



Preliminary Fiscal Year 2003–2004 Budget

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Preliminary Budget–Fiscal Year 2003-2004 (FY04) (1 July 2003 to 30 June 2004)

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Introduction

This Preliminary FY04 Budget has been prepared by the incumbent President and CEO (Stuart Lynn) to provide background materials for discussion of ICANN's 2003-2004 budget. This is the first posted step in the annual ICANN budget process that will culminate with the Board adoption of the Adopted FY04 Budget on 26 June 2003 following posting – in accordance with the bylaws – of the Proposed FY04 Budget on or about 15 May 2003.

This is an important year for ICANN. It will be a year of significant change. Undoubtedly there will be a new Board of Directors and a new CEO to lead ICANN through its next stages of service to the Internet community. For the first time in ICANN's history there is (at least with the adoption of a budget along the lines of what is proposed in this document) the expectation that its staffing and other resource levels will be commensurate with its mission. The reforms adopted by the Board hold out the hope that ICANN – operating as a public/private partnership – can finally place effectiveness ahead of process in pursuit of that mission, while strengthening ICANN's core values of bottom-up consensus building and policy development, and of openness, accountability, and transparency. There is still much work to be done in implementing these reforms, but important progress has already occurred.

Subject to certain cautions noted in this document, ICANN's financial performance continues to improve. Furthermore, the budget changes that occurred between FY02 and FY03 have led to increased staffing and funding levels. Although recruiting has proceeded slower than expected, ICANN now has 6 more staff on board than at this time a year ago; this has helped to relieve some of the backlog and to allow ICANN to respond more effectively to service and other demands. Coupled with the additional resources realized (if funded as proposed in this document) from the transition to the reformed ICANN, now known as ICANN 2.0, ICANN will, for the first time, be in a position where (a) it has resources at its disposal commensurate with its obligations, and (b) where it can plan to build its reserves to a fiscally prudent level. The community, especially those that provide the bulk of ICANN's funding, have responded in a supportive and statesmanlike manner to previous management calls for the need to stabilize ICANN's resources and staffing environment at adequate levels.

This Preliminary FY04 Budget incorporates some advice received from the ICANN Finance Committee and from members of the ICANN Budget Advisory Group (see Budget Process for FY04).¹ It builds substantially on the budget requirements imposed as a result of the reforms adopted and incorporated into revised bylaws by the ICANN Board in October 2002 and December 2002.

ICANN is undergoing a change of CEO. It is anticipated that the new President and CEO (who has not been selected at this time) will be in place before the Adopted Budget is approved by the Board in June 2004. It is quite possible that the new President and CEO may well have other ideas that s/he would wish to propose in the final Proposed FY04 Budget.

All financial figures in this document are in US\$. ICANN's fiscal year runs from July through June, that is, the fiscal year FY04 runs from 1 July 2003 through 30 June 2004.

Budget Issues for FY04

This Preliminary FY04 Budget builds on the [Adopted FY03 Budget](#) primarily by providing for the expansion of ICANN staff and other resources required to meet the obligations required by the approved ICANN reforms as embodied in the bylaws and in board resolutions. The Adopted FY03 Budget represented a meaningful expansion over the Adopted FY02 Budget and provided resources to support pre-reform – that is, ICANN 1.0 – obligations. This Preliminary FY04 Budget now provides for:

- Adjustments to the Adopted FY03 Budget to allow for inflation or such other implied adjustments (both upwards and downwards) required to maintain the same ICANN 1.0 level of staffing (27FTE or Full-Time Equivalents) and programmatic requirements.
- An increase in both staffing and expenditures to accommodate the additional programmatic requirements imposed by the new reforms and the new bylaws, that is, the transition from ICANN 1.0 to ICANN 2.0. This would require up to an additional 10 FTE (see below).
- The addition of a Deputy General Counsel to ease the considerable burden that falls on the General Counsel. This in-house position will also mitigate to some extent expenditures for outside counsel.

In addition, one new program is proposed, that is, a modest outreach effort to facilitate communications with developing countries in certain regions. This is proposed as a "pilot" program and is more fully described in [Appendix 3](#).

Resources are also provided to increase ICANN's levels of reserves closer to board-approved levels (see [Building the Reserves](#)).

The [Adopted FY03 Budget](#) was designed to bring ICANN's level of expenditures much more in line with requirements imposed by its mission, as understood at that time. However, as stated in that budget document, that budget did not provide for the effects of reforms designed to improve ICANN's effectiveness, including the financial implications of the revised [ICANN Mission and Core Values](#). The rationale for these reforms has been [discussed and commented on extensively in posted documents](#), and is not repeated here. The reforms have been [adopted by the Board](#). One key purpose of this Preliminary Budget is to set forth the budgetary implications and the proposed means for funding them. As was forecast in the [Blueprint for Reform](#) and other ERC documents, the effects on the budget of ICANN 2.0 are significant and result in a correspondingly significant increase in required contributions from name registries under agreement with ICANN in accordance with those agreements. Whereas this comes as no surprise, it should nevertheless be recognized that this places a strain on registry/registrar funding sources.

