft Budget versus FY20 Adopted Budget

The following table compares the FY21 Draft Budget to the Adopted FY20 Budget (the last budget previously submitted for Public Comment). Compared to the FY20 Adopted Budget, the FY21 Draft Budget funding is \$0.3 million higher, and expenses are \$0.3 million higher. The FY21 Draft Budget plans for a \$3.0 million contribution to the Reserve Fund.

in Millions, USD	FY21 Draft Budget			FY20 Adopted Budget			Increase/(Decrease) vs. FY20 Budget			
	ICANN Operations	IANA –PTI	Total ICANN Operations	ICANN Operations	IANA –PTI	Total ICANN Operations	ICANN Operations	IANA –PTI	Total ICANN Operations	%
Funding	\$129.8	\$10.6	\$140.4	\$129.4	\$10.7	\$140.1	\$0.4	(\$0.1)	\$0.3	0.2%
Personnel	71.7	6.6	78.3	70.0	6.2	76.3	1.6	0.4	2.0	3%
Travel & Meetings	15.1	0.5	15.6	15.1	0.6	15.7	(0.0)	(0.0)	(0.1)	0%
Professional Services	18.5	1.7	20.2	19.7	1.9	21.5	(1.1)	(0.2)	(1.3)	-6%
Administration ⁽¹⁾ & Capital	16.8	1.3	18.1	16.8	1.6	18.4	(0.0)	(0.3)	(0.3)	-2%
Contingency ⁽²⁾	4.7	0.5	5.2	4.8	0.5	5.2	(0.0)	(0.0)	(0.0)	-1%
Cash Expenses	\$126.8	\$10.6	\$137.4	\$126.4	\$10.7	\$137.1	\$0.4	(\$0.1)	\$0.3	0.2%
Increase/ (Decrease) to Net Assets	\$3.0	\$0.0	\$3.0	\$3.0	\$0.0	\$3.0	(\$0.0)	(\$0.0)	(\$0.0)	0.0%
Reserve Fund	\$3.0	\$0.0	\$3.0	\$3.0	\$0.0	\$3.0	\$0.0	\$0.0	\$0.0	0.0%
Increase/ (Decrease) to Net Assets	(\$0.0)	\$0.0	(\$0.0)	(\$0.0)	\$0.0	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	0.0%
Average Headcount	385	25	410	380	24	405	5	0	5	1%

(1) ICANN Operations cash expenses excludes depreciation expense and bad debt expense.

(2) The FY21 contingency expense represents an amount of budgeted expenses unallocated to specific activities.

3.1.2 ICANN Financial Trend

This section is an overview of FY21 projections. ICANN org recognizes the need to establish long-term financial planning during the strategic plan development process. The Board requested that ICANN org develop an approach for long-term financial planning, including how to engage and inform the community.

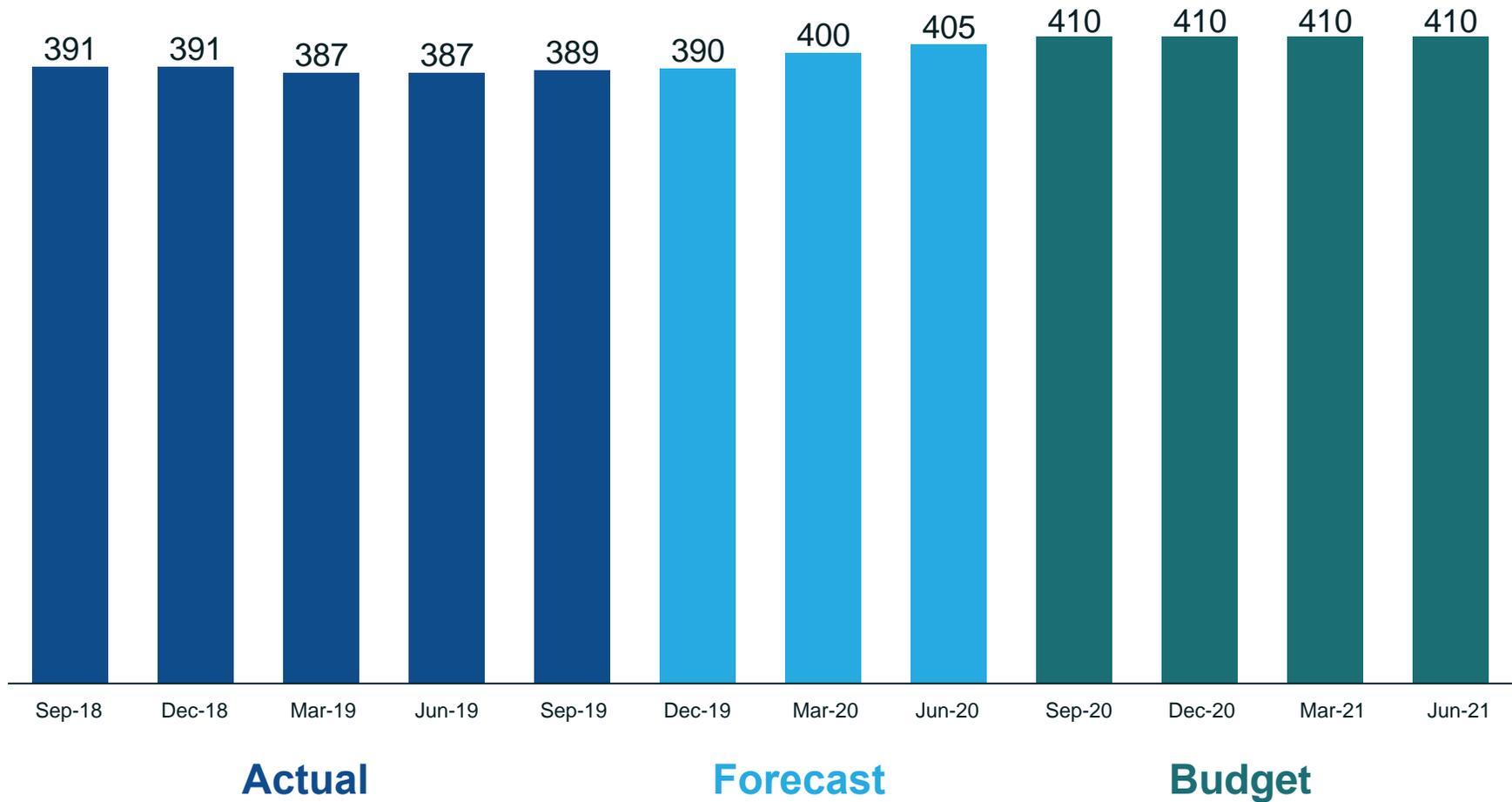
In Millions, USD	FY18 Actuals	FY19 Actuals	FY20 Adopted Budget	FY21 Draft Budget
	Total ICANN Operations	Total ICANN Operations	Total ICANN Operations	Total ICANN Operations
Funding	\$133.8	\$136.4	\$140.1	\$140.4
Personnel	69.9	72.3	76.3	78.3
Travel & Meetings	15.7	15.5	15.7	15.6
Professional Services	25.1	23.4	21.5	20.2
Administration ⁽¹⁾ & Capital	20.2	18.9	18.4	18.1
Contingency ⁽²⁾			5.2	5.2
Cash Expenses	\$130.9	\$130.0	\$137.1	\$137.4
Increase/ (Decrease) to Net Assets	\$3.0	\$6.4	\$3.0	\$3.0
Reserve Fund	3.0	3.0	3.0	3.0
Increase/ (Decrease) to Net Assets	(\$0.0)	\$3.4	(\$0.0)	(\$0.0)
Average Headcount	397	390	405	410

(1) ICANN Operations cash expenses excludes depreciation expense and bad debt expense.

