Internet Corporation for Assigned Names and Numbers (ICANN) FY23 Budget

May 2022

ICANN

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1 Introduction

This document contains the Internet Corporation for Assigned Names and Numbers (ICANN) Fiscal Year 2023 (FY23) Budget. ICANN's FY23 comprises the following dates:

> 1 July 2022 – 30 June 2023

The ICANN FY23 Budget includes a detailed overview of ICANN's financial plan for FY23. For operating plans and five-year financial projections, please see the FY23-27 Operating and Financial Plan and FY23 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.

ICANN's FY23 Draft Budget was posted for Public Comment in December 2021. Following the Public Comment period and discussions with stakeholders, ICANN org published its Public Comment Summary Report in March 2022. Publishing the Budget for Public Comment and receiving input from stakeholders 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 ICANN FY23 Budget includes:
- Overview of Total ICANN, including separate detailed sections on ICANN Operations and the New Generic Top-Level Domain (New gTLD) Program.
- Activities that have already been submitted for Public Comment and as a part of the IANA FY23 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 FY22 is provided.

IANA Operations
The IANA FY23 Draft Operating Plan and Budget was posted for Public Comment in October 2021 and was adopted by the ICANN Board in February 2022.

IANA Operations are part of ICANN Operations and are documented in the ICANN FY23 Operating Plan.

Background Information

Since March 2020, ICANN organization (org) has been operating amid the COVID-19 pandemic. FY22 (1 July 2021–30 June 2022) represented the first full year in which ICANN org conducted almost all of its work remotely. ICANN org's funding remained stable while expenses were less than those in prior years, driven mainly by travel restrictions.

Starting in FY22, ICANN org has embarked on two important Operational Design Phases (ODP) for System for Standardized Access/ Disclosure to Nonpublic Generic Top-Level Domain Registration Data (SSAD) and New gTLD Subsequent Procedures. With these two new initiatives and the resources available in ICANN's funds under management, including the Supplemental Fund for Implementation of Community Recommendations (SFICR), ICANN org will highlight the holistic view of Total ICANN. Please see the Glossary of Terms section for an explanation of Total ICANN and its financial components.

For FY23, ICANN org assumes that operational funding will continue to grow modestly per historical levels and that travel will resume. Below are highlights of the projections and assumptions of the FY23 Budget:

- 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 for SSR initiatives that are a part of ICANN org's functional activities.

- ICANN Operations 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 meeting 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.

ICANN org understands that its role remains crucial to maintain the effective operation of the Internet. The organization's technical coordination of the Internet's unique identifier systems plays a critical role in the security, stability, and resiliency of the Internet. Throughout the pandemic, the org, community, and the Board have performed their work successfully without face-to-face interaction. Although ICANN org plans for

operations and travel to return to historical levels in FY23, the org is prepared to resume conducting its work remotely and reevaluate expenses if necessary. Organizational activities will continue to be carried out under principles of prudence, frugality, and with heightened attention to necessity.

2 Planning and Budget Overview

The following illustration depicts the five-year planning cycle for FY23-27. The planning process consists of the ICANN Strategic Plan for FY21-25 and the FY23-27 Operating and Financial Plan, which provide input and a basis for the FY23 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.
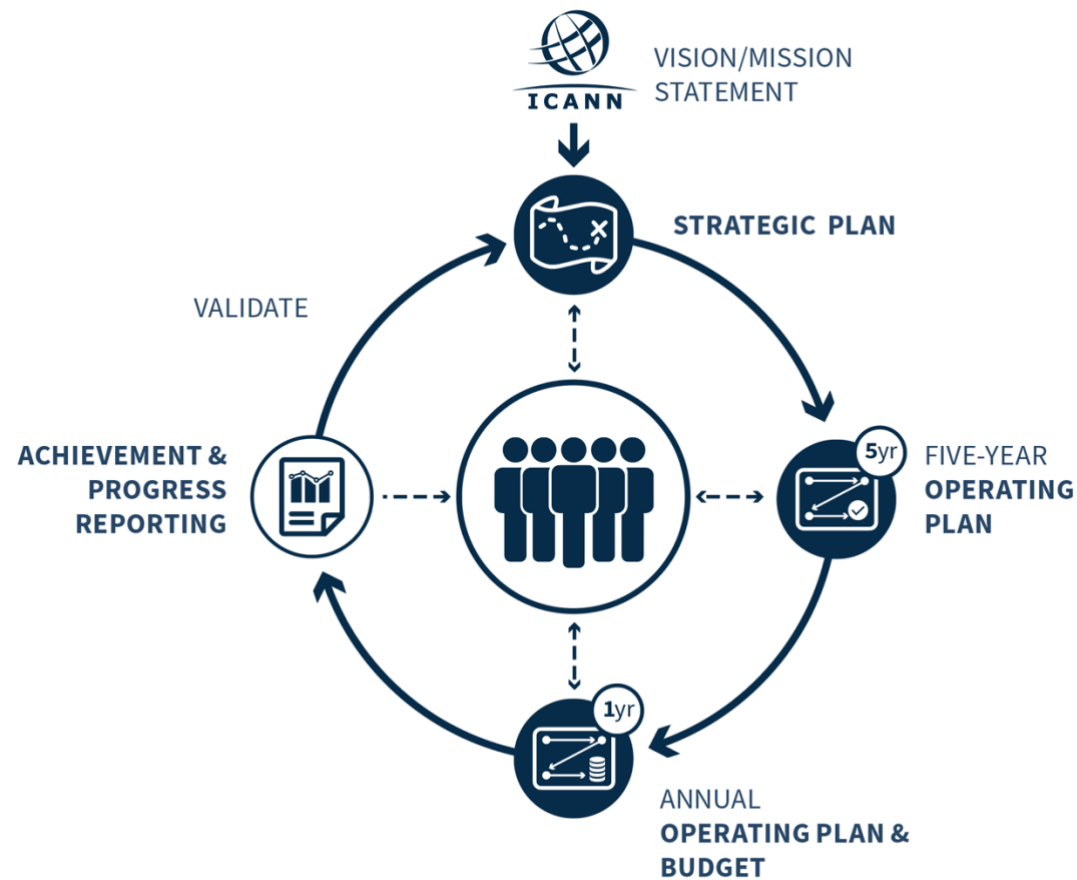
3 Total ICANN

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

3.1 Financial Overview

Total ICANN Financials	For the Twelve Months Ending 30 Jun 2023					
In Millions, US dollars	**ICANN Operations**	**New gTLD Program [1]**	**SFICR [2]**	**Reserve Fund**	**Auction Proceeds**	**Total**
Funds Under Management - 30 Jun 2022	**77.4**	**68.7**	**20.1**	**175.2**	**213.3**	**554.6**
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
Funds Under Management - 30 Jun 2023	**77.6**	**55.1**	**20.2**	**181.3**	**214.4**	**548.8**
Total Average Headcount	**423**	**25**	**-**	**-**	**-**	**448**

[1] New gTLD Program consists of the 2012 Round and the Subsequent Procedures ODP
[2] 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 for 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.

