

# **Internet Corporation for Assigned Names and Numbers (ICANN) Draft FY20 Total Budget**

17 December 2018



## ICANN DRAFT FY20 PLANNING DOCUMENTS

This is part of a series of documents that together form the ICANN Draft Fiscal Year 2020 (FY20) Operating Plan and Budget.

You are currently reading the document highlighted in light blue in the following table.

Document Name	Description of Contents
FY20 Budget Introduction & Highlights	Overview of the key elements, cross-functional projects, and activities of the Draft FY20 plans
<b>FY20 Total ICANN Budget</b>	<b>High-level review of the Draft FY20 budget</b>
FY20 Operating Plan	Section 1: Summary of 6 modules of work planned for FY20 Section 2: Breakdown of the operating plan with the budget by strategic goal
FY20 Five-Year Operating Plan Update	High-level five-year perspective on the operations ICANN undertakes to implement its strategic plan
FY20 Operating Plan by Portfolio and Project	Detailed breakdown of the budget for each portfolio and project

To get the most out of this document series, first read the Introduction and Highlights document. Afterward, you can separately review each of the other standalone documents in no specific order, depending on your interest.

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# 1 Introduction

This document contains the Internet Corporation for Assigned Names and Number (ICANN) Draft Fiscal-Year 2020 (FY20) Operating Plan and Budget. ICANN's FY20 fiscal year comprises the following dates:

**1 July 2019 - 30 June 2020**

## COMMUNITY INPUT TO ICANN'S PLANNING PROCESSES

The ICANN Draft FY20 Operating Plan and Budget is being submitted for public comment as required by ICANN's Bylaws, and in accordance with ICANN's public comment process. Enabling stakeholder engagement in ICANN's planning process, through accessible information and effective interaction, is a fundamental part of ICANN's multistakeholder model. The publishing of the ICANN Draft FY20 Operating Plan and Budget for public comment is a key element in the transparency and community engagement in ICANN's planning process.

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

### Need Help Understanding the Budget?

The [ICANN online glossary](#) defines and explains terminology used in this document.

## WHAT IS IN THE OPERATING PLAN AND BUDGET?

The Operating Plan and Budget includes:

- ⦿ Highlights of ICANN Operations, excluding the New Generic Top Level Domain (gTLD) Program, which is covered separately
- ⦿ The activities that have already been submitted for public comment and as a part of the Public Technical Identifiers (PTI) FY20 Operating Plan and Budget
- ⦿ Highlights of the New gTLD Program
- ⦿ An overview of ICANN's Total FY20 Budget, combining ICANN Operations and the New gTLD Program
- ⦿ An appendix linking to a list of projects, for each portfolio, with the project-level budgeted costs by category

The draft budget includes data on all projects planned for FY20 and displays all costs categories for each project. To make the rationale for each project and activity clear, each project is also mapped to one of the five objectives of the ICANN Strategic Plan for fiscal years 2016–2020, using the hierarchy of portfolios and goals.

Where useful, comparative information for FY19 is provided, using actual and forecast information.

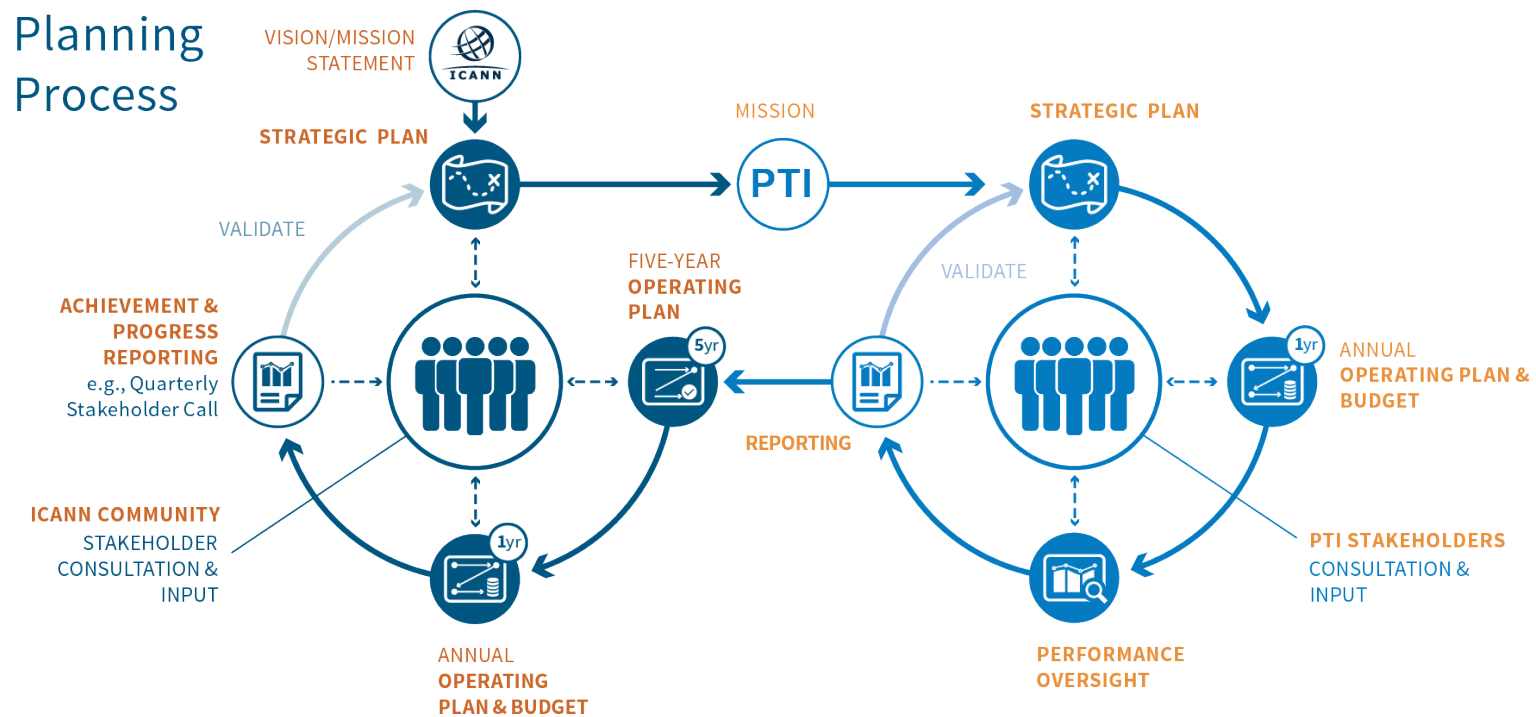
### **PTI Operations**

PTI's FY20 Operating Plan and Budget was submitted for public comment in September 2018 and was adopted by the PTI Board in December 2018.

