

# Highlights of the Draft FY23 – 27 Operating and Financial Plan and FY23 Operating Plan and Budget

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# 1 Overview

The purpose of the Highlights document is to provide an overview of ICANN's Fiscal Year (FY) 23–27 Operating and Financial Plan and its FY23 Operating Plan and Budget.

It accompanies two other documents:

- [FY23–27 Operating and Financial Plan and FY23 Operating Plan](#)
- [FY23 Budget](#)

In accordance with ICANN's Bylaws and the Empowered Community process, documents are divided into a five-year operating and financial plan, a one-year operating plan, and a one-year budget.

## 2 Operating Plan Highlights

### 2.1 Operating Plan Assumptions

**Updates to the Strategic Plan:** Throughout its life cycle, the Five-Year Strategic Plan is periodically reviewed and adapted as needed to account for significant shifts in existing or new trends. ICANN tracks and monitors trends that impact the Internet ecosystem to update and inform its plans as needed. Between January and April 2021, ICANN convened 16 strategic outlook sessions with 300 participants from the community, Board, and org. Feedback received during those trend sessions was collected and analyzed as strategic outlook trends, risks, opportunities, and potential impacts on ICANN were assessed.

The monitoring of the evolution of the top trends that affect ICANN showed that the strategic objectives of the organization set forth in the FY21–25 Strategic Plan do not need to change at this point. The analysis produced some opportunities for adjustments to the Five-Year Operating and Financial Plan, specifically in how and when objectives are addressed. On 28 October 2021, the [Board resolved](#) that the FY21–25 Strategic Plan shall remain in force and unchanged, with no restatement needed at this time. The details of this analysis and conclusions have been documented in the FY23 Strategic Outlook Trends Report which can be found [here](#).

**Affordability:** The FY23–27 Operating and Financial Plan is forward-looking and uses “base” scenario Operations funding projections. However, the financials used beyond FY23 are intended to be flexible to allow ICANN org to adjust the level of activity and expenses should future funding levels change. ICANN org plans for operating expenses to remain at or lower than budgeted

funding, drawing from designated and available funding sources. Ensuring that Operations expenses do not exceed Operations funding and that sufficient reserves are reached and maintained at all times are two key principles of ICANN's long-term, financial sustainability. At the time of publication of this draft plan, the Reserve Fund exceeds its minimum target level and further allocation to such Reserve Fund may be considered on an annual basis.

**Face-to-Face meeting and engagement:** The COVID-19 pandemic has changed how the ICANN community has worked and interacted since late FY20. Resulting safety protocols shifted nearly all face-to-face work and engagement activities online in FY21. While the future is unknown, ICANN org has elected to conduct its planning and budgeting forecasts processes for FY23–27 based on normal, pre-COVID operations including face-to-face ICANN Public meetings and other types of engagement activity. ICANN org will adapt and update operations as required in close collaboration with the Board and community.

**Changes from FY22-26 Operating Plan:** The draft FY23–27 Operating and Financial Plan updates the FY22–26 Operating and Financial Plan, and continues to demonstrate how ICANN org implements its current Strategic Plan. Many of ICANN org's activities to implement its Mission or operate the organization continues each year. Any new activities or changes to existing ones are marked with a delta ( $\Delta$ ).

**Planning for Board Approved Activities:** ICANN org supports the community-led activities that result in review recommendations, cross-community working group recommendations, policy recommendations from policy development processes, and advisory recommendations. Policies and other recommendations progress through various stages such as initiation, development, finalization, Board consideration, implementation planning, and implementation. ICANN begins designing the expected implementation work only as such recommendations move forward and reach the stage of Board approval. After the Board adopts recommendations, the implementation work of design, planning, scheduling and delivery starts.

In an effort to present a comprehensive view of projected ICANN org operations over the five-year period, the FY23–27 Operating and Financial Plan includes areas of work still under discussion within the community or under Board consideration. Please see **Appendix A—ICANN Rolling Five-Year Roadmap** for more details.