(See Appendix for financial information regarding FY22)

3.2 Headcount

3.2.1   Subsequent Procedures ODP Headcount Overview

Of the 25 New gTLD Program positions in the chart in the previous section, 22 Full-Time Equivalents (FTEs) will be hired in FY23 to support the Subsequent Procedures ODP. The average headcount of 423 and ending headcount of 427 (including 37 new hires) mentioned in the FY23 plans refer to that of ICANN Operations, which excludes both the Subsequent Procedures ODP and the 2012 Round of the New gTLD Program. Please see the following subsection for more information about the FY23 Headcount and Personnel Budget for ICANN Operations.

As referenced in the appendix section 6.5 of this document, the Board authorized a range of US$7-$9 million of direct expenses to fund the resources needed for ICANN org to initiate and conduct the Subsequent Procedures ODP. This work will build the design and lead to a more efficient and effective implementation. ICANN org is using a general assumption that the Subsequent Procedures ODP phase will be followed, after Board approval, by a phase of preparation for the next round of the New gTLD Program and, therefore, in many cases, FTE resources may be hired to handle the ODP work. Each FTE or temporary resource translates to approximately 1,800 working hours per year.

A key component of the expenditures will be additional personnel for ICANN org to increase its capacity. Some of the new resources will directly support the Subsequent Procedures ODP, while some will backfill for existing positions that will be supporting the ODP (and program preparation work after Board adoption) and transitioning prior work. ICANN will be seeking a combination of temporary resources and FTEs to support this project. Work that is temporary in nature and will no longer continue once the Subsequent Procedures ODP 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 FTEs.

3.2.2   ICANN Operations Headcount Overview

ICANN org begins budgeting for headcount and personnel with existing staff. The FTEs and personnel dollars in ICANN org's service groups and functional activities reflect only the current state of headcount of ICANN Operations. ICANN org then budgets for new positions. The 37 new hires budgeted in FY23 roughly corresponds to the open positions that ICANN org is currently recruiting for across a variety of functions.

The 37 new hires are not allocated to specific service groups and functional activities. ICANN org budgets several months in advance and anticipates that throughout the fiscal year the functional teams will determine when new positions or resources are needed in light of planned work, undertaking new work as confirmed, or due to unplanned staff attrition. Because of the variables and unknowns, ICANN org leaves an amount of open positions unallocated to service groups and functional activities, and presents them at the total organizational level. As and when position requests have been submitted and approved (see subsection below for an overview of this process), they are accurately reported into the appropriate functional activities.

ICANN Operations headcount in FY23 is shown as 427 in some areas and 423 in others. The headcount total of 427 in section 4.4 of this document reflects the FTEs at the end of the fiscal year, whereas other areas of the document refer to the average FY23 headcount of 423 throughout the fiscal year. The difference between ending and average headcount is due to the assumption that headcount will be added gradually throughout the fiscal year. ICANN org reports both figures, as ending headcount is a better metric to understand capacity and resource planning while average headcount is a better metric to analyze costs. ICANN org will clarify this distinction going forward.

3.2.3   ICANN Operations Headcount Growth

ICANN Operations' workload is currently expanding in volume and complexity, creating the need to increase the number of staff and diversity of skillset. It is clear in the foreseeable future that the workload of the ICANN ecosystem is going to increase, specifically for the org, which is responsible for facilitating the community's development of policies and advice as well as implementing policies, advice, and recommendations. Some examples of projects that new resources will support include but are not limited to: (i) addressing approximately 250 recommendations from reviews and CCWGs (e.g., ATRT3, SSR2, CCT, RDS, WS2, Effectiveness of the Multistakeholder Model (MSM), and others); and (ii) the RSS governance model. In addition, there are other initiatives outside of ICANN Operations, such as the next round of the New gTLD Program and a grant distribution program of the auction proceeds, which will have separate funding and require additional resources. The workload expansion driven by these projects and activities is also expected to require a strengthening of the organization's support infrastructure, such as support functions and systems.

While headcount is projected to increase through FY23, ICANN org has assumed that ICANN Operations headcount will remain flat throughout the five year period of FY23-27. This projection assumes that ICANN org will be able to meet its needs with the increased personnel resources given the current or near-term workload of ICANN Operations. As new projects get approved by the Board, the org will reassess headcount projections in future planning processes.

3.2.4   Process for Adding Headcount

When an ICANN org executive requests a new position or to replace an existing vacant position, the request must be approved by the President and CEO, the SVP, Planning and CFO, and the SVP, Global Human Resources (HR). These three executives meet monthly to review the org's headcount level and the list of hiring requests submitted and justified by each executive with HR's help. This systematic process allows the organization to strategically evaluate each new hire, controlling headcount levels, and ensuring proper allocation of resources. This measure and other measures help ensure that the org has adequate headcount to accomplish its strategic and operational goals, and have helped the org maintain a stable headcount over the past five years.

In addition, ICANN org utilizes an internal volunteer program for short term needs that also provide a development opportunity for staff internally, and leverages temporary labor for some needs when available and appropriate. Adding new positions is not always the best solution for resource needs and ICANN org is strategic and thoughtful about increasing headcount. ICANN org recognizes the importance of a structured and carefully considered approach to the approval of both additional hiring or back-filling existing vacant positions in order to be good stewards of ICANN's funding and to ensure permanent hiring decisions are long-term focused.