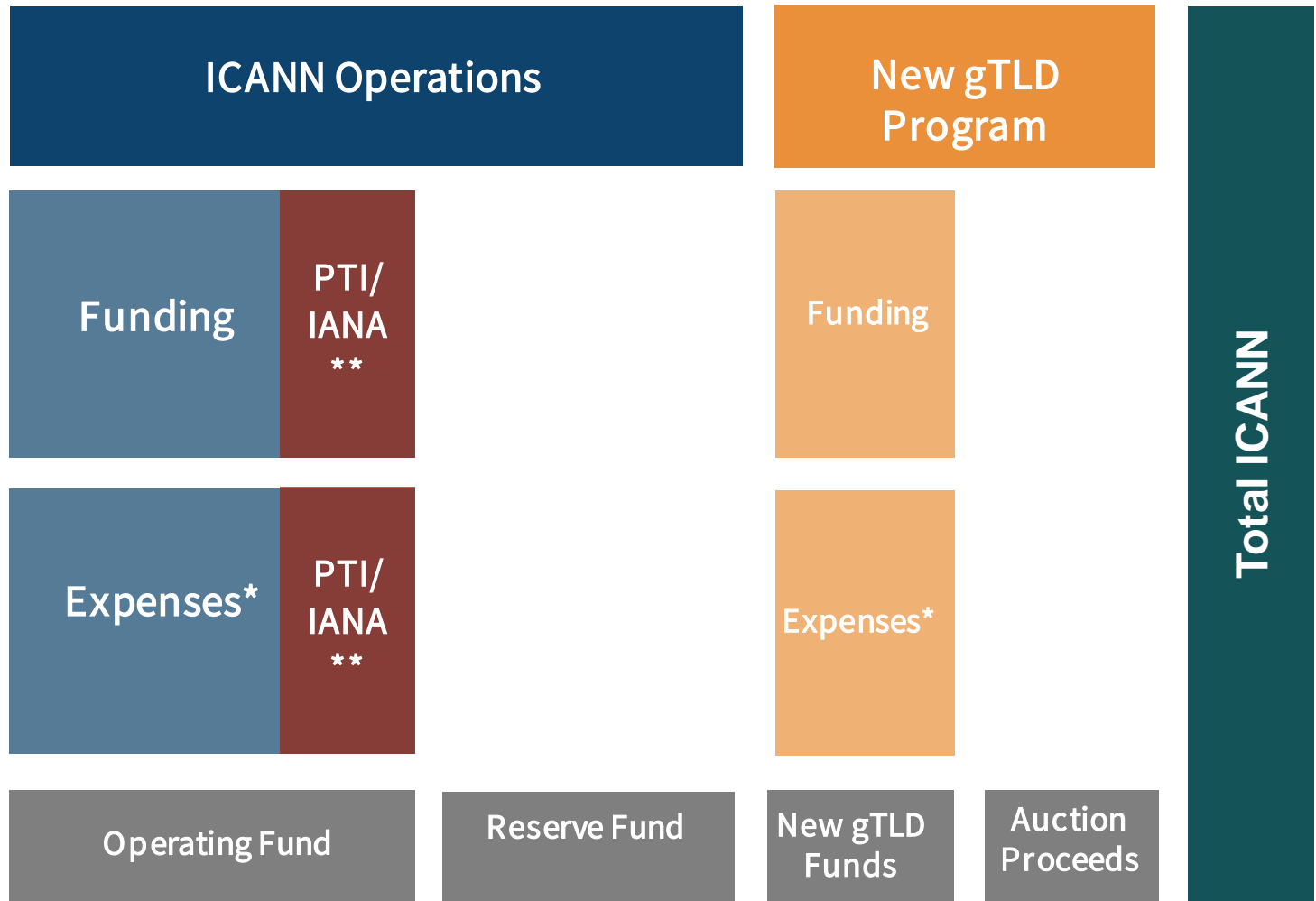
PTI operations are a part of ICANN's total operations and are documented in ICANN's Draft FY20 ICANN Operating Plan and Budget.

## 2 Planning and Budget Overview

The following illustration depicts the five-year planning cycle for fiscal year 2016 through fiscal year 2020 (FY16-FY20). The planning process consists of the ICANN Strategic Plan for FY16-FY20 and the Five-Year Operating Plan, which provide input and a basis for the annual planning process. The process includes consultation on and development of an Operating Plan and Budget for PTI. PTI's plans feed into both the Internet Assigned Numbers Authority (IANA) Budget and the total ICANN Budget.



The following illustration shows the structure of the budget information presented in this document:



\*Excludes depreciation and bad debt expenses

\*\*IANA Services includes ICANN's and PTI's IANA Expenses

## 3 ICANN Operations

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

### 3.1 Financial Overview

#### 3.1.1 Draft FY20 Budget compared to Adopted FY19 Budget

The following table compares the Draft FY20 Budget to the Adopted FY19 Budget (the last Budget previously submitted for public comment). Compared to the Adopted FY19 Budget, the Draft FY20 Budget funding is \$2.4 million higher, and expenses are \$0.6 million lower. The Draft FY20 Budget plans for a \$3.0 million contribution to the Reserve Fund.

in Millions, USD	Draft FY20 Budget			Adopted FY19 Budget			Increase/(Decrease) vs. FY20 Budget			
	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Ops	IANA - PTI	Total ICANN Operations	%
<b>Funding</b>	<b>\$129.4</b>	<b>\$10.7</b>	<b>\$140.1</b>	<b>\$127.2</b>	<b>\$10.5</b>	<b>\$137.7</b>	<b>\$2.2</b>	<b>\$0.2</b>	<b>\$2.4</b>	<b>1.7%</b>
Personnel	70.0	6.2	76.3	70.5	6.1	76.6	(0.5)	0.1	(0.3)	0%
Travel & Meetings	14.9	0.6	15.4	15.2	0.7	15.9	(0.3)	(0.1)	(0.4)	-3%
Professional Svcs.	19.7	1.9	21.6	20.3	1.4	21.7	(0.5)	0.4	(0.1)	0%
Administration <sup>(1)</sup> & Capital	17.0	1.6	18.6	16.5	1.9	18.3	0.5	(0.2)	0.2	1%
Contingency <sup>(2)</sup>	4.8	0.5	5.2	4.8	0.5	5.2	0.0	0.0	0.0	0%
<b>Cash Expenses</b>	<b>\$126.4</b>	<b>\$10.7</b>	<b>\$137.1</b>	<b>\$127.2</b>	<b>\$10.5</b>	<b>\$137.7</b>	<b>(\$0.8)</b>	<b>\$0.2</b>	<b>(\$0.6)</b>	<b>-0.4%</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$3.0</b>	<b>\$0.0</b>	<b>\$3.0</b>	<b>(\$0.0)</b>	<b>\$0.0</b>	<b>(\$0.0)</b>	<b>\$3.0</b>	<b>\$0.0</b>	<b>\$3.0</b>	<b>n/a</b>
<b>Reserve Fund</b>	<b>\$3.0</b>	<b>\$0.0</b>	<b>\$3.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$3.0</b>	<b>\$0.0</b>	<b>\$3.0</b>	<b>n/a</b>
<b>Increase/ (Decrease) to Net Assets</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>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>-100%</b>
<b>Average Headcount</b>	<b>380</b>	<b>24</b>	<b>405</b>	<b>401</b>	<b>23</b>	<b>424</b>	<b>-21</b>	<b>2</b>	<b>-19</b>	<b>-4%</b>

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.



### 3.1.2 ICANN Operations FY19 Forecast compared to Adopted FY19 Budget

This table provides a comparison of the FY19 Forecast to the FY19 Adopted Budget. The FY19 Forecast is the latest data as of Q1 FY19. The FY19 Forecast reflects funding that is -\$0.6 million lower than the FY19 Adopted Budget and expenses that are -\$2.6 million lower than the FY19 Adopted Budget.

in Millions, USD	FY19 Forecast			Adopted FY19 Budget			Increase/(Decrease) vs. FY19 Budget			
	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Operations	IANA - PTI	Total ICANN Operations	%
<b>Funding</b>	\$126.6	\$10.5	\$137.1	\$127.2	\$10.5	\$137.7	(\$0.6)	\$0.0	(\$0.6)	-0.5%
Personnel	66.0	6.1	72.0	70.5	6.1	76.6	(4.5)	0.0	(4.5)	-6%
Travel & Meetings	15.2	0.7	15.9	15.2	0.7	15.9	0.0	0.0	0.0	0%
Professional Svcs.	22.2	1.4	23.7	20.3	1.4	21.7	2.0	0.0	2.0	9%
Administration <sup>(1)</sup> & Capital	16.5	1.9	18.3	16.5	1.9	18.3	(0.0)	0.0	(0.0)	0%
Contingency <sup>(2)</sup>	4.8	0.5	5.2	4.8	0.5	5.2	0.0	0.0	0.0	0%
<b>Cash Expenses</b>	\$124.7	\$10.5	\$135.2	\$127.2	\$10.5	\$137.7	(\$2.6)	\$0.0	(\$2.6)	-1.9%
<b>Increase/ (Decrease) to Net Assets</b>	\$1.9	\$0.0	\$1.9	(\$0.0)	\$0.0	(\$0.0)	\$1.9	\$0.0	\$1.9	n/a
<b>Average Headcount</b>	372	23	395	401	23	424	(29)	0	(29)	-7%

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.