ICANN org updates its Five-Year Operating and Financial Plan annually to include the latest activities that the org is responsible to implement. While the Five-Year Operating and Financial Plan reflects a high-level roadmap of community-led activities, any implementation activities expected during the coming fiscal year are incorporated into the Annual Operating Plan and Budget.

**Planning Prioritization:** ICANN's focus remains firmly on the prioritization and allocation of resources needed to successfully implement the operating initiatives and functional activities in the FY23–27 Operating and Financial Plan and FY23 Operating Plan and Budget.

In the FY22 plans, ICANN org prioritized the implementation of recommendations from the Cross-Community Working Group on ICANN Accountability Work Stream 2 (CCWG-WS2), as well as the implementation of the Enhancing the Effectiveness of ICANN's Multistakeholder Model work plan. This work continues in FY23.

“Planning at ICANN” is one of the 15 operating initiatives in ICANN's FY23–27 Operating and Financial Plan and FY23 Operating Plan and Budget. One component of this operating initiative is to deliver a draft prioritization framework to be used during the annual planning process. The planning prioritization framework project launched at the end of FY21. As part of this project, a pilot will be conducted on Board-approved review recommendations in January and February 2022 in collaboration with the Community. The list of prioritized review recommendations from the pilot will be available in March 2022. Therefore, this plan assumes that a select number of prioritized review recommendations will be included in the FY23 plans. The specific activities will be inserted after the conclusion of the above mentioned pilot process.

## 2.2 Operating Initiatives

Operating initiatives describe how ICANN org will achieve the objectives and goals set out in the ICANN Five-Year Strategic Plan. The 15 operating initiatives listed below represent major areas of work that support the strategic objectives and targeted outcomes identified in the Strategic Plan.

The 15 operating initiatives are:

1. Support the Evolution of the Root Server System
2. Facilitate the DNS Ecosystem Improvements
3. Evolve and Strengthen the Multistakeholder Model to Facilitate Diverse and Inclusive Participation in Policymaking
4. Evolve and Strengthen the ICANN Community's Decision-making Processes to Ensure Efficient and Effective Policymaking
5. Develop Internal and External Ethics Policies
6. Promote and Sustain a Competitive Environment in the Domain Name System
7. Promote the Universal Acceptance of Domain Names and Email Addresses
8. Root Zone Management Evolution

9. Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem
10. Improve Governmental and Intergovernmental Organization (IGO) Engagement and Participation in ICANN Through Targeted Engagement
11. Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration with Others that May Impact the ICANN Mission
12. Improve Depth of Understanding of the Domain Name Market Drivers which Impact ICANN's Funding
13. Implement New gTLD Auction Proceeds Recommendations as Approved by Board
14. Planning at ICANN
15. ICANN Reserves

Each operating initiative is cross-referenced against the strategic goals identified in the Strategic Plan, so readers can gain a comprehensive understanding of the strong interconnectedness of ICANN org's work. Please refer to Appendix B—Operating Initiatives Supporting the Strategic Plan in the plan for details.

## 2.3 Functional Activities

Functional activities are those necessary to operate the organization, such as Human Resources or Finance, or implement ICANN's mission, such as Contractual Compliance or the IANA functions. The 33 functional activities have been placed into five service groups which represent the broad categories of work that ICANN org conducts.

The functional activities are:

- **Technical and DNS Security:**
  - Office of the Chief Technology Officer
  - ICANN Managed Root Server
  - Internationalized Domain Names and Universal Acceptance
  - IANA Functions
- **Policy Development and Implementation Support:**
  - Policy Development and Advice
  - Policy Research
  - Contracted Parties Services Operations
  - Technical Services
  - Strategic Initiatives
  - Constituent and Stakeholder Travel
- **Community Engagement and Services:**
  - Global Stakeholder Engagement
    - Regional Offices
  - Public Responsibility Support
  - Governmental and Intergovernmental Organization Engagement
  - GDD Accounts and Services
  - Global Communications and Language Services
- Global Meetings Operations
- Ombudsman
- **ICANN org Governance:**
  - Board Activities
  - Office of the President and CEO
  - Governance Support
  - Nominating Committee Support
  - Complaints Office
  - Planning
  - Reviews Support and Implementation
- **ICANN Shared Services:**
  - Finance and Procurement
  - Risk Management
  - Engineering and Information Technology
  - Global Human Resources and Administrative Services
  - Security Operations
  - Global Shared Services
  - Board Operations
  - ICANN Offices