In summary, the effects of these reforms require staffing increases as follows:

- Office of the Ombudsman (2 FTE)
- Nominating Committee support (.5 FTE)
- Director of Technical Functions/IANA (1 FTE)
- Manager of GNSO Support (1 FTE)
- GNSO Secretariat Support (.5 FTE)
- Office of Public Participation (2 FTE)
- At Large Advisory Committee Support (1 FTE)
- Deputy General Counsel (1 FTE)

and, depending on the outcome of the formation of the ccNSO, 1.5 FTE to support ccNSO policy development and the ccNSO Secretariat. Although these ccNSO support positions have been assumed in this Preliminary FY04 Budget, these are placemarkers only because the precise requirement cannot be determined at this time. The FY04 Preliminary Budget also provides for modest travel and administrative support for the ALAC during its formative stage; and continuing administrative support for teleconferences and travel for the ALAC Liaison to the Board.

Because of the need to implement its reforms as rapidly as possible, as approved by the Board of Directors ICANN has already commenced recruitment in FY03 for some of the additional ICANN 2.0 positions noted above, and expects (subject to recruiting delays) that six (all but the ccNSO positions, one of the the Ombudsman support positions, and one of the Office of Public Participation positions), of these "ICANN 2.0" positions will be filled before 30 June 2003, the close of the fiscal year. Funding for these positions has derived from savings accrued in the FY03 budgeted because of lower-than-planned expenditure levels. In particular, "ICANN 1.0" positions have not been recruited as fast as anticipated, although it is expected that all 27 ICANN 1.0 positions will be filled by the end of the fiscal year, 30 June 2003.

One of the difficult issues in formulating a budget for FY04 at this time is that ICANN is still in discussion with the address registries regarding their mutual relationship. For purposes of this Preliminary Budget, the assumption is made that the future will continue along the lines of past practice. This should clarify before the development of the Proposed Budget to be posted 15 May 2003.

One critical factor driving this Preliminary Budget is the continuing need to build ICANN's financial reserves to acceptable levels. Without such reserves, ICANN remains in a financially precarious position. Although it appears that a key step forward will have been taken in FY03, there will still be a gap between the actual level of reserves and what is prudent. Furthermore, achieving the projected level of reserves in FY03 is still dependent on ccTLD and RIR contributions, neither of which can – as noted above – be predicted with certainty at this time.

One key reason behind ICANN's inability to accumulate reserves is that contributions from ccTLDs – while generously donated in the absence of any agreements between ICANN and most of the ccTLDs – fall far short of what has been budgeted under the formula followed for splitting financial responsibility between gTLDs and ccTLDs. This results in actual revenues falling far short of budgeted revenues, and as a consequence budgeted contributions to the reserves do not materialize. As with the Adopted FY03 Budget, this Preliminary FY04 Budget attempts to make allowances for this discrepancy by providing for a modest Contribution to Reserves even in the face of a shortfall in the ccTLD contributions. However, realization of this Contribution to Reserves still depends on a modest contribution from the ccTLDs and a contribution from the RIR Address Registries in keeping with past understandings and the practices of previous years.

Although not reflected in this Preliminary Budget, it is my view that it is timely to reconsider the basis of allocations of costs to ccTLDs. This perspective is reflected in more detail later in this document in "[Cost allocations to ccTLDs](#)". This perspective is based on the observation that the current financial structure acts as a *disincentive* for ccTLDs to enter into agreements with ICANN and share appropriately in the financial costs of funding ICANN. Removing these disincentives would benefit all registries under agreement, both gTLDs and ccTLDs.

It is also timely to consider whether ICANN can reduce the number of major meetings per year from three to two. This would save about \$200,000 each year. Certainly there are tradeoffs to consider. Provided there were sufficient telephonic Board meetings, the major drawbacks would be less opportunity for regional participation. Progress on items that require Public Forum discussion could also be slowed by a more drawn-out schedule. There could also be an impact on the business of constituencies and SOs that conduct their business alongside ICANN general meetings.

Background

Fiscal Year 2003-2004 (FY04) is the fifth full budget year for the corporation, and is based on significant operating experience obtained over the previous three years. It is also based on the transition from ICANN 1.0 to ICANN 2.0 reflected in the adoption by the ICANN Board of reforms that occurred in [October](#) and [December 2002](#).

In the fall of 1999, the ICANN Board adopted the recommendations of its Task Force on

Funding (TFF) which included a number of provisions relating to the annual budget cycle. These recommendations were the basis of the detailed annual budget process that has since been followed and, with minor procedural revisions, are continued in the 2002-2003 budget cycle. The TFF report is available at <<http://www.icann.org/committees/tff/tff.htm>>. Although this is framed as a draft report, the [Board resolution adopting the recommendations](#) of the TFF accepted it as a final report.

In December 2000, the ICANN Board appointed a Finance Committee. Its charter provides that the committee is "responsible for consulting with the President on the annual budget process of the corporation; for reviewing and making recommendations on the annual budget submitted by the President; and for developing and recommending long range financial objectives for the corporation."

The membership of the Finance Committee for 2002-2003 is Directors Linda Wilson (chair), Jonathan Cohen, Ivan Moura Campos, and Helmut Schink. Additional information about the Finance Committee is posted at <<http://www.icann.org/committees/finance>>.