The following tables provide additional information on the assumptions and variance analysis for the Draft FY20 Budget.

## Contingency

Contingency includes budgeted expenses that were not allocated to specific activities or departments. Contingency in the Draft FY20 Budget is \$5.2M (approximately 4% of total expenses).

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

- ⦿ Subsequent procedures
- ⦿ Reviews
- ⦿ GDPR
- ⦿ Work Stream 2
- ⦿ Other unforeseen expenses

The following table describes ICANN Operations' planned cash expenses by function for FY20.

Executive Group	Executive	Draft FY20 Budget				Adjusted FY19 Budget				Increase/(Decrease)				
		Avg Hdct	Perso-nnel	Other	Total	Avg Hdct	Perso-nnel	Other	Total	Avg Hdct	Perso-nnel	Other	Total	%
DNS Industry and Engagement	Namazi	28	\$5.3	\$2.2	\$7.5	28	\$5.2	\$2.0	\$7.2	0	\$0.1	\$0.3	\$0.4	5%
Global Domains Division Ops and Product Mgt.	Namazi	51	\$8.6	\$3.3	\$11.9	51	\$8.6	\$3.3	\$11.9	(0)	\$0.0	\$0.0	\$0.0	-0.1%
IANA Operations	Conrad	18	\$3.3	\$0.8	\$4.1	16	\$2.8	\$1.3	\$4.1	2	\$0.5	-\$0.5	\$0.0	0%
Regional Offices	Bennett	0	\$0.0	\$6.7	\$6.7	0	\$0.0	\$6.6	\$6.6	0	\$0.0	\$0.2	\$0.2	3%
Operations	Bennett	15	\$3.6	\$3.6	\$7.2	15	\$3.1	\$3.6	\$6.7	0	\$0.5	\$0.0	\$0.5	8%
Communications	Cohen	19	\$3.5	\$1.1	\$4.6	19	\$3.2	\$3.5	\$6.7	0	\$0.3	-\$2.3	-\$2.0	-31%
Language Services	Cohen	8	\$0.8	\$3.7	\$4.5	8	\$0.9	\$3.9	\$4.7	0	\$0.0	-\$0.2	-\$0.2	-4%
Finance & Procurement	Calvez	19	\$3.5	\$1.7	\$5.3	19	\$3.6	\$1.7	\$5.3	0	-\$0.1	\$0.0	-\$0.1	-1%
Office of the CTO	Conrad	17	\$4.8	\$2.5	\$7.3	16	\$4.4	\$2.9	\$7.3	1	\$0.3	-\$0.4	-\$0.1	-1%
Global Stakeholder Engagement	Costerton	31	\$6.3	\$1.7	\$8.0	30	\$5.9	\$1.9	\$7.8	1	\$0.5	-\$0.2	\$0.2	3%
Meeting Operations	Costerton	10	\$1.8	\$4.1	\$5.9	10	\$1.6	\$4.1	\$5.8	0	\$0.2	\$0.0	\$0.1	2%
Public Responsibility Support	Costerton	7	\$0.9	\$1.1	\$1.9	7	\$0.9	\$1.1	\$2.0	0	\$0.0	\$0.0	\$0.0	-1%
Contr. Compliance & Consumer Safeguards	Hedlund	29	\$4.6	\$0.9	\$5.4	29	\$4.4	\$1.0	\$5.3	0	\$0.2	-\$0.1	\$0.1	2%
Governance Support	Jeffrey	23	\$6.7	\$3.5	\$10.2	20	\$5.8	\$2.6	\$8.4	3	\$0.9	\$0.9	\$1.8	21%
Governmental Engagement	Kamel	9	\$2.6	\$0.8	\$3.4	9	\$2.5	\$0.8	\$3.3	0	\$0.1	-\$0.1	\$0.0	0%
Office of the CEO	Marby	3	\$1.5	\$0.4	\$1.9	3	\$1.4	\$0.5	\$1.9	0	\$0.1	-\$0.1	\$0.0	0%
Policy Development & SO/ AC Engagement	Olive	35	\$5.0	\$1.9	\$6.9	34	\$4.8	\$1.8	\$6.6	1	\$0.2	\$0.1	\$0.2	4%
Constituent/ Stakeholder Travel	Olive	0	\$0.0	\$2.7	\$2.7	0	\$0.0	\$2.7	\$2.7	0	\$0.0	\$0.0	\$0.0	1%
Information Technology	Rangan	34	\$6.8	\$8.5	\$15.3	32	\$6.3	\$8.5	\$14.9	2	\$0.5	-\$0.1	\$0.4	3%
Engineering	Rangan	31	\$5.4	\$3.2	\$8.6	31	\$5.2	\$3.0	\$8.2	0	\$0.3	\$0.2	\$0.4	5%
Global Human Resources and Admin	Villavicencio	22	\$3.8	\$0.6	\$4.5	21	\$3.3	\$0.6	\$3.9	1	\$0.5	\$0.0	\$0.6	14%
Multistakeholder Strategy & Strategic Initiatives	Swinehart	19	\$3.7	\$2.0	\$5.7	19	\$3.5	\$2.6	\$6.1	0	\$0.2	-\$0.6	-\$0.4	-7%
Ombudsman	Ombudsman	1	\$0.3	\$0.3	\$0.6	1	\$0.2	\$0.3	\$0.5	0	\$0.1	\$0.0	\$0.1	12%
Corporate Allocations	Corporate/ Alloc (Calvez)	0	-\$2.0	-\$1.2	-\$3.1	0	-\$2.1	-\$1.5	-\$3.7	0	\$0.1	\$0.4	\$0.5	-14%
Contingency		0	\$0.0	\$5.2	\$5.2	0	\$0.0	\$5.2	\$5.2	0	\$0.0	\$0.0	\$0.0	0%
	<b>Subtotal</b>	<b>429</b>	<b>\$80.8</b>	<b>\$61.5</b>	<b>\$142.3</b>	<b>417</b>	<b>\$75.4</b>	<b>\$64.1</b>	<b>\$139.5</b>	<b>12</b>	<b>\$5.4</b>	<b>(\$2.6)</b>	<b>\$2.8</b>	<b>2%</b>
Corporate Attrition & Cost Savings		(24)	-\$4.5	-\$0.6	-\$5.1	(22)	-\$3.3	-\$1.0	-\$4.3	(2)	-\$1.2	\$0.4	-\$0.8	19%
	<b>Total</b>	<b>405</b>	<b>\$76.3</b>	<b>\$60.9</b>	<b>\$137.1</b>	<b>395</b>	<b>\$72.0</b>	<b>\$63.1</b>	<b>\$135.2</b>	<b>10</b>	<b>\$4.2</b>	<b>(\$2.2)</b>	<b>\$2.0</b>	<b>1%</b>

## 3.2 Funding

This section is an overview of ICANN’s funding, using assumptions that support the FY20 estimates. The Best Estimate matches the FY20 funding included in the Draft FY20 Budget. The High and Low estimates are based on funding items that vary from the Best Estimate.