(2) The FY20 and FY21 contingency expense represents an amount of budgeted expenses that are not allocated to specific activities or departments. FY18 & FY19 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

3.1.3 Three-Year Headcount Overview

The following headcount chart shows the average number of ICANN org personnel working in each period. New gTLD Program personnel who previously reported under the program are now in ICANN Operations and will continue to support the program as required.



3.2 ICANN Operations Funding

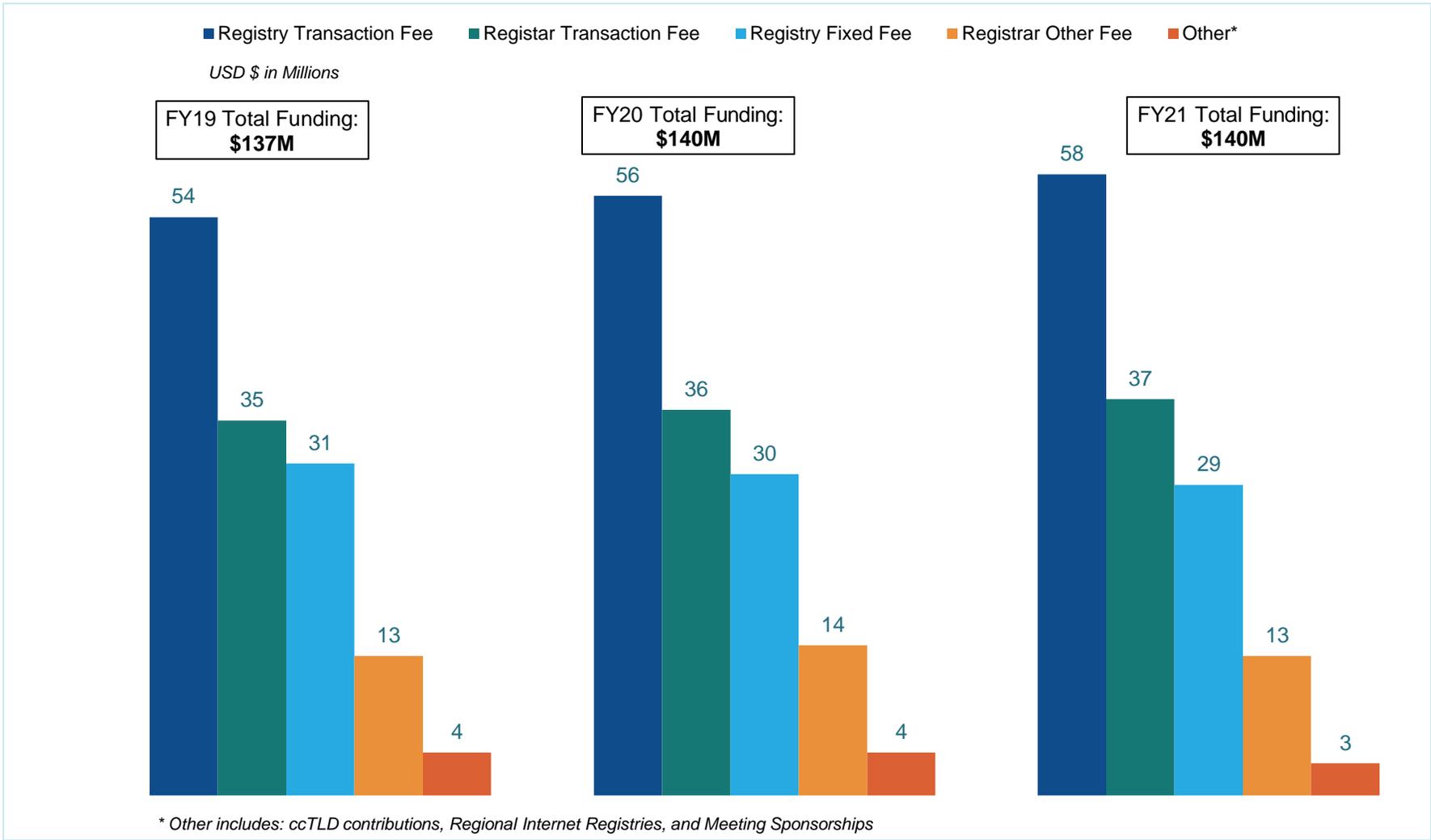
This section is an overview of ICANN’s funding, using assumptions that support the FY21 estimates. The information in the “Best Estimate” columns match the FY21 funding included in the FY21 Draft Budget. The information in the High and Low Estimate columns explain how funding items vary from the Best Estimate.

	Funding Type	Best Estimate	High Estimate	Low Estimate
Legacy TLDs	Transaction-based Fees	4.1% growth, reflecting increased rate vs. prior years	4.9% growth, as per 5-year CAGR ⁽¹⁾ with 2% increase in projected transaction volume	(2.9%) decline in Legacy TLDs
	Fixed Fees	Decline of 7 TLDs – starting FY21 with 1,170 and ending with 1,163	Increase of 19 TLDs starting FY21 with 1,170 and ending with 1,189	Decrease of 22 TLDs starting FY21 with 1,170 and ending with 1,148
New TLDs	Transaction-based Fees	2.4% growth in transactions estimated using the per-TLD average number of transactions per month since delegation (average transactions during month 1, month 2,...)	10.4% growth	(4.1%) decline in Transaction-based Fees

