ICANN Business Constituency (BC) Comment
on
Draft ICANN FY25–29 Operating & Financial Plan and Draft FY25 Operating Plan & Budget

12-Feb-2024

Background

This document is the response of the ICANN Business Constituency (BC), from the perspective of business users and registrants, as defined in our Charter. The mission of the BC is to ensure that ICANN policy positions are consistent with the development of an Internet that:

1. Promotes end-user confidence because it is a safe place to conduct business;

2. Is competitive in the supply of registry and registrar and related services; and 3. Is technically stable, secure and reliable.

Comment on draft Operating and Financial Plans for FY25-29 and FY25

The BC is in general agreement of the funding and expense scenarios laid out for the draft Operating and Financial Plans for FY25-29 and FY25. We understand that the multi-year proposal is at a high level and will be continually monitoring throughout each fiscal year and that annual public comment requirements will allow for input from the community.

The draft documents provided for review represent an enormous and thorough effort on the part of the ICANN Financial team and the BC recognizes this and appreciates their diligence. We are pleased that maintaining the format of providing details on 11 Operational Initiatives and 34 Functional activities in five service groups has been maintained. This eases review and comparison to previous years.

BC is also appreciative of the method to identify new activities or strategic changes to existing ones by marking them with a delta (△).

Accordingly, the BC accepts the proposed 'base-case' funding forecast of $148 million for FY25, rising to a projected $154.8 million by FY29. We also note that "ICANN plans for operating expenses to remain at or lower than budgeted funding, drawing from designated and available funding sources", and "Upholding two fundamental principles of ICANN's long-term financial sustainability is paramount: (i) preventing operating expenses from exceeding operation funding; and (ii) ensuring the continuous maintenance of adequate reserves. "

The BC also notes that this funding and expenses represent a reasonable reflection of current and expected activities.

Observations on Issues important to BC

BC notes that throughout both the FY25-29 and in FY25 that there are numerous references to the blog "ICANN Interim President and CEO Shares Goals for Fiscal Year 2024". It is valuable that this is being

used to guide priorities and work in the Operational Initiatives and Functional Activities throughout the Draft ICANN FY25 BUDGET and the DRAFT OPERATING & FINANCIAL PLANS FOR FY25-29.

The 13 emphasized goals in this blog highlight many areas of focus for BC given our broad-based membership with geographic diversity. We are specifically interested in the work that will be undertaken for the goals of Coalition for Digital Africa, The African Regional Internet Registry, Multilingual Internet, WSIS+20 Review, DNS Abuse, Next Round of New gTLDs and RDRS.

While all of the areas of focus identified in this blog are relevant and important, BC wishes to focus our comments on a number of matters presented during review of the two Drafts. We offer our comments on each document individually.

Draft ICANN FY25 Budget

3.1 Financial Overview

Funding of New gTLD Program and Grant Program within ICANN Operations.

BC notes reference that there are allocations to ICANN Operations for programs that have their own funding from the funds under management. Can you provide clarification of how ICANN Operation budget us supporting these programs rather than being supported by their own funds:

> $4 million to New gTLD Program: 2012.

> $26 million to New gTLD Program: Next Round implementation. As we understand it, New gTLD Program.

> $2 million, including direct expenses and allocations from ICANN Operations to Grant Program.

The BC commends the plan to grow the Reserve funds further by $1Million in 12 calendar months, towards having an estimated ending balance of $173M by the Year end.

3.1 Financial Overview

Total ICANN Financials	For the Twelve Months Ending 30 Jun 2025					
In Millions, US dollars	ICANN Operations	New gTLD Program	SFICR Projects	Grant Program	Reserve Fund	Total
Funds Under Management - 30 Jun 2024	$37	$47	$24	$217	$172	$497
Funding	148	-	-	-	-	148
Personnel	(90)	(13)	(1)	(1)	-	(105)
Travel & Meetings	(13)	(1)	(0)	(0)	-	(14)
Professional Services	(29)	(15)	(1)	(1)	-	(46)
Administration	(19)	(1)	(0)	(0)	-	(20)
Capital	(1)	-	-	-	-	(1)
Cost Savings Initiatives	5	-	-	-	-	5
Total Expenses	(148)	(30)	(2)	(2)	-	(182)
Projected Transfers	-	18	(18)	-	-	-
Projected Grants Distributed	-	-	-	(10)	-	(10)
Investment Income/(Decline)	0.4	0.4	0.0	2.1	1.7	5.0
Funds Under Management - 30 Jun 2025	$37	$36	$4	$208	$173	$458
Average FTEs	407	46	4	4	-	460
End of Period FTEs	408	45	4	4	-	460

4.1 FY25 Budget versus FY24 Forecast

BC understands that there will be increased personnel cost for FY25 and feel it is admirable to try to offset such increases with efficiencies in Travel & Meetings and Professional Services, but we seek an understanding of what reductions need to be made to accomplish $6 million in savings to these other areas.

We also note in the FY25-29 projection, that Travel will remain flat at $13 million, while FY24 was originally budgeted at $17 million. While reductions and stabilizing is admirable, we are interested to understand how this can be achieved and note the summary in 4.4.2 ICANN Public Meeting.

In Millions, USD	FY25 Budget ICANN Operations	FY24 Forecast ICANN Operations	Favorable/(Unfavorable) vs. FY24 Forecast $	%
Funding	$148	$148	($0)	0%
Personnel	$90	$86	($4)	-5%
Travel & Meetings	$13	$17	$3	20%
Professional Services	$24	$26	$2	7%
Administration	$19	$19	($0)	-1%
Capital	$1	$1	$0	2%
Contingency [(1)]	$5	$5	$0	0%
Cost Savings Initiatives	($5)	($6)	($1)	18%
Total Operating Expenses	$148	$148	$0	0%
Net Operating Excess/(Deficit)	$0	$0	$0	0%
Average FTEs	407	407	(1)	0%
End of Period FTEs	408	410	2	0%

[(1)] Contingency represents an amount of budgeted expenses unallocated to specific activities or functions

The table to the left compares ICANN Operations financials from the FY25 Budget to the FY24 Forecast financials. The FY24 Forecast is based on four months of actual data and eight months of estimates.

Compared to the FY24 Forecast funding, the FY25 Budget funding is flat as unfavorable economic trends result in no funding growth. The FY25 Budget expenses are also flat to FY24 Forecast expenses with inflationary Personnel increases offset by efficiencies in Travel & Meetings and Professional Services.
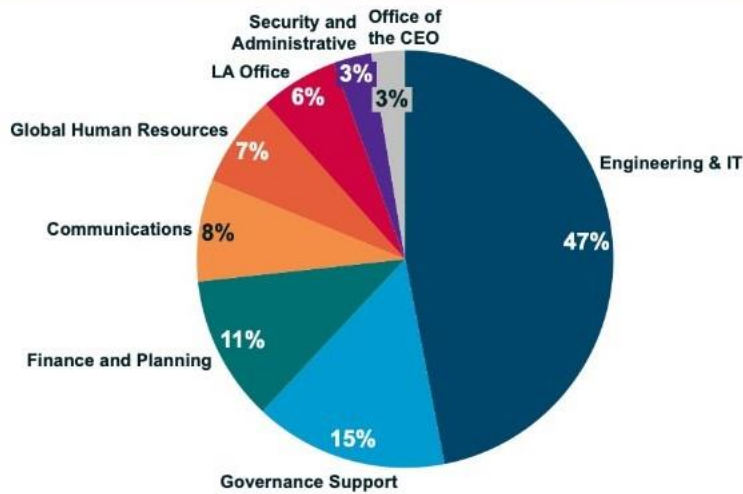
4.3.4 Internal Operations

The BC notes that the Internal Operations activity covers $42 million of the $148 million budget set for ICANN Operations for which 47% or 19.74M is earmarked for Engineering and IT. This category does not include costs related to IANA or IMRS, which are reflected in the Technical Mission activity, or support for ICANN Public Meetings which is reflected in the Community and Engagement activity.

On the other hand, the Technical Mission activity is estimated to require $24 Million in funding from the ICANN Operations budget. When coupled with the provision of 11.5M dedicated to the PTI FY25 Operating Plan and Budget as well as IANA Support Activities, ICANN's investment in it Technical infrastructure and it's maintenance amounts to an estimated $55.24M. As a Technical organization it would be helpful to track what percentage of ICANN's budget is directly devoted to her technical functions as compared to Operations and Community Engagement Systems.

FY25 Internal Operations - $42M

Engineering & IT 47%
Governance Support 15%
Finance and Planning 11%
Communications 8%
Global Human Resources 7%
LA Office 6%
Security and Administrative 3%
Office of the CEO 3%

4.3.5   Technical Mission

The Technical Mission activity covers $24 million of the $148 million budget. This activity is necessary to fulfill the technical aspect of ICANN's mission. About half of the activity is dedicated to the IANA functions and the other half covers other technical initiatives.

Below is a breakdown of each category in this activity:

FY25 Technical Mission - $24M

ICANN Managed Root Server 8%
Technical Services 11%
Office of the CTO 30%
IANA Functions 51%
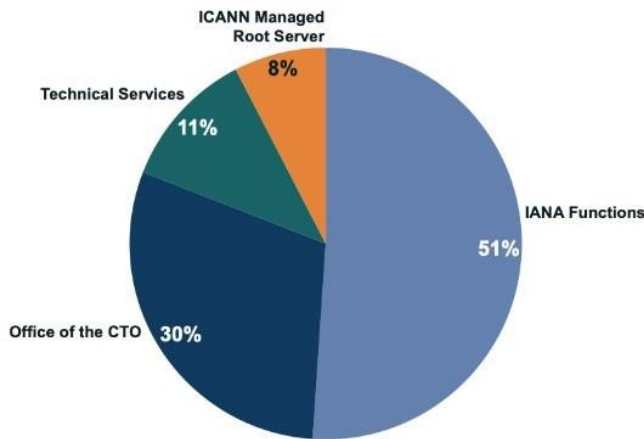
- **IANA Functions:** Assigns unique identifiers for the Internet in accordance with relevant policies and is the registry of record for those allocations. See IANA Budget section for more details.

- **Office of the CTO (OCTO):** Aims to improve knowledge about the identifiers that ICANN helps coordinate, technical operation of the identifiers, and ICANN's technological stature. Although most of OCTO's costs are reflected here, the Technical Engagement portion of this function's work is reflected in the **"**Regional and Technical Engagement" category of the Community and Engagement activity.

- **Technical Services**: Provides technical knowledge and data regarding the DNS and works to maintain the security and stability of the DNS.

- **ICANN Managed Root Server (IMRS):** Supports the global Internet by building and maintaining a sustainable, stable, and resilient root server that is able to respond to identified and vetted technical needs.

4.4.2 ICANN Public Meetings

In Millions, US Dollars	Meeting Format	Actuals	Budget
ICANN83 - TBD	Policy	n/a	$3.9
ICANN82 - Seattle	Community	n/a	$4.5
ICANN81 -Istanbul	AGM	n/a	$4.2
Total FY25 ICANN Meetings		**n/a**	**$12.5**
ICANN80 - TBD	Policy	n/a	$4.5
ICANN79 - Puerto Rico	Community	n/a	$4.2
ICANN78 - Hamburg	AGM	n/a	$4.6
Total FY24 ICANN Meetings		**n/a**	**$13.3**
ICANN77 - DC	Policy	$4.4	$3.7
ICANN76 - Cancun	Community	$4.4	$3.6
ICANN75 - Kuala Lumpur	AGM	$4.7	$4.0
Total FY23 ICANN Meetings		**n/a**	**$11.3**
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
Total FY22 ICANN Meetings		**$4.6**	**$10.8**

With all meeting locations for FY25 not yet confirmed, BC wants to make sure travel estimates are considering prospective locations. We note that in FY24 Hamburg is identified at $4.6 (actual - not estimate) while Istanbul is budgeted at $4.2. In addition the FY24 Policy Forum (scheduled for Kigali though presented as TBA) is budgeted at $4.2 whereas the same meeting in FY25 (noted as TBA) is budgeted at $3.9. Can we get more detail that improves our understanding of the variables?

4.6 Contingency

We understand that Contingency allocation remains at $500,000 for FY25 and beyond. We are aware that this has historically been an adequate amount within ICANN Operations although we understand that there may be at least one change in how Contingency is used.

In the past year, CSG and NCSG (collectively NCPH) have developed plans to meet periodically for intercessional. BC wishes to confirm our understanding that funding for these can be considered within Contingency rather than to be separately budgeted. If these are to be separately included in travel planning, we would like to know the application timeline for such approvals.

5.2 New gTLD Program: Next Round

The BC is aligned that Policy Implementation work is a crucial driver of the overall timeline for opening the next round of applications for new gTLDs and supports the deployment of agile methods including the use of small teams to achieve this end. As ICANN org expects it will take one year to complete operationalization work, including systems development and testing, which enables the application round to open in Q2 of calendar year 2026, it is our hope that all related work is completed well ahead of this timeline.

Additional Budget Request

As ICANN has transitioned the Additional Budget Request process into the annual Operating Plan and Budget process, the BC suggests that request submissions be structured as in the case of the previously established ABR process.

DRAFT ICANN OPERATING & FINANCIAL PLANS FOR FY25-29 (FIVE-YEAR)

Contractual Compliance

Considering approvals of new requirements under the Base gTLD Registry Agreement (RA), and 2013 Registrar Accreditation Agreement (RAA), BC is pleased to see that the Compliance team "plans to increase its headcount to support contractual compliance audits and reporting activities." This is helpful to mitigate DNS Abuse that has been a focus for BC and its members. We are encouraged by this and while we see an increase in FTE for Technical and DNS Security from 75 in FY24 to 79 in FY25, it is not clear if 26 FTE for FY25 is an increase for Compliance. Can you clarify?

Operational Initiative 6. Promote and evolve the DNS through open and transparent processes that enable competition and open entry in Internet-related markets while ensuring the stability, security, and resiliency of the DNS.

The BC has members across the globe, and we are encouraged by the emphasis being placed on Universal Acceptance throughout the FY25-29 draft and with new activities (marked by △) in the Functional Activities section.

Geopolitical monitoring, engagement, and mitigation and Government and Intergovernmental Organization Engagement,

The BC notes strong emphasis being placed on these topics and well-articulated in Operational Initiatives and in Functional Activities. Recognition that increased resources will be needed in this area is appropriately reflective of the importance of this engagement and consistent with ICANN Interim President and CEO Shares Goals for Fiscal Year 2024. This will remain vital in the coming years.

The Delta △ points of new focus in Functional Activity of Government and Intergovernmental Organization Engagement emphasize this clearly.

> △ **Risks** to the multistakeholder model of Internet governance from processes such as the United Nations General Assembly review of the progress made since the World Summit on the Information Society, known as the WSIS+20 Review or the Global Digital Compact.

> △ **WSIS+20** Review outcomes with the potential to impact ICANN's mission.

> △ **Growing risks** stemming from government and IGO legislative and regulatory actions, both intended and unintended.

> △ Risks to the global Internet's stability due to new technologies, lack of government understanding, or political initiatives aimed at addressing perceived challenges posed by those technologies.

> △ Heightened demand for engagement and capacity development, driven by the GAC's Underserved Regions and Public Safety Working Groups.

> △ Increased regional capacity-development workshops, technical briefings, and training efforts delivered by ICANN or in collaboration with other organizations in the Internet ecosystem.

△ Growing activity in cybersecurity, reflecting rising governmental concerns and proactive measures to address or exploit possible vulnerabilities in critical Internet infrastructure.

△ Increased need for professional service contracts to cover specialized events, such as those related to the U.N. Open-Ended Working Group, the Ad Hoc Committee, discussions concerning the cybercrime convention, the next round of the WSIS discussions, as well as the ITU Plenipotentiary 26. Moreover, there's an increasing need for service contracts related to information gathering and analysis in various regions.

△ Participation in previously unexplored arenas with potential impacts on ICANN's mission due to shifts in political action.

△ Increased operational responsibilities in FY25–29 will require an increase in headcount.

The BC is encouraged with the emphasis being placed on DNS Abuse, RDRS, Contractual Compliance and geo-political engagement. Regarding RDRS, we believe the operating plan should be amended to include meaningful review and analysis of the RDRS trial and the overall activities related to reaching a comprehensive approach to collection and access to DNS registration data.

While we have not focussed our comments on the entire scope of the Drafts, we note that all areas have measurable progress tracking and we will remain active in providing our insights to all initiatives of relevance to BC over time.

We thank the ICANN Financial Team for their efforts in preparing these Draft ICANN FY25 BUDGET and the DRAFT ICANN OPERATING & FINANCIAL PLANS FOR FY25-29.

This comment was drafted by Tim Smith, with edits by Lawrence Olawale-Roberts, Steve DelBianco, and Steve Crocker.

It was approved in accord with the BC charter.