	Funding Type	Best Estimate	High Estimate	Low Estimate
<b>Legacy TLDs</b>	Transaction-based Fees	2.1% growth, reflecting slowing rate vs prior years	3.2% growth, as per prior historical averages	1.9% growth
<b>New TLDs</b>	Fixed Fees	1,189 TLDs assumed delegated by end of FY20, starting the year at 1,201	1,201 TLDs assumed delegated by end of FY20, starting the year at 1,201	1,171 TLDs assumed delegated by end of FY20, starting the year at 1,201
	Transaction-based Fees	6.3% growth in transactions estimated using the per-TLD average number of transactions per month since delegation (average transactions during month 1, month 2,...)	12.0% growth	5.0% growth

	Funding Type	Best Estimate	High Estimate	Low Estimate
<b>Registrar Accreditation</b>	Application Fees	60 new registrars (increase of 15 per quarter) while number of existing accredited registrars is maintained at current level	No material difference between Best and High Estimate	94 fewer total registrars (decrease of 23.5 per quarter)
	Accreditation Fees	60 new registrars (increase of 15 per quarter) while number of existing accredited registrars is maintained at current level	No material difference between Best and High Estimate	94 fewer total registrars (decrease of 23.5 per quarter)
	Per-registrar Variable Fees	\$3.4M total, consistent with prior years	No material difference between Best and High Estimate	No material difference between Best and Low Estimate
<b>New gTLD Program</b>	Application Fees Revenue	Portion of application fees recognized in Funding ratably based on evaluation expense incurred vs total evaluation expenses forecasted	No material difference between Best and High Estimate	No material difference between Best and Low Estimate

The following table depicts ICANN's funding by source and type, comparing the best estimates for the FY20 budgeted year with the FY19 current year.

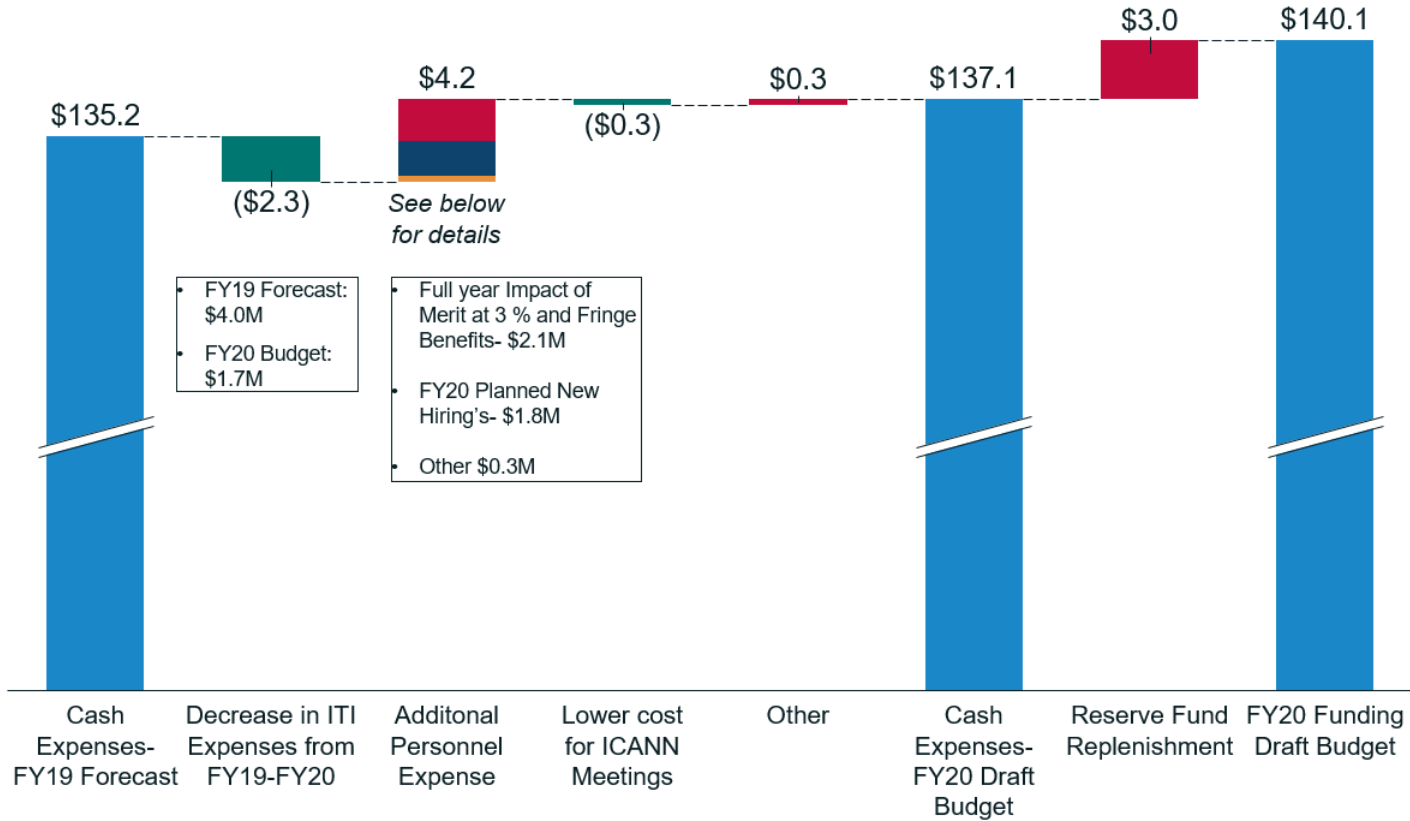
In Millions, US Dollars	Draft FY20 Budget	FY19 Forecast <sup>1</sup>	FY20 Sensitivity		FY19 Adopted Budget
			High	Low	
<b>Transactions</b>					
Registry transaction fees - Legacy	\$ 50.5	\$ 49.8	\$ 51.8	\$ 49.3	\$ 49.6
Registry transaction fees - New gTLD	5.5	5.2	5.7	5.4	5.1
Registrar transaction fees - Legacy	31.2	30.5	31.9	30.4	30.2
Registrar transaction fees- New gTLD	4.6	4.3	4.7	4.5	4.3
<b>Sub-total</b>	<b>91.8</b>	<b>89.8</b>	<b>94.1</b>	<b>89.5</b>	<b>89.2</b>
<i>Volume: legacy transactions (millions)</i>	173.1	169.6	175.0	172.8	167.9
<i>Volume: NewgTLD transactions (millions)</i>	25.5	24.0	26.9	25.2	23.9
<b>Sub-total</b>	<b>198.6</b>	<b>193.6</b>	<b>201.9</b>	<b>198.0</b>	<b>191.9</b>
<i>Volume: NewgTLD billable transactions (millions)</i>	22.1	20.8	23.4	21.4	20.3
<i>NewgTLD Billable rate - average</i>	86.6%	86.6%	87.0%	85.0%	84.9%
<b>Registry Fixed Fees</b>	<b>30.3</b>	<b>30.3</b>	<b>31.0</b>	<b>29.5</b>	<b>30.5</b>
<b>Registrars accreditation</b>					
Application fees	0.2	0.2	0.2	0.2	0.2
Accreditation fees - annual	10.7	9.9	10.9	10.4	10.3
Per-registrar variable fees	3.4	3.4	3.4	3.4	3.4
<b>Sub-total</b>	<b>14.3</b>	<b>13.5</b>	<b>14.6</b>	<b>14.0</b>	<b>14.0</b>
<i>Count of total Registrars - at end of year</i>	2,564	2,504	2,564	2,410	2,277
<i>Incr./.(Decr.) new Registrars - at end of year</i>	60	55	60	(94)	60
<b>Other Funding</b>					
RIR	0.8	0.8	0.8	0.8	0.8
ccTLD	2.3	2.1	2.3	2.3	2.1
Meeting Sponsorships	0.3	0.5	0.3	0.3	0.5
Other <sup>2</sup>	0.4	-	0.4	0.4	0.7
<b>Sub-total</b>	<b>3.8</b>	<b>3.4</b>	<b>3.8</b>	<b>3.8</b>	<b>4.1</b>
<b>ICANN Ops Revenue</b>	<b>\$ 140.1</b>	<b>\$ 137.1</b>	<b>\$ 143.4</b>	<b>\$ 136.8</b>	<b>\$ 137.7</b>

<sup>1</sup> FY19 Forecast is best estimate as of Q1 FY19

<sup>2</sup> Other represents funds relating to Privacy Proxy

### 3.3 ICANN Operations Cash Expenses

ICANN Operations' baseline cash expenses (excluding Contingency) in the Draft FY20 Budget are \$137.1 million. This is \$1.9 million higher than the \$135.2 million in the FY19 Forecast. The comments in the following chart identify the variances between FY20 and FY19.