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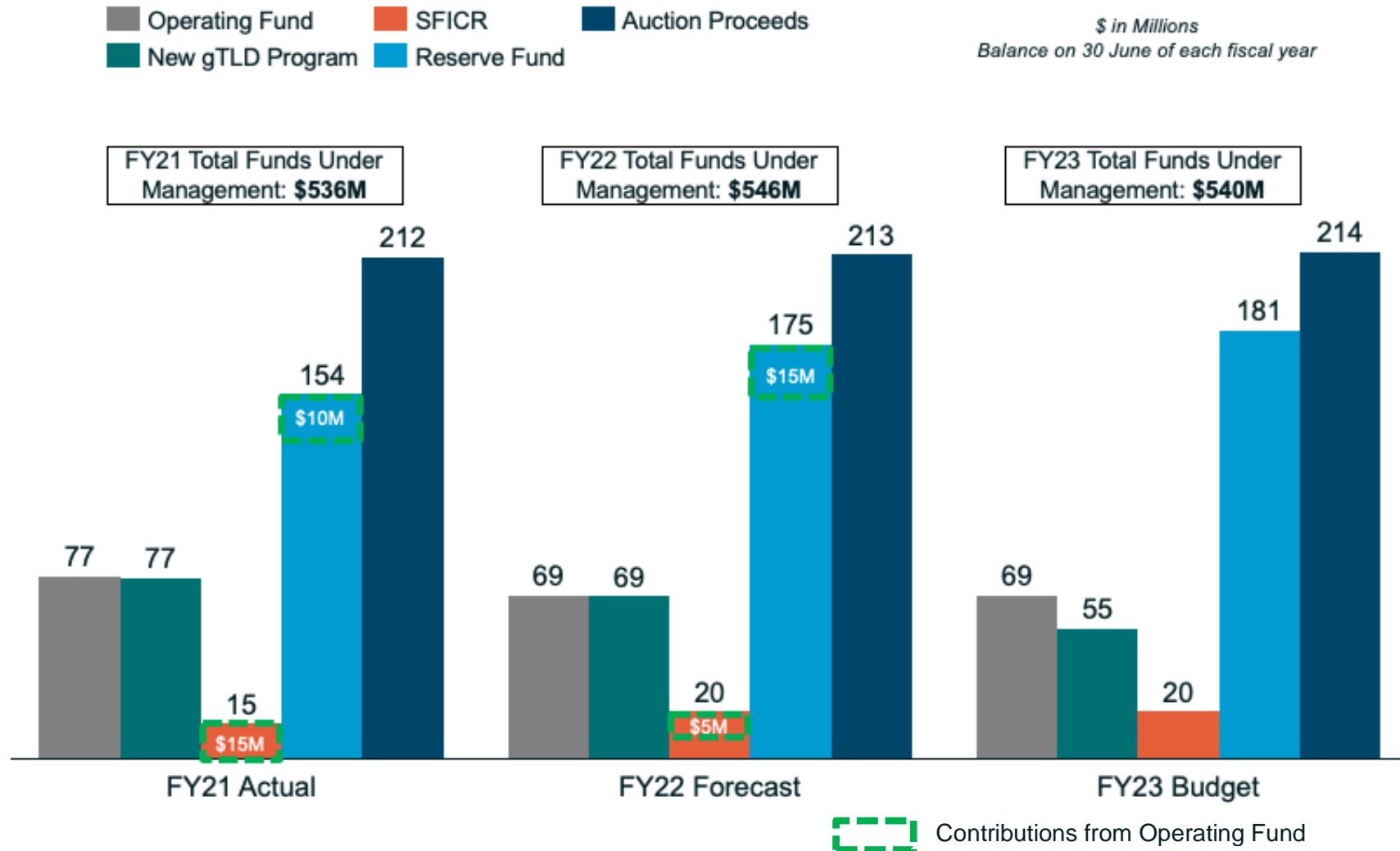
The following headcount chart shows the average number of ICANN org personnel working under each segment of Total ICANN. New gTLD Program 2012 Round personnel shown below reflect direct staff and allocations from ICANN Operations of staff working on processing applications received in 2012. Starting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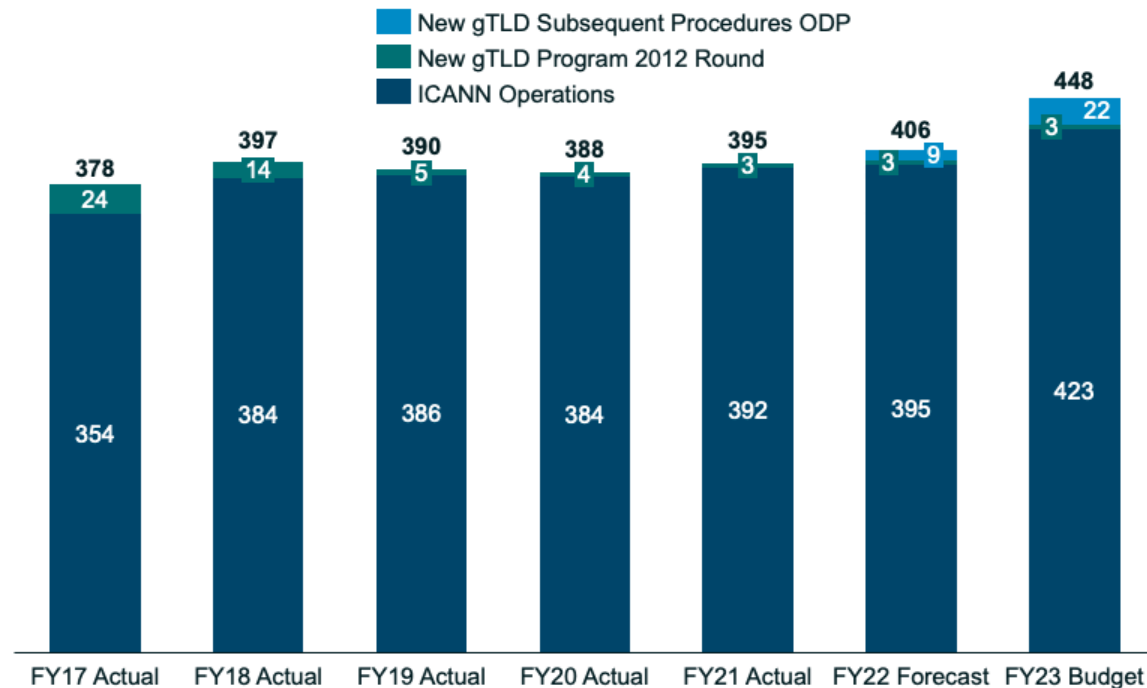
3.3 Funds Under Management

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

Legend:
- Operating Fund
- New gTLD Program
- SFICR
- Reserve Fund
- Auction Proceeds

$ in Millions
Balance on 30 June of each fiscal year

FY21 Total Funds Under Management: $536M
- 77
- 77
- 15 ($15M)
- 154 ($10M)
- 212

FY22 Total Funds Under Management: $546M
- 69
- 69
- 20 ($5M)
- 175 ($15M)
- 213

FY23 Total Funds Under Management: $540M
- 69
- 55
- 20
- 181
- 214

FY21 Actual | FY22 Forecast | FY23 Budget

Contributions from Operating Fund

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 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 from the Operating Fund to create the SFICR (reflected in FY21 ending balance for presentation purposes).
    - In July 2021, the Board approved a $5 million transfer from the Operating Fund to the Reserve Fund (reflected in FY22 ending balance).
    - 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 (reflected in FY22 ending balances).
- 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.

3.3.1   Supplemental Fund for Implementation of Community Recommendations

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. These projects are essential to ICANN and included within the strategic and operating plans. Due to their size and length, the funding of these projects is unlikely to happen with ICANN's annual funding, which is largely committed to existing activities every year.

The governance of the SFICR is defined in the ICANN Investment Policy. Its funding and expenses are evaluated annually during the planning process as well as periodically by the Board Finance Committee (BFC) and Board. The following section will address key facts about the SFICR and a potential utilization of it in FY23.

SFICR Milestones
- On 27 April 2021, ICANN org held a webinar with the community to discuss work prioritization and the SFICR.
- On 12 May 2021, the Board approved the creation of the SFICR and the revised ICANN Investment Policy that establishes the SFICR governance.
- On 22 July 2021, the Board approved a $15 million transfer from the Operating Fund to the SFICR as initial funding.
- On 28 October 2021, the Board approved a $5 million transfer from the Operating Fund to the SFICR.

Please refer to the SFICR FAQ document on the Finance and Planning Community Wiki for additional explanations and frequently asked questions about the SFICR.

FY23 Planning
Although the SSAD ODP is already in progress, the Board has not yet approved for the SFICR to be the funding source for this project. 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 and implementation. No other project or activity is currently planned to use funds in the SFICR. The Board will review candidates for SFICR funding throughout the fiscal year.

3.3.2   Reserve Fund

The Reserve Fund is a pillar of ICANN's financial sustainability and critical to ICANN's ability to fulfill its mission. During FY21 and FY22, ICANN's Reserve Fund has continued to exceed its minimum target level and to grow, thanks to further allocations from the Operating Fund adopted by the Board. Continuous focus is necessary to ensure that the Reserve Fund always meets or exceeds its minimum level in the future.

4 ICANN Operations

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

4.1 FY23 Budget versus FY22 Forecast

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

[(1)] Includes Contingency expense which is unallocated to specific activities or functions

The following table compares ICANN Operations financials from the FY23 Budget to the FY22 Forecast financials. The FY22 Forecast is based on four months of actual data and eight months of estimates. The FY23 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 Budget funding is $3 million higher, driven by growth in domain name transactions per historical trends. The FY23 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.