In December 2002, ICANN's President appointed the original members of what is now termed the Budget Advisory Group. The BAG was formed in accordance with the recommendations of the TFF Report. Its membership changes each year based on nominations from Domain Name and Address Registries and Registrars. Although nominated by the various constituencies, the Budget Advisory Group's advice to the President is based on the perceptions of the individual members and may or may not be representative of the constituency as a whole.

In FY03, the composition of the Budget Advisory Committee (BAG) is different than the previous two years. Previously, the BAG was composed of three representatives from each of the four groups that provide the lion's share of the funding to ICANN: the gTLD registrars constituency, the gTLD registries constituency, the ccTLD constituency, and the RIR address registries. However, there are two changes in FY03:

- Previously, there were three RIR address registries, each of which named one member of the BAG. With the addition of LACNIC, however, there are now four address registries. In FY03, these four registries named one as an official member of the BAG (over succeeding years, this position will be selected in rotation across the four registries – and any new registries that might be formed), but the other registries will provide observers.
- With the ccNSO still under formative discussion, the exact status of the ccTLD constituency remains uncertain. It is no longer a member of the former DNSO, nor of the new GNSO. The Administrative Committee of the former ccTLD constituency advised that, under the circumstances, there will be no "official" members of the BAG nominated by the ccTLD constituency; three individual ccTLD managers (members of the ccTLD constituency) have, however, indicated their willingness to advise and assist in their individual capacity. This offer has been accepted since members of the BAG in any event serve as individuals, not as representatives.

With this background, the FY03 members of the Budget Advisory Group and their affiliations are:

- Elana Broitman [register.com – Accredited Registrars]

- Paul Stahura [eNom – Accredited Registrars]
- Rick Wesson [Alice's Registry – Accredited Registrars]
- Chuck Gomes [VeriSign – gTLD Registries]
- Steve Juarez [MusDOMA – gTLD Registries]
- Steven Pack [Afilias – gTLD Registries]
- Axel Pawlik [RIPE-NCC]
- Bart Boswinkel [.nl ccTLD]
- Chris Disspain [.au ccTLD]
- Hartmut Glaser [.br ccTLD]

Budget Process for FY04

The ICANN Bylaws require that the President submit a proposed budget to the Board of Directors at least forty-five days in advance of the beginning of the fiscal year, or approximately 15 May. For FY04, the Board expects to act on the proposed budget at its meeting on 26 June 2003 in Montreal, Canada.

The ICANN annual budget-development cycle follows three general phases:

The *first phase* involves review of the financial results for the first six months of the current fiscal year, and the development of an updated forecast of actual results for the entire fiscal year. The intent is that this cycle be completed in January, but experience has shown this requirement to be unrealistic given the time it takes to close the second quarter of the fiscal year and delays in completing the annual audit of the previous year.

This year (FY03) has proven to be no exception. Posting of official six-month figures, however, has again been delayed this year because of the need to reconcile with the final audited figures for FY02 and for the requirement to close the second quarter. The FY02 final audit has been posted at <http://www.icann.org/financials/financial-report-fye-30jun02.htm>. The financial report for the first six months of FY03 will be posted around the middle of March 2003. These are unaudited figures prepared by ICANN's external accountant. The projections contained in the [Preliminary Budget Schedule and Accompanying Notes](#) are based on staff estimates.

It should be emphasized that the six month figures are unaudited. Furthermore, they are in "accounting" format consistent with audit principles used by our external auditors for the annual audit. This format differs substantially with the format used for budgeting and forecasting, that is for "management" purposes, although the two formats can readily be reconciled.

For example, official "accounting" reports defer revenues associated with services that are rendered across the fiscal year and across fiscal year boundaries. Annual Registrar Accreditation Fees, as one example, are distributed throughout the period of accreditation regardless of when they are actually received. "Management" practice for budgetary purposes, however, is to include and project income at the time it is invoiced. This is to provide for greater clarity of understanding.

The President and the Chair of the Finance Committee solicited input to the Preliminary Budget from ICANN's Supporting Organizations and constituent units in the Open Forum at the meeting in Shanghai in October 2002, and in a widely distributed written solicitation

in December 2002. To date, the only input has been a request from the Interim ALAC for budget support, mostly for FY03 but with some effect on the Preliminary FY04 Budget. This has been included.

The *second phase* of the budget-development cycle includes the preparation of a Preliminary Budget for the next fiscal year based on the updated forecast for the current year, plus other known variables affecting the next year's budget. This Preliminary Budget (this document) is posted in advance of the first meeting of the calendar year (in 2003, this will be the [March meeting in Rio de Janeiro, Brazil](#)). A summary of the Preliminary 04 Budget will be presented at the [Public Forum to be held in Rio de Janeiro on 26 March 2003](#), and will form the basis for open discussion.

The *third phase* includes preparation of the Proposed Budget for the next fiscal year, based on review of the Preliminary Budget. The Proposed Budget, after internal review and development by ICANN management, the Budget Advisory Group, and the Finance Committee, is posted for public comment at least three weeks before the second quarterly meeting, but no later than 45 days before the beginning of the next fiscal year. In the case of the Proposed Budget for FY04, this posting will occur on or before 15 May 2003.

