

# Draft Internet Corporation for Assigned Names and Numbers (ICANN) FY24 Budget

December 2022





# 1 Introduction

This document contains the Draft Internet Corporation for Assigned Names and Numbers (ICANN) Fiscal Year 2024 (FY24) Budget. ICANN's FY24 comprises the following dates:

1 July 2023 – 30 June 2024

The Draft ICANN FY24 Budget includes a detailed overview of ICANN's financial plan for FY24. For operating plans and five-year financial projections, please see the [Draft ICANN FY24-28 Operating and Financial Plan and FY24 Operating Plan](#).

## 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. Publishing the Draft ICANN FY24 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 ICANN's planning process, whether it is relative to the Strategic Plan, Operating Plan, Budget, or ongoing operational and financial updates.

## The Draft ICANN FY24 Budget includes:

- Overview of Total ICANN and separate detailed sections on its components: ICANN Operations, the New Generic Top-Level Domain (gTLD) Program, the Grant Program, Reviews Implementation Prioritization, and the Reserve Fund.
- Activities that have already been submitted for Public Comment as a part of the Draft IANA FY24 Operating Plan and Budget.

Monetary figures shown in the document are in millions of United States Dollars (USD), unless stated otherwise. Any arithmetic inconsistencies are due to rounding. Where relevant, comparative information pertaining to FY23 is provided.

## IANA Operations

The Draft IANA FY24 Operating Plan and Budget was posted for Public Comment in September 2022 and will be considered for adoption by the ICANN Board in January 2023.

IANA Operations are part of ICANN Operations and are documented in the Draft ICANN FY24 Operating Plan.

## **Background Information**

Since March 2020, ICANN organization (org) has been operating amid the COVID-19 pandemic. ICANN74, the June 2022 Public Meeting in The Hague, was ICANN org's first major face-to-face meeting since the start of the pandemic. ICANN org has held other face-to-face meetings since then and expects to continue to do so in FY24.

ICANN org is also assuming an impact of global inflation and a potential recession. The World Bank, in its June 2022 publication on global economic prospects, suggests that just after two years of contending with a global recession induced by the COVID-19 pandemic, the world economy is now again likely to experience a sharp deceleration and prolonged slowdown in growth, and further exacerbated by an increase in inflation rates. Frequent expectations show inflation slowing during calendar year 2023, and a return to historic lower levels of inflation in 2024.

Inflation has been factored into the ICANN Operating Plan and Budget, resulting in a slightly negative impact to ICANN org's funding and expenses. Conservatively, funding is projected to slightly decline in FY24 followed by gradual increases as the global economy improves. ICANN org faces inflationary pressures in the form of rising costs but expects to reprioritize its costs and activities in order for spend to remain within available funding. ICANN org will continue to carefully manage expenses and apply caution when evaluating new and backfill resources, the use of contractors or temporary staff, and other costs such as meetings, travel, and external vendors. Inflation and the current economic challenges have been reflected in the plans which ICANN org believes are conservative and achievable based on the projected level of funding.

ICANN org understands that its role remains crucial to maintain the security, stability, and resiliency of the unique identifiers system. ICANN org plans are conservative and achievable, and the org can reprioritize activities and reevaluate expenses throughout the fiscal year if necessary. Organizational activities will continue to be carried out under principles of best value, prudence, and with heightened attention to necessity.

## 2 Planning and Budget Overview

The following illustration depicts the five-year planning cycle for FY24-28. The planning process consists of the ICANN Strategic Plan for FY21-25 and the FY24-28 Operating and Financial Plan, which provide input and a basis for the FY24 Operating Plan and Budget. The process includes consultation and development of the IANA Operating Plan and Budget, which feeds into the total ICANN Operating Plan and Budget.



### 3 Total ICANN

This section provides an overview of expected Total ICANN funding, expenses, resources, and funds under management.

#### 3.1 Financial Overview

<b>Total ICANN Financials</b>		<b>For the Twelve Months Ending 30 Jun 2024</b>				
<b>In Millions, US dollars</b>	<b>Operating Fund</b>	<b>New gTLD Fund</b>	<b>SFICR</b>	<b>Auction Proceeds</b>	<b>Reserve Fund</b>	<b>Total</b>
<b>Funds Under Management - 30 Jun 2023</b>	<b>\$44</b>	<b>\$57</b>	<b>\$18</b>	<b>\$210</b>	<b>\$164</b>	<b>\$493</b>
Funding	145	-	-	-	-	145
Personnel	(85)	(9)	(2)	(2)	-	(98)
Travel & Meetings	(12)	(1)	(0)	(0)	-	(13)
Professional Services	(29)	(6)	(2)	(2)	-	(38)
Administration	(18)	(1)	(0)	(0)	-	(20)
Capital	(1)	-	-	-	-	(1)
<b>Total Expenses</b>	<b>(145)</b>	<b>(17)</b>	<b>(4)</b>	<b>(4)</b>	<b>-</b>	<b>(171)</b>
Operating Fund Excess Transfers	-	-	-	-	-	-
Grants Distributed	-	-	-	(10)	-	(10)
Investment Income/(Decline)	0	0	0	2	2	5
<b>Funds Under Management - 30 Jun 2024</b>	<b>\$45</b>	<b>\$40</b>	<b>\$14</b>	<b>\$198</b>	<b>\$165</b>	<b>\$462</b>
<b>Total Average FTEs</b>	<b>413</b>	<b>28</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>451</b>

Please note the following about the table above:

- The Operating Fund includes the day-to-day funding and expenses of ICANN Operations
- New gTLD Fund includes work on the New gTLD Program 2012 Round and New gTLD Program Subsequent Procedures (SubPro)
- Supplemental Fund for Implementation of Community Recommendations (SFICR) activity consists of prioritized Review Implementation
- Auction Proceeds are utilized for the Grant Program
- The Reserve Fund beginning balance includes a \$19 million transfer from the Operating Fund in FY23
- All funds assume modest investment gains which may appear as 0 due to rounding
- Full-Time Equivalents (FTEs) reflect the average in the fiscal year (please see Glossary for a definition of FTEs)

The table above starts with funds under management and the estimated beginning balance of each fund as of 30 June 2023, which is the end of FY23. The following lines of the table show the expected funding and expense activities of each fund as it relates to operations in FY24. Operating Fund transfers resulting from excess in that fund are not budgeted and will be recommended for Board approval after FY23 concludes. ICANN org is now investing most of its funds under management and has forecasted a positive return for each fund depending on its investment criteria. Following these activities, the ending balance of each fund is shown as of 30 June 2024, which is the end of FY24.

Please see below for additional details regarding each entity and its corresponding fund.

### **Operating Fund**

- Funding is \$145 million, which reflects historical data from the past few years as well as negative impacts resulting from inflation and a potential recession.
- Expenses are \$145 million, balanced to ICANN Operations funding and assume that normal working conditions continue.
  - Personnel expense reflects an average headcount of 413.
  - Travel and meeting expense assumes three face-to-face ICANN Public Meetings and otherwise unrestricted travel.
  - Total expenses include contingency.

### **New gTLD Fund**

- Expenses are \$17 million.
  - \$4 million is related to the 2012 Round, including direct expenses and allocations from ICANN Operations.
  - \$13 million is related to SubPro implementation, including direct expenses and allocations from ICANN Operations.

**SFICR**

- Beginning balance is \$18 million, following review implementation activities expected to take place in FY23 costing \$2 million.
- Review implementation expenses are \$4 million, including direct expenses and allocations from ICANN Operations.

**Auction Proceeds**

- Beginning balance is \$210 million, following grant program activities expected to take place in FY23 costing \$2 million.
- Grant program expenses are \$4 million, including direct expenses and allocations from ICANN Operations.
- ICANN org assumes \$10 million of grants will be distributed in FY24.

