

Dear ccNSO Councilors!

In our capacity of SOPC Chair and Vice-Chair we'd like to bring to ccNSO Council attention the concerns regarding recently approved FY26 ICANN Budget <https://www.icann.org/en/system/files/files/adopted-icann-budget-fy2026-published-2025-en.pdf>

This approved version is an update of the December 2024 Draft FY26 ICANN Budget. Specifically the expected FY26 Funding increased from 142 to 150 million USD and FY 26 Expenses also increased from 142 to 150 million USD.

The increase in Funding is explained by fee increases and an increase in the number of transactions (3% for legacy gTLDs and +29% for new gTLDs) under the base scenario (see detailed explanation below).

The increase in expenses is due to an increase in personnel costs (from 84 to 89 million, mainly due to increase in number of FTE's from 384 to 403) and non-personnel expenses.

While it is hard to judge whether the updated estimations will turn out to be correct, we are concerned with:

- the expectation that the number of transactions will increase by 3 % compared to this year as assumed under the base scenario, and
- the increase the number of personnel only one year after ICANN took significant efforts to reduce expenses, including the lay-off of staff.

SOPC intends to raise this issue with ICANN Planning.

Another concern that comes along with the updated Budget projection relates to rejection Action procedure. While we do not recommend to initiate a Rejection Action Process in this particular case, it must be noticed that there is a requirement for filing the Rejection Action Petition that could not have been met: per Annex D Section 2.2(a)(i)(A) the Rejection Action Petition must be "...based on one or more significant issues that were specifically raised in the applicable public comment period(s)" In current situation the issues appeared as the result of changes introduced after public comments and nobody in the community had a chance to raise it

Andreas Musielak and Irina Danelia

Chair and Vice-Chair of SOPC

Detailed explanation

In December 2024 ICANN org presented for Public comments Draft FY26 ICANN Budget. SOPC in its capacity reviewed the Draft and submitted comments, specifically stressing SOPC' support to prudent estimation of funding level. Also during recent years SOPC has been repeatedly stressing the need to keep Personnel costs and number of employees under control

On 28 April 2025 ICANN org presented an updated version of FY26 ICANN Budget (<https://icann-community.atlassian.net/wiki/spaces/projfinadhocws/pages/106638201/FY26+Operating+Plan+and+Budget>) that was approved by ICANN Board in May 2025.

This updated version shows the noticeable increase in Funding projection and corresponding increase in expenses, mostly in Personnel (see table below, slide from webinar on 28 April 2025)

ICANN Operations: FY26 Budget vs FY26 Draft Budget

USD in \$M	FY26 Budget	FY26 Draft Budget	Notes
Funding	\$150	\$142	● FY26 budget reflects fee increases to contracted parties
Personnel	(89)	(84)	● Reflects resourcing increase driven by workload needs
Non-Personnel Expenses	(55)	(53)	● Reflects updated contractual commitments and current rates of expenses
Contingency	(8)	(8)	
Cost Saving Initiatives	2	3	
Total Expense	\$150	\$142	
Excess/(Deficit)	0	0	
Average FTEs	403	384	



* Monetary figures are in millions of United States Dollars (USD), unless stated otherwise. Any arithmetic inconsistencies are due to rounding.

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Funding increase reflects fee increases to contracted parties, in more details the projections used for Base estimate scenario have been changed:

- Legacy TLDs Transaction-based Fees: the number of transactions is estimated to increase 3% comparing to FY25 level (vs no growth forecast in Draft Budget submitted for Public comments) which results in 5.1 million USD additional funding
- New gTLD Fixed Fees: the total number of TLDs is estimated to increase 5 TLDs, starting FY26 with 1,091 and ending with 1,096 (vs decrease of 17 TLDs, starting FY26 with 1,109 and ending with 1,092) which results in 0.9 million USD additional funding
- New gTLD Transaction-based Fees: the number of transactions is estimated to increase 30% comparing to FY25 level (vs 1% growth forecast in Draft Budget submitted for Public comments) which results in 1.8 million USD additional funding