The Proposed Budget, modified as appropriate from analysis of comments received, is presented to the Board for adoption at its second meeting of the calendar year, resulting in the Adopted Budget. This year, that will occur on 26 June 2003 in Montreal, Canada.

The calendar of currently scheduled budget related meetings and teleconferences for the FY04 budget is as follows. The Finance Committee also meets as needed during the budget process in addition to the meetings listed below.

October 2002	Finance Committee Meeting, Open Forum Solicitation of Comments on Budget Planning for FY04, Shanghai, China. [Completed]
December 2002	Appointment of Budget Advisory Group [Completed, except for address registries' nominee]
December 2002	Finance Committee Meeting. Amsterdam, Netherlands. [Completed]
December 2002	Written solicitation of priority suggestions from Supporting Organizations, Advisory Committees, constituencies and other ICANN constituent organizations [Completed]
5 February 2003	Receipt of Supporting Organizations, Advisory Committees, constituencies and other ICANN constituent organizations' views on priorities [Completed – only one response received]
10 February 2003	Finance Committee meeting to review submissions [Completed]
Mid-February 2003	Consultation with Budget Group constituencies [Completed]
25 February 2003	Board discussion of priorities [Completed]
15 March 2003	Posting of Preliminary FY04 Budget [This document]

23 March 2003	Joint Meeting of Budget Advisory Group with Finance Committee
25 March 2003	Public Forum discussion of Preliminary FY04 Budget
Mid-April 2003	Consultation with Budget Advisory Group constituencies
Late April 2003	Teleconference with Finance Committee
15 May 2003	Posting of Proposed FY04 Budget for community feedback and Board consideration
23 June 2003	Joint Meeting of Budget Advisory Group with Finance Committee
25 June 2003	Public Forum discussion of Proposed FY04 Budget
26 June 2003	Board approval of Adopted FY04 Budget

Budget Priorities for FY04

This Preliminary Budget assumes an ICANN restructured according to the reforms approved by the Board in [October](#) and [December 2002](#), that is, assumes the transition to ICANN 2.0.

This Preliminary Budget does not anticipate any reduction in expenditures that may result from growth in the use of higher-level naming systems that may relieve or replace pressure on the DNS to provide solutions to problems for which it was not originally designed (higher level naming systems could, for example, reduce or eliminate the need, if any, for more top level domains). Any shift from the DNS to these higher-level naming systems could conceptually provide relief to ICANN because they are outside of ICANN's scope and ICANN would not need to provide for any coordination of such systems within its budget. However, it continues to be premature to make any assumptions at this time.

The basic philosophy driving this Preliminary Budget was discussed earlier in this document (see "[Budget Issues for FY04](#)"). From a workload perspective, this Preliminary Budget builds on the ongoing and highlight priorities as follows:

Ongoing Priorities:

- Provide timely and responsive support to the policy-making activities of the Board and Supporting Organizations, other advisory bodies, and Board Committees, including providing support for the implementation of new policy development procedures, and providing secretariat support as appropriate.
- Ensure responsive services to meet operational commitments of service programs, including IANA services to support address and name registries, assignment of protocol parameters, registrar accreditation, etc.
- Implement agreements with constituent bodies to formalize the delegation of ICANN responsibilities and to create an institutionalized framework of mutual accountability.
- Conduct an active global education and outreach program to further openness and transparency and to support public participation in ICANN policy-making activities, including public meetings, public forums, electronic and hardcopy publications, support of an accessible website, etc.
- Ensure efficient and effective planning of all ICANN meetings.
- Operate robust and secure technical services to support operation of the L root

name server, registries operated by ICANN, the InterNIC, and internal operations.

- Fulfill other requirements of the Memorandum of Understanding with the United States Government as prerequisites to the full internationalization of ICANN.
- Monitor and ensure compliance with all agreements entered into by ICANN.
- Execute the general management and administrative responsibilities of the corporation in an efficient and effective manner.

Highlight Priorities:

Specific priorities for FY04 that fit within the above framework include:

- Complete the transition from ICANN 1.0 to ICANN 2.0, including:
 - Recruitment of any remaining unfilled positions.
 - Implementation of processes to support the new policy development procedures, including restructuring ICANN's methodologies for receiving public comment.
 - Improvement of the effectiveness and timeliness of ICANN's mechanisms for openness and transparency, including reorganization of the ICANN website, revision of mechanisms for public input and comment, and other communications.
 - Finalizing implementation of the ICANN Ombudsman Program.
 - Implementation of the Independent Review Program.
 - Support to the work of the At Large Advisory Committee in implementing the Regional At Large Organizations.
- Continue to improve IANA operations and technical services to speed turnaround where there are no intervening policy issues that need to be resolved.
- Provide support to the ICANN Security and IDN Committees (including the IDN Registry Implementation Committee), and implement recommendations arising from the work of those Committees as approved by the Board.
- Continue work under the Cooperative Research and Development Agreement on study of the performance and security needs for the root nameserver system and development and implementation of an enhanced architecture for that system, including preparation of plans and reports.
- Improve the security and robustness of ICANN's technical operations.
- Complete any remaining work on the evaluation of the November 2000 round of new gTLDs; complete any remaining work on approving and launching a limited round of new sponsored gTLDs; and develop a framework for considering any possible further expansion in the top-level gTLD namespace.
- Improve ICANN's capability for monitoring agreements and ensuring compliance.
- Negotiate and enter into agreements with those ccTLDs that show interest in doing so.
- Enter into agreements with root name server operators to the extent feasible.
- Strengthen ICANN as an operating organization, including continued normalization of financial support, staffing, and administrative operations.
- Expand ICANN's outreach activities in developing countries.