**Reserve Fund**

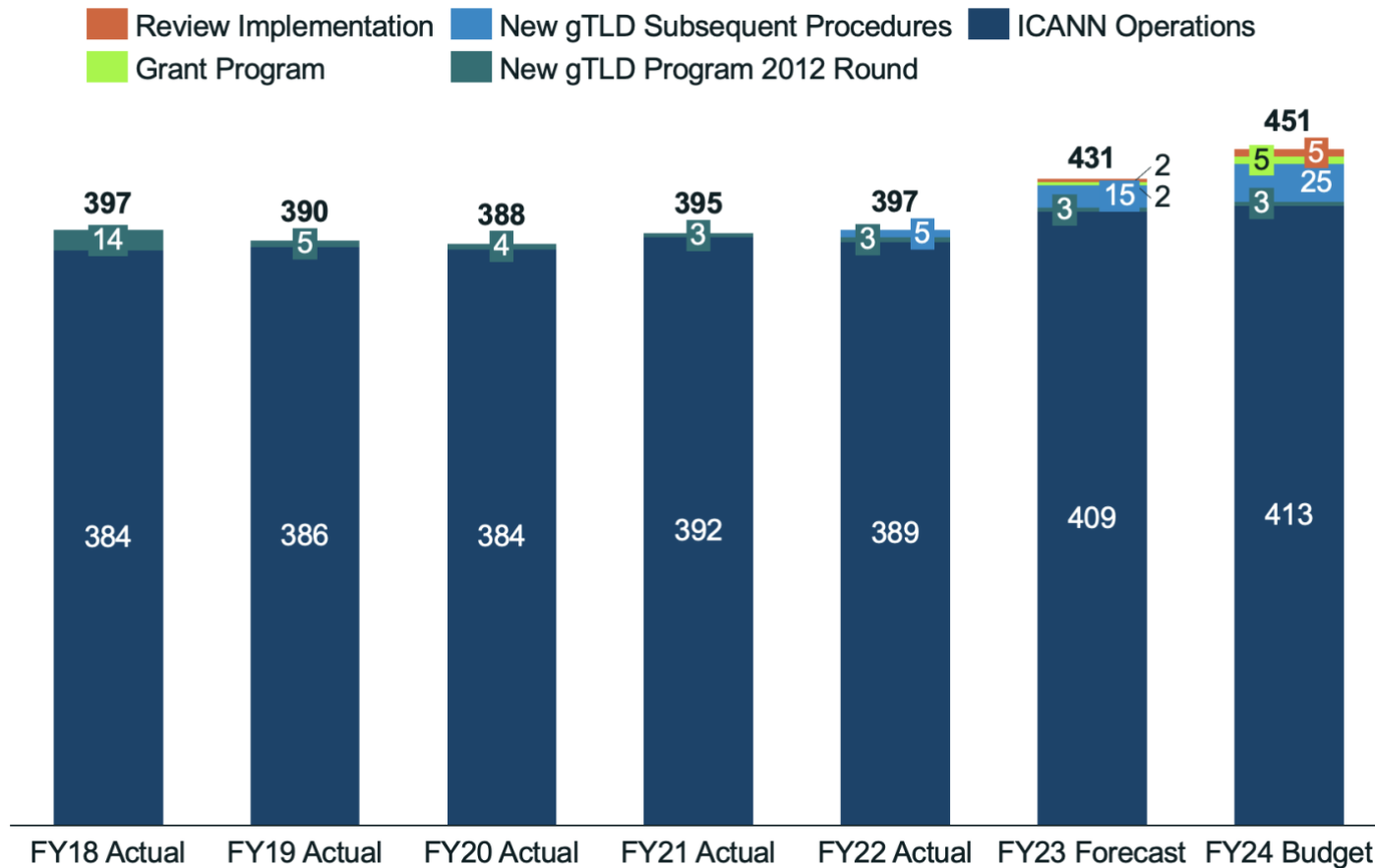
- Beginning balance is \$164 million, following a \$19 million transfer in FY23.
- Ending balance is estimated at \$165 million, which is above the 12-month minimum set by the Reserve Fund replenishment strategy approved by the Board in October 2018.

*(See Appendix for financial information regarding FY23)*



## 3.2 Average FTEs

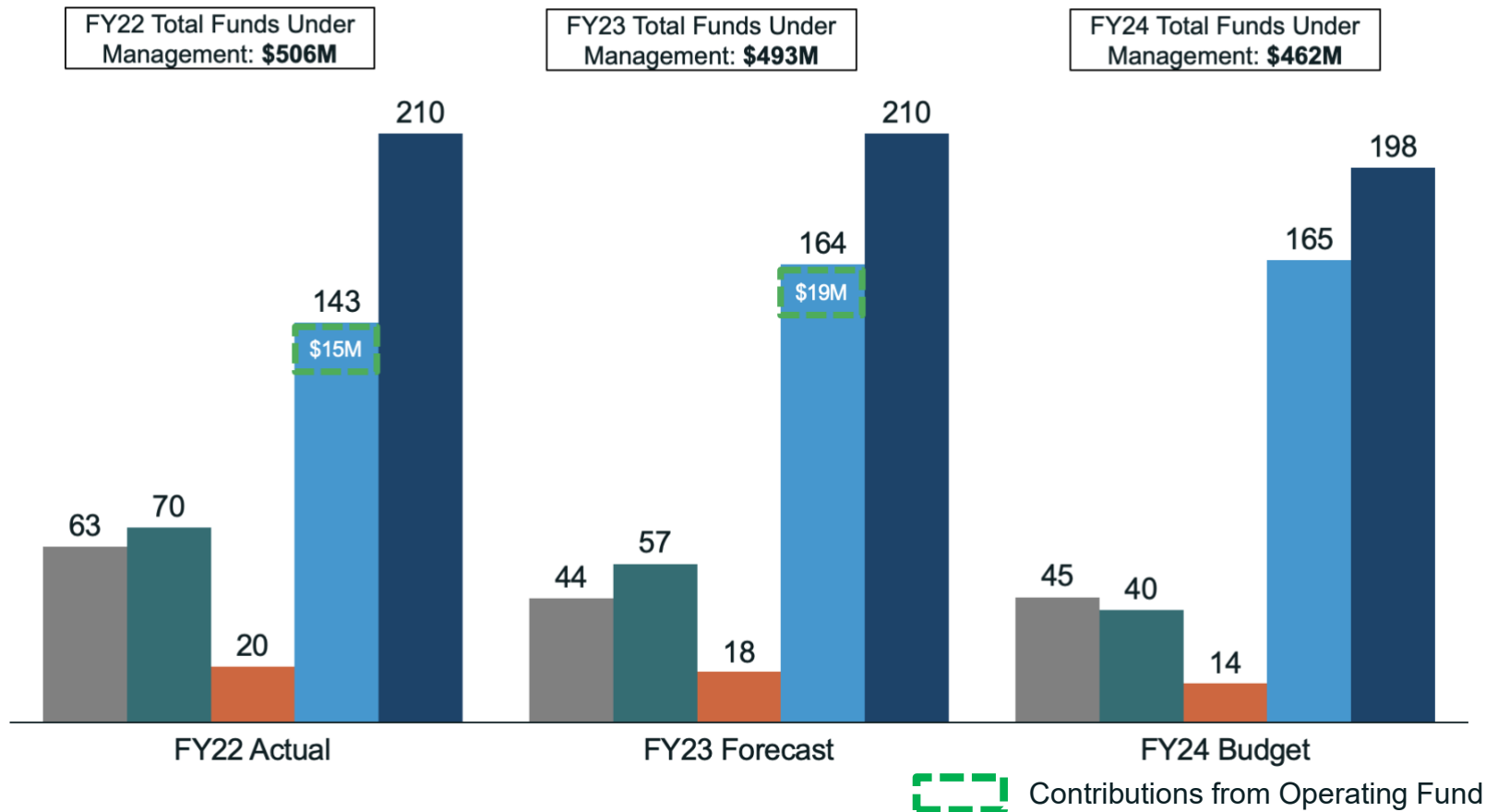
The following chart shows the average number of FTEs working under each segment of Total ICANN. FTEs consist of direct staff and staff allocations from ICANN Operations. New gTLD Program 2012 Round FTEs reflect efforts to process the remaining applications received in 2012. New gTLD Subsequent Procedures FTEs reflect the resources needed for policy development and implementation. The Grant Program, which is funded by Auction Proceeds, began in FY23 and will ramp up in FY24. In addition, prioritized Review Implementation, funded by the SFICR, will begin later in FY23 and continue into FY24.



### 3.3 Funds Under Management

ICANN manages five funds. The chart below shows the expected balance of each fund on 30 June of each fiscal year listed.

Operating Fund
  SFICR
  Auction Proceeds
  New gTLD Fund
  Reserve Fund
 \$ in Millions; Balance on 30 June of each fiscal year



The Operating Fund covers day-to-day operations. The Supplemental Fund for Implementation of Community Recommendations (SFICR) was created to establish segregated resources to increase the capacity of the organization to address projects that are multi-year and focus on community recommendations (for policies or resulting from reviews and cross-community working groups) that are approved by the Board but do not fit within the annual Budget. The Reserve Fund is ICANN's funding of last resort to cover large expenses from unavoidable, unpredictable, or unplanned events (see [Reserve Fund](#) section). All three funds are governed in accordance with the [ICANN Investment Policy](#).

The New gTLD Fund corresponds to the unspent portion of the New gTLD Program 2012 Round 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 cost (including contingency), and starting in FY22, to cover the New gTLD Program Subsequent Procedures (see [New gTLD Program Subsequent Procedures](#) section). Auction Proceeds come from ICANN auctions held to resolve string contention in the New gTLD Program 2012 Round. The Auction Proceeds will be used to cover the ICANN Grant Program (see [Grant Program](#) section). Both funds are governed in accordance with the [New gTLD and Auction Proceeds Investment Policy](#).

ICANN org projects to have sufficient cash on hand in the Operating Fund through FY24 despite economic uncertainty. The funds under management listed in the FY24 Budget reflect the following:

- In November 2022, the Board [approved](#) a \$19 million transfer to the Reserve Fund from the Operating Fund based on FY22 net excess.
- Additional transfers will be recommended for Board approval after FY23 concludes.
- Each fund is projecting interest gains according to its corresponding investment policy as referenced above.

## 4 ICANN Operations

This section provides an overview of ICANN Operations funding and expenses, which are a part of Total ICANN.

### 4.1 FY24 Budget versus FY23 Forecast

In Millions, USD	FY24 Budget	FY23 Forecast	Under/(Over) vs. FY23 Forecast	
	ICANN Operations	ICANN Operations	\$	%
<b>Funding</b>	<b>\$145</b>	<b>\$148</b>	<b>(\$2)</b>	<b>-2%</b>
Personnel	\$85	\$83	(\$1)	-1%
Travel & Meetings	\$12	\$13	\$1	6%
Professional Services	\$24	\$27	\$4	13%
Administration	\$18	\$18	(\$0)	-1%
Capital	\$1	\$2	\$1	29%
Contingency <sup>(1)</sup>	\$5	\$4	(\$1)	-30%
<b>Total Operating Expenses</b>	<b>\$145</b>	<b>\$148</b>	<b>\$2</b>	<b>2%</b>
<b>Net Operating Excess/(Deficit)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>
<b>Average Headcount</b>	<b>413</b>	<b>409</b>	<b>(4)</b>	<b>-1%</b>

<sup>(1)</sup> Contingency represents an amount of budgeted expenses unallocated to specific activities or functions

The following table compares ICANN Operations financials from the FY24 Budget to the FY23 Forecast financials. The FY23 Forecast is based on four months of actual data and eight months of estimates.