(1) Compound Annual Growth Rate

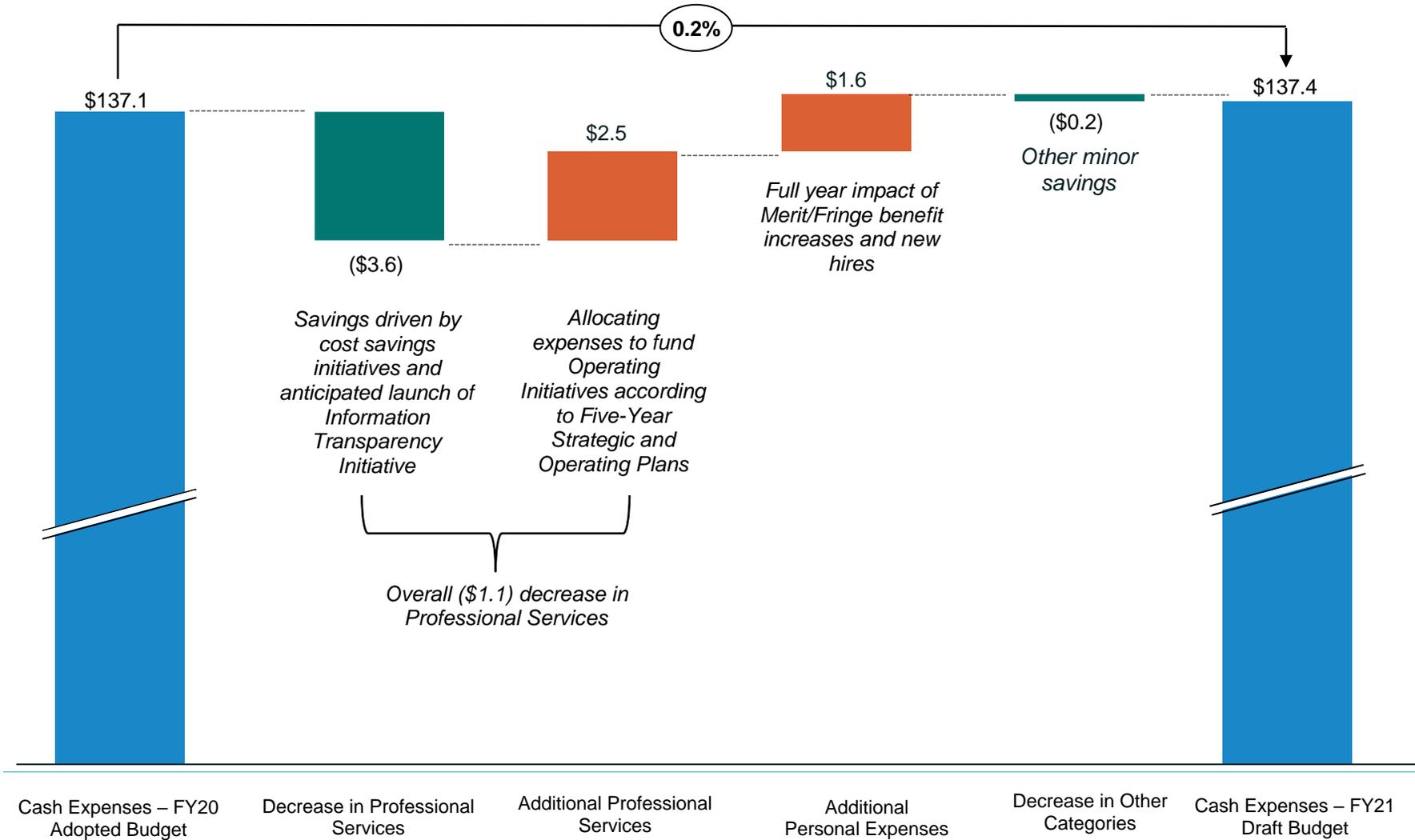
	Funding Type	Best Estimate	High Estimate	Low Estimate
Registrar Accreditation	Application Fees	Reflects no new application fees, stays flat from FY20	Reflects 60 new registrar accreditation applications annually from FY2021-FY2025	Reflects no new registrar accreditation applications
	Accreditation Fees	Registrar base declines by 100 accreditations in FY2021	Registrar base increases by 136 accreditations in FY2021	Registrar base declines by 224 accreditations in FY2021
	Per-registrar Variable Fees	\$3.4 million, consistent with prior years	\$3.4 million, consistent with prior years	\$3.4 million, consistent with prior years

The chart below shows ICANN Operations funding trends by source category. The figures incorporate the Best Estimate information in the previous chart. The FY21 Draft Budget funding is \$140.4 million, reflecting a modest growth from the FY20 Adopted Budget of \$140.1 million. See appendix for additional funding detail.



3.3 ICANN Operations Cash Expenses

In the FY21 Draft Budget, the baseline cash expenses (excluding contingency) for ICANN Operations are \$137.4 million. This is \$0.3 million higher than the \$137.1 million in the FY20 Adopted Budget. The comments in the following chart identify the variances in cash expenses. Please note the bars in the chart are not to scale.



3.3.2 Constituent Travel

ICANN provides travel support for selected community members to: (i) advance the work of ICANN; (ii) provide support for those who might otherwise not be able to afford to attend ICANN meetings; and (iii) broaden participation in ICANN's processes. [ICANN.org](https://www.icann.org) publishes travel guidelines and regular reports that form the basis for making travel allocations.

The number, cost, and support of funded seats for Supporting Organization and Advisory Committee (SO/AC) constituent travel remain at FY20 levels. Likewise, the number of travel seats funded for Fellows and NextGen at each of the three ICANN Public Meetings remains the same as FY20 levels. In FY21, the SO/AC Additional Budget Requests estimate of \$300K will remain the same as it was in FY20.

ICANN Meeting Constituent Travel by SO/AC	ICANN69 - Hamburg		ICANN70 - Cancun		ICANN71 - The Hague	
	TRIPS	AMOUNT	TRIPS	AMOUNT	TRIPS	AMOUNT
ALAC	29	\$99,981	29	\$73,567	29	\$97,851
Fellows	45	\$146,250	45	\$112,500	45	\$146,250
ccNSO	17	\$60,981	17	\$43,567	17	\$58,851
GAC	40	\$130,000	40	\$100,000	40	\$130,000
GNSO	49	\$164,981	49	\$123,567	49	\$162,851
NextGen	15	\$48,750	15	\$37,500	15	\$48,750
RSSAC	6	\$30,962	6	\$17,134	6	\$26,703
SSAC	16	\$57,731	16	\$41,067	16	\$55,601
Technical Liaison Group	8	\$66,648	8	\$23,336	8	\$26,000
Incoming Travelers	10	\$32,500	-	-	-	-
NomCom Selectees	4	\$13,000	-	-	-	-
Total	239	\$851,784	225	\$572,238	225	\$752,858
ICANN Meetings Subtotal	\$2,176,880					

continued

OTHER SO/AC Events	
Placeholder for SO-AC Additional Budget Requests	\$300,000
LACRALO General Assembly in Cancun	\$104,286
EURALO Assembly in Trieste, Italy	\$65,115
CROP Program	\$50,000
Total	\$519,402
FY21 Budget - Constituent Travel	\$2,696,282

3.4 Risks and Opportunities

This section identifies risks and opportunities in the FY21 Draft Budget. Each is classified as related to funding or expense, a potential US dollar impact is estimated, and each is assigned a probability of “Low,” “Medium,” or “High.”

A risk is defined as “lower funding” or “higher expense.” An opportunity is defined as “higher funding” or “lower expense.”

Risks	Potential Amount	Probability
Funding: lower legacy and new gTLD transaction volumes	-\$0.5 million	Low
Funding: lower funding from registrar fixed fees	-\$0.5 million	Low
Expense: costs resulting from Board-approved implementation (CCTRT, WS2, EPDP, RSSAC 37-38, etc.)	-\$1.5 million	Medium
Expense: GDPR compliance	TBD	Medium
Expense: Litigation and Accountability Mechanisms risk	TBD	Unknown

Opportunities	Potential Amount	Probability
Funding: higher new gTLD transaction growth	+\$0.5 million	Low
Expense: lower than budget based on historical trends	+\$1.5 million	Medium

3.5 Contingency & Activities in Progress

Only activities supporting the implementation of Board-approved policies or review recommendations are specifically included in the Budget. Implementation activities for policies or review recommendations not yet approved by the Board will be scheduled, if and when approved by the Board, on the basis of resources reallocated from other activities.

3.5.1 Contingency

The contingency is an amount of expenses included in the budget, but not allocated to any specific activities. This allows for the flexibility to cover the difference between projected and actual costs, expenses impossible to forecast such as the costs of litigation, or activities that have been confirmed for implementation by the Board after the Budget was finalized. The contingency in the FY21 Draft Budget is \$5.2M (approximately 4% of total expenses).