4.2 Funding

As done in prior years, ICANN org has developed three scenarios to estimate funding. The "Medium" scenario is reflected in the FY23 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 FY23 projections. The information in the "Medium Estimate" column corresponds to the FY23 funding included throughout the FY23 Budget. References to growth and declines are in comparison with the FY22 Forecast.
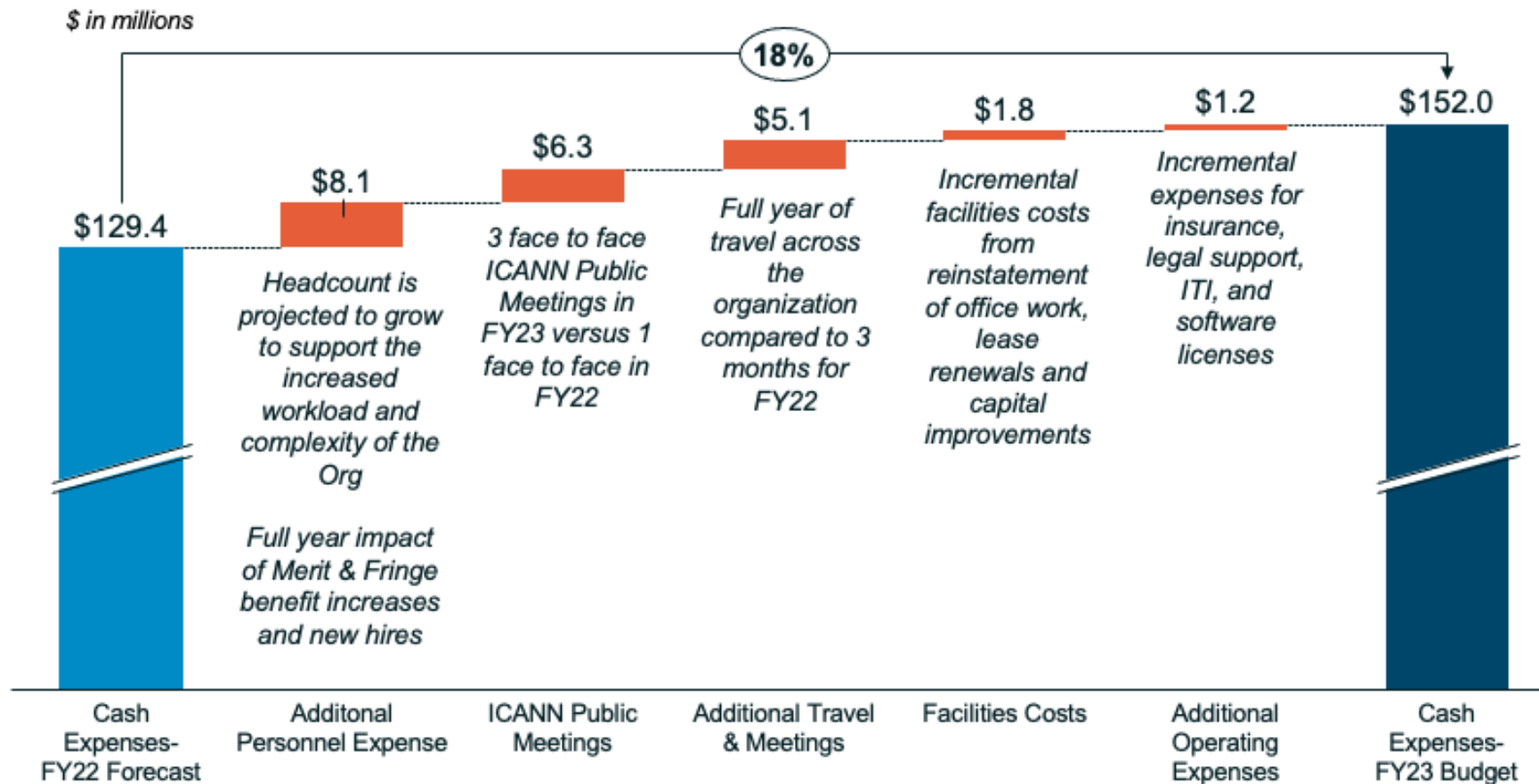
	Funding Type	Medium Estimate	High Estimate	Low Estimate
Legacy TLDs	Transaction-based Fees	3% growth	9% growth	(14%) decline
New TLDs	Fixed Fees	Decrease of 4 TLDs, starting FY23 with 1,149 and ending with 1,145	Decrease of 3 TLDs, starting FY23 with 1,149 and ending with 1,146	Decrease of 47 TLDs, starting FY23 with 1,149 and ending with 1,102
	Transaction-based Fees	4% growth	17% growth	(19%) decline
Registrar Accreditation	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 28 accreditations	Registrar base grows by 60 accreditations	Registrar base declines by (175) 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 chart below shows a breakdown of ICANN Operations funding. Figures from the FY23 Budget reflect the information from the medium estimate shown in the previous chart compared to figures from the FY22 Forecast. The high and low scenarios from the previous chart are also shown as other scenarios.

In Millions, US Dollars	FY23 Budget	FY22 Forecast	Over / (Under) $	Over / (Under) %	Other FY23 Scenarios High	Other FY23 Scenarios Low
Transactions						
Legacy TLD transaction fees	$ 93.1	$ 90.1	$ 3.0	3%	$ 98.0	$ 77.8
New gTLD transaction fees	9.9	9.5	0.4	4%	11.1	7.7
Sub-total	**103.0**	**99.6**	**3.4**	**3%**	**109.1**	**85.5**
Volume: Legacy TLD transactions (millions)	*201.2*	*193.6*	*7.6*	*4%*	*210.6*	*167.3*
Volume: New gTLD transactions (millions)	*25.8*	*24.8*	*1.0*	*4%*	*28.8*	*20.1*
Sub-total	*227.1*	*218.4*	*8.7*	*4%*	*239.4*	*187.5*
Volume: New gTLD billable transactions (millions)	*21.1*	*20.3*	*0.8*	*4%*	*23.7*	*16.5*
New gTLD Billable rate - average	*81.8%*	*81.8%*	*(0%)*		*82.4%*	*81.8%*
Registry Fixed Fees	**28.7**	**28.9**	**(0.3)**	**(1%)**	**28.7**	**27.7**
Count of total Registries/TLDs - at end of year	*1,145*	*1,149*	*(4)*	*(0%)*	*1,146*	*1,102*
Registrars Accreditation						
Application fees	0.1	0.2	(0.1)	(59%)	0.2	-
Accreditation fees - annual	9.7	9.7	0.0	0%	9.9	9.2
Per-registrar variable fees	3.4	3.4	-	-	3.4	3.4
Sub-total	**13.3**	**13.4**	**(0.1)**	**(1%)**	**13.5**	**12.6**
Count of total Registrars - at end of year	*2,447*	*2,419*	*28*	*1%*	*2,479*	*2,244*
Contributions						
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	-	-	-	-	-	-
Sub-total	**7.1**	**7.1**	**-**	**-**	**7.1**	**7.1**
ICANN Ops Funding	**$ 152.0**	**$ 149.1**	**$ 3.0**	**2%**	**$ 158.4**	**$ 132.9**

4.3 Cash Expenses

The chart below shows the variances between the cash expenses of the FY22 Forecast and the cash expenses of the FY23 Budget. While the FY22 Forecast expenses were impacted by the COVID-19 pandemic, ICANN org assumes that most activities will occur in FY23 without impact from the pandemic. Excluding the impact of incremental expenses due to a return to full meeting operations post COVID-19, the FY23 Budget expenses are growing at about 8.5 percent over expenses of the FY22 Forecast. Please note the bars in the chart are not to scale.

$ in millions

18%

Cash Expenses-FY22 Forecast	Additonal Personnel Expense	ICANN Public Meetings	Additional Travel & Meetings	Facilities Costs	Additional Operating Expenses	Cash Expenses-FY23 Budget
$129.4	$8.1	$6.3	$5.1	$1.8	$1.2	$152.0

Headcount is projected to grow to support the increased workload and complexity of the Org

Full year impact of Merit & Fringe benefit increases and new hires

3 face to face ICANN Public Meetings in FY23 versus 1 face to face in FY22

Full year of travel across the organization compared to 3 months for FY22

Incremental facilities costs from reinstatement of office work, lease renewals and capital improvements

Incremental expenses for insurance, legal support, ITI, and software licenses

4.4 Expenses by Service Group and Functional Activity

The following table compares the ending headcount (as FTE or Full-Time Equivalent) and expenses by ICANN Operations service group in the FY23 Budget with the headcount and expenses in the FY22 Forecast. 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 here.

In millions, USD	FY23 Budget Expenses				FY22 Forecast Expenses				Increase/(Decrease) Expenses			
Service Group / Functional Activity	FTE [1]	Pers.	Non Pers. [2]	Total	FTE [1]	Pers.	Non Pers. [2]	Total	FTE [1]	Pers.	Non Pers. [2]	Total
Technical and DNS Security	73	$14.9	$10.4	$25.3	73	$14.2	$5.9	$20.1	0	$0.6	$4.6	$5.2
Policy Development and Implementation Support	73	$13.9	$6.9	$20.8	71	$12.6	$4.4	$16.9	2	$1.4	$2.5	$3.9
Community Engagement & Services	92	$18.7	$12.5	$31.2	91	$17.4	$8.2	$25.6	1	$1.4	$4.2	$5.6
ICANN Org Governance	34	$11.2	$7.7	$18.9	34	$10.8	$6.7	$17.5	0	$0.4	$1.0	$1.4
ICANN Org Shared Services	118	$24.6	$24.0	$48.6	118	$22.2	$21.5	$43.8	0	$2.3	$2.5	$4.8
Subtotal [3]	390	$83.3	$61.5	$144.8	387	$77.2	$46.7	$123.9	3	$6.1	$14.8	$20.9
Budgeted New Hires	37	$5.7	$0.0	$5.7	23	$2.6	$0.0	$2.6	14	$3.1	$0.0	$3.1
Contingency	0	$0.0	$6.0	$6.0	0	$0.0	$5.2	$5.2	0	$0.0	$0.8	$0.8
Organizational Adjustments and Allocations	0	($2.4)	($2.0)	($4.5)	0	($1.4)	($1.0)	($2.4)	0	($1.1)	($1.0)	($2.1)
Total	427	$86.5	$65.5	$152.0	410	$78.4	$50.9	$129.4	17	$8.1	$14.6	$22.7

[1] Full-Time Equivalents at the end of the fiscal year

[2] Non Personnel Expenses include Travel & Meetings, Professional Services, Administration and Capital

[3] Subtotal of allocated Functional Activities. Items below the Subtotal are not allocated and are defined in the Glossary of the FY23 Budget document

4.5 Travel and Community Engagement

4.5.1 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 FY22 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 FY22 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 Council	GNSO
Next Generation	NextGen
Root Server System Advisory Committee	RSSAC
Security and Stability Advisory Committee	SSAC
Nominating Committee Selectees	NomCom Selectees

ICANN Meeting Constituent Travel by SO/AC	ICANN75 – Kuala Lumpur		ICANN76 – Cancun		ICANN77 - TBD	
	TRIPS	AMOUNT	TRIPS	AMOUNT	TRIPS	AMOUNT
ALAC	29	$85,840	29	$69,790	29	$85,840
Fellows	45	$127,800	45	$107,100	45	$127,800
ccNSO	17	$51,760	17	$41,230	17	$51,760
GAC	40	$113,600	40	$95,200	40	$113,600
GNSO	51	$148,320	51	$122,150	51	$148,320
NextGen	15	$42,600	15	$35,700	15	$42,600
RSSAC	6	$24,000	6	$15,820	6	$24,000
SSAC	16	$48,920	16	$38,850	16	$48,920
Technical Liaison Group	8	$50,560	8	$25,200	8	$50,560
Incoming Travelers	5	$14,200	0	$0	0	$0
NomCom Selectees	5	$14,200	0	$0	0	$0
Total	**237**	**$721,800**	**227**	**$551,040**	**227**	**$693,400**
ICANN Meetings Subtotal	**$1,966,240**					

OTHER SO/AC Events	Amount
Placeholder for SO-AC Additional Budget Requests	$300,000
AFRALO General Assembly	$138,040
APRALO General Assembly	$147,560
GNSO - GDD Summit/Working Sessions	$41,860
GAC High Level Government Meeting (HLGM)	$56,800
GAC Capacity Development Workshop	$39,760
CROP Program	$50,400
Total	**$774,420**

FY23 Budget - Constituent Travel	**$2,740,660**

4.5.2   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 FY23 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.

After a review of the approved FY21 Adopted Budget ABRs, ICANN org determined that eight ABRs should be included in the core ICANN org Budget and, as such, will not be eligible for ABR submissions in the FY23 Budget cycle. Starting in FY22, the following activities are part of the core ICANN Budget on an annual basis. It is important to note that moving an activity to the core Budget does not guarantee that it will be funded each year.

ABRs Recently Moved to the core FY22 ICANN Budget

Organization	ABR Title	Estimated Amount
ALAC	RALO Discretionary Funding - policy-related engagement activities such as At-Large Structure read out sessions, registration fees, displays, graphics and travel	20,000
ALAC	Real Time Captioning RTT services in English and Spanish	18,000
BC	Production of BC Outreach materials, primarily Newsletters and Factsheets specific to events	15,000
GAC	Continuation of GAC Capacity Development Workshops	40,000
GAC	Additional Travel Support for Senior Government Travelers to the High-Level Government Meeting (HLGM) at ICANN Public Meetings	60,000
GNSO	GNSO Council Strategic Planning Session	65,000
GNSO	GNSO Additional Community Travel Support Funding	19,500
NCUC	Communication support	15,000
Total		**$252,500**

No FY22 ABRs were added to the core ICANN Budget. In FY23, the available ABR Budget remains at $300,000 which is in line with prior year Budgets and approvals. After review of the FY23 Additional Budget Request Submissions, 5 submissions out of the 20 requests are recommended, totaling $0.1M for the FY23 Budget. ICANN org proposes to keep the remaining $0.2M of ABR budget as a contingency for unforeseen community needs and requests that may arise during FY23. More detailed information on the FY23 Additional Budget Requests can be located on the ICANN wiki here.