Compared to the FY23 Forecast funding, the FY24 Budget funding is \$2 million lower as unfavorable economic trends are projected to persist in FY24. As a result, the FY24 Budget expenses are \$2 million lower than FY23 Forecast expenses.

## 4.2 Funding

As done in prior years, ICANN org has developed three scenarios to estimate funding. The “Medium” scenario is reflected in the FY24 Budget figures. In addition, ICANN org developed “High” and “Low” scenario estimates to consider alternate values for assumptions that have a financial impact on the organization’s funding, thereby providing upper and lower bound values in its projections. While ICANN org does not rely on these two scenarios to plan its operations, “High” and “Low” scenarios are helpful in developing alternate plans that address the possibility that such scenarios are realized.

The table below is an overview of ICANN’s funding, using assumptions that support the latest FY24 projections. The information in the “Medium Estimate” column corresponds to the FY24 funding included throughout the FY24 Budget. References to growth and declines are in comparison with the FY23 Forecast.

	Funding Type	Medium Estimate	High Estimate	Low Estimate
<b>Legacy TLDs</b>	Transaction-based Fees	(1%) decline	9% growth	(11%) decline
<b>New TLDs</b>	Fixed Fees	Decrease of 19 TLDs, starting FY24 with 1,146 and ending with 1,127	Decrease of 11 TLDs, starting FY24 with 1,146 and ending with 1,135	Decrease of 46 TLDs, starting FY24 with 1,146 and ending with 1,100
	Transaction-based Fees	(6%) decline	10% growth	(14%) decline
<b>Registrar Accreditation</b>	Application Fees	Reflects 28 new registrar accreditation applications	Reflects 60 new registrar accreditation applications	Reflects no new registrar accreditation applications
	Accreditation Fees	Registrar base grows by 5 accreditations	Registrar base grows by 60 accreditations	Registrar base declines by (148) accreditations
	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 table below shows a breakdown of ICANN Operations funding. Figures from the FY24 Budget reflect the information from the medium estimate shown in the previous table compared to figures from the FY23 Forecast. The high and low scenarios from the previous table are also shown as other scenarios.

In Millions, US Dollars	FY24 Budget	FY23 Forecast	Over / (Under)		Other FY24 Scenarios	
			\$	%	High	Low
<b>Transactions</b>						
Legacy transaction fees	\$ 87.1	\$ 88.3	\$ (1.2)	(1%)	\$ 96.1	\$ 78.5
New gTLD transaction fees	9.2	9.8	(0.6)	(6%)	10.8	8.4
<b>Sub-total</b>	<b>96.3</b>	<b>98.1</b>	<b>(1.8)</b>	<b>(2%)</b>	<b>106.9</b>	<b>86.9</b>
<i>Volume: legacy transactions (millions)</i>	185.8	187.9	(2.1)	(1%)	204.6	167.3
<i>Volume: New gTLD transactions (millions)</i>	24.2	25.7	(1.5)	(6%)	28.2	22.1
<b>Sub-total</b>	<b>210.0</b>	<b>213.6</b>	<b>(3.6)</b>	<b>(2%)</b>	<b>232.8</b>	<b>189.5</b>
<i>Volume: New gTLD billable transactions (millions)</i>	19.3	20.7	(1.4)	(7%)	22.9	17.8
<i>New gTLD Billable rate - average</i>	80.0%	80.7%	(1%)		81.3%	80.3%
<b>Registry Fixed Fees</b>	<b>28.4</b>	<b>28.7</b>	<b>(0.4)</b>	<b>(1%)</b>	<b>28.4</b>	<b>27.6</b>
<i>Count of total Registries/TLDs - at end of year</i>	1,127	1,146	(19)	(2%)	1,135	1,100
<b>Registrars Accreditation</b>						
Application fees	0.1	0.4	(0.3)	(71%)	0.2	-
Accreditation fees - annual	9.8	9.9	(0.1)	(1%)	10.0	9.3
Per-registrar variable fees	3.4	3.4	-	-	3.4	3.4
<b>Sub-total</b>	<b>13.3</b>	<b>13.7</b>	<b>(0.3)</b>	<b>(3%)</b>	<b>13.7</b>	<b>12.8</b>
<i>Count of total Registrars - at end of year</i>	2,452	2,447	5	0%	2,507	2,299
<b>Contributions</b>						
SSR Contribution	4.0	4.0	-	-	4.0	4.0
ccTLD	2.3	2.3	-	-	2.3	2.3
RIR	0.8	0.8	-	-	0.8	0.8
Meeting Sponsorships/Other	0.2	0.2	-	-	0.2	0.2
<b>Sub-total</b>	<b>7.3</b>	<b>7.3</b>	<b>-</b>	<b>-</b>	<b>7.3</b>	<b>7.3</b>
<b>ICANN Ops Funding</b>	<b>\$ 145.3</b>	<b>\$ 147.7</b>	<b>\$ (2.5)</b>	<b>(2%)</b>	<b>\$ 156.2</b>	<b>\$ 134.6</b>

### 4.3 Expenses by Service Group and Functional Activity

The following table shows average FTEs and expenses by ICANN Operations service group in the FY24 Budget. There are five service groups under which ICANN org’s functional activities are included. To view the expenses by functional activity, please download the [Excel file](#).

In millions, USD  Service Group / Functional Activity	FY24 Budget Expenses			
	FTE <sup>(1)</sup>	Pers.	Non Pers. <sup>(2)</sup>	Total
Technical and DNS Security	75	\$15.4	\$7.5	\$22.9
Policy Development and Implementation Support	79	\$15.3	\$6.7	\$22.1
Community Engagement & Services	107	\$20.5	\$12.6	\$33.1
ICANN Org Governance	37	\$12.3	\$7.2	\$19.5
ICANN Org Shared Services	115	\$26.7	\$25.4	\$52.1
<b>Subtotal <sup>(3)</sup></b>	<b>413</b>	<b>\$90.3</b>	<b>\$59.4</b>	<b>\$149.7</b>
Budgeted New Hires	35	\$7.7	n/a	\$7.7
Contingency	n/a	n/a	\$5.2	\$5.2
Allocations to Other Segments <sup>(4)</sup>	(35)	(\$13.2)	(\$4.1)	(\$17.4)
<b>Total</b>	<b>413</b>	<b>\$84.7</b>	<b>\$60.6</b>	<b>\$145.3</b>

<sup>(1)</sup> Full-Time Equivalents, average in the fiscal year

<sup>(2)</sup> Non Personnel Expenses include Travel & Meetings, Professional Services, Administration and Capital

<sup>(3)</sup> Subtotal of allocated Functional Activities. Items below the Subtotal are not allocated and are defined in the Glossary of the Budget document

<sup>(4)</sup> Other segments include: the New gTLD Program, Reviews Implementation (funded via SFICR), and Grant Program (funded via Auction Proceeds)

## 4.4 Travel and Community Engagement

### 4.4.1 Constituent Travel

ICANN provides travel support for selected community members to:

- Advance the work of ICANN
- Provide support for those who might otherwise not be able to afford to attend ICANN Public Meetings
- Broaden participation in ICANN's processes

ICANN.org publishes [travel guidelines](#) that form the basis for making travel allocations.

The number, cost, and support of funded seats for Supporting Organization (SO) and Advisory Committee (AC) constituent travel remain at FY23 Budget levels. Likewise, the number of travel seats funded for Fellows and NextGen participants at each of the three ICANN Public Meetings remains the same as FY23 Budget levels.

Constituent / Community Group	Abbreviation
At-Large Advisory Committee	ALAC
Country Code Names Supporting Organization	ccNSO
Governmental Advisory Committee	GAC
Generic Names Supporting Organization	GNSO
Next Generation	NextGen
Root Server System Advisory Committee	RSSAC
Security and Stability Advisory Committee	SSAC
Nominating Committee Selectees	NomCom Selectees



Constituent Travel by Community Group	ICANN 78 - Hamburg		ICANN 79- Puerto Rico		ICANN 80 - TBA	
	Trips	Amount	Trips	Amount	Trips	Amount
ALAC	29	\$70,370	29	\$71,039	29	\$105,680
Fellows	45	\$104,400	45	\$106,587	45	\$158,074
ccNSO	17	\$42,530	17	\$42,616	17	\$63,527
GAC	40	\$92,800	40	\$94,744	40	\$140,510
GNSO	51	\$121,410	51	\$123,149	51	\$182,960
NextGen	15	\$34,800	15	\$35,529	15	\$52,691
RSSAC	6	\$20,100	6	\$18,912	6	\$28,697
SSAC	16	\$40,210	16	\$40,248	16	\$60,014
Incoming Travelers	5	\$11,600	0	\$0	0	\$0
NomCom Selectees	5	\$11,600	0	\$0	0	\$0
Technical Liason Group	8	\$43,280	8	\$18,949	8	\$58,582
<b>Total</b>	<b>237</b>	<b>\$593,100</b>	<b>227</b>	<b>\$551,773</b>	<b>227</b>	<b>\$850,735</b>
<b>ICANN Meetings Subtotal</b>	<b>\$1,995,608</b>					

<b>Other Community Events</b>	<b>Amount</b>
Placeholder for SO-AC Additional Budget Requests	\$300,000
AFRALO General Assembly	\$128,960
APRALO General Assembly	\$135,200
GAC High Level Government Meeting (HLGM)	\$46,400
GAC Capacity Development Workshop	\$38,640
GNSO - GDD Summit/Working Sessions	\$127,620
CROP Program	\$50,000
<b>Total</b>	<b>826,820</b>

<b>ICANN Meetings Total</b>	<b>\$2,822,428</b>
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#### 4.4.2 Additional Budget Requests (ABRs)

The Additional Budget Request (ABR) process is part of the annual ICANN Operating Plan and Budget planning cycle. The ABR process can only be used by ICANN communities that are recognized by the ICANN Board. Requests must be consistent with the charter of the requesting ICANN community group and reflect potential ICANN community activities that are not already included in the annual ICANN Budget. The ABR process helps the ICANN Board and ICANN org better understand and develop resources for present and future ICANN community needs. Both ICANN org and the ICANN Board are committed to an accountable and transparent ABR process for the benefit of the ICANN community. ICANN org encourages ICANN community groups to review and track the FY24 ABR process located on the ICANN wiki [here](#).

The ABR assessment process focuses on facilitating effective and sustainable community work through:

- Granting the available resources for those requests that are directly and demonstrably related to current ICANN policy development, advisory, and technical work.
- Prioritizing travel-related requests linked to events that are intended to take place at an ICANN Public Meeting or other ICANN-organized meeting.

- Addressing capacity building objectives through encouraging collaboration with ICANN's Public Responsibility Support and Global Stakeholder Engagement teams, including development of online (rather than face-to-face) training material.
- Considering the availability of resources, both financial and personnel, to support the individual and collective requests.

Periodically, ICANN org determines that ABRs should be part of its core operations and includes them in the core ICANN Budget. Once an ABR is moved to the core Budget, it is not needed for future ABR submissions so that new requests can be considered for the ABR Budget. In FY24, the available ABR Budget remains at \$300,000 which is in line with prior year Budgets and approvals.

### 4.4.3 ICANN Public Meetings

ICANN Public Meetings are central to ICANN's multistakeholder model and provide a venue for learning about ICANN, advancing policy work, conducting outreach, exchanging best practices, and interacting with members of the ICANN community, Board, and org. ICANN Public Meetings are held three times each year in different regions of the globe to enable attendees from around the world to participate in their own jurisdiction. Each ICANN Public Meeting held throughout the year has a different focus and duration. Per the calendar year and in order by date, the three Public Meetings are known as the Community Forum, the Policy Forum, and the Annual General Meeting (AGM).

Due to the COVID-19 pandemic, ICANN67 through ICANN73 were conducted in a virtual format, and therefore, reflect cost savings. For the FY24 Budget, the assumption has been made that all ICANN Public Meetings will return to a face-to-face format.

In Millions, US Dollars	Meeting Format	Actuals	Budget
ICANN80 - TBA	Policy	n/a	\$4.5
ICANN79 - Puerto Rico	Community	n/a	\$4.1
ICANN78 - Hamburg	AGM	n/a	\$4.3
<b>Total FY24 ICANN Meetings</b>		<b>n/a</b>	<b>\$13.0</b>
ICANN77 - DC	Policy	n/a	\$3.7
ICANN76 - Cancun	Community	n/a	\$3.6
ICANN75 - Kuala Lumpur	AGM	\$4.7	\$4.0
<b>Total FY23 ICANN Meetings</b>		<b>n/a</b>	<b>\$11.3</b>
ICANN74 - The Hague	Policy	\$3.6	\$3.5
ICANN73 - San Juan (Virtual)	Community	\$0.5	\$3.8
ICANN72 - Seattle (Virtual)	AGM	\$0.5	\$3.5
<b>Total FY22 ICANN Meetings</b>		<b>\$4.6</b>	<b>\$10.8</b>
ICANN71 - The Hague (Virtual)	Policy	\$0.5	\$3.7
ICANN70 - Cancun (Virtual)	Community	\$0.5	\$3.7
ICANN69 - Hamburg (Virtual)	AGM	\$0.5	\$4.2
<b>Total FY21 ICANN Meetings</b>		<b>\$1.5</b>	<b>\$11.6</b>

## 4.5 Risks and Opportunities

This section identifies risks and opportunities in the FY24 Budget. Each scenario is classified as related to funding or an expense, includes an estimated U.S. dollar impact, and is assigned a probability of “Low,” “Medium,” or “High.”

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

Risks	Potential Amount	Probability
Funding: Lower than Budget due to more than planned losses of domain registrations and contracted parties	-\$3.0 million	Low
Expense: Increased cost of traveling and operating due to inflation	-\$2.0 million	Medium

Opportunities	Potential Amount	Probability
Expense: Personnel savings from difficulties in hiring new staff	+\$2.0 million	Medium
Funding: Higher than planned due to the economy improving	+\$3.0 million	Medium

## 4.6 Contingency

The contingency is an amount 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 litigation costs, or activities that have been confirmed for implementation by the Board after the Budget was finalized.

ICANN org supports the community-led activities that result in review recommendations, cross-community working group recommendations, recommendations following policy development processes, and advisory recommendations. Policies and recommendations progress through various stages such as initiation, development, finalization, Board consideration, implementation planning, and implementation. ICANN org begins designing the expected implementation work only as recommendations and policies move forward and reach the stage of Board consideration. After the Board adopts these recommendations and policies, the implementation work begins.

In an effort to present a comprehensive view of projected ICANN org operations over the five-year period, the Draft ICANN FY24–28 Operating and Financial Plan includes areas of work still under discussion within the community or under Board consideration. Please see the [ICANN Rolling Five-Year Roadmap](#) for more details.

The contingency in the FY24 Budget is \$5.2 million (approximately 4% of budgeted expenses).

## 4.7 IANA Budget

IANA activities are a portion of ICANN Operations, and the planning process for the IANA Budget is part of the overall ICANN planning process. The IANA multiyear plans are part of ICANN’s Five-Year Operating and Financial Plan. The IANA FY24 Operating Plan and Budget is a component of ICANN’s FY24 Operating Plan and Budget. [Public Technical Identifiers \(PTI\)](#) is an affiliate of ICANN and, through [contracts and subcontracts](#) with ICANN, is responsible for the operations of the IANA functions. PTI has its own Bylaws that require the organization to develop its own annual PTI Operating Plan and Budget at least nine months in advance of the ICANN fiscal year.

Consultations were conducted with stakeholders on the IANA FY24 Operating Plan and Budget priorities. After developing a final proposed draft, the Draft IANA FY24 Operating Plan and Budget was published for Public Comment from 15 September 2022 through 17 November 2022. A report of submissions for Public Comment will be published on 19 December 2022. The completed FY24 IANA Operating Plan and Budget will be considered for adoption by the ICANN Board in January 2023.

ICANN org receives input from PTI on its Budget and then develops an IANA Budget each year. The Draft IANA FY24 Operating Plan and Budget is \$11.0M, of which \$10.5M is for PTI activities and \$0.6M is for IANA support activities not performed by PTI. The Draft IANA FY24 Budget is \$0.6M higher than the FY23 IANA Budget, primarily due to an increase in personnel costs for inflation, and partially offset by lower costs for depreciation on existing and new assets. The IANA support activities component remains the same compared to the support activities component in the FY23 IANA Budget due to the mix of personnel support. Overall, the services remain the same to the FY23 Budget.

FY24 PTI Budget in Millions, USD	FY24 Budget	FY23 Budget	Under/(Over)		FY22 Actuals
			Total	%	
<b>FUNDING</b>	<b>\$10.5</b>	<b>\$9.8</b>	<b>(\$0.6)</b>	<b>-6.5%</b>	<b>\$8.1</b>
Personnel	\$6.7	\$6.3	(\$0.4)	-6.7%	\$6.3
Travel & Meetings	\$0.4	\$0.5	\$0.1	24.9%	\$0.1
Professional Services	\$1.8	\$1.3	(\$0.5)	-41.6%	\$0.9
Administration	\$0.9	\$0.9	(\$0.0)	-3.1%	\$0.8
Contingency	\$0.5	\$0.5	\$0.0	0.0%	\$0.0
Capital	\$0.1	\$0.3	\$0.2	68.3%	\$0.0
Depreciation (a)	\$0.0	\$0.0	\$0.0	0.0%	\$0.0
<b>TOTAL CASH EXPENSES</b>	<b>\$10.5</b>	<b>\$9.8</b>	<b>(\$0.6)</b>	<b>-6.5%</b>	<b>\$8.1</b>
<b>EXCESS/(DEFICIT)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>0.0%</b>	<b>\$0.0</b>
Average Headcount (FTE) (b)	22.6	22.0	(0.6)	-2.9%	21.6

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

(b) FTE: Full-time staff equivalent

FY23 IANA Budget in Millions, USD	FY24 Budget	FY23 Budget	Under/(Over)		FY22 Actuals
			Total	%	
PTI Services	\$10.5	\$9.8	(\$0.6)	-6.5%	\$8.1
IANA Support Activities (c)	\$0.6	\$0.6	(\$0.0)	-0.3%	\$0.6
<b>TOTAL</b>	<b>\$11.0</b>	<b>\$10.4</b>	<b>(\$0.6)</b>	<b>-6.1%</b>	<b>\$8.7</b>
Average Headcount (FTE)	24.1	23.5	(0.6)	-2.5%	23.0

(c) IANA Support Activities includes the Root Zone Maintainer function, Customer Standing Committee, Root Zone Evolution Committee and IANA Naming Function reviews  
These costs are funded by ICANN Org.

## 5 New Generic Top-Level Domain (gTLD) Program

The question of how new generic top-level domains (gTLDs) are introduced into the Domain Name System (DNS) is an important topic for many people. The process for adding new gTLDs has evolved over time to meet the demands of today's Internet and the stakeholders who use it, such as community organizations, businesses, intellectual property holders, individuals, and more.

The last time new gTLDs were added was through the New gTLD Program 2012 Round. Efforts to prepare the path forward for a subsequent round of new gTLDs are ongoing and part of a community-wide effort to determine how organizations might apply and be selected.