The following key projects potentially have unforeseen expenses that may require contingency funding:

- New gTLD Subsequent Procedures policy development process (PDP)
- Specific and Organizational Reviews
- Policy development and compliance required by the European Union's General Data Protection Regulation (GDPR)
- The Cross-Community Working Group on Enhancing ICANN Accountability, Work Stream 2
- Other unanticipated expenses

3.5.2 Potential Implementation Projects and Activities

ICANN org supports the community-based activities, which leads to review recommendations and cross-community working group recommendations, policy drafts, and advice recommendations. At any point in time, there are such recommendations and policies that are at any of these stages of progress: initiation, development, finalization, board consideration, implementation planning, and implementation.

As recommendations and policies move forward and reach the stage of Board consideration, ICANN org can then design the expected implementation work.

The resources supporting the implementation of these recommendations consist mainly of the ICANN org personnel contributing as required based on the nature of implementation work. Some additional specific resources may be required on a case by case basis. During the annual planning cycle, the implementation activities expected to occur during the year planned for are incorporated into the annual operating plan.

See [Appendix A](#) of FY21-FY25 Operating & Financial Plan for more information on the implementation activities expected to occur during the five-year plan. The implementation activities below are expected to take place in FY21.

Implementation of Recommendations from Review Teams

In general, review team recommendations that were not or have not yet been approved by the Board are not included in the FY21 Draft Budget. When the Board reviews recommendations, it considers resource requirements as part of its overall review. Review recommendations may be accepted with scheduled implementation (by ICANN org or by community organizations as appropriate),, accepted with delayed implementation, or rejected. This approach, which involves discussion with the community, applies to all review recommendations not yet approved by the Board, including Registration Directory Service (RDS) Review; Competition, Consumer Trust and Consumer Choice (CCT) Review; and Second Security, Stability, and Resiliency of the DNS Review (SSR2).

Data Privacy-Related FY21 Implementation Activities

Data privacy encompasses specific areas of work, such as GDPR implementation and the e-privacy directive. These have resources allocated for FY20 because ICANN org anticipates implementation work for GDPR to conclude in FY20. Consequently, no resources have been allocated specifically for GDPR-related implementation work in FY21.

Cross-Community Working Group on Enhancing ICANN's Accountability (CCWG-Accountability) Work Stream 2 (WS2) Implementation

The recommendations from the CCWG-Accountability WS2 have been recently adopted by the Board during the ICANN66 meeting. At the time of publication of this document, ICANN org has initiated the development of an implementation plan. Until such plan is completed, the implementation activities and resource required are unknown. However, as the plan is being developed, gets completed and potentially adopted by the Board between the time of publication of this document and the end of FY21, such plan will include suggested funding mechanisms for the implementation activities, including for those that are suggested to be implemented during FY21, through contingency funding or other mechanisms as appropriate.

Auction Proceeds

Auction proceeds are generated from ICANN-authorized service provider auctions as the method of last resort to resolve string contention in the New gTLD Program.

The Cross-Community Working Group on New gTLD Auction Proceeds (CCWG-AP) is currently developing recommendations on how to allocate the proceeds. The CCWG's proposal will be subjected to community review and will be considered for approval by the Board. Implementation of the Board's draft recommendations and resulting expenses are not included.

The CCWG-AP's work is being funded from the ICANN budget, not by auction proceeds. However, any implementation costs resulting from the CCWG-AP recommendations will be funded from auction proceeds.

Implementation of New gTLD Subsequent Procedures PDP

The New gTLD Subsequent Procedures Policy Development Process (PDP) Working Group is reviewing current new gTLD policies to propose changes or new policies or procedures. No resources are in the FY21 Draft Budget for this implementation work. The Working Group will need to work with the org and Board to identify necessary resources to support implementation. There are, however, resources planned in FY21 to support the Working Group.

3.6 Caretaker Budget

[ICANN Bylaw](#) Section 6.2, Powers and Acknowledgements, defines the powers and rights attributed to the Empowered Community. One of those powers follows: “(iii) Reject ICANN Budgets, IANA Budgets, Operating Plans (as defined in Section 22.5(a)(i)) and Strategic Plans (as defined in Section 22.5(b)(i)).”

After approval by the Board, the IANA and ICANN budgets each come into effect after giving time for the Empowered Community to consider whether it will raise a petition to reject either budget. This is typically a 28-day period (21 days to raise a petition, seven days to achieve support). Therefore, even when no petition is raised against the budget, there is a 28-day waiting period for the budget to go into effect.

If the Board approves either the IANA Budget or the ICANN Budget for the next fiscal year with less than 28 days remaining before that fiscal year begins, then a Caretaker Budget must be drafted. Under the ICANN Bylaws, there is both a Caretaker ICANN Budget and a Caretaker IANA Budget (described at Annexes E and F, respectively). The respective budgets:

- Must go into effect if the ICANN Budget or IANA Budget at issue cannot come into full force at the beginning of a fiscal year.
- Remain in effect during any Empowered Community Petition Process, if initiated.
- Continue to be in effect until the budget at issue is approved by the Board and not rejected by the Empowered Community.

The following steps are a pragmatic approach to define the ICANN or IANA Caretaker Budget:

- Use the Operating Plan & Budget that the ICANN Board would adopt as a basis while respecting the principles of the Caretaker Budget:
 - Suspend the publication of any new positions for hire, from the date of the rejection by the Empowered Community (the veto date) until a new budget is adopted by the Board.
 - Reduce by 10% the total allowed expenses for the following categories for the period starting on the date of rejection by the Empowered Community until a new budget is adopted by the Board and not rejected by the Empowered Community, using the monthly breakdown of the draft budget:
 - Travel/Meeting.
 - Professional services of the Draft Budget.
 - Exclude any expense directly associated with the reason for which the Empowered Community rejected the draft budget, if such expense can reasonably be isolated and avoided.

4 IANA Budget

The planning process for the IANA budgets is part of the ICANN planning process. The IANA multiyear plans are a part of ICANN's Five-Year Operating Plan. The IANA Functions FY21 Operating Plan & Budget is a component of ICANN's FY21 Operating Plan & Budget. PTI is required to submit a budget to ICANN at least nine months in advance of the fiscal year.

Consultations were conducted on the IANA Functions FY21 Operating Plan & Budget. After developing a final proposed draft, the IANA Functions FY21 Draft Operating Plan & Budget was published for Public Comment from 14 October 2019 through 27 November 2019. A report of submissions to Public Comments was published mid-December 2019. The completed FY21 IANA Functions Operating Plan & Budget will be considered for adoption by the ICANN Board in January 2020.

4.1 IANA Budget Overview

ICANN org receives input from PTI on its budget and then develops an IANA budget each year. The IANA FY21 Draft Operating Plan & Budget is presented for Public Comment using ICANN's Public Comment process. When that process ends, ICANN organization develops a proposed operating plan and budget for the ICANN Board to review and adopt. The draft budget forms the basis for ICANN's funding of IANA operations.