Each Functional Activity within the Operating Plan includes background on the purpose, activities, progress measurement, as well as description of considerations or risks that may impact the work. While the anticipated resources needed by each functional activity for the period of FY23–27 is at a high-level, the planned resources for FY23 is more detailed (please click [here](#) to review).

## 3 Financial Plan Highlights

### 3.1 FY23–27 Funding Approach and Assumptions

The FY23–27 financials provide forward-looking information that represents ICANN’s attempt at conservatively estimating its future funding and expenses. The intent is to maximize the chances that such future funding is equal to, if not higher, than these projections would suggest, and thus allow ICANN to plan for a level of activity and expenses that minimize the risk that funding would be lower than expenses in the future.

ICANN org uses external information to develop multiple scenarios that incorporate various assumptions of growth or decline for each of its funding categories. These assumptions are developed for the specific purpose of creating reasonably conservative funding assumptions.

5-Year Projections	FY23	FY24	FY25	FY26	FY27
<b>ICANN Ops Funding (In Millions USD)</b>					
Base	\$ 152.0	\$ 155.3	\$ 158.7	\$ 160.1	\$ 161.7
Low	\$ 132.9	\$ 127.1	\$ 124.5	\$ 120.7	\$ 117.3
High	\$ 158.4	\$ 167.5	\$ 177.0	\$ 185.2	\$ 194.1
<b>Transaction Volume (In Millions)</b>					
Base	227.1	235.4	243.7	252.0	260.5
Low	187.5	178.1	174.5	171.8	169.8
High	239.4	259.4	280.0	302.0	325.6
<b>Contracted Parties</b>					
Base	3,592	3,580	3,567	3,553	3,545
Low	3,346	3,175	3,075	3,020	2,994
High	3,625	3,675	3,730	3,787	3,845

Because forecasting relies on assumptions that are hypothetical and can become outdated, ICANN org will continue to review its funding forecast regularly and adjust as needed.

The FY23–27 Financial Plan also includes a contribution to support ICANN’s efforts to preserve and enhance the security, stability, and resiliency of the DNS, including root server system governance, mitigation of DNS security threats, promotion and/or facilitation of DNSSEC deployment, the mitigation of name collisions, and DNS operations research.

## 3.2 FY23–27 Financial Projections

The table below reflects financial projections for the five-year period FY23–27. The projections define the maximum amount of operational expenses to be incurred on an annual basis.

<b>ICANN OPERATIONS</b>						
<i>(in Millions USD)</i>						
<b>5-Year Projections</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>5-Year Total</b>
<b>Funding <sup>(1)</sup></b>	<b>\$152.0</b>	<b>\$155.3</b>	<b>\$158.7</b>	<b>\$160.1</b>	<b>\$161.7</b>	<b>\$787.8</b>
<b>Expense</b>						
<b>Personnel</b>	<b>\$86.5</b>	<b>\$88.3</b>	<b>\$90.0</b>	<b>\$91.4</b>	<b>\$92.8</b>	<b>\$449.0</b>
<b>Travel and Meetings</b>	<b>\$14.3</b>	<b>\$14.8</b>	<b>\$15.2</b>	<b>\$15.3</b>	<b>\$15.4</b>	<b>\$74.9</b>
<b>Professional Services</b>	<b>\$29.7</b>	<b>\$30.3</b>	<b>\$31.0</b>	<b>\$31.0</b>	<b>\$31.1</b>	<b>\$153.1</b>
<b>Administrative</b>	<b>\$19.3</b>	<b>\$19.7</b>	<b>\$20.1</b>	<b>\$20.1</b>	<b>\$20.1</b>	<b>\$99.3</b>
<b>Capital</b>	<b>\$2.2</b>	<b>\$2.3</b>	<b>\$2.3</b>	<b>\$2.3</b>	<b>\$2.3</b>	<b>\$11.5</b>
<b>Total Operating Expenses</b>	<b>\$152.0</b>	<b>\$155.3</b>	<b>\$158.7</b>	<b>\$160.1</b>	<b>\$161.7</b>	<b>\$787.8</b>
<b>Net Operating Excess/(Deficit)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Average Headcount</b>	<b>423</b>	<b>423</b>	<b>423</b>	<b>423</b>	<b>423</b>	<b>423</b>