### 3.4 Risks and Opportunities

This section outlines the Risks and Opportunities in the Draft FY20 Budget and classifies each as funding or expense related, with a potential US dollar impact and an assigned probability of Low, Medium, or High.

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

<b>Risks</b>	<b>Potential amount</b>	<b>Probability</b>
Funding: lower legacy and new gTLD transaction volumes	-\$0.5 million	Low
Funding: lower funding from Registrar fixed fees	-\$0.5 million	Low
Expense: costs resulting from Board approved implementation (CCTRT, WS2, EPDP, RSSAC 37-38, etc)	-\$1.5 million	Medium
Expense: GDPR compliance	-\$1.5 million	Medium
Expenses: Litigation and Accountability Mechanisms Risk	TBD	

<b>Opportunities</b>	<b>Potential amount</b>	<b>Probability</b>
Funding: higher new gTLD transaction growth	+\$0.5 million	Low



## 3.5 Unfunded Activities

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

### 3.5.1 Potential Implementation Projects/Activities Not Included in the Operating Plan and Budget

Some activities were not included in the budget for the following reasons:

#### **Implementation of Recommendations From Review Teams**

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

#### **Data Privacy-Related FY20 Implementation Activities**

Data privacy encompasses specific areas of work, such as GDPR implementation and the e-privacy directive. These have resources allocated for FY19 because ICANN org anticipates implementation work for GDPR to conclude in FY19. Consequently no resources have been allocated specifically for GDPR-related implementation work in FY20.

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

When the WS2 Working Group completes its recommendations, the Board considers an implementation plan that includes the necessary resources. Until approved, the Board works with the community to identify the resources needed for implementation. Therefore, no resources are included for any implementation work until the Board adopts the recommendations.

## **Auction Proceeds**

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

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

The CCWG's work is being funded from the core ICANN budget, not by auction proceeds. We expect, however, that any implementation costs resulting from the CCWG recommendations will come from auction proceeds.

## **Implementation of gTLD Subsequent Procedures**

The gTLD Subsequent Procedures Policy Development Process (PDP) Working Group is reviewing current new gTLD policies to propose changes or new policies or procedures. No resources are in the FY20 budget for this implementation work. The Working Group will need to work with the Board to identify necessary resources to support implementation. There are, however, resources planned in FY20 to support the PDP Working Group.

## 3.6 Caretaker Budget

[ICANN Bylaws](#) Section 6.2, Powers and Acknowledgements, defines powers and rights attributed to the Empowered Community. One of these 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 Budget and ICANN Budget each come into effect after giving time for the Empowered Community to consider whether it will raise a petition rejecting the budget. This is typically a 28-day period (21 days to raise a petition, seven days to achieve support). Therefore, even when no petition is raised against the budget, there is a 28-day waiting period for the budget to go into effect.

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

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

The following steps are a pragmatic approach to define the ICANN caretaker budget:

- ⦿ Use the Operating Plan and Budget that the ICANN Board would adopt as a basis while respecting the principles of the caretaker budget:
  - ⦿ Suspend the publication of any new positions for hire, from the date of the rejection by the Empowered Community (the veto date) until a new budget is drafted by the Board
  - ⦿ Reduce by 10% the total allowed expenses for the following categories for the period starting on the date of rejection by the Empowered Community until a new budget is adopted by the Board, using the monthly breakdown of the Draft budget:
    - ⦿ Travel/Meeting
    - ⦿ Professional Services of the Draft budget
  - ⦿ Exclude any expense directly associated with the reason for which the Empowered Community rejected the Draft budget, if such expense can reasonably be isolated and avoided

## 3.7 ICANN Operations FY21 Projections

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

<b>in Millions, USD</b>	<b>FY18 Actuals Total ICANN Operations</b>	<b>FY19 Adjusted Budget Total ICANN Operations</b>	<b>Draft FY20 Budget Total ICANN Operations</b>	<b>Draft FY21 Projection Total ICANN Operations</b>
<b>Funding</b>	<b>\$133.8</b>	<b>\$137.1</b>	<b>\$140.1</b>	<b>\$142.9</b>
Personnel	69.9	72.0	76.3	78.5
Travel & Meetings	15.7	15.9	15.4	15.5
Professional Svcs.	25.1	23.7	21.6	21.9
Administration <sup>(1)</sup> & Capital	20.2	18.3	18.6	18.7
Contingency <sup>(2)</sup>		5.2	5.2	5.2
<b>Cash Expenses</b>	<b>\$130.9</b>	<b>\$135.2</b>	<b>\$137.1</b>	<b>\$139.9</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$3.0</b>	<b>\$1.9</b>	<b>\$3.0</b>	<b>\$3.0</b>
Reserve Fund	3.0	0.0	3.0	3.0
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$0.0</b>	<b>\$1.9</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Average Headcount</b>	<b>397</b>	<b>395</b>	<b>405</b>	<b>405</b>

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.

(2) The FY19, FY20 and FY21 contingency expense represents an amount of budgeted expenses unallocated to specific activities or departments. FY18 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

## 4 PTI Budget and IANA Budget Overview

The planning process for the PTI Budget and the IANA Budget is part of the ICANN planning process. The PTI and IANA multiyear plans are a part of ICANN's Five-Year Operating Plan. The PTI FY20 Operating Plan and Budget is a component of ICANN's FY20 Operating Plan and Budget.

To enhance the understanding and transparency of its activities as well as its accountability in managing funds in the public interest, the CCWG-Accountability recommended the following:

PTI should submit a budget to ICANN at least nine months in advance of the fiscal year to ensure the stability of the IANA Services. It is the view of the CCWG-Stewardship that the IANA Budget should be approved by the ICANN Board in a much earlier timeframe than the overall ICANN budget.

Consultations were conducted on PTI's FY20 Operating Plan and Budget. After developing a final Proposed Draft, PTI's FY20 Operating Plan and Budget was published for Public Comment from 28 September 2018 through 12 November 2018. A report of responses to Public Comments was published early in December 2018; the completed FY20 PTI Operating Plan and Budget was adopted by PTI's Board on 19 December 2018.

The sections of this ICANN Draft FY20 Operating Plan and Budget relating to PTI are therefore already complete and described in the PTI FY20 Operating Plan and Budget document.

## 4.1 IANA Budget Overview

ICANN org receives input from PTI on its budget and then develops an IANA Budget each year. The Proposed IANA Draft FY20 Operating Plan and Budget is presented for public comment using ICANN's Public Comment process. When that process ends, ICANN organization develops a proposed Operating Plan and Budget for the ICANN Board to review and adopt. The Draft Budget forms the basis for ICANN's funding of PTI operations.