The proposed new Outreach Program is described in [Appendix 3](#).

What is Excluded from this Preliminary Budget

Although this budget represents an expansion from previous years, there are many exclusions. For example, it does not provide for:

- Funding for any unforeseen litigation costs above routine levels.
- Any unanticipated costs that may be incurred with reform and restructuring. These, however, at the discretion of the Board could be funded from the "Unforeseen Projects" category (see [Note \(10\)](#) following the Preliminary Budget Schedule and Accompanying Notes)
- The costs of launching any new gTLDs that may be approved by the Board beyond what may be recovered through application fees.
- Any other new programs or expansion of existing programs that cannot be funded from the Unforeseen Projects category (see [Note \(10\)](#)).

Building the Reserves

Four years ago [as part of the approval of the 1999-2000 budget](#), the Board stated: "It is the intention of the ICANN Board to create a reserve account of at least one year's operating expenditures, to be funded over several fiscal years." Approval by the Board of the 1999-2000 budget implied that the Board accepted this statement about the appropriate level of reserves.

Prior to FY03, we made essentially no progress towards this goal. The primary reason is that full budgeted contributions to reserves never materialized, largely because ccTLD revenues always fell considerably short of budgeted levels. Since there are relatively few agreements with ccTLDs, most ccTLDs are under no legal obligation to support ICANN financially. Many, however, generously make voluntary contributions even in the absence of agreements. In aggregate, however, these contributions in the past totalled considerably less than the share budgeted for all ccTLDs based on the [allocation of costs recommended by the Funding Task Force report adopted by the Board](#). In 2000-2001, for example, budgeted ccTLD revenues were \$1,277,000 whereas actual revenues were approximately \$880,000.

This perennial shortfall became an institutionalized reality. Action to address the problem was taken in a new budgeting approach that was adopted in FY03 by raising the planned "contribution to reserves" to a sufficient level so that, even with a shortfall in realizing budgeted ccTLD revenues commensurate with historical experience, there would still remain a meaningful "contribution to reserves" at the end of the financial year. That is, the budget was set at a level that anticipated a shortfall in ccTLD contributions yet nevertheless anticipated a reasonable level in the contribution to the reserves (about \$840,000).

One important effect of planning for a larger budgeted contribution to reserves and a "shortfall" in ccTLD contributions (it is not a true shortfall since most of these contributions are voluntary) is that the amount that must be allocated between the gTLD and ccTLD registries is correspondingly larger, resulting in a greater burden falling on the shoulders of the gTLD registrars and those ccTLDs under agreement.

Cost allocations to ccTLDs

Costs allocated to name registries under agreement are now allocated among individual

registries according to the number of domain names in those registries (see [Appendix 2](#)). The question is often raised, particularly by many ccTLDs, as to whether this is the most fair or the most effective way to allocate costs. Over the past years, this has been a particularly divisive issue that has not been resolved to anyone's satisfaction. Yet no fairer way has been proposed that is generally acceptable. With the potential advent of the ccNSO, it is quite possible that a fresh approach can be initiated, and other ways to address cost allocation, or to adjust current models, can be explored. This is something to which the community can look forward. In the meantime, because of contractual obligations, we must work within the current model.

Even within the current framework, one key question that arises as the effective amount allocated per domain name increases is whether the burden is falling fairly on gTLDs and ccTLDs according to efforts expended in relative support of these registries. In this context, it should be noted that the overall budgetary philosophy that underscores financial support for ICANN is not based on any kind of dedicated financial support for dedicated services. Financial support is intended to support the overall mission of ICANN whether specifically directed to the needs of a given funding organization or not. Nevertheless, some reasonable form of proportionality is worthy at least of consideration.

It is clear from analysis of staffing and organization charts (see [Appendix 1](#)), particularly in the context of ICANN 2.0 that considerably more ICANN resources are dedicated to the support of gTLDs than to the support of ccTLDs. What is less clear, however, is whether this is true on a per-domain-name basis. Direct staff support for ccTLDs is about 35-50% (the variance depending on the outcome of ccNSO formation) of direct staff resources. On the other hand, ccTLDs (both those under and not under agreement) house about 38% of all domain names. These ratios are not out of line with each other.

This is a little misleading, in that the staff resources allocated to ccNSO policy development and secretariat support are included in the analysis. The current thinking of the ccNSO Assistance Group, however, is that this should be funded directly by the ccNSO out of specific fees charged to ccTLDs as a price for membership in the ccNSO. This would separate the funding from the general ICANN funding and from the ccTLD contributions to this funding. Should this approach come to fruition, the Proposed Final Budget would be appropriately adjusted. Should this happen, it would be clearer that, on a per domain name basis at least, the direct support costs for ccTLDs would be less than those for gTLDs.