FY23 ABRs

Request No.	Organization	ABR Title	Estimated Amount
FY23-06	RySG	GDD Summit Travel	56,000
FY23-09	NCUC	Online Engagement Training, Enhance web presence, and promotional materials (support recommended only for "promotional materials")	30,000
FY23-16	ISPCP	Outreach Materials	
FY23-20	BC	Outreach Materials	
FY23-13	ALAC	Diversity in ICANN Leadership bodies	14,000
Community Contingency	All	Placeholder of approved funds for unforeseen community expenses and/or programs	200,000
	Total		**$300,000**

4.5.3   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, conducting business deals, 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 person. 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, since March 2020 ICANN Public Meetings have been conducted in a virtual format, and therefore, reflect cost savings. For the FY23 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
ICANN77 - TBD	Policy	n/a	$3.4
ICANN76 - Cancun	Community	n/a	$3.7
ICANN75 - Kuala Lumpur	AGM	n/a	$3.7
Total FY23 ICANN Meetings		**n/a**	**$10.8**
ICANN74 - The Hague	Policy	n/a	$3.5
ICANN73 - San Juan	Community	n/a	$3.8
ICANN72 - Seattle (Virtual)	AGM	$0.5	$3.5
Total FY22 ICANN Meetings		**$0.5**	**$10.8**
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
Total FY21 ICANN Meetings		**$1.5**	**$11.6**
ICANN68 - Kuala Lumpur (Virtual)	Policy	$0.4	$3.4
ICANN67 - Cancun (Virtual) [1]	Community	$1.4	$4.2
ICANN66 - Montreal	AGM	$3.6	$4.0
Total FY20 ICANN Meetings		**$5.4**	**$11.6**

[1] ICANN67 - Cancun (Virtual) expenses are higher than other virtual meetings due to one-time technical
   investments, good faith payments, and cancellation fees incurred due to timing of face-to-face meeting cancellation

4.6 Risks and Opportunities

This section identifies risks and opportunities in the FY23 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 losses of domain registrations and contracted parties	-$3.0 million	Low
Expense: Increased cost of traveling and operating due to the pandemic	-$1.5 million	Medium
Expense: GDPR compliance	TBD	Medium

Opportunities	Potential Amount	Probability
Expense: Lower travel and meetings due to travel restrictions	+$4.0 million	Medium
Expense: Personnel savings from difficulties in hiring new staff	+$2.0 million	Medium
Funding: Higher than planned growth as a result of digitalization	+$2.0 million	Low

4.7 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 Budget is $6.0 million (approximately 4% of budgeted expenses).

4.8 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 Plan. The IANA FY23 Operating Plan and Budget is a component of ICANN's FY23 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 fiscal year.

Consultations were conducted with stakeholders on the IANA FY23 Operating Plan and Budget priorities. After developing a final proposed draft, the Draft IANA FY23 Operating Plan and Budget was published for Public Comment from 15 September 2021 through 25 October 2021. A report of submissions for Public Comment was published on 30 November 2021. The completed FY23 IANA Operating Plan and Budget was adopted by the ICANN Board on 24 February 2022.

ICANN org receives input from PTI on its Budget and then develops an IANA Budget each year. The IANA FY23 Operating Plan and Budget is $10.4M, of which $9.8M is for PTI activities and $0.6M is for IANA support activities not performed by PTI. The IANA FY23 Budget is $0.1M higher than the FY22 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 is $0.1M lower compared to the support activities component in the FY22 IANA Budget due to the mix of personnel support. Overall, the services remain the same to the FY22 Budget.

FY23 IANA Budget in Millions, USD	FY23 IANA Budget	FY22 IANA Budget	Under/(Over) Total	Under/(Over) %	FY21 IANA Actuals
FUNDING	**$10.4**	**$10.3**	**($0.1)**	**-0.5%**	**$8.3**
Personnel	$6.5	$6.4	($0.1)	-2.2%	$5.9
Travel & Meetings	$0.6	$0.6	$0.0	3.9%	$0.0
Professional Services	$1.6	$1.6	$0.0	1.8%	$1.1
Administration	$0.9	$0.9	($0.0)	-5.4%	$1.0
Contingency	$0.5	$0.5	$0.0	0.0%	$0.0
Capital	$0.3	$0.3	$0.0	0.0%	$0.3
Depreciation [1]	$0.0	$0.1	$0.1	83.2%	$0.0
TOTAL CASH EXPENSES	**$10.4**	**$10.3**	**($0.1)**	**-0.5%**	**$8.3**
EXCESS/(DEFICIT)	**$0.0**	**$0.0**	**$0.0**	**0.0%**	**$0.0**
Average Headcount	23.5	23.5	0.0	0.0%	22.3

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

FY23 IANA Budget in Millions, USD	FY23 IANA Budget	FY22 IANA Budget	Under/(Over) Total	Under/(Over) %	FY21 IANA Actuals
PTI Budget	$9.8	$9.7	($0.1)	-1.1%	$7.7
IANA Support Activities [2]	$0.6	$0.6	$0.1	8.8%	$0.6
TOTAL	**$10.4**	**$10.3**	**($0.1)**	**-0.5%**	**$8.3**

(2) IANA Support Activities include 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 gTLD Program 2012 Round

The New gTLD Program 2012 round is a $360 million multiyear program launched in 2012 to create new generic top-level domains (gTLDs). A key goal of the program is to enhance competition, innovation, and consumer choice.

5.1 Multiyear View

ICANN org periodically reviews the total estimated costs of the New gTLD Program 2012 round and currently estimates that this program will end sometime after fiscal year 2023.

Starting with FY21, all 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 2012 round of the New gTLD Program.

The following chart reflects the adoption of the new revenue recognition standard in addition to multiyear cost projections. Risk costs 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 (Dec 2021) Current Estimate
	FY12 - FY20 Actual	FY21 Actual	FY22 Forecast	FY23 Budget	FY24 & Beyond Forecast	
New gTLD Applicant Fees	360	0	0	0	1	361
Refunds	(52)	-	(0)	(0)	(0)	(53)
Applicant Fees (Net of Refunds)	$ 308	$ 0	$ 0	$ 0	$ 0	$ 308
Initial and Extended Evaluation	(68)	-	-	-	-	(68)
Quality Control and Objection Processes	(11)	-	-	-	-	(11)
Pre-delegation	(12)	-	-	-	-	(12)
Program Costs	(38)	(2)	(3)	(2)	(9)	(54)
Staff Costs	(56)	(1)	(1)	(1)	(1)	(61)
Operating Expenses	$ (185)	$ (4)	$ (4)	$ (4)	$ (10)	$ (206)
Historical Development Costs	(32)	-	-	-	-	(32)
Risk Costs	(25)	(4)	(1)	-	-	(31)
Non Operating Expenses	$ (58)	$ (4)	$ (1)	$ -	$ -	$ (63)
Other Income/(Expense)	$ (2)	$ -	$ -	$ -	$ -	$ (2)
Investment Income/(Expense)	$ 11	$ 0	$ 0	$ -	$ -	$ 11
Total Expenses	$ (234)	$ (8)	$ (5)	$ (4)	$ (10)	$ (259)
Net Remaining New gTLD Funds	$ 74	$ (8)	$ (5)	$ (3)	$ (10)	$ 49

5.2 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 $271 million, which are partially offset by investment gains from FY12–FY21 of $11 million. This results in total costs of $259 million, equating to projected remaining funds of $49 million, which will be reserved for unexpected expenses including risk costs.