FY20 PTI Budget in Millions, USD	PTI Services FY20 Budget	PTI Services FY19 Budget	Increase/(Decrease)		PTI Services FY18	Increase/(Decrease)	
			Total	%		Total	%
<b>FUNDING</b>	<b>\$10.0</b>	<b>\$10.0</b>	<b>(\$0.0)</b>	<b>-0.1%</b>	<b>\$7.8</b>	<b>\$2.2</b>	<b>28.1%</b>
Personnel	\$5.9	\$6.0	(\$0.0)	-0.4%	\$4.9	\$1.1	21.8%
Travel & Meetings	\$0.5	\$0.7	(\$0.1)	-16.9%	\$0.5	\$0.1	20.0%
Professional Services	\$1.5	\$1.1	\$0.4	31.1%	\$1.1	\$0.4	31.8%
Administration	\$1.2	\$1.3	(\$0.1)	-7.4%	\$1.1	\$0.1	7.5%
Contingency	\$0.5	\$0.5	\$0.0	0.0%	\$0.0	\$0.5	0.0%
Capital	\$0.1	\$0.2	(\$0.1)	-47.5%	\$0.0	\$0.1	205.2%
Depreciation (a)	\$0.3	\$0.3	(\$0.0)	-11.0%	\$0.2	\$0.1	27.8%
<b>TOTAL CASH EXPENSES</b>	<b>\$10.0</b>	<b>\$10.0</b>	<b>(\$0.0)</b>	<b>-0.1%</b>	<b>\$7.8</b>	<b>\$2.2</b>	<b>28.1%</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>	<b>\$0.0</b>	<b>0.0%</b>
Average Headcount (FTE) (b)	22.5	22.8	(0.3)	-1.2%	19.0	3.5	18.3%

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

(b) FTE: Full-time staff equivalent

FY20 IANA Budget in Millions, USD	FY20 IANA Budget	FY19 IANA Budget	Increase/(Decrease)		FY18 IANA Actuals	Increase/(Decrease)	
			Total	%		Total	%
PTI Services	\$10.0	\$10.0	(\$0.0)	-0.1%	\$7.8	\$2.2	28.1%
IANA Services (c)	\$0.7	\$0.5	\$0.2	51.0%	\$0.3	\$0.4	160.9%
<b>TOTAL</b>	<b>\$10.7</b>	<b>\$10.5</b>	<b>\$0.2</b>	<b>2.2%</b>	<b>\$8.1</b>	<b>\$2.6</b>	<b>32.6%</b>

(c) IANA Services includes the Root Zone Maintainer function, Customer Standing Committee,

Root Zone Evolution Committee and IANA Naming Function reviews

These costs are funded by ICANN Operations.

# 5 New gTLD Program

## 5.1 Financial Summary

This section provides a financial summary of the New gTLD Program.

ICANN (NgTLD) DECEMBER 2018		FINANCIAL SUMMARY		
In Millions, USD	FULL PROGRAM			
	Current Estimate (Dec 2018)	Prior Estimate (Dec 2017)	Increase/ (Decrease)	
Total Application Fees	-\$362.2	-\$362.4		
Less: Total Refunds	52.7	52.7		
<b>Net Application Fees</b>	<b>-309.5</b>	<b>-309.7</b>	<b>-0.3</b>	
<b>Expenses</b>				
Evaluation Costs	128.6	123.9	4.7	
Overheads	65.4	64.6	0.8	
Historical Development Costs	32.5	32.5	0.0	
<b>Total Operating Expenses</b>	<b>226.5</b>	<b>221.0</b>	<b>5.5</b>	
<b>Others *</b>	<b>14.3</b>	<b>7.1</b>	<b>7.1</b>	
<b>Remaining Balance</b>	<b>-\$68.6</b>	<b>-\$81.6</b>	<b>\$13.0</b>	

\* Includes net investment gains/loss and actual risk costs.

All information is related to the current round of the New gTLD Program (2012-2020)

### VARIANCE EXPLANATIONS

<b>Evaluation Costs</b>	<b>\$4.7</b>
Increase in evaluation expenses due the extension of the program.	
<b>Overheads</b>	<b>\$0.8</b>
Increase in allocation for ICANN direct staff and supporting services due to the extension of the program	
<b>Others</b>	<b>\$7.1</b>
Variance due to an Increase in actual risk costs of (+\$4.4M), RPM Access Fees expense of (+\$6.1M), and an increase in investment management fees (+\$0.6M) partially offset by an increase in net investment gains (-\$3.8M). Future risk cost through the end of the program cannot be estimated.	

## 5.2 Multiyear View

	Statement of Activities by Fiscal Year										Statement of Activities for Full Program (Dec 2018)	Statement of Activities for Full Program (Dec 2017)
	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Forecast	FY20 Budget	FY21 & Beyond Forecast		
New gTLD Applicant Fees		(166,846)	(45,887)	(71,366)	(27,390)	(21,717)	10,792	(20,964)	(17,426)	-	(360,804)	(361,034)
ICANN Applicant Support Contributions		-	-	-	-	-	-	-	-	-	-	(138)
Additional Fees		-	(540)	(514)	(229)	5	(75)	-	-	-	(1,353)	(1,278)
Refunds		8,936	12,080	18,448	2,189	732	1,831	2,782	5,704	-	52,703	52,703
<b>Revenue (Net of Refunds)</b>	\$ -	\$ (157,909)	\$ (34,347)	\$ (53,432)	\$ (25,429)	\$ (20,980)	\$ 12,548	\$ (18,182)	\$ (11,722)	\$ -	\$ (309,453)	\$ (309,747)
Initial Evaluation	3,200	58,547	4,106	23	-	-	-	-	-	-	65,876	64,336
<i>Background Screening</i>	27	2,682	933	18	-	-	-	-	-	-	3,661	3,661
<i>Fin/Tech/Ops</i>	2,194	44,426	1,756	-	-	-	-	-	-	-	48,376	48,251
<i>Geographic Names</i>	134	4,284	562	4	-	-	-	-	-	-	4,984	4,984
<i>String Similarity</i>	453	3,880	694	-	-	-	-	-	-	-	5,027	4,096
<i>DNS Stability</i>	198	1,535	69	-	-	-	-	-	-	-	1,802	1,346
<i>Registry Services</i>	167	1,739	91	-	-	-	-	-	-	-	1,998	1,998
Extended Evaluation	-	-	760	883	(15)	-	-	-	-	-	1,628	1,128
Quality Control	-	7,100	462	62	-	-	-	-	-	-	7,624	7,624
String Contentions	-	-	5	-	-	-	-	-	-	-	5	5
Objection Processes	39	3,550	(64)	(23)	-	-	-	-	-	-	3,503	2,503
Pre-delegation	-	124	4,003	3,672	2,371	1,959	240	193	1,471	-	14,032	15,709
Program Administration	450	3,347	4,800	5,651	3,353	7,230	2,168	2,557	2,713	3,700	35,968	32,592
gTLD Team	633	1,827	3,796	3,352	1,807	2,136	247	-	-	-	13,800	13,360
ICANN Staff Allocation	1,137	5,725	9,947	7,518	7,434	4,295	4,039	3,508	3,145	-	46,749	46,031
Other Overhead	79	228	1,991	2,034	345	134	36	31	23	-	4,901	5,252
<b>Total Operating Expenses</b>	\$ 5,538	\$ 80,450	\$ 29,806	\$ 23,171	\$ 15,295	\$ 15,754	\$ 6,730	\$ 6,289	\$ 7,352	\$ 3,700	\$ 194,085	\$ 188,539
Investment (Income)/Loss		811	(2,457)	(896)	(1,541)	(2,784)	(4,469)	-	-	-	(11,335)	(7,520)
Investment Unrealized (Gains)/Losses		-	-	-	(479)	380	(441)	-	-	-	(540)	(237)
Investment Realized (Gains)/Losses		-	-	-	338	39	69	-	-	-	446	391
Investment Management Fees	-	14	213	372	60	342	554	-	-	-	1,555	908
Historical Development Costs	-	15,396	4,616	5,956	2,322	2,179	458	297	1,229	-	32,454	32,454
RPM Access Fees							6,128				6,128	
Risk Costs	281	1,068	1,012	2,466	3,352	5,424	3,116	1,323	-	-	18,042	13,602
<b>Total Other Income/(Expense)</b>	\$ 281	\$ 17,289	\$ 3,384	\$ 7,897	\$ 4,052	\$ 5,581	\$ 5,417	\$ 1,620	\$ 1,229	\$ -	\$ 46,749	\$ 39,599
<b>Total Expenses</b>	\$ 5,819	\$ 97,738	\$ 33,190	\$ 31,068	\$ 19,347	\$ 21,335	\$ 12,147	\$ 7,908	\$ 8,582	\$ 3,700	\$ 240,834	\$ 228,138
<b>Change in Net Remaining Funds</b>	\$ 5,819	\$ (60,171)	\$ (1,156)	\$ (22,364)	\$ (6,082)	\$ 355	\$ 24,695	\$ (10,274)	\$ (3,141)	\$ 3,700	\$ (68,620)	\$ (81,609)