The problem, however, is that relatively few ccTLDs are under agreement (although that number is steadily growing), whereas all gTLD registries and registrars are under agreement. The burden, therefore, falls most heavily on those ccTLDs who do enter into agreements, acting as a financial disincentive to enter agreements. The amounts required to fund ICANN are falling most heavily on the shoulders of gTLD registries/registrar and those ccTLDs under agreement. The more ccTLDs that are under agreement, the further that burden can be shared and the amount per domain name contributed by any given registry under agreement would be reduced.

I believe the incentives are precisely in the wrong direction, and that a case can be made to lower, at least temporarily, the allocation per ccTLD domain name until there are many more ccTLD registries under agreement. Whereas this would result in gTLD registries paying (either directly or, as now, through registrars) a fraction of a cent² more per

domain name in the short run, in the long run they would pay less as more ccTLD registries enter into agreements. I would recommend consideration that the Final Budget reflect a reduction for 2003-2004 for ccTLDs under agreement of their required contribution to one half of what is currently required by agreement. This reduction would need to be reconsidered each year.

However, even were this suggestion to be considered to be of interest to the community, there are contractual constraints that may require the assent of existing registries under agreement for it to go into effect. As such, this Preliminary Budget does not reflect this reduction. Nevertheless, *I believe it should be seriously considered over the coming two months.*

The Tier 1 and Tier 2 boundary conditions would also need to be adjusted to maintain some degree of overall consistency. Tier 1 registries are currently those that house fewer than 5,000 domain names; this should be increased to 7,500. Tier 2 registries currently house between 5,000 and 50,000 domain names; these boundaries should be increased to 7,500 and 75,000, respectively. However, to maintain overall consistency, the contributions would need to be increased from \$500 and \$5,000 to \$750 and \$7,500, respectively. Under this proposal .ms, .ro, and .hk would revert to Tier 2 registries (.mx lies right on the boundary).

Comments on FY03 Projections

Column D of the Budget Schedule displayed in the following section summarizes the projected financial performance for the current year, FY03, displayed in the format adopted for these budgeting purposes. This projects an operating surplus (contribution to reserves) of \$663,000 compared with a budgeted figure of \$843,000, even after allowing for originally unbudgeted expenditures towards the transition to ICANN 2.0 of \$446,000. This projected contribution to reserves, however, assumes ccTLD contributions totaling \$600,000 and commitments from RIR address registries totaling \$535,000, both of which must remain uncertain at this time given that the ccNSO is a work in progress and that relations with the RIRs have not been fully defined, although there are very constructive discussions underway.

Furthermore, there is a difference between contributions to reserves in a budget forecast document, and actual cash reserves. This is because not all commitments are realized in cash, at least in the near-term, but remain on the books as accounts receivable. The level of cash reserves is what counts. However, ICANN's cash reserves are projected to suffice through the beginning of the next fiscal year to meet planned operating obligations, although they would not suffice to meet any unplanned emergencies or to address unusual levels of litigation.

These cautions notwithstanding, ICANN's financial performance continues to improve. Furthermore, the budget changes that occurred between FY02 and FY03 have led to increased staffing and funding levels. Although recruiting has proceeded slower than expected, ICANN now has 6 more staff on board than at this time a year ago; this has helped to relieve some of the backlog and allow ICANN to respond more effectively to service and other demands. Coupled with the additional resources realized from the transition to ICANN 2.0 (if funded as proposed in this document), ICANN will, for the first time, be in a position where (a) it has resources at its disposal commensurate with its

obligations, and (b) where it can plan to build its reserves to a fiscally prudent level. The community, especially those that provide the bulk of ICANN's funding, have responded in a supportive and statesmanlike manner to previous management calls for the need to stabilize ICANN's resources and staffing environment at adequate levels.

Preliminary Budget Schedule and Accompanying Notes

(See appended notes for explanations; all items are in US\$)

PRELIMINARY 2003-04 BUDGET (\$Thousands)	2002-03 Approved Budget	2002-03 Year-End Projection without Transition Costs	2002-03 Transition Costs	2002-03 Year-End Total Projection	2003-03 Difference Projection to Budget	2003- 04 Base Budget (ICANN 1.0)	ICANN 2.0 Additional Costs	Other Additior Costs
	A	B	C	D	E	F	G	H
EXPENDITURES								
Staff Full-Time Equivalents	27	27	6	33	6	27	10	
Base Expenditures								
Personnel	2,701	2,186	172	2,358	(343)	2,649	1,021	1
Professional and Technical Services	715	687	20	707	(8)	450	75	
Board & Public Meetings	550	750	35	785	235	800	147	
Other Travel & Meetings	395	365	13	378	(17)	500	60	
Administrative & Systems	978	1,202	85	1,287	309	1,400	203	
Subtotal: Base Expenditures	\$5,339	\$5,190	\$325	\$5,515	\$176	\$5,799	\$1,506	\$3
Other Expenditures								
Public Meetings & sponsored events	150	0		0	(150)	0		
At Large Activities	200	5	75	80	(120)	0	40	
IDN Activities	125	41		41	(84)	25		
Unforeseen Projects	200	225		225	25	300		
Subtotal: Other Expenditures	\$675	\$271	\$75	\$346	(\$329)	\$325	\$40	
Total Expenditures	\$6,014	\$5,461	\$400	\$5,861	(\$153)	\$6,124	\$1,546	\$3
REVENUES								
Base Revenues								
Variable Registry/Registrar Revenues								
TLD Name Registries/Registrars (with agreements)	\$3,872	\$3,872		\$3,872	\$0	\$4,400	\$1,431	\$1
IP Address	\$535	\$535		\$535	\$0	\$535		