### 5.1 New gTLD Program 2012 Round

The New gTLD Program 2012 Round is a \$360 million multiyear program launched in 2012 to create new gTLDs. A key goal of the program is to enhance competition, innovation, and consumer choice.

#### 5.1.1 Multiyear View

ICANN org periodically reviews the total estimated costs of the New gTLD Program 2012 Round and currently estimates that this round will end sometime after fiscal year 2025.

Starting with FY21, all United States public, private, and non-profit entities, including ICANN, were required to adopt a new revenue recognition standard (ASC 606) issued by the Financial Accounting Standards Board. The adoption of ASC 606 had no impact on ICANN's funding or cash balances. The adoption of ASC 606 only impacted the timing of the recognition of the revenue from the application fees associated with the New gTLD Program 2012 Round.

The table reflects the adoption of the new revenue recognition standard in addition to multiyear cost projections. Contingency and investment gains are not estimated for future years.

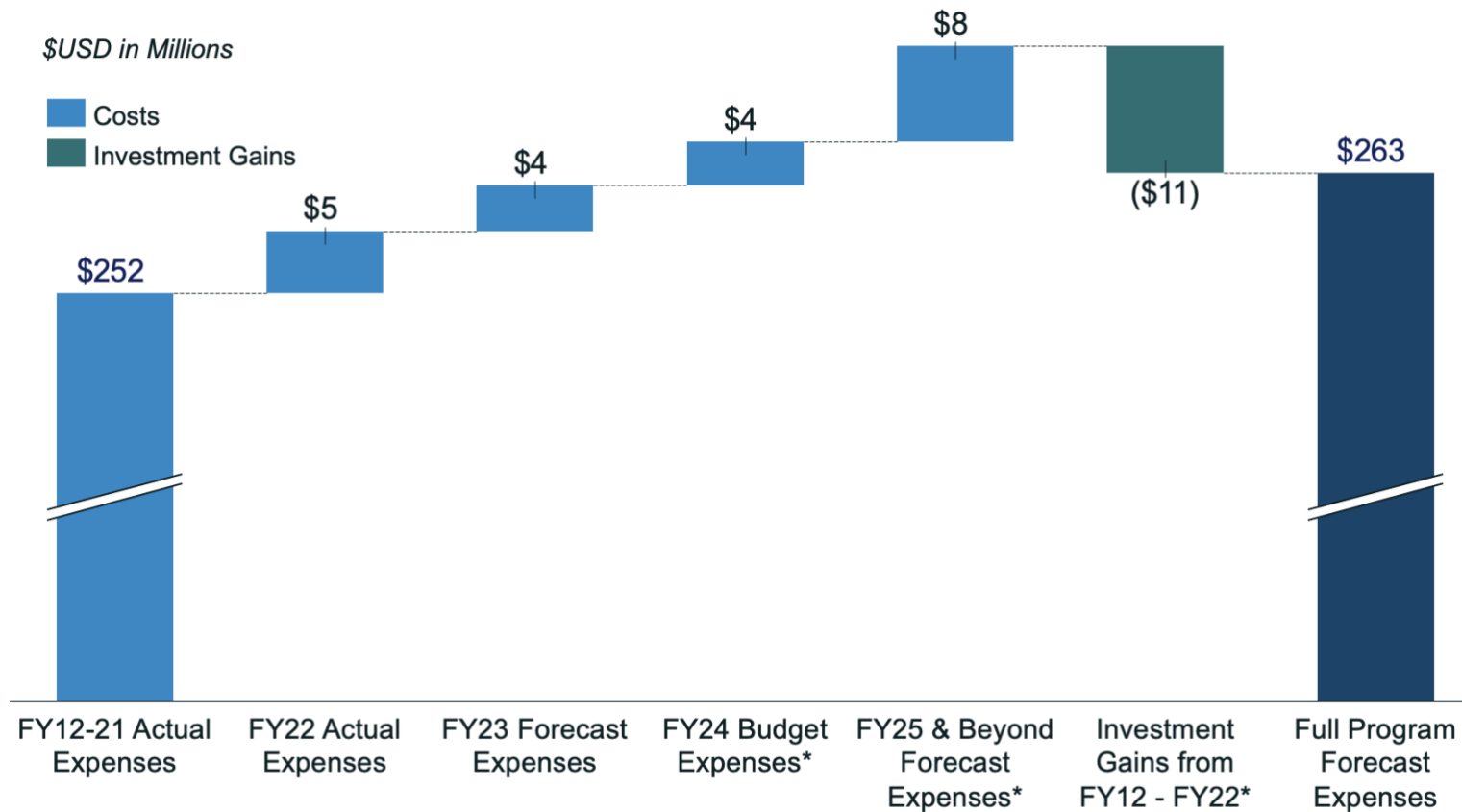
New gTLD Program 2012 Round	Statement of Activities by Fiscal Year					Statement of Activities for Full Program (Jun 2022) Current Estimate
	FY12 - FY21 Actual	FY22 Actuals	FY23 Forecast	FY24 Budget	FY25 & Beyond Forecast	
New gTLD Applicant Fees	360	(0)	0	0	1	361
Refunds	(52)	0	(0)	(0)	(0)	(53)
<b>Applicant Fees (Net of Refunds)</b>	<b>\$ 308</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 308</b>
Initial and Extended Evaluation	(68)	-	-	-	-	(68)
Quality Control and Objection Processes	(11)	-	-	-	-	(11)
Pre-delegation	(12)	-	-	-	-	(12)
Program Costs	(40)	(1)	(2)	(3)	(7)	(53)
Staff Costs	(58)	(2)	(1)	(1)	(1)	(63)
<b>Operating Expenses</b>	<b>\$ (188)</b>	<b>\$ (3)</b>	<b>\$ (3)</b>	<b>\$ (4)</b>	<b>\$ (8)</b>	<b>\$ (206)</b>
Historical Development Costs	(32)	-	-	-	-	(32)
Contingency	(30)	(3)	(1)	-	-	(33)
<b>Non Operating Expenses</b>	<b>\$ (62)</b>	<b>\$ (3)</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (66)</b>
<b>Other Income/(Expense)</b>	<b>\$ (2)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2)</b>
<b>Investment Income/(Expense)</b>	<b>\$ 11</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11</b>
<b>Total Expenses</b>	<b>\$ (241)</b>	<b>\$ (6)</b>	<b>\$ (4)</b>	<b>\$ (4)</b>	<b>\$ (8)</b>	<b>\$ (263)</b>
<b>Net Remaining New gTLD Funds*</b>	<b>\$ 67</b>	<b>\$ (6)</b>	<b>\$ (4)</b>	<b>\$ (3)</b>	<b>\$ (8)</b>	<b>\$ 46</b>

\*Note - September 2021 the ICANN Board approved the expenditure of up to US\$9M of New gTLD 2012 Round funds to perform the New gTLD Subsequent Procedures ODP



## 5.1.2 Cash Expense Analysis

The chart below represents the multiyear forecast in New gTLD Program 2012 Round costs. Application fees collected totaled \$361 million with projected refunds of \$53 million, resulting in net funding of \$308 million. The projected program costs are \$274 million, which are partially offset by investment gains from FY12–FY22 of \$11 million. This results in total costs of \$263 million, equating to projected remaining funds of \$46 million, which will be reserved for unexpected expenses including contingency.



\*Contingency and Investment Gains are not estimated for future years

### 5.1.3 Risks and Opportunities

This section outlines the risks and opportunities of the New gTLD Program 2012 Round in the FY24 Budget. Each scenario is classified as related to funding or expenses; it includes an estimated U.S. dollar impact, and 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
Expense: Unable to complete application processing and withdrawals by the projected end date of the program	-\$2.0 million	High
Expense: Litigation and accountability mechanisms	TBD	Medium

Opportunities	Potential Amount	Probability
Expense: The Board acts to bring the 2012 Round application Processing to completion	+\$2.0 million	Low

## 5.2 New gTLD Program Subsequent Procedures

### Milestones

- On 21 January 2016, the GNSO Council chartered a Policy Development Process (PDP) for the New gTLD Subsequent Procedures (SubPro).
- On 18 February 2021, the Generic Names Supporting Organization (GNSO) Council voted to approve, by a GNSO Supermajority, the Affirmations, Recommendations, and Implementation Guidance (collectively, referred to as "Outputs") that were determined to have received either 'Full Consensus or Consensus' designations as documented in the [New Generic Top Level Domain \(gTLD\) Subsequent Procedures Policy Development Process Final Report](#) (Final Report).
- On 24 March 2021, the GNSO Council transmitted its recommendations to the ICANN Board and the Board considered the Outputs contained in the Final Report. The Final Report Outputs concern complex operational requirements, and the Board determined further due diligence was needed and initiated an Operational Design Phase (ODP) to inform its deliberations about whether the Final Report Outputs are in the best interests of the ICANN community or ICANN (ICANN Bylaws, Annex A, Section 9 (a)).
- On 12 September 2021, the Board approved a [resolution](#), directing the ICANN President and CEO to conduct the ODP to address the questions outlined in the [New gTLD Subsequent Procedures Operational Design Phase Scoping Document](#). ICANN org estimated that the resources needed to perform the ODP would be between 32-49 staff and contractors, at a total cost of between \$7 and 9 million dollars. The ICANN Board approved the expenditure of up to \$9 million dollars in order to perform the ODP.
- In December 2022, the ICANN org submitted its Operation Design Assessment (ODA) report to the ICANN Board for consideration in adopting the Final Report Outputs.