*Risk Costs and Investment Gains are not estimated for future years
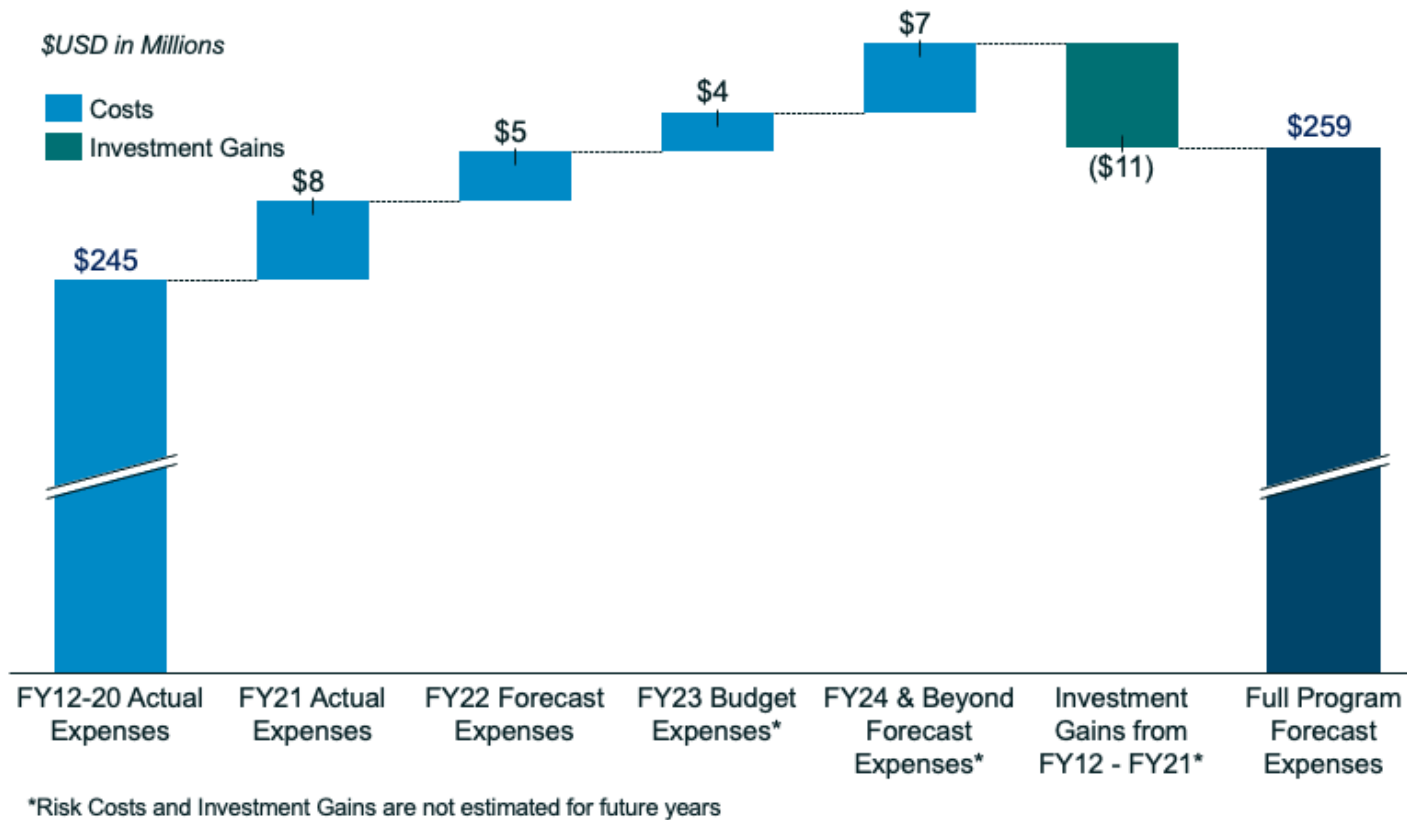
5.3 Risks and Opportunities

This section outlines the risks and opportunities of the New gTLD Program 2012 round in the FY23 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 risk	TBD	Medium

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

6 Appendix

6.1 Registrar Fees

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

Approximately 2,500 registrars are accredited by ICANN as of 30 September 2021. 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
Application Fees	Application fees are paid one time by prospective registrars at the time of application. In FY23, application fees are estimated to be $98,000 based on a volume of 28 applications and a fee of $3,500 per application.
Annual Accreditation Fees	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. In FY23, the annual accreditation fees are estimated at $9.7 million, based on 2,447 registrars renewing and being newly accredited.

Fee Type	Description
3 Variable Accreditation Fees	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: • Per-registrar variable fee • Transaction-based fee
3.1 Per-Registrar Variable Fees	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: • Less than 350,000 gTLD names under its management • No more than 200 attempted adds per successful net add in any TLD 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 percent is granted to all registrars operating under the 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. 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).

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 FY23 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 | FY23 Budget | FY22 Forecast | Other FY22 Scenarios | |
			High	Low
Registrar Transaction Fees	$ 40.9	$ 39.3	$ 43.1	$ 33.7
Accreditation Fees - annual	9.7	9.7	9.9	9.2
Per-registrar Variable Fees	3.4	3.4	3.4	3.4
Total Registrar Funding	**$ 54.0**	**$ 52.5**	**$ 56.4**	**$ 46.3**

6.2 Governance

Name of Fund	Description of Fund
1 Operating Fund, SFICR, and Reserve Fund	These are governed in accordance with the ICANN Investment Policy. Extracts are shown below.
1.1 Operating Fund	Sometimes called the Working Capital Fund, 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).
1.2 SFICR	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. Its funding and expenses are evaluated annually during the planning process as well as periodically by the Board Finance Committee (BFC) and Board.
1.3 Reserve Fund	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 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. To address and remediate the depletion of the Reserve Fund that occurred during the IANA stewardship transition, the ICANN Board approved a Reserve Fund replenishment strategy in October 2018. Significant progress has been made and, as of the end of FY21, the ICANN Reserve Fund is now above its minimum target level of 12 months of operating expenses. Continuous focus is necessary to ensure that the Reserve Fund always meets or exceeds its minimum level in the future.

Name of Fund	Description of Fund
2 New gTLD Program and Auction Proceeds	These are governed in accordance with the New gTLD and Auction Proceeds Investment Policy. Please see extracts from this document below.
2.1 New gTLD Program	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 cost (including risks), and starting in FY22, to cover the Operational Design Phase (ODP) of New gTLD Subsequent Procedures.
2.2 Auction Proceeds	The ICANN Auction is a mechanism of last resort to resolve string contention within the New gTLD Program 2012 round. 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 approves a plan for the appropriate use of the funds after consultation with the community. Auction Proceeds are a net of any auction costs. Auction costs may include initial set-up costs, auction management fees, and escrow fees.