Registries									
<i>Subtotal: Variable Registry/Registrar Revenues</i>	\$4,407	\$4,407	\$0	\$4,407	\$0	\$4,935	\$1,431	\$1	
Fixed gTLD Registry Fees (with agreements)									
Tiers 1&2	2	11		11	9	11			
Tier 3	640	640		640	0	736			
New gTLD Initial Fixed Fees	58	58		58	0	0			
<i>Subtotal: Fixed TLD Registry Fees</i>	\$700	\$709	\$0	\$709	\$9	\$747	\$0		
Other Registry/Registrar Revenues									
Registrar Accreditation Application Fees	35	50		50	15	35			
Annual Registrar Accreditation Fees	700	950		950	250	900			
<i>Subtotal: Other Registrar Revenues</i>	\$735	\$1,000	\$0	\$1,000	\$265	\$935	\$0		
<i>Less: Bad Debts or Bad Debt Allowance</i>	(165)	(230)		(230)	(65)	(250)			
Subtotal: Base Revenues	\$5,677	\$5,886	\$0	\$5,886	\$209	\$6,367	\$1,431	\$1	
ccTLD Voluntary Contributions									
Fair Share Contribution	2,153	2,153		2,153	0	2,756	862	1	
Less: Estimated difference	(1,353)	(1,532)		(1,532)	(179)	(2,256)	(812)	(5	
Subtotal: ccTLD Voluntary Contributions	\$800	\$621	\$0	\$621	(\$179)	\$500	\$50	\$	
Other Revenues									
Public Meetings Sponsored Events	150	0		0	(150)	0			
At Large Activities	200	2		2	(198)	0			
Miscellaneous	30	30		30	0	50			
Subtotal: Other Revenues	\$380	\$32	\$0	\$32	(\$348)	\$50	\$0		
Total Revenues	\$6,857	\$6,539	\$0	\$6,539	(\$318)	\$6,917	\$1,481	\$2	
CONTRIBUTION TO OPERATING RESERVE	\$843	\$1,078	(\$400)	\$678	(\$165)	\$793	(\$65)	(\$5	
New gTLD Operating Reserve									
Balance brought									

forward	372	372		372	0	0	0
Expenditures	372	372		372	0	0	0
Balance carried forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dot Org Application Reserve							
Balance brought forward	\$0	\$319		\$319	\$319	\$78	\$0
Expenditures	\$0	\$241		\$241	\$241	\$78	\$0
Balance carried forward	\$0	\$78	\$0	\$78	\$78	\$0	\$0

Explanation of Columns:

- Column A is the [Adopted FY03 Budget](http://www.icann.org/financials/budget-fy02-03-28jun02.htm) (see <http://www.icann.org/financials/budget-fy02-03-28jun02.htm>).
- Column B is the FY03 Year-End Projection as of 31 December 2002, but excluding any of the costs incurred in FY03 in arising from the transition to ICANN 2.0, that is, on account of the reforms.
- Column C is the FY03 Year-End Projection as of 31 December 2002 of costs incurred in FY03 arising from the transition to ICANN 2.0.
- Column D is the sum of Columns B and C, resulting in the aggregate FY03 Year-End Projection.
- Column E is the difference between Columns D and A. Negative numbers imply lower than budget (lower expenses or lower revenues), positive numbers mean higher than budget (higher expenses or higher revenues).
- Column F is the base budget for FY04. It includes all previously authorized expenses and revenues, projected to cover inflation and other known factors. As such it includes no provision for the extra costs incurred by the transition to ICANN 2.0, that is, the effect of the reforms.
- Column G is the projected additional costs incurred by the transition to ICANN 2.0.
- Column H is the additional costs proposed to support the expansion of ICANN's outreach activities and for the addition of a Deputy General Counsel (see text).
- Column I is the sum of Columns F, G, and H representing the FY04 Preliminary Budget.
- Column J is the budget-to-budget difference, namely the difference between Columns I and A. The same conventions apply as used in Column E (see above).

Notes:

The following notes detail the assumptions underlying the proposed Preliminary Budget:

(1) ICANN was authorized a fiscal year-end headcount of 27 FTE in the Approved FY03 Budget. As of 4 February 2003, 21 of those positions have been filled; it is expected that the remaining positions will be filled before 30 June 2003. The justification for these positions can be found in the Adopted FY03 Budget.