FY21 IANA Budget	IANA Budget	IANA Forecast	Under/(Over)		IANA Actuals	Under/(Over)	
<i>in Millions, USD</i>	FY21	FY20	Total	%	FY19	Total	%
Funding	\$10.6	\$10.5	(\$0.1)	-1.0%	\$8.3	(\$2.3)	-27.3%
Personnel	\$6.6	\$6.3	(\$0.3)	-5.0%	\$4.9	(\$1.7)	-34.2%
Travel & Meetings	\$0.5	\$0.5	\$0.0	0.1%	\$0.5	(\$0.0)	-7.9%
Professional Services	\$1.7	\$1.7	\$0.0	0.1%	\$1.5	(\$0.2)	-10.2%
Administration	\$0.9	\$1.1	\$0.2	18.3%	\$0.9	(\$0.0)	-4.7%
Contingency	\$0.5	\$0.5	\$0.0	0.0%	\$0.0	(\$0.5)	0.0%
Capital	\$0.1	\$0.1	\$0.0	0.0%	\$0.3	\$0.2	64.0%
Depreciation ^(a)	\$0.3	\$0.3	\$0.0	0.0%	\$0.1	(\$0.2)	-425.4%
TOTAL	\$10.6	\$10.5	(\$0.1)	-1.0%	\$8.2	(\$2.4)	-29.2%
Excess/(Deficit)	\$0.0	\$0.0	\$0.0	100.0%	\$0.1	\$0.1	100.0%
Average Headcount (FTE) ^(b)	24.7	24.9	0.2	0.8%	21	(3.7)	-17.6%

(a) Depreciation is treated as a cash expense for PTI since it will be reimbursed to ICANN.

(b) FTE: Full-time staff equivalent

Total IANA Budget	IANA Budget	IANA Forecast	Under/(Over)		IANA Actuals	Under/(Over)	
<i>in Millions, USD</i>	FY21	FY20	Total	%	FY19	Total	%
Operating Expenses ^(a)	\$10.5	\$10.4	(\$0.1)	-1.0%	\$7.9	(\$2.6)	-33.0%
Capital	\$0.1	\$0.6	\$0.0	0.0%	\$0.3	(\$0.2)	64.0%
TOTAL	\$10.6	\$10.5	(\$0.1)	-1.0%	\$8.2	(\$2.4)	-29.2%

(a) Includes depreciation

FY21 IANA Budget	IANA Budget	IANA Forecast	Under/(Over)		IANA Actuals	Under/(Over)	
<i>in Millions, USD</i>	FY21	FY20	Total	%	FY19	Total	%
PTI Services	\$10.0	\$9.9	(\$0.1)	-1.2%	\$7.9	(\$2.1)	-26.8%
IANA Services ^(a)	\$0.6	\$0.6	\$0.0	2.9%	\$0.4	(\$0.2)	-36.2%
TOTAL	\$10.6	\$10.5	(\$0.1)	-1.0%	\$8.3	(\$2.3)	-27.3%

(a) IANA Services includes the Root Zone Maintainer function, Customer Standing Committee, Root Zone Evolution Review Committee, and IANA Naming Function Reviews. These costs are funded by ICANN Operations.

5 New gTLD Program

The New gTLD Program is a \$360-million multiyear program launched in 2012 to create new top-level domains. The program's goal is to enhance competition, innovation, and consumer choice.

5.1 Multiyear View

ICANN org periodically reviews the total estimated costs of the New gTLD Program and the projected end date has changed since the prior publication of the program in Dec 2018. ICANN org currently estimates that the program will extend until 2024.

<i>in Thousands, USD</i>	FY12 - FY18 Actual	FY19 Actual	FY20 Forecast	FY21 Budget	FY22 & Beyond Forecast	Statement of Activities for Full Program (Dec 2019)	Statement of Activities for Full Program (Dec 2018)
New gTLD Applicant Fees	322.4	9.2	5.9	5.9	17.7	361.0	361.0
ICANN Applicant Support Contributions	-	-	-	-	-	-	-
Additional Fees	1.4	-	(0.0)	(0.0)	(0.1)	1.1	1.1
Refunds	(44.2)	(2.3)	(0.5)	(0.8)	(1.2)	(49.0)	(52.7)
Revenue (Net of Refunds)	\$279.5	\$6.9	\$5.3	\$5.1	\$16.4	\$313.2	\$309.5
Initial Evaluation	(65.9)	-	-	-	-	(65.9)	(65.9)
Extended Evaluation	(1.6)	-	-	-	-	(1.6)	(1.6)
Quality Control	(7.6)	-	-	-	-	(7.6)	(7.6)
String Contentions	(0.0)	-	-	-	-	(0.0)	(0.0)
Objection Processes	(3.5)	-	-	-	-	(3.5)	(3.5)
Pre-delegation	(13.1)	(1.2)	(1.3)	(1.2)	(3.7)	(20.4)	(14.0)
Program Administration	(26.4)	(1.6)	(2.2)	(2.7)	(8.0)	(40.9)	(36.0)

continued

<i>in Thousands, USD</i>	FY12 - FY18 Actual	FY19 Actual	FY20 Forecast	FY21 Budget	FY22 & Beyond Forecast	Statement of Activities for Full Program (Dec 2019)	Statement of Activities for Full Program (Dec 2018)
gTLD Team	(14.4)	(0.4)	(0.4)	(0.4)	(1.2)	(16.9)	(13.8)
ICANN Staff Allocation	(39.2)	(1.0)	(1.0)	(1.0)	(3.0)	(45.3)	(46.7)
Other Overhead/Reclassifications	(5.1)	(0.2)	-	-	-	(5.2)	(4.9)
Total Operating Expenses	(\$176.8)	(\$4.4)	(\$4.9)	(\$5.3)	(\$16.0)	(\$207.3)	(\$194.1)
Investment Income/(Loss)	9.7	6.4	-	-	-	16.1	6.4
Investment Unrealized Gains/(Losses)	0.4	2.6	-	-	-	2.9	0.7
Investment Realized Gains/(Losses)	(0.5)	(0.2)	-	-	-	(0.6)	(0.4)
Investment Management Fees	(1.4)	(0.5)	-	-	-	(1.9)	(1.0)
Historical Development Costs	(30.9)	(1.5)	-	-	-	(32.5)	(32.5)
Refund of RPM Access Fee	(6.1)	-	-	-	-	(6.1)	(6.1)
Risk Costs	(16.7)	(5.1)	-	-	-	(21.8)	(18.0)
Total Other Income/(Expense)	(\$45.5)	\$1.7	\$ -	\$ -	\$ -	(\$43.8)	(\$51.1)
Total Expenses	(\$222.3)	(\$2.7)	(\$4.9)	(\$5.3)	(\$16.0)	(\$251.2)	(\$245.2)
Change in Net Remaining Funds	\$57.2	\$4.2	\$0.4	\$0.3	0.4	\$62.0	\$64.3