### Subsequent Procedures ODP

ICANN org launched the SubPro ODP on 3 January 2022 to develop and provide the ICANN Board with relevant information to inform the Board's determination of whether the recommendations contained in the Final Report are in the best interest of the ICANN community and ICANN. ICANN org identified resources, set up teams, and outlined work tracks to perform the work of the ODP. The team developed a methodology for analyzing the outputs of the Final Report, and identified several assumptions and questions related to these outputs. A short list of initial assumptions was shared with the community during a [session](#) at ICANN73. ICANN org continues to share assumptions with the GNSO Council and community and have published four additional [lists](#) of assumptions. These are all posted to the [SubPro ODP workspace](#), the [Community Digest](#), and via the [SubPro ODP mailing list](#).

The ODP team provided an ODA document in December 2022 to the ICANN Board which outlines the operational impacts of accepting the recommendations, including potential obstacles, expected costs, and the timeline to implementation. One of the primary benefits of this upfront work is to streamline the overall implementation timeframe by addressing critical requirements and interdependencies early on. To learn more about the ODP process, please visit the ODP webpage [here](#).

### **Subsequent Procedures (SubPro) FY23 Forecast and FY24 Budget**

A key component of the New gTLD Program Subsequent Procedures expenditures is additional personnel for ICANN org to increase its capacity. Some of the new resources directly support SubPro, while some are backfills for existing positions that will transfer to the New gTLD Program. ICANN will be seeking a combination of temporary resources and ICANN org staff to support this project. Work that is temporary in nature and will no longer continue once the program is completed will be handled by temporary resources; whereas work that is to continue through the multiple phases of the project or become part of ongoing operations will be supported by Full-Time Equivalents.

ICANN org is using a general assumption that the ODP phase will be followed, after Board approval of the Final Report, by a phase of preparation for the next round of the New gTLD Program. ICANN org included in its estimated expenses a line item to investigate whether it is feasible for ICANN org to facilitate small in-person or hybrid community meeting(s) to begin generating awareness in underserved regions regarding the potential opportunities of the next New gTLD Program round, to initiate discussions regarding how ICANN org will provide support for linguistic needs, and Internationalized Domain Names, and to provide information regarding ICANN's mission and the goals of the New gTLD Program.

The funding to pay for New gTLD Program SubPro development costs before program launch, including those of the ODP, will come from the New gTLD Program 2012 Round remaining application fees. These funds are intended to be used on the program, are not specifically earmarked for a specific round, and are, therefore, being used to fund the work on the next round.

ICANN org is working under the general assumption that there will be further subsequent rounds of the New gTLD Program. The estimated resource requirements for the ODP have been calculated to ensure that, under the assumption there will be future rounds, following a Board decision regarding the Final Report, ICANN org will be well positioned to use the additional resources to support design planning, implementation, and ongoing operations of the approved policy recommendations.

<b>SubPro Program (USD in millions)</b>	<b>FY22 Actuals</b>	<b>FY23 Forecast</b>	<b>FY24 Budget</b>
ODP	\$1.7	\$6.3	\$0.0
Preperation Phase	\$0.0	\$3.0	\$13.4
<b>Total</b>	<b>\$1.7</b>	<b>\$9.3</b>	<b>\$13.4</b>
FTE Equivalent	5.1	14.8	25.4

## 6 Grant Program

The ICANN Grant Program is based on the recommendations in the [Final Report](#) of the Cross-Community Working Group on New gTLD Auction Proceeds. The community's recommendations were [adopted](#) by the ICANN Board in its 12 June 2022 resolutions. The Board directed ICANN org to produce a preliminary implementation plan in line with the [ICANN Board Scorecard](#) within 120 days. ICANN org presented the Preliminary Design and Implementation Plan to the Board in October 2022 and is in the process of implementation. ICANN org will consider how to provide opportunities for engagement throughout implementation.

The Grant Program will distribute the proceeds from auctions of last resort in the [New gTLD Program 2012 Round](#). The program will be open to applications that are supportive of ICANN's mission.

ICANN org will continue to update the Board and community as work progresses toward implementation of the program during 2023. The future distribution of this significant amount of funding is an exceptional opportunity to make a difference in the Internet ecosystem, in furtherance of ICANN's mission.

Assumptions of the Grant Program are that applications will be accepted and processed in cycles, the first one distributing up to \$10 million. During the preliminary implementation design, ICANN org simulated a scenario of receiving around 200 grant applications and approving approximately 50 grants with an average grant award of \$200 thousand. This simulation informed some financial projections for the estimated costs to run the program that take into account one time implementation costs such as creating the Grant Program department, applicant helpdesk, program website, and extensive Program literature and documentation. The recurring program costs are for ICANN staff, awareness and outreach communication campaigns, and outsourced services for an independent evaluation panel.

The following table outlines the expenses for both the one-time implementation of the Grant Program and the recurring costs for the first grant cycle based on the aforementioned scenario.

**One-Time Implementation costs and Recurring Costs for Grant Cycles**

Grant Program	One-Time Implementation Costs				Recurring Costs			
	Personnel		Non-Personnel	Total	Personnel		Non-Personnel	Total
Activity	FTE	\$	\$	\$	FTE	\$	\$	\$
Phase 1: Planning and Cycle Set Up	0.4	\$0.1	\$0.5	\$0.6	0.5	\$0.2	\$0.4	\$0.6
Phase 2: Application Window	2.1	\$0.5	\$0.2	\$0.8	1.5	\$0.5	\$0.2	\$0.7
Phase 3: Application Due Diligence, Assessment, and Selection Process	0.2	\$0.0	\$0.0	\$0.0	1.5	\$0.4	\$1.2	\$1.6
Phase 4: Award	0.1	\$0.0	\$0.0	\$0.0	0.5	\$0.2	\$0.2	\$0.4
Phase 5: Post Award	1.1	\$0.3	\$0.2	\$0.4	1.0	\$0.5	\$0.2	\$0.6
<b>Total Expenses</b>	<b>3.8</b>	<b>\$1.0</b>	<b>\$0.9</b>	<b>\$1.9</b>	<b>5.0</b>	<b>\$1.7</b>	<b>\$2.1</b>	<b>\$3.9</b>
Projected Grant Distribution							\$10.0	\$10.0
<b>Total Cash Expenditures</b>	<b>3.8</b>	<b>\$1.0</b>	<b>\$0.9</b>	<b>\$1.9</b>	<b>5.0</b>	<b>\$1.7</b>	<b>\$12.1</b>	<b>\$13.9</b>

The program implementation costs will be incurred mainly in FY23 and the recurring costs will be incurred during FY23 and FY24. Below is a breakdown of the costs by fiscal year:

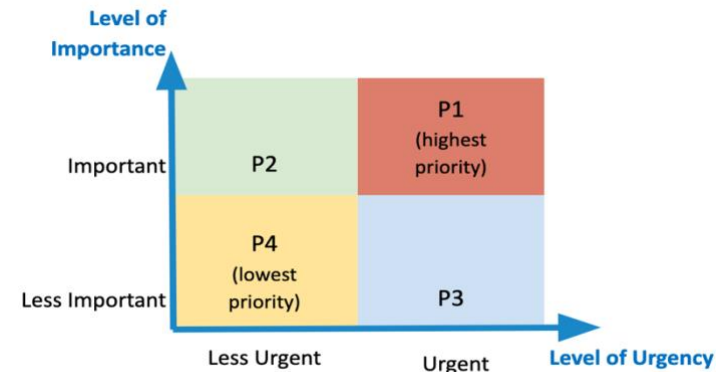
- FY23 Forecast: ~\$2 million costs
- FY24 Budget: ~\$4 million costs and a projected grant distribution of \$10 million

## 7 Reviews Implementation Prioritization

Per the ICANN Investment Policy ([ICANN Investment Policy](#)), the SFICR should be used to fund projects and initiatives that were specifically approved to be funded in the annual planning and budget process. The funding of these projects by the SFICR occurs, as approved by the Board, when the size, complexity, and length of the project create a challenge to be solely funded by annual funding.

In February 2022, ICANN org’s Planning team developed a planning prioritization framework (pictured to the right) to help the ICANN ecosystem prioritize its work within the planning cycle in a manner that is transparent, inclusive, and efficient. A pilot with community members was held in the second quarter of calendar year 2022 to focus on Board-approved Specific Review (the third Accountability and Transparency Review; the Competition, Consumer Trust and Consumer Choice Review; the second Security, Stability and Resiliency Review; and the second Registration Directory Service Review) recommendations eligible for prioritization and to rate them using the “Urgency-Importance Matrix” technique. Forty-five

recommendations/recommendation components were rated on priority and feasibility to operationalize. ICANN org has identified thirty recommendations that can be implemented in the next year with incremental funding outside of the annual plan and operating budget.



In November 2022, the Board approved a [resolution](#) for the utilization of \$5.8 million from the SFICR to fund one-time efforts for prioritized review implementations. This action is consistent with ICANN’s mission and is in the public interest as it is important to ensure that Specific and Organizational Reviews are implemented according to ICANN’s Bylaws and that a healthy multistakeholder model is supported.

ICANN org conducted a cross functional assessment of resources required to complete the implementation of the prioritized Board-approved recommendations. Fifteen functions across the org were identified as having roles in the implementation of recommendations, which require staff and external resources to complete. The one-time effort of implementation will cost \$5.8 million and take approximately one year to complete. All ongoing efforts to maintain service levels and recommendation requirements, after initial implementation, will be incorporated into ICANN org’s annual plan and budget.