## 5.3 Operating Expenses Variance Analysis

Prior Estimate (Dec 2017)		
Operating Expenses	\$188.5	
Variances - Increase/(Decrease):		
Prior Years Re-statement	3.0	
Pre-Delegation	-1.7	Lower professional service costs for outside legal services
Program Administration	3.4	Higher professional services costs for CCT Metrics and Program Reviews due to extension of the program
ICANN Operations Allocation	1.2	Allocation for ICANN shared services increased due to shift of New gTLD program personnel to ICANN Ops and the extension of the program
Other Overhead	-0.4	Travel (-\$0.2M); All other i.e. depreciation, etc. (-\$0.2M).
Current Estimate (Dec 2018)		
Operating Expenses	\$194.1	

## 5.4 Risks and Opportunities

This section outlines the Risks and Opportunities in the Draft FY20 Budget and classifies each as funding or expense related, with a potential US dollar impact and an assigned probability of Low, Medium, or High.

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

Risks	Potential amount	Probability
Expenses: Unable to complete application processing and withdrawals by end of FY21 as per current forecast.	\$2.0 million	High
Expenses: Given the current level of accountability and litigation cases, our current expenditures on risk are likely to continue at a similar rate through FY19 and beyond. This could impact the project remaining program funds at completion.	\$5.0 million	Medium
Opportunities	Potential amount	Probability
Expenses: Board to take action to bring 2012 round application processing to completion.	(\$2.0) million	Low
Expenses: Board to take action to reduce likelihood/duration of accountability and litigation cases and resulting costs.	(\$3.0) million	Medium

## 6 Total ICANN Overview

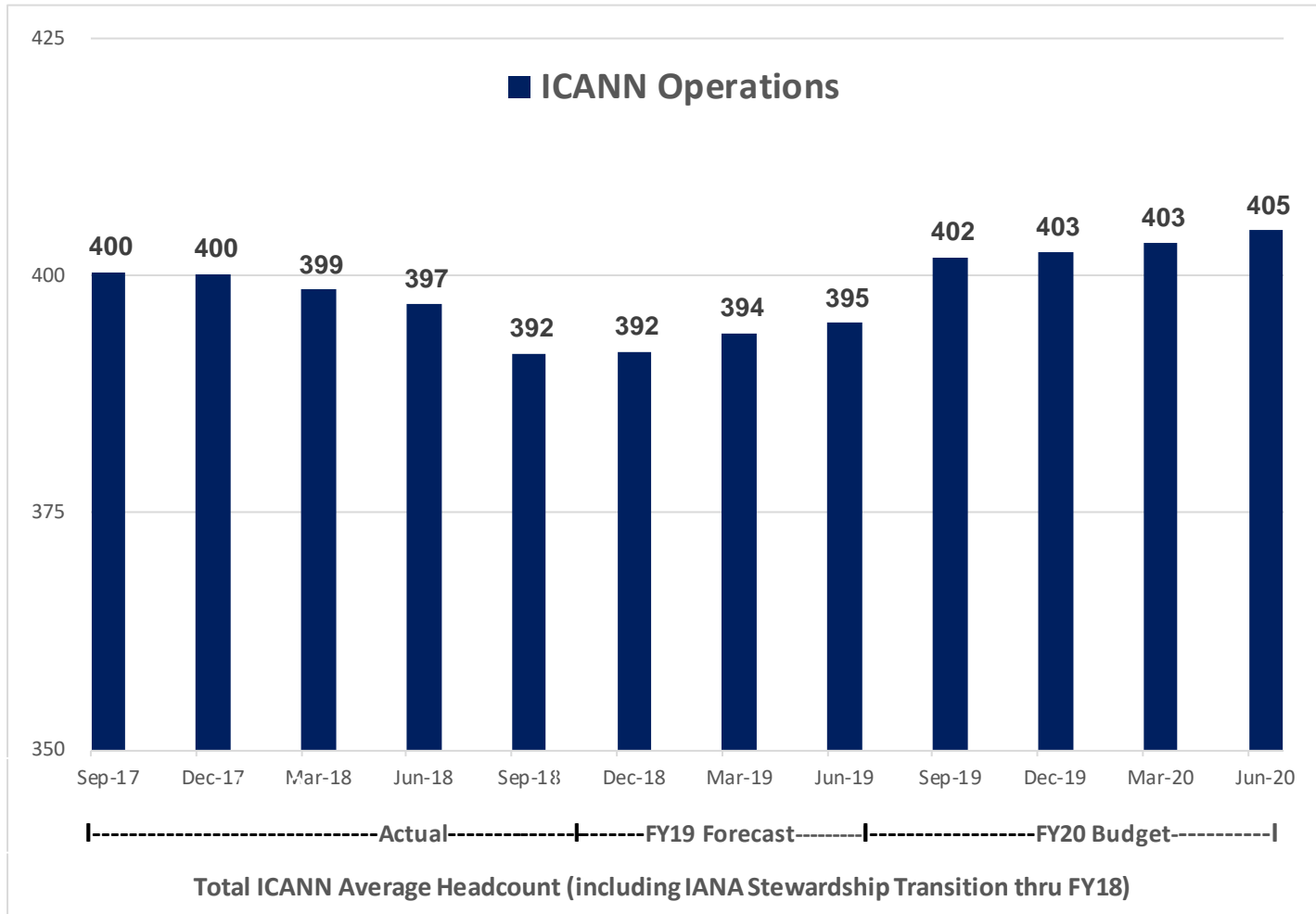
### 6.1 FY20 Financial Overview

in Millions, USD	Draft FY20 Budget			Adjusted FY19 Budget			Total					
	ICANN Operations	New gTLD	Total ICANN	ICANN Operations	New gTLD	Total ICANN	ICANN Operations	%	New gTLD	%	Total ICANN	%
<b>Funding</b>	<b>\$140.1</b>	<b>\$11.7</b>	<b>\$151.8</b>	<b>\$137.1</b>	<b>\$18.2</b>	<b>\$155.3</b>	<b>\$3.0</b>	<b>2.2%</b>	<b>(\$6.5)</b>	<b>-35.5%</b>	<b>(\$3.4)</b>	<b>-2.2%</b>
Personnel	76.3	2.0	78.2	72.0	2.1	74.2	4.2	6%	(\$0.1)	-7%	4.1	5%
Travel & Meetings	15.4	0.4	15.8	15.9	0.4	16.3	(0.4)	-3%	(0.1)	-12%	(0.5)	-3%
Professional Svcs.	21.6	4.7	26.3	23.7	4.7	28.4	(2.1)	-9%	(0.0)	-1%	(2.1)	-7%
Administration <sup>(1)</sup> & Capital	18.6	0.3	18.9	18.3	0.3	18.6	0.2	1%	(0.0)	-4%	0.2	1%
Contingency <sup>(2)</sup>	5.2	0.0	5.2	5.2	0.0	5.2	0.0	0%	0.0	n/a	0.0	0%
<b>Cash Expenses</b>	<b>\$137.1</b>	<b>\$7.4</b>	<b>\$144.5</b>	<b>\$135.2</b>	<b>\$7.6</b>	<b>\$142.8</b>	<b>\$2.0</b>	<b>1.4%</b>	<b>(\$0.3)</b>	<b>-3%</b>	<b>\$1.7</b>	<b>1%</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$3.0</b>	<b>\$4.4</b>	<b>\$7.4</b>	<b>\$1.9</b>	<b>\$10.6</b>	<b>\$12.5</b>	<b>\$1.1</b>	<b>57%</b>	<b>(\$6.2)</b>	<b>(\$0.0)</b>	<b>(\$5.1)</b>	<b>-41%</b>
<b>Reserve Fund</b>	<b>\$3.0</b>	<b>\$0.0</b>	<b>\$3.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$3.0</b>	<b>n/a</b>	<b>\$0.0</b>	<b>n/a</b>	<b>\$3.0</b>	<b>n/a</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>(\$0.0)</b>	<b>\$4.4</b>	<b>\$4.4</b>	<b>\$1.9</b>	<b>\$10.6</b>	<b>\$12.5</b>	<b>(\$1.9)</b>	<b>-100%</b>	<b>(\$6.2)</b>	<b>(\$0.0)</b>	<b>(\$8.1)</b>	<b>-65%</b>
<b>Average Headcount</b>	<b>405</b>	<b>-</b>	<b>405</b>	<b>395</b>	<b>0</b>	<b>395</b>	<b>10</b>	<b>3%</b>	<b>-</b>	<b>n/a</b>	<b>10.1</b>	<b>0.0</b>

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.

## 6.2 Headcount: Three Year Overview

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



## 6.3 Funds Under Management

### 6.3.1 Cash Flow Synopsis

The following table depicts ICANN's planned cash inflows and outflows for FY20.

Cash Flow Statement	For the Year Ended 6/30/2020				
	Operating Fund	Reserve Fund	NgTLD	Auction Proceeds	Total
In Millions, US dollars					
<b>Funds Under Management - June 30, 2019</b>	\$ 28.6	\$ 111.9	\$ 111.6	\$ 204.5	\$ 456.7
Collected/ (refunded) from contracted parties	140.1	-	(5.7)	-	134.4
Auction Proceeds	-	-	-	-	-
Paid to vendors, net of reimbursement	(60.0)	-	(4.2)	-	(64.2)
Paid to employees, net of reimbursement	(76.3)	-	(3.1)	-	(79.4)
Reserve Fund Contribution	(3.0)	3.0	-	-	-
Historical Development Costs	1.2	-	(1.2)	-	-
Capital expenditures	(0.9)	-	-	-	(0.9)
Change in investment market value	-	6.1	0.8	2.1	9.0
<b>Funds Under Management - June 30, 2020</b>	\$ 29.8	\$ 121.0	\$ 98.2	\$ 206.6	\$ 455.6

## 6.3.2 Governance

Name of Fund	Description of Fund
<b>1. Operating and Reserve Funds</b>	These are governed by the <a href="#">ICANN Investment Policy</a> . Extracts are shown below.
<b>1.1 Operating Fund</b>	Sometimes called the Working Capital Fund, this funds day-to-day operations of ICANN, including all items in the ICANN Board-approved annual budget. The Operating Fund contains enough funds to cover ICANN's expected expenditures for three months. Periodically, any excess funds are transferred to the Reserve Fund. To illustrate, in October 2018, the ICANN Board approved an allocation of US\$3 million from the Operating Fund to the Reserve Fund.
<b>1.2 Reserve Fund</b>	<p>The Reserve Fund is ICANN's funding of last resort to cover large expenses resulting from unavoidable, unpredictable or unplanned events, which cannot be funded from ICANN's Operations. The use of any Reserve Fund is restricted by actions of the Board of Directors. The Board of Directors has delegated to the Board Finance Committee (BFC) the authority to act on behalf of the Board of Directors to release funds from the Reserve Fund to pay for items meeting the criteria noted above.</p> <p>The Reserve Fund contains any ICANN Operations amounts not contained in the Operating Fund. Surplus funds are used to build up the Reserve Fund to a level sufficient to cover emergency requirements. The Reserve Fund is expected to rise to a level that covers a minimum of 12 months of expected expenditures. The positions displayed in section 6.3.1, for the Operating Fund and Reserve Fund do not reflect the impact of potential decisions to be considered and approved by the Board (e.g., a replenishment of the Reserve Fund by an allocation from the Operating Fund). Such Board decisions are made using the audited financial statements of each fiscal year, which are available by the end of October of every year, for the fiscal year closed on the previous 30 June.</p>
<b>2. New gTLD Program Funds and the Auction Proceeds</b>	These are governed by the <a href="#">New gTLD and Auction Proceeds Investment Policy</a> . Please see extracts from this document below.
<b>2.1 New gTLD Program Funds</b>	This corresponds to the unspent portion of the New gTLD Program application fees, collected from applicants during the application window in 2012. The funds are used to evaluate the applications and to cover "hard-to-predict" costs, including risks. Section 5 of this document has more information on the New gTLD Program financials.

**2.2 Auction Proceeds**

The ICANN Auction is a mechanism of last resort to resolve string contention within the New gTLD Program. ICANN expects most string contentions to be resolved by other means before reaching an auction conducted by ICANN's authorized auction service provider. Auction proceeds will be reserved and earmarked until the Board determines a plan for the appropriate use of the funds after consultation with the community. Auction proceeds are net of any auction costs. Auction costs may include initial set-up costs, auction management fees, and escrow fees.

# Appendix A: Registrar Fees

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

Approximately 2,500 registrars are accredited by ICANN as of 30 November 2018. This relationship is governed by the Registrar Accreditation Agreement (RAA), of which the most recent version was approved in June 2013. The two versions of the agreement currently in use were approved in 2009 and 2013, respectively. The RAA is a five-year agreement that provides for the following types of fees:

Fee Type	Description
<b>1. Application Fees</b>	<p>Application fees are paid one time by prospective registrars at the time of application.</p> <p>For FY20, the application fees are estimated to be \$210,000 based on a volume of 60 applications and a per-application fee of \$3,500 per application.</p>
<b>2. 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>For FY20, the annual accreditation fees are estimated at \$10 million, based on an average of 2,550 registrars renewing and being newly accredited.</p>
<b>3. Variable Accreditation Fees</b>	<p>Variable accreditation fees are determined based on the transaction type and volume of each registrar. There are two types of fees associated with the variable accreditation fees:</p> <ul style="list-style-type: none"> <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 enough in size and in activity, some registrars will continue to be eligible for “forgiveness” of two-thirds of the standard per-registrar variable fee. To be eligible for forgiveness, a registrar must meet both of the following criteria:</p> <ol style="list-style-type: none"> <li>1. Less than 350,000 gTLD names under its management</li> <li>2. No more than 200 attempted adds per successful net add in any TLD</li> </ol>



Forgiveness will be granted each quarter to all registrars that qualify.

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.

In addition, a discount of 10% is granted to all registrars operating under the 2009 and 2013 RAA.

**3.2 Transaction-Based Fees**

Transaction-based fees are assessed on each annual increment of an add, renewal, or transfer transaction that has survived a related add or auto-renew grace period. This fee will be billed at \$0.18 per transaction for registrars operating under the 2009 or 2013 RAA (resulting from a \$0.20 base fee, discounted by 10 percent to \$0.18).

Since 2009, the budget has assumed an Add Grace Period (AGP) excess deletion fee to eliminate domain tasting:

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

Below is a summary of the estimated registrar fees for FY20 by fee type.

In Millions, US Dollars	FY20 Best Estimate	FY19 Forecast	+Incr./-Decr.	%	FY20 Estimates	
					High	Low
<b>Existing TLDs</b>						
Application Fees	\$ 0.2	\$ 0.2	\$ 0.0	-100.0%	\$ 0.2	\$ 0.2
Accreditation Fees	11.0	9.9	1.1	-4.9%	11.2	10.8
Per-registrar Variable Fees	3.4	3.4	-	-0.6%	3.4	3.4
Transaction Fees	35.7	34.8	0.9	32.5%	36.1	35.0
<b>Total Registrar Revenue</b>	<b>50.4</b>	<b>48.4</b>	<b>2.0</b>	<b>4.2%</b>	<b>50.9</b>	<b>49.5</b>