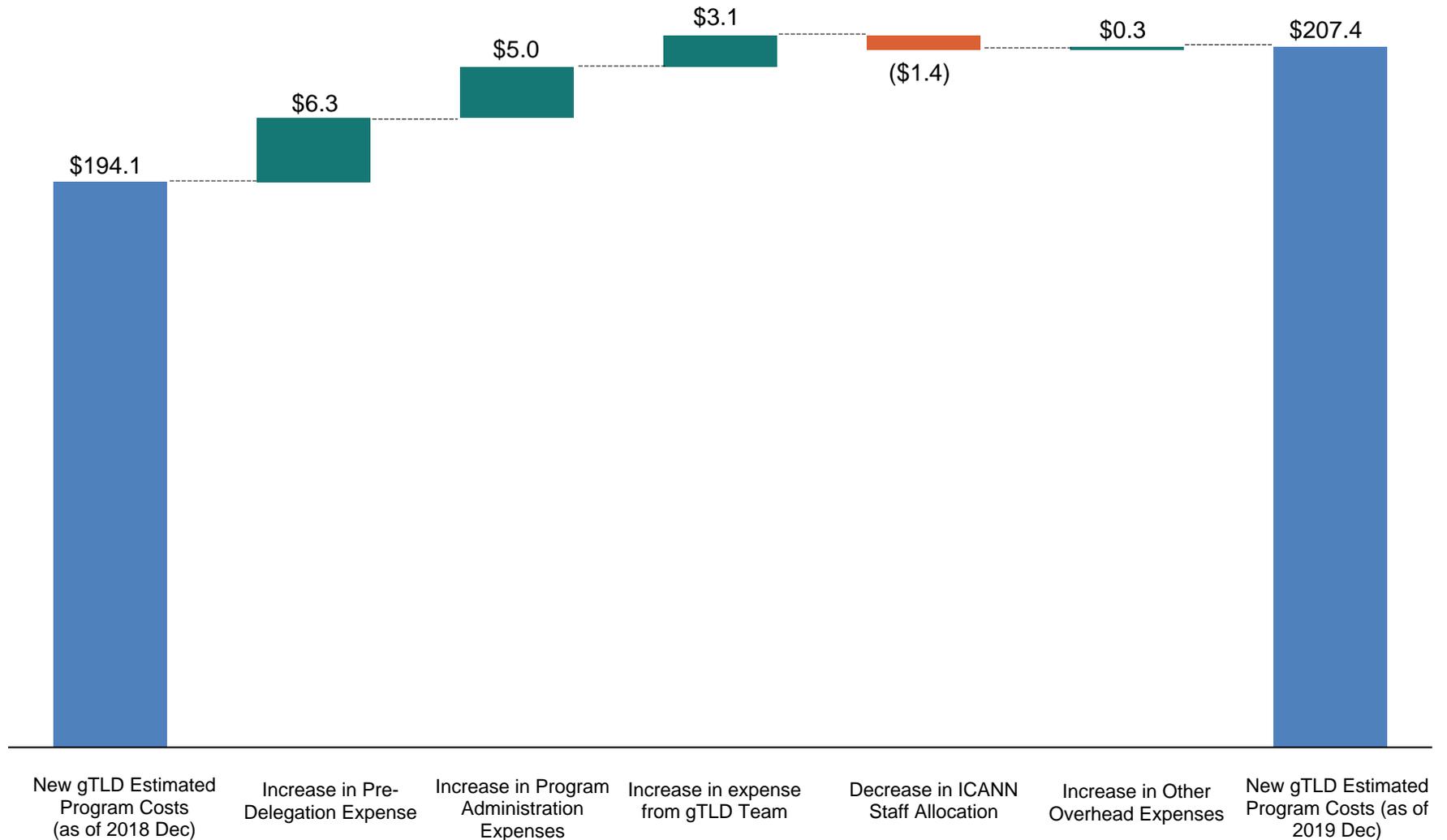
FY12 - FY18 included several expenses, such as evaluation and quality control costs, which are not projected in future years.

Investment figures and Risk Costs are included in the Total Other Income/(Expense) category. These are reported through FY19 for actual expenses incurred. The category of Total Other Income/(Expense) is not estimated for future years in the program projections.

5.2 New gTLD Cash Expense Variance Analysis

The New gTLD Program end date revision is a key driver of the increase in costs.

The chart below represents the change in New gTLD Program costs.



5.3 New gTLD Risks and Opportunities

This section outlines the Risks and Opportunities in the FY21 Draft Budget and classifies each as funding or expense related, with a potential US dollar impact and an assigned probability of “Low,” “Medium,” or “High.”

A risk is defined as “lower funding” or “higher expense.” An opportunity is defined as “higher funding” or “lower expense.”

Risks	Potential Amount	Probability
Expense: Unable to complete application processing and withdrawals by end of FY21 as per current forecast.	-\$2.0 million	High
Expense: Given the current level of accountability and litigation cases, our current expenditures on risk are likely to continue at a similar rate through FY20 and beyond. This could impact the remaining program funds at completion.	-\$5.0 million	Medium

Opportunities	Potential Amount	Probability
Expense: Board to take action to bring 2012 round application processing to completion.	+\$2.0 million	Low
Expense: Board to take action to reduce likelihood and duration of accountability and litigation cases and resulting costs.	+\$3.0 million	Medium

6 Total ICANN Overview

6.1 FY21 Financial Overview

in Millions, USD	FY21 Draft Budget			FY20 Adopted Budget			Increase/(Decrease) vs. FY20 Budget			
	Total ICANN Operations	New gTLD	Total ICANN	Total ICANN Operations	New gTLD	Total ICANN	Total ICANN Operations	New gTLD	Total ICANN	%
Funding	\$140.4	\$5.1	\$145.5	\$140.1	\$11.7	\$151.8	\$0.3	(\$6.7)	(\$6.4)	-4.2%
Personnel	78.3	1.0	79.3	76.3	2.0	78.2	2.0	(\$1.0)	1.0	1%
Travel & Meetings	15.6	0.1	15.7	15.7	0.4	16.0	(0.1)	(0.3)	(0.3)	-2%
Professional Services	20.2	4.1	24.3	21.5	4.7	26.2	(1.3)	(0.6)	(1.9)	-7%
Administration ⁽¹⁾ & Capital	18.1	0.1	18.2	18.4	0.3	18.7	(0.3)	(0.2)	(0.5)	-3%
Contingency ⁽²⁾	5.2	0.0	5.2	5.2	0.0	5.2	(0.0)	(0.0)	(0.0)	-1%
Cash Expenses	\$137.4	\$5.4	\$142.8	\$137.1	\$7.4	\$144.5	\$0.3	(\$2.0)	(\$1.7)	-1%
Increase/ (Decrease) to Net Assets	\$3.0	(\$0.3)	\$2.7	\$3.0	\$4.4	\$7.4	(\$0.0)	(\$4.7)	(\$4.7)	-63%
Reserve Fund	\$3.0	\$0.0	\$3.0	\$3.0	\$0.0	\$3.0	\$0.0	\$0.0	\$0.0	0.0%
Increase/ (Decrease) to Net Assets	(\$0.0)	(\$0.3)	(\$0.3)	(\$0.0)	\$4.4	\$4.4	(\$0.0)	(\$4.7)	(\$4.7)	-107%
Average Headcount	410	-	410	405	-	405	5	-	5	0.0%

(1) ICANN Operations cash expenses excludes depreciation expense and bad debt expense.

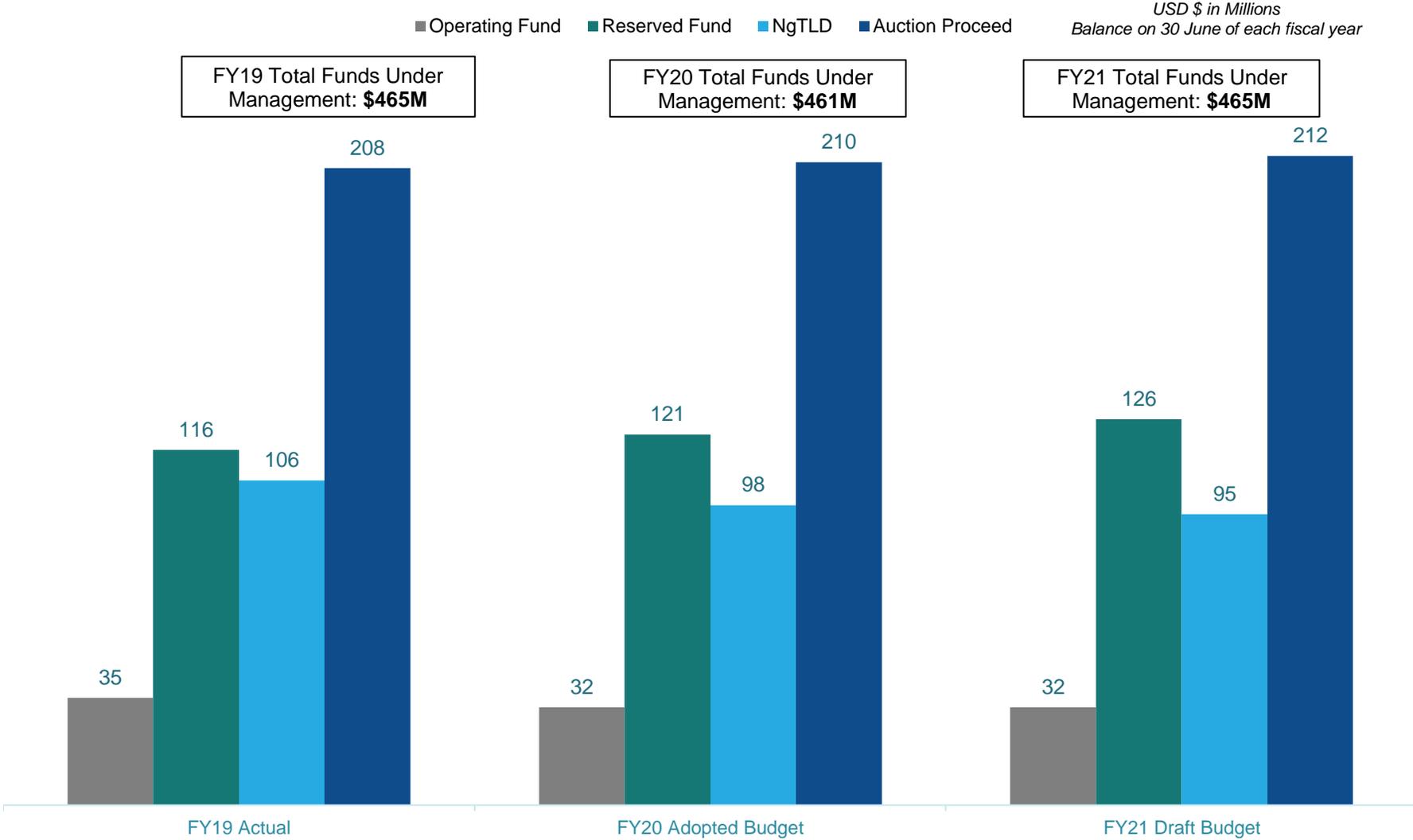
(2) The FY21 contingency expense represents an amount of budgeted expenses unallocated to specific activities.

6.1.1 Governance

Name of Fund	Description of Fund
1 Operating and Reserve Funds	These are governed in accordance with the ICANN Investment Policy . Extracts are shown below.
1.1 Operating Fund	Sometimes called the Working Capital Fund, this funds day-to-day operations of ICANN, including all items in the ICANN Board-approved annual budget. The Operating Fund contains enough funds to cover ICANN's Expected expenditures for three months. Periodically, any excess funds are transferred to the Reserve Fund. To illustrate, in October 2018, the ICANN Board approved an allocation of US\$3 million from the Operating Fund to the Reserve Fund.
1.2 Reserve Fund	<p>The Reserve Fund is ICANN's funding of last resort to cover large expenses resulting from unavoidable, unpredictable, or unplanned events, which cannot be funded from ICANN's Operations. The use of any Reserve Fund is restricted by actions of the Board of Directors, with a partial delegation of authority to the Board Finance Committee (BFC).</p> <p>The Reserve Fund is the subject of a replenishment strategy to a minimum of 12 months of operating expense approved by the Board in October 2018. The replenishment is expected to occur through annual allocations from Operating Fund to the Reserve Fund, which are the subject of separate Board decisions at the time they occur</p>

Name of Fund	Description of Fund
2 New gTLD Program Funds and the Auction Proceeds	These are governed in accordance with the New gTLD and Auction Proceeds Investment Policy . Please see extracts from this document below.
2.1 New gTLD Program Funds	This corresponds to the unspent portion of the New gTLD Program application fees, collected from applicants during the application window in 2012. The funds are used to evaluate the applications and to cover “hard-to-predict” costs, including risks. Section 5 of this document has more information on the New gTLD Program financials.
2.2 Auction Proceeds	The ICANN Auction is a mechanism of last resort to resolve string contention within the New gTLD Program. ICANN expects most string contentions to be resolved by other means before reaching an auction conducted by ICANN's authorized auction service provider. Auction proceeds will be reserved and earmarked until the Board determines a plan for the appropriate use of the funds after consultation with the community. Auction proceeds are net of any auction costs. Auction costs may include initial set-up costs, auction management fees, and escrow fees.

6.1.2 Funds Under Management



7 Appendix

7.1 Registrar Fees

Registrar fees are to be approved by the Board before submission to voting by the registrars.

Approximately 2,400 registrars are accredited by ICANN as of 30 November 2019. This relationship is governed by the Registrar Accreditation Agreement (RAA), of which the most recent version was approved in June 2013. The RAA is a five-year agreement that provides for the following types of fees:

Fee Type	Description
Application Fees	<p>Application fees are paid one time by prospective registrars at the time of application.</p> <p>For FY20, the application fees are estimated to be \$210,000 based on a volume of 60 applications and a per-application fee of \$3,500 per application.</p>
Annual Accreditation Fees	<p>Annual accreditation fees are fees that all registrars are required to pay annually to maintain accreditation. The fee is \$4,000 per year. Registrars have the option of paying the annual \$4,000 accreditation fee in quarterly installments of \$1,000.</p> <p>For FY20, the annual accreditation fees are estimated at \$10 million, based on an average of 2,550 registrars renewing and being newly accredited.</p>

Fee Type	Description
3 Variable Accreditation Fees	<p>Variable accreditation fees are determined based on the transaction type and volume of each registrar. There are two types of fees associated with the variable accreditation fees:</p> <ul style="list-style-type: none"> • Per-registrar variable fee • Transaction-based fee
3.1 Per-Registrar Variable Fees	<p>Per-registrar variable fees are based on a validated concept that ICANN expends the same effort in providing services to a registrar regardless of size. However, if the registrar is considerably small enough in size and in activity, some registrars will continue to be eligible for “forgiveness” of two-thirds of the standard per-registrar variable fee. To be eligible for forgiveness, a registrar must meet both of the following criteria:</p> <ol style="list-style-type: none"> 1. Less than 350,000 gTLD names under its management. 2. No more than 200 attempted adds per successful net add in any TLD. <p>Forgiveness will be granted each quarter to all registrars that qualify.</p> <p>The amount per registrar is calculated each quarter by dividing \$950,000 (one-fourth of \$3.8 million) equally among all registrars that have at least been accredited for one full quarter or have made at least one transaction, taking into consideration the forgiveness factor.</p> <p>In addition, a discount of 10% is granted to all registrars operating under the 2013 RAA.</p>
3.2 Transaction-Based Fees	<p>Transaction-based fees are assessed on each annual increment of an add, renewal, or transfer transaction that has survived a related add or auto-renew grace period. This fee will be billed at \$0.18 per transaction for registrars operating under the 2013 RAA (resulting from a \$0.20 base fee, discounted by 10 percent to \$0.18).</p>