**One-Time Implementation costs and Recurring Costs for Review Prioritization**

Review Prioritization	One-Time Implementation Costs			Recurring Costs				
	Personnel		Non-Personnel	Total	Personnel		Non-Personnel	Total
Activity	FTE	\$	\$	\$	FTE	\$	\$	\$
ATRT3	5.9	\$1.3	\$1.3	\$2.7	0.6	\$0.1	\$0.0	\$0.2
CCT	5.9	\$1.3	\$1.1	\$2.4	3.1	\$0.7	\$0.2	\$0.9
SSR2	1.4	\$0.3	\$0.3	\$0.6	0.3	\$0.1	\$0.0	\$0.1
RDS - WHOIS2	0.6	\$0.1	\$0.0	\$0.2	0.0	\$0.0	\$0.0	\$0.0
<b>Grand Total</b>	<b>13.8</b>	<b>\$3.1</b>	<b>\$2.7</b>	<b>\$5.8</b>	<b>4.1</b>	<b>\$0.9</b>	<b>\$0.3</b>	<b>\$1.2</b>

The one-time implementation costs will be incurred during FY23 and FY24 and the recurring costs will begin in FY24. The \$6 million implementation costs will be funded by the SFICR. Below is a breakdown of the implementation costs by fiscal year:

- FY23 Forecast: ~\$2 million costs
- FY24 Budget: ~\$4 million costs

After implementation, recurring costs will be incorporated into the ICANN Operations budget and will no longer utilize the SFICR as a funding source.

## 8 Reserve Fund

The Reserve Fund is invested according to a conservative [Investment Policy](#) which includes limited exposure to fluctuations of the financial markets. Returns are correlated with the trends of the financial markets and therefore any increase or decrease in return is consistent with, but less than, financial market trends resulting from recent events (i.e., Russia-Ukraine conflict, inflation, rising interest rates, and a potential recession).

In FY22, the Reserve Fund investment decline was nine percent. Due to the Reserve Fund's investment strategy and mix of assets, the decline was much lower than most financial benchmarks, which declined 20 percent or more during the fiscal year. The investment decline in the Reserve Fund had no operational impact to ICANN org as these funds are used as a last resort to cover large expenses resulting from unavoidable or unplanned events, which cannot be funded from ICANN's Operations.

The Reserve Fund has a long-term horizon and the investment strategy has been successful over time. During the last five fiscal years, the Reserve Fund has net investment gains of \$9 million, which includes the declines in FY22. Over the last 10 fiscal years, the average investment gain has been about six percent per fiscal year. To further improve the strategy, risk, and efficiency of the Reserve Fund due to the recent changes in the market environment, the Board [approved](#) an investment policy update in July 2022. In addition, in November 2022, the Board [approved](#) a \$19 million transfer to the Reserve Fund from the Operating Fund.

In 2018, the Board [approved](#) an eight-year replenishment strategy which included a goal of reaching a fund balance equal to at least 12 months of operating expenses. The Reserve Fund balance is currently above this goal and ICANN org is committed to keeping the balance above one year of budgeted expenses.

## 9 Appendix

### 9.1 Registrar Fees

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

Approximately 2,550 registrars are accredited by ICANN as of 30 September 2022. These relationships are governed by the Registrar Accreditation Agreement (RAA), and 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
<b>Application Fees</b>	<p>Application fees are paid one time by prospective registrars at the time of application.</p> <p>In FY24, application fees are estimated to be \$98,000 based on a volume of 28 applications and a fee of \$3,500 per application.</p>
<b>Annual Accreditation Fees</b>	<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>In FY24, the annual accreditation fees are estimated at \$9.8 million, based on 2,452 registrars renewing and being newly accredited.</p>

Fee Type	Description
<b>3 Variable Accreditation Fees</b>	Variable accreditation fees are based on the transaction type and volume of each registrar. There are two types of fees associated with the variable accreditation fees: <ul style="list-style-type: none"> <li>• Per-registrar variable fee</li> <li>• Transaction-based fee</li> </ul>
<b>3.1 Per-Registrar Variable Fees</b>	<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 in size and 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> <ul style="list-style-type: none"> <li>• Less than 350,000 gTLD names under its management</li> <li>• No more than 200 attempted adds per successful net add in any TLD</li> </ul> <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 percent is granted to all registrars operating under the 2013 RAA.</p>
<b>3.2 Transaction-Based Fees</b>	<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. If approved again, these fees 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 FY24 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 add, 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.

In Millions, US Dollars	FY24 Budget	FY23 Forecast
Registrar Transaction Fees	\$ 37.8	\$ 38.5
Accreditation Fees - annual	9.8	9.9
Per-registrar Variable Fees	3.4	3.4
<b>Total Registrar Funding</b>	<b>\$ 51.0</b>	<b>\$ 51.8</b>

Other FY24 Scenarios	
High	Low
\$ 41.9	\$ 34.1
10.0	9.3
3.4	3.4
<b>\$ 55.4</b>	<b>\$ 46.9</b>

## 9.2 Fund Governance

Name of Fund	Description of Fund
<b>1 Operating Fund, SFICR, and Reserve Fund</b>	These are governed in accordance with the <a href="#">ICANN Investment Policy</a> . Extracts are shown below.
<b>1.1 Operating Fund</b>	It funds the 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 at least three months. Periodically, any excess funds are transferred to the ICANN Reserve Fund or Supplemental Fund for Implementation of Community Recommendations (SFICR).
<b>1.2 SFICR</b>	The Supplemental Fund for Implementation of Community Recommendations (SFICR) was created to establish segregated resources to increase the capacity of the organization to address projects that are multi-year and focus on Board-approved community recommendations (for policies or resulting from reviews and cross-community working groups) that are approved by the Board. Its funding and expenses are evaluated annually during the planning process as well as periodically by the Board Finance Committee (BFC) and the Board.
<b>1.3 Reserve Fund</b>	<p>The Reserve Fund is ICANN's funding to cover large expenses resulting from unavoidable, unpredictable, or unplanned events, which cannot be funded as ICANN's operations. Any use of the Reserve Fund is restricted by actions of the Board, with a partial delegation of authority to the BFC.</p> <p>The Reserve Fund balance is currently above this goal and ICANN org is committed to keeping the balance above one year of budgeted expenses.</p>

Name of Fund	Description of Fund
<b>2 New gTLD Program and Auction Proceeds</b>	These are governed in accordance with the <a href="#">New gTLD and Auction Proceeds Investment Policy</a> . Please see extracts from this document below.
<b>2.1 New gTLD Program</b>	This corresponds to the unspent portion of the New gTLD Program 2012 Round 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 contingency), and starting in FY22, to cover New gTLD Program Subsequent Procedures.
<b>2.2 Auction Proceeds</b>	The ICANN Auction is a mechanism of last resort to resolve string contention within the New gTLD Program 2012 Round. Auction Proceeds are reserved and earmarked for the Grant Program.

## 9.3 Additional Financials

### 9.3.1 Total ICANN FY23 Forecast

<b>Total ICANN Financials</b>		<b>For the Twelve Months Ending 30 Jun 2023</b>				
<b>In Millions, US dollars</b>	<b>Operating Fund</b>	<b>New gTLD Fund</b>	<b>SFICR</b>	<b>Auction Proceeds</b>	<b>Reserve Fund</b>	<b>Total</b>
<b>Funds Under Management - 30 Jun 2022</b>	<b>\$63</b>	<b>\$70</b>	<b>\$20</b>	<b>\$210</b>	<b>\$143</b>	<b>\$506</b>
Funding	148	-	-	-	-	148
Personnel	(83)	(6)	(1)	(1)	-	(91)
Travel & Meetings	(13)	(1)	(0)	(0)	-	(14)
Professional Services	(27)	(6)	(1)	(1)	-	(35)
Administration	(18)	(1)	(0)	(0)	-	(19)
Capital	(2)	-	-	-	-	(2)
Contingency	(4)	-	-	-	-	(4)
<b>Total Expenses</b>	<b>(148)</b>	<b>(14)</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>	<b>(166)</b>
Operating Fund Excess Transfers	(19)	-	-	-	19	-
Grants Distributed	-	-	-	-	-	-
Investment Income/(Decline)	0	1	0	2	2	5
<b>Funds Under Management - 30 Jun 2023</b>	<b>\$44</b>	<b>\$57</b>	<b>\$18</b>	<b>\$210</b>	<b>\$164</b>	<b>\$493</b>
<b>Total Average FTEs</b>	<b>409</b>	<b>18</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>431</b>



Please note the following about the table above:

- The Operating Fund includes the day-to-day funding and expenses of ICANN Operations
- New gTLD Fund includes work on the New gTLD Program 2012 Round and New gTLD Program Subsequent Procedures (SubPro)
- Supplemental Fund for Implementation of Community Recommendations (SFICR) activity consists of prioritized Review Implementations
- Auction Proceeds are utilized for the Grant Program
- The Reserve Fund ending balance includes a \$19 million transfer from the Operating Fund
- All funds assume modest investment gains which may appear as 0 due to rounding
- Full-Time Equivalents (FTEs) reflect the average in the fiscal year (please see Glossary for a definition of FTEs)

The table above starts with funds under management and the beginning balance of each fund as of 30 June 2022, which is the end of FY22. Based on four months of actual data and eight months of estimates in FY23, the following lines of the table show the funding and expense activities of each fund as it relates to operations in FY23. Operating Fund transfers resulting from excess in that fund from FY22 have been approved by the Board and are detailed below. ICANN org is now investing most of its funds under management and has forecasted a positive return for each fund depending on its investment criteria. The result of these activities shows the ending balance of each fund as of 30 June 2023, which is the end of FY23.

Please see below for additional details regarding each entity and its corresponding fund.

#### **Operating Fund**

- Funding is \$148 million, which reflects historical data from the past few years as well as negative impacts resulting from inflation and a potential recession.
- Expenses are \$148 million, balanced to ICANN Operations funding and assume that normal working conditions continue.
  - Personnel expense reflects an average headcount of 409.
  - Travel and meeting expense assumes three face-to-face ICANN Public Meetings and otherwise unrestricted travel.
  - Total expenses include contingency.