<sup>(1)</sup> Includes contributions for ICANN Security, Stability, and Resiliency (SSR) activities.

## 4 Budget Highlights

### 4.1 Total ICANN Financial Overview

Total ICANN Financials In Millions, US dollars	For the Twelve Months Ending 30 Jun 2023					
	ICANN Operations	New gTLD Program <sup>1</sup>	SFICR <sup>2</sup>	Reserve Fund	Auction Proceeds	Total
<b>Funds Under Management - 30 Jun 2022</b>	<b>77.4</b>	<b>68.7</b>	<b>20.1</b>	<b>175.2</b>	<b>213.3</b>	<b>554.6</b>
Funding	152.0	-	-	-	-	152.0
Personnel	(86.5)	(7.2)	-	-	-	(93.7)
Travel & Meetings	(14.3)	(1.0)	-	-	-	(15.3)
Professional Services	(29.7)	(5.0)	-	-	-	(34.7)
Administration	(19.3)	(0.7)	-	-	-	(20.0)
Capital	(2.2)	(0.1)	-	-	-	(2.2)
Total Expenses	(152.0)	(13.9)	-	-	-	(165.9)
Operating Fund Excess Transfers (subject to Board Approval)	-	-	-	-	-	-
Change In Market Value	0.2	0.3	0.1	6.1	1.1	8.1
<b>Funds Under Management - 30 Jun 2023</b>	<b>77.6</b>	<b>55.1</b>	<b>20.2</b>	<b>181.3</b>	<b>214.4</b>	<b>548.8</b>
<b>Total Average Headcount</b>	<b>423</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>448</b>

<sup>1</sup> New gTLD Program consists of the 2012 Round and the Subsequent Procedures ODP

<sup>2</sup> ICANN org will recommend utilization of the SFICR for the SSAD ODP and implementation work, if the Board approves the implementation plan which will be reviewed ~ March 2022

The chart above starts with funds under management and the estimated beginning balance of each fund as of 30 June 2022, which is the end of FY22 and the beginning of FY23. The following lines of the chart show the expected funding and expense activities of each fund as it relates to operations. 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 2023, which is the end of FY23.

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

### **ICANN Operations**

- Funding is \$152 million, which reflects recent positive trends, possible negative impacts, and a contribution for ICANN Security, Stability, and Resiliency (SSR) initiatives.
  - \$148 million is ICANN org's base funding, taking into consideration historical data and growth from the past few years as well as possible negative impacts resulting from the pandemic.
  - \$4 million is a contribution Verisign will make to fund SSR initiatives that are a part of ICANN org's functional activities.
- Expenses are \$152 million, balanced to ICANN Operations funding and assume that working conditions will return to normal.
  - Personnel expense reflects an average headcount of 423.
  - Travel and meetings expense assumes three face-to-face ICANN Public Meetings and otherwise unrestricted travel.
  - Total expenses include contingency and SSR activities in the cost categories to which they relate.

### **New gTLD Program**

- Expenses are \$14 million.
  - \$4 million is related to the 2012 round including direct expenses and allocations from ICANN Operations.
  - \$10 million is related to the New gTLD Subsequent Procedures ODP (expected to begin in early calendar 2022) including direct expenses and allocations from ICANN Operations.

### **Supplemental Fund for Implementation of Community Recommendations (SFICR)**

- Beginning balance is \$20 million, following a \$5 million transfer in FY22.
- If the Board approves the SSAD implementation plan, which is expected to be reviewed around March 2022, ICANN org will recommend to the Board the use of the SFICR for the SSAD ODP (Operational Design Phase) and implementation.