Since 2013, the budget has assumed an Add Grace Period (AGP) excess deletion fee to eliminate domain tasting:

- The amount for AGP deletion fees was assumed to be zero in past budgets and is assumed to be zero for the FY20 budget.
- AGP excess deletion fees are assessed on each domain name deleted, in excess of the threshold, during an add-grace period. The threshold is the larger of 50 or 10 percent of total adds, per month, and per TLD. The rate per excess deletion is \$0.20.

Below is a summary of the estimated registrar fees by fee type.

<i>In Millions, USD</i>	FY21 Draft Budget	FY20 Budget	+Increase/ -Decrease	%	FY21 Estimates	
					High	Low
Existing TLDs						
Accreditation Fees	9.6	10.7	(1.1)	-4.9%	9.9	9.4
Per-registrar Variable Fees	3.4	3.4	-	-0.6%	3.4	3.4
Transaction Fees	37.0	35.7	1.3	32.5%	37.9	36.1
Total Registrar Revenue	50.0	50.0	(0.0)	0.0%	51.2	48.9

7.2 Year-To-Date FY20 Actuals versus Year-To-Date FY20 Budget

The following table compares Actual versus Budget figures for Year-To-Date (YTD) FY20, July through October 2019. ICANN org has not developed an FY20 Forecast because Actual figures are in line with Budget, which is still a valid benchmark. Compared to the YTD FY20 Budget, YTD FY20 Actual funding is \$0.9 million higher, and expenses are \$2.7 million lower. The Adopted FY20 Budget plans for a \$3.0 million Reserve Fund contribution, which ICANN org plans to fulfill.

<i>In Millions, USD</i>	FY20 YTD Actual			FY20 YTD Budget			Under/(Over) vs. FY20 YTD Actual			
	ICANN Operations	IANA –PTI	Total ICANN Operations	ICANN Operations	IANA –PTI	Total ICANN Operations	ICANN Operations	IANA –PTI	Total ICANN Operations	%
Funding	\$43.5	\$2.7	\$46.2	\$45.2	\$0.0	\$45.2	-\$1.8	\$2.7	\$0.9	2%
Personnel	22.2	1.6	23.9	24.5	0.0	24.5	2.2	(1.6)	0.6	2%
Travel & Meetings	2.4	0.1	2.4	2.9	0.0	2.9	0.5	(0.1)	0.5	16%
Professional Services	6.0	0.2	6.3	7.5	0.0	7.5	1.5	(0.2)	1.3	17%
Administration & Capital	6.0	0.7	6.8	6.6	0.0	6.6	0.8	(0.7)	0.1	1%
Contingency ⁽¹⁾	0.0	0.0	0.0	0.6	0.0	0.6	0.6	0.0	0.6	100%
Cash Expenses ⁽²⁾	\$36.7	\$2.7	\$39.4	\$42.1	\$0.0	\$42.1	\$5.4	(\$2.7)	\$2.7	6%
Excess/ (Deficit) Before Contribution	\$6.8	\$0.0	\$6.8	\$3.2	\$0.0	\$3.2	\$3.6	\$0.0	\$3.6	n/a
Planned Reserve Fund Contribution	\$3.0	\$0.0	\$3.0	\$3.0	\$0.0	\$3.0	\$0.0	\$0.0	\$0.0	n/a
Net Operating Excess/(Deficit)	\$3.8	\$0.0	\$3.8	\$0.2	\$0.0	\$0.2	\$3.6	\$0.0	\$3.6	n/a
Average Headcount	389	0	389	402	0	402	13	0	13	3%

(1) The FY21 contingency expense represents an amount of budgeted expenses unallocated to specific activities.

(2) Expenses exclude depreciation expense, investment income, and New gTLD Program historical development costs reimbursed to ICANN.

7.3 ICANN Operations Funding Details

The following table depicts ICANN's funding by source and type, comparing the best estimates for the FY21 budgeted year with the FY20 current year.

<i>In Millions, USD</i>	FY21 Draft Budget	FY20 Adopted Budget	FY21 Sensitivity	
			High Assume 2.5%	Low Assume 2.5%
Transactions				
Registry transaction fees - Legacy	\$52.6	\$50.5	\$53.9	\$51.3
Registry transaction fees - New gTLD	\$5.1	\$5.5	\$5.3	\$5.0
Registrar transaction fees - Legacy	\$32.7	\$31.2	\$33.5	\$31.9
Registrar transaction fees- New gTLD	\$4.3	\$4.6	\$4.4	\$4.2
Sub-total	\$94.7	\$91.8	\$97.1	\$92.3
<i>Volume: legacy transactions (millions)</i>	\$181.6	\$173.1	\$175.0	\$172.8
<i>Volume: New gTLD transactions (millions)</i>	\$24.0	\$25.5	\$26.9	\$25.2
Sub-total	\$205.6	\$198.6	\$201.9	\$198.0
<i>Volume: New gTLD billable transactions (millions)</i>	\$20.5	\$22.1	\$23.4	\$21.4
<i>New gTLD billable rate - average</i>	85.5%	86.6%	87.0%	85.0

FY21 Sensitivity

<i>In Millions, USD</i>	FY21 Draft Budget	FY20 Adopted Budget	High Assume 2.5%	Low Assume 2.5%
Registry Fixed Fees	\$29.3	\$30.3	\$30.3	\$28.5
Registrars accreditation				
Application fees	-	\$0.2	-	-
Accreditation fees - annual	\$9.6	\$10.7	\$9.9	\$9.4
Per-registrar variable fees	\$3.4	\$3.4	\$3.4	\$3.4
Sub-total	\$13.0	\$14.3	\$13.3	\$12.8
<i>Count of total Registrars - at end of year</i>	<i>\$2,472</i>	<i>\$2,564</i>	<i>\$2,500</i>	<i>\$2,300</i>
<i>Incr./(Decr.) new Registrars - at end of year</i>	<i>(\$92)</i>	<i>\$287</i>	<i>(\$64)</i>	<i>(\$264)</i>
Privacy Proxy	-	\$0.4	-	-
Other Funding				
RIR	\$0.8	\$0.8	\$0.8	\$0.8
ccTLD	\$2.1	\$2.3	\$2.1	\$2.1
Meeting Sponsorships/Other	\$0.5	\$0.3	\$0.5	\$0.5
Sub-total	\$3.4	\$3.4	\$3.4	\$3.4
ICANN Operations Revenue	\$140.4	\$140.1	\$143.7	\$137.1

7.4 Expenses by Functional Activity

To view ICANN Operations' planned cash expenses by Functional Activity for FY21, please [click here](#).