#### **New gTLD Fund**

- Expenses are \$14 million.
  - \$4 million is related to the 2012 Round, including direct expenses and allocations from ICANN Operations.

- \$9 million is related to finishing the New gTLD SubPro ODP and ODA, and beginning implementation, including direct expenses and allocations from ICANN Operations.

#### **SFICR**

- Review implementation work is set to begin in FY23 with projected expenses of \$2 million, including direct expenses and allocations from ICANN Operations.

#### **Auction Proceeds**

- Grant program work began in FY23 and is projected to cost \$2 million, including direct expenses and allocations from ICANN Operations.

#### **Reserve Fund**

- Ending balance is \$164 million, following a \$19 million transfer from the Operating Fund.

## 9.4 Caretaker Budget

Article 6, Section 6.2 of the [ICANN Bylaws](#), 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 that includes 21 days to raise a petition and 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 and Budget that the ICANN Board approved as a base, while respecting the principles of the Caretaker Budget:
  - Suspend the publication of any new positions for hire effective from the date of the rejection by the Empowered Community (the veto date) until a new Budget is approved by the Board.
  - Reduce by 10 percent 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 Board-approved Budget:
    - Travel and Meetings.
    - Professional Services.
  - Exclude any expense directly associated with the reason for which the Empowered Community rejected the Budget, if such expense can reasonably be isolated and avoided.

# 10 Glossary of Terms

The following section explains the terms used to describe the fundamental elements of this document. For additional references, please visit the [Acronyms and Terms feature on ICANN.org](#).

## 10.1 General Budget Terms

### **Budget**

The Budget is a financial estimate for ICANN activities throughout the fiscal year, which begins 1 July and ends 30 June of the following calendar year. The Budget includes estimates for funding and expenses that enable ICANN to carry out its mission. Budget documents are published twice per planning cycle: as a “Draft” in December and after the Board approves the “Adopted” in April or May of the following year.

### **Forecast**

Like the Budget, a Forecast is a financial estimate at a point in time. A Forecast is usually meant to be a future iteration of the Budget in light of actual events that have occurred and new information or assumptions regarding future events.

### **Total ICANN**

Total ICANN describes the financial components of ICANN Operations (including IANA), the New gTLD Program 2012 Round, the New gTLD Program Subsequent Procedures, the Grant Program, and Reviews Implementation Prioritization. It also includes ICANN’s funds under management.

### **ICANN Operations**

ICANN Operations consist of the ongoing activities performed to coordinate the Internet’s technical functions such as the technical coordination, including the allocation and assignment of names in the root zone, of the domain name system (DNS), facilitation of the coordination of the operation and evolution of the DNS root name server system, and the coordination of the unique identifiers and codes that keep the DNS running smoothly. In addition, ICANN Operations include the coordination of the development and implementation of policies concerning the registration of second-level domain names in generic top-level domains (gTLDs) and contractual compliance, along with all of the services needed to keep these activities operational. These activities include the development of policies designed to maintain the security, stability, and resiliency of the DNS.

## **New gTLD Program**

New gTLD Program consists of the New gTLD Program 2012 Round and New gTLD Program Subsequent Procedures.

### **New gTLD Program 2012 Round**

The New Generic Top-Level Domain Program 2012 Round (New gTLD Program 2012 Round) is implemented by ICANN org to enable the expansion of the DNS. The New gTLD Program 2012 Round 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 2012 Round aims to enhance innovation, competition, and consumer choice.

### **New gTLD Program Subsequent Procedures**

New gTLD Program Subsequent Procedures (SubPro) is the next round of the New gTLD Program, which was designed to produce a systemized and ongoing mechanism for applicants to propose new top-level domains. Those policy recommendations remain in place for subsequent rounds of the New gTLD Program unless the Generic Name Support Organization (GNSO) Council decides to modify those policy recommendations via a policy development process. On 18 February 2021, the GNSO Council voted to approve the New Generic Top Level Domain (gTLD) Subsequent Procedures Policy Development Process Final Report (the "Final Report"). In response, ICANN org performed an Operation Design Assessment that will be reviewed by the ICANN Board the beginning of calendar year 2023 to facilitate the Board's determination whether the recommendations contained in the Final Report are in the best interest of the ICANN community or ICANN, in accordance with the ICANN Bylaws.

### **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 pursuant to contracts and sub-contracts with PTI. The [IANA functions](#) include maintenance of Internet number resources, management of the DNS [root zone](#), and other operational aspects of coordinating the Internet's unique identifiers.

### **SSR Initiatives**

Security, Stability, and Resiliency (SSR) Initiatives focus on the commitment to enhance the operational stability, reliability, resiliency, security, and global interoperability of the systems and processes, both internal and external, that directly affect or are affected by the Internet's system of unique identifiers that ICANN coordinates.

## 10.2 Financial Terms

### **Funding**

Funding for ICANN org is similar to revenue at a for-profit company. ICANN org receives most of its funding from its contracted parties in the form of transaction fees for registrations and renewals of domain names, as well as fixed fees. In addition, contributions and sponsorships at ICANN organized meetings make up a small share of the organization's funding. All funding is used to carry out ICANN's Mission to ensure the stable and secure operation of the Internet's unique identifier systems. The funding categories below are the sources of ICANN org's funding.

*Funding Categories:*

### **Transactions**

ICANN org receives transaction fees for registrations, renewals, and transfers of domain names. Transactions are generally categorized as coming from Legacy TLDs or New gTLDs. Transactions must meet a minimum criterion to be considered billable. Transactions fees are billed for quarterly.

### **Registry Fixed Fees**

Registry Operators pay a fixed fee to ICANN org, which is billed for quarterly.

### **Registrar Accreditation Application Fees**

New registrars can apply to be an accredited registrar with ICANN. Funding is received as applicants apply and is used to cover processing expenses.

### **Registrar Accreditation Fees**

ICANN-Accredited Registrars pay a fixed fee to ICANN org and have the choice to be billed annually or four times per year. Billing dates depend on when the registrar became accredited.

### **RIR Contribution**

Regional Internet Registries (RIR) provide an annual contribution to ICANN org.

### **ccTLD Contributions**

Country code top-level domain (ccTLD) registries make voluntary contributions to ICANN org.

### **Meeting Sponsorship/Other**

This category includes sponsorships for events such as ICANN Public Meetings, and other miscellaneous funding or income. In the Budget document, expenses incurred to support ICANN org's mission are often represented with the cost categories below.

*Expense Categories:*

### **Personnel**

Personnel expenses represent the expenses for all personnel inclusive of standard of living increases, promotions, and health and benefits costs. Careful management of resources has kept the headcount at ICANN org stable and consistent with the Budget. Requests to create new positions or fill existing vacant positions must be approved by the ICANN President and CEO, the SVP, Planning and CFO, and the SVP, Global Human Resources. This rigorous process allows the organization to strategically evaluate each new hire, controlling headcount growth and ensuring proper allocation of resources. In regard to new hires, ICANN org budgets as a whole organization for headcount growth. The new hire figure is represented as a whole and not allocated out to the functional activities since it cannot be predicted at a department level.

### **Travel and Meetings**

Approximately 50 percent of ICANN org's travel and meetings costs support hosting three Public ICANN Meetings a year. Other travel and meetings costs are for travel of personnel to various engagement and non-ICANN meeting events and to support community outreach and engagement.

### **Professional Services**

Generally, about 50 to 60 percent of ICANN org's professional services expenses are related to consulting and temporary staffing services. The largest vendors in this category are engineering and information technology resources that are outsourced due to the changing technical needs of the organization and the lower cost of off-shore resources. About 15 percent is legal services for such items as contracted party agreements, accreditation matters, general advice, and litigation and dispute resolution. About 10 percent covers ICANN's language service needs, such as translation and transcription services related to ICANN Public Meetings. The remaining five to 15 percent of professional services is fragmented across various categories.

**Administration**

This cost category includes general and administrative expenses associated with ICANN activities, including rent, software licenses, business insurance, and IT support services. Administrative expenses exclude depreciation and bad debt.

**Capital**

Capital expenses cover purchases for net assets, usually for hardware expenses such as servers and computer equipment. In addition, if internal or external work is performed on a project that is considered an asset, such as a website, these “Personnel” and “Professional Services” costs are moved to “Capital” per the Generally Accepted Accounting Principles (GAAP).

**Contingency**

Contingency is a placeholder in a Budget or Forecast for unforeseen costs that may occur throughout the fiscal year.

*Other categories:*

**Net Excess/(Deficit)**

Net Excess/(Deficit) represents the difference between funding and operating expenses. Net Excess, a positive number, indicates that funding was greater than operating expenses. Net Deficit, a negative number usually shown with parentheses, indicates that expenses were greater than funding.

**Full-Time Equivalents**

Full-Time Equivalents (FTEs) is a unit that indicates the level of employee resources towards an organizational segment or project. Reporting using FTEs allows organizations to compare levels of resources. For example, a segment with 1.0 FTEs is equivalent to one full-time employee dedicated to that area, while a segment with 0.5 FTEs signals half of a full workload.

**Budgeted New Hires**

Open positions planned to be hired between the time of publication and the end of FY24. These positions are budgeted at the organizational level instead of being allocated to specific functional activities.

**Allocations to Other Segments**

This category includes allocations to the New gTLD Program, Reviews Implementation (funded via SFICR), and Grant Program (funded via Auction Proceeds). A fraction of ICANN org’s expenses, consisting of personnel costs and overhead expenses, are allocated to these segments.