### **Reserve Fund**

- Beginning balance is \$175 million following a \$15 million transfer in FY22.
- Ending balance is estimated at \$181 million, which is over 14 months of operating expenses and above the 12-month minimum set by the Reserve Fund replenishment strategy approved by the Board in October 2018.

### **Auction Proceeds**

- Beginning balance is \$213 million and ICANN org is projecting \$1 million in interest gains.

## 4.2 ICANN Operations FY23 Draft Budget versus FY22 Forecast

In Millions, USD	FY23 Draft Budget	FY22 Forecast	Under/(Over) vs. FY22 Forecast	
	ICANN Operations	ICANN Operations	\$	%
<b>Funding</b>	<b>\$152.0</b>	<b>\$149.1</b>	<b>\$3.0</b>	<b>2%</b>
Personnel	86.5	78.4	(8.1)	-10%
Travel & Meetings	14.3	4.7	(9.6)	-206%
Professional Services <sup>(1)</sup>	29.7	26.8	(2.9)	-11%
Administration	19.3	16.9	(2.4)	-14%
Capital	2.2	2.5	0.4	15%
<b>Total Operating Expenses</b>	<b>\$152.0</b>	<b>\$129.4</b>	<b>(\$22.7)</b>	<b>-18%</b>
<b>Net Operating Excess/(Deficit)</b>	<b>\$0.0</b>	<b>\$19.7</b>	<b>(\$19.7)</b>	<b>-100%</b>
<b>Average Headcount</b>	<b>423</b>	<b>394</b>	<b>(29)</b>	<b>-7%</b>

<sup>(1)</sup> Includes Contingency expense which is unallocated to specific activities or functions

The above table compares ICANN Operations financials from the FY23 Draft Budget to the FY22 Forecast financials. The FY22 Forecast is based on four months of actual data and eight months of estimates. The FY23 Draft Budget figures assume unrestricted travel for the entire fiscal year, whereas the FY22 Forecast figures assume pandemic-related travel restrictions for the first nine months of the fiscal year.

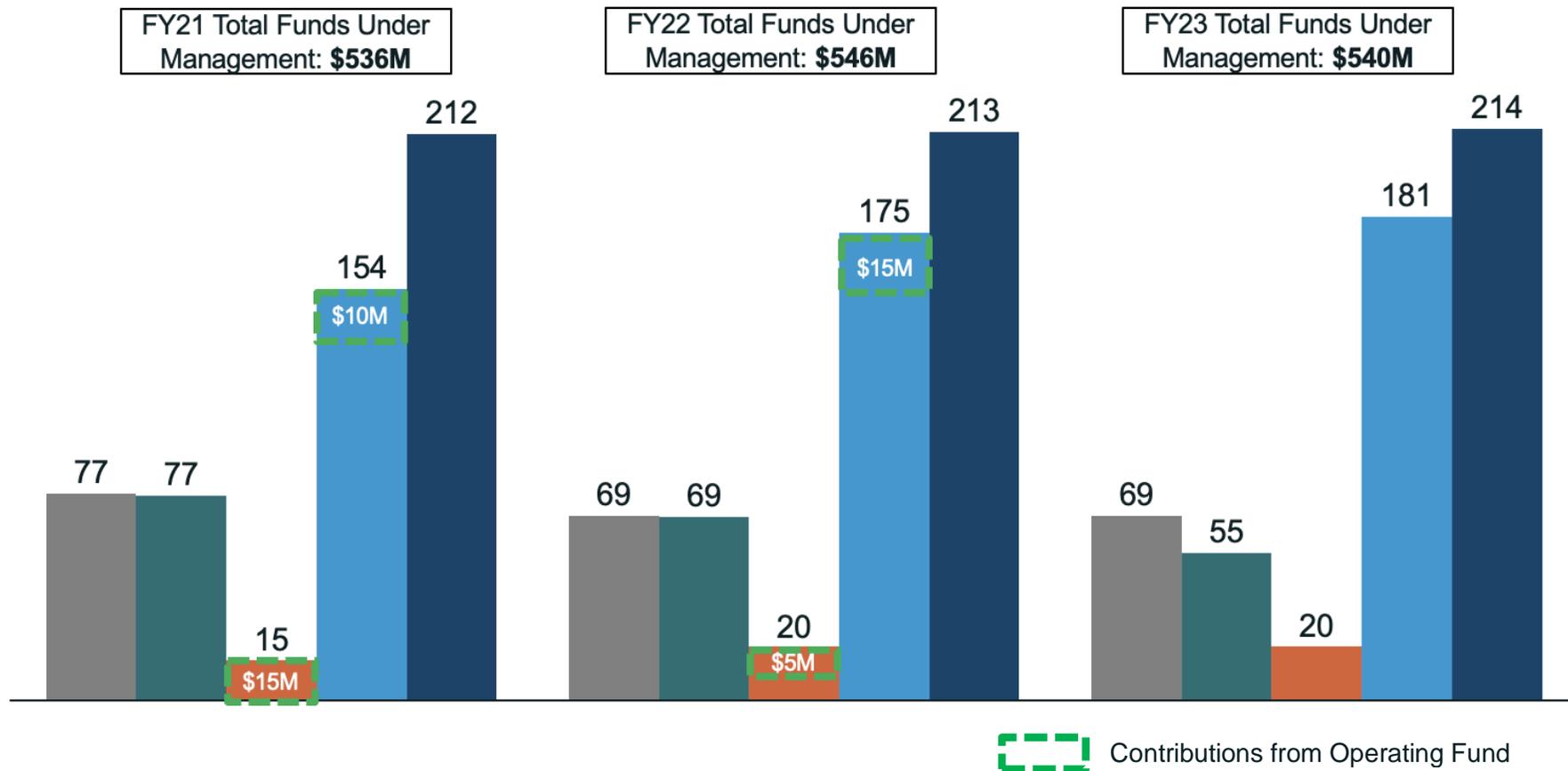
Compared to the FY22 Forecast funding, the FY23 Draft Budget funding is \$3 million higher, driven by growth in domain name transactions per historical trends. The FY23 Draft Budget expenses are \$23 million higher than FY22 Forecast expenses, driven by two incremental face-to-face ICANN Public Meetings, as well as more headcount and inflationary personnel expenses. Future contributions to the ICANN Reserve Fund and SFICR will be assessed at the end of FY22.

### 4.3 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.



\$ 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 in FY21 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. All three funds are governed in accordance with the [ICANN Investment Policy](#).

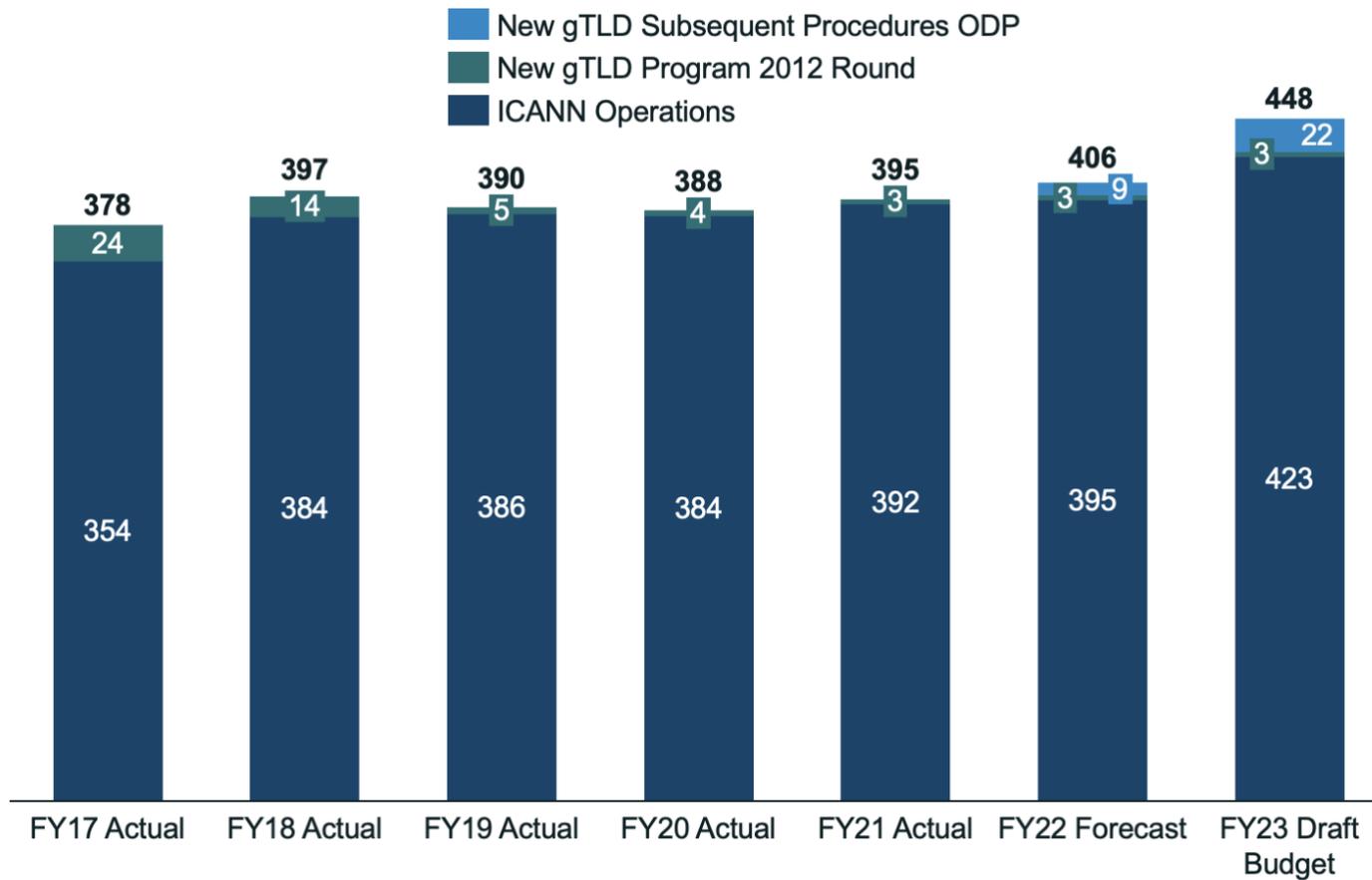
The New gTLD Program corresponds to the unspent portion of the New gTLD Program 2012 Round application fees collected from applicants during the application window in 2012. The funds are used to evaluate the applications and to cover hard-to-predict cost (including risks), and starting in FY22, to cover the New gTLD Subsequent Procedures ODP. Auction Proceeds come from ICANN auctions held to resolve string contention in the New gTLD Program 2012 Round. The Auction Proceeds are reserved and earmarked until the Board approves a plan for the appropriate use of the funds after consultation with the community. 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 FY23 despite the uncertainty from the impact of COVID-19. The funds under management listed in the FY23 Draft Budget reflect the following:

- Based on net excess generated in the Operating Fund from FY21:
  - In July 2021, the Board approved a \$15 million transfer to create the SFICR and a \$5 million transfer to the Reserve Fund from the Operating Fund.
  - In October 2021, the Board approved a \$5 million transfer to the SFICR and a \$10 million transfer to the Reserve Fund from the Operating Fund.
- Additional transfers will be assessed at the end of the FY22.
- Each fund is projecting interest gains according to its corresponding investment policy as referenced above.

## 4.4 Average Headcount Trends

The following headcount chart shows the average number of ICANN org personnel working under each segment of Total ICANN. New gTLD Program 2012 Round personnel shown below reflect direct staff and allocations from ICANN Operations of staff working on processing applications received in 2012. Starting in FY22, ICANN org plans to hire new personnel in support of the Subsequent Procedures ODP.



## 4.5 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 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 FY23–27 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 FY23 Draft Budget is \$6.0 million (approximately 4% of budgeted expenses).