6.3 Additional Financials

6.3.1   Total ICANN FY22 Forecast

Total ICANN Financials	For the Twelve Months Ending 30 Jun 2022					
In Millions, US dollars	ICANN Operations	New gTLD Program [1]	SFICR [2]	Reserve Fund	Auction Proceeds	Total
Funds Under Management - 30 Jun 2021	**77.4**	**76.5**	**15.0**	**154.3**	**212.2**	**535.5**
Funding	149.1	-	-	-	-	149.1
Personnel	(78.4)	(3.1)	-	-	-	(81.5)
Travel & Meetings	(4.7)	(0.2)	-	-	-	(4.8)
Professional Services	(26.8)	(4.6)	-	-	-	(31.5)
Administration	(16.9)	(0.3)	-	-	-	(17.2)
Capital	(2.5)	(0.0)	-	-	-	(2.6)
Total Expenses	(129.4)	(8.2)	-	-	-	(137.6)
Operating Fund Excess Transfers	(20.0)	-	5.0	15.0	-	-
Change In Market Value	0.2	0.3	0.1	5.9	1.1	7.7
Funds Under Management - 30 Jun 2022	**77.4**	**68.7**	**20.1**	**175.2**	**213.3**	**554.6**
Total Average Headcount	**394**	**12**	**-**	**-**	**-**	**406**

[1] New gTLD Program consists of the 2012 Round and the Subsequent Procedures ODP
[2] 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 beginning balance of each fund as of 30 June 2021, which is the end of FY21. Based on four months of actual data and eight months of estimates in FY22, the following lines of the chart show the funding and expense activities of each fund as it relates to operations. Operating Fund transfers resulting from excess in that fund 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 2022, which is the end of FY22.

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

ICANN Operations
- Funding is $149 million which reflects recent positive trends, possible negative impacts, and a contribution for ICANN Security, Stability, and Resiliency (SSR) initiatives.
    - $145 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 for SSR initiatives that are a part of ICANN org's functional activities.
- Expenses are $129 million, creating an operating excess of $20 million primarily due to the impact of the pandemic.
    - Personnel expense reflects an average headcount of 394.
    - Travel and meetings expense assumes travel restrictions for the first nine months of the fiscal year.
    - Total expenses include contingency and SSR activities in the cost categories to which they relate.

New gTLD Program
- Expenses are $8 million.
    - $4 million is related to the 2012 Round including direct expenses and allocations from ICANN Operations.
    - $4 million is related to the 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 $15 million following the Board approval to create the SFICR in May 2021 and the Board approval for the initial transfer of $15 million from the Operating Fund in July 2021.
- A transfer of $5 million from the Operating Fund was approved by the Board in October 2021.

Reserve Fund
- Beginning balance is $154 million.
- A transfer $15 million from the Operating Fund was approved by the Board in October 2021.

- After projected interest gains, the ending balance is $175 million.

Auction Proceeds
- Beginning balance is $212 million and ICANN org is projecting $1 million in interest gains.

6.3.2   ICANN Operations FY22 Forecast versus FY22 Adopted Budget

In Millions, USD	FY22 Forecast ICANN Operations	FY22 Adopted Budget ICANN Operations	Under/(Over) vs. FY22 Budget $	%
Funding	**$149.1**	**$144.4**	**$4.7**	**3%**
Personnel	78.4	80.1	1.7	2%
Travel & Meetings	4.7	13.8	9.1	195%
Professional Services [(1)]	26.8	25.1	(1.8)	-7%
Administration	16.9	16.9	0.0	0%
Capital	2.5	4.0	1.5	59%
Total Operating Expenses	**$129.4**	**$143.2**	**$13.9**	**11%**
Excess/(Deficit) before Contributions	**$19.7**	**$1.1**	**$18.6**	**n/a**
Reserve Fund Contribution	0.0	1.1	1.1	n/a
Net Operating Excess/(Deficit)	**$19.7**	**$0.0**	**$19.7**	**n/a**
Average Headcount	**394**	**405**	**11**	**3%**

[(1)] Includes Contingency expense which is unallocated to specific activities or functions

The following table compares the ICANN Operations FY22 Forecast to the FY22 Adopted Budget. The FY22 Forecast is based on four months of actual data and eight months of estimates. The FY22 Adopted Budget assumed unrestricted travel for the entire fiscal year, whereas the FY22 Forecast assumes pandemic-related travel restrictions for the first nine months of the fiscal year.

Compared to the FY22 Adopted Budget, the FY22 Forecast funding is $5 million higher, driven by growth in domain name transactions. Expenses in the FY22 Forecast are $14 million lower, driven by less travel and meetings than planned because of the pandemic as well as lower than planned headcount.

6.4 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.

6.5 Operational Design Phase for New Generic Top Level Domains

Milestones

- On 21 January 2016, the GNSO Council chartered a Policy Development Process (PDP) for the New gTLD Subsequent Procedures.
- 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 is now considering the Outputs contained in the Final Report. The Final Report Outputs concern complex operational requirements, and the Board will benefit from further due diligence to evaluate the impact of implementing the Final Report Outputs. The Board agreed to undertake further due diligence by initiating 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)).

Next Steps

In September 2021, the Board authorized a range of $7-$9 million of direct expenses to fund the resources needed for ICANN org to initiate and conduct an ODP for the Final Report Outputs. This work will build the design and lead to a more efficient and effective implementation. ICANN org is using a general assumption that the ODP phase will be followed, after Board approval, by a phase of preparation for the next round of the New gTLD Program and, therefore, in many cases, FTE (Full-Time Equivalent) resources may be hired to handle the ODP work, which would have been handled by temporary resources under a different assumption. Each FTE or temporary resource translates to approximately 1,800 working hours per year.

A key component of the expenditures will be additional personnel for ICANN org to increase its capacity. Some of the new resources will directly support the ODP, while some will backfill for existing positions that will be supporting the ODP (and program preparation work after Board adoption) and transitioning prior work. ICANN will be seeking a combination of temporary resources and FTEs to support this project. Work that is temporary in nature and will no longer continue once the ODP 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 FTEs.

Estimated ODP Expenses	Staff/Contractors (estimated range)	USD$ in millions (estimated range)
Full-Time Equivalent (FTE)	22-34	$2.8M-$3.3M
Temporary Resources	10-15	$1.7M-$2.2M
External Support and Expertise		$2.5M-$3.5M
Total	32-49	$7.0M-$9.0M

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), should travel and meeting conditions allow, to begin generating awareness in underserved regions regarding the potential opportunities of the next 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 such development costs, including those for an 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 ODP relating to the next round.

ICANN org is working under the general assumption that there will be further subsequent rounds of new gTLDs. 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 not only support the ODP itself, but to use the additional resources to support implementation planning, implementation, and ongoing operations of the approved policy recommendations.

7 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.

7.1 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, and the Operational Design Phase (ODP) of New gTLD Subsequent Procedures. 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 the New gTLD Subsequent Procedures ODP.

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.

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.

7.2 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.

Budgeted New Hires
Open positions planned to be hired between the time of publication and the end of FY23. These positions are budgeted at the organizational level instead of being allocated to specific functional activities.

Cost Savings Initiatives
ICANN org will often plan to perform cost savings initiatives to achieve a balanced Budget. Because the Budget is done so far in advance, these initiatives are not allocated to specific expense categories but may include reprioritizing activities or negotiating lower costs versus budget.

Organizational Adjustments and Allocations
This category includes allocations to the New gTLD Program and the organization's cost savings initiatives. A fraction of ICANN org's expenses, consisting of personnel costs and overhead expenses, are allocated to the New gTLD Program.