It is projected that an additional 8 to 10 FTE will be required to fulfill the

requirements of ICANN 2.0, that is, to comply with requirements imposed by the new bylaws. The variation depends on the outcome of the requirements for the ccNSO which is uncertain at this time. Every effort will be made to fill most of these positions before the end of FY03, that is, by 30 June 2003, but experience has shown that recruiting is a lengthy process.

A summary of staffing for both ICANN 1.0 and ICANN 2.0 is to be found at the end of these notes (see [Appendix 1](#)). However, the detailed justification for the new ICANN 2.0 positions follows:

- **Ombudsman:** This position is mandated by [Article V of the Bylaws](#). The requirements of the position are defined in that Article.
- **Ombudsman Administrative Assistant:** This position is to provide administrative support for the Ombudsman. It will not be recruited until the full scope of the Ombudsman program can be ascertained and the need for the position determined.
- **Nominating Committee Support Staff:** The Nominating Committee is required by [Article VII of the Bylaws](#). The Committee requires a half-time staff person to be able to complete its work.
- **Director of Technical Functions & IANA:** [Section 9 of the ICANN Blueprint for Reform](#) recommended a clearer separation of the operational functions of ICANN from the policy development functions, particularly between the IANA and other technical operational aspects. This position is a reformat of a position originally designated as Manager of IANA Operations to encompass interfaces with all technical organizations associated with ICANN and to oversee the Manager of IANA Operations. The current IANA Administrator position has been recast as the Manager of IANA operations reporting to the Director of Technical Functions & IANA.
- **Manager of GNSO Support:** The [ICANN Blueprint for Reform](#), as adopted by the ICANN Board, endorsed the notion that all ICANN Supporting Organizations and advisory committees be appropriately staffed. In the case of the GNSO, this includes staff support for tracking the Policy Development Process, and providing support for the GNSO Secretariat. The budget proposes a 3-person team, headed by this position. One member of the team is funded as part of ICANN 1.0. The other is the GNSO Secretariat Support as follows.
- **GNSO Secretariat Support:** This position again follows the ICANN Blueprint for Reform endorsement of staff support. The DNSO Secretariat is now supported by uncertain constituency dues. After 1 July 2003, it would be supported from the ICANN Budget.
- **ccNSO Support:** This position depends on the outcome of the definition of the ccNSO. It is listed, therefore, contingently in this Preliminary Budget. Again, the ICANN Blueprint for Reform, as adopted by the ICANN Board, endorsed the notion that all ICANN Supporting Organizations and advisory committees be appropriately staffed.
- **ccNSO Secretariat Support:** The same contingent restriction applies to this position, should the definition of the ccNSO call for a staffed Secretariat.
- **Manager of Public Participation:** This position is mandated by [Article](#)

[III, Section 3 of the new ICANN Bylaws](#). As stated in the ICANN Blueprint for Reform, this position "...responsible for developing mechanisms to encourage full public participation in ICANN, and to facilitate the receipt and analysis of all public comments received on a given proposed action by the ICANN Board. This position would also be responsible for the design and content of other relevant outreach activities, including the ICANN website, public forums and mailing lists, and other options for public comment and participation." In this implementation, the Manager would supervise the following two positions.

- **Web Content Manager:** The Web Content Manager supports the Manager of Public Participation in maintaining website structure and content.
- **ALAC Support:** The ICANN Blueprint for Reform, as adopted by the ICANN Board, endorsed the notion that all ICANN Supporting Organizations and advisory committees be appropriately staffed. This applies to the ALAC. The responsibilities of this position initially is to support the ALAC in developing at large supporting organizations; in formulating Regional At Large Organizations; in developing and obtaining approvals for RALO Bylaws; in formulating RALO/ALAC positions on ICANN topics of interests; in naming individuals to the Nominating Committee and to the position of ALAC liaison to the ICANN Board.

One *further* position is proposed. With the additional responsibilities incurred by ICANN 2.0 and the general increase in workload, it is clear that the burden on the General Counsel is beyond what is reasonable. It is therefore proposed to add a Deputy General Counsel to the staff. This will also mitigate expenditures for outside counsel. The costs and FTE for this additional position are included in Column H.

(2) This line item represents the costs associated with the FTE changes detailed in [Note \(1\)](#). It is assumed for purposes of this Preliminary Budget that all positions will be filled for the full 12 months. Note that positions are considered fulltime (except where noted) staff positions even though they may, according to management judgment, be filled by contract personnel.

(3) Professional and Technical Service costs are projected to decline in 2002-2003 because some technical support functions previously handled by outside contract services have now been accommodated by hiring internal technical staff. Furthermore, some external costs historically carried under this category (particularly external computer and systems contracts) have now been shifted within the chart of accounts to be included under Administrative Costs (see below). The FY04 budgeted figure makes no allowance for any increase in litigation. It does, however, provide for some of the personnel costs in the proposed outreach program.

(4) Costs of meetings have continued to increase over the past two years, and sponsorship (see [Note \(7\)](#)) per meeting has declined when the meetings are not in the United States. As such, all sponsorship is now directed to the

local host committee to help offset local expenses, and ICANN bears the entire brunt of its own other meeting costs. The increase in per meeting cost has been offset somewhat by savings accrued from efficiencies implemented in meeting operations.

The total cost per meeting now averages \$200,000. The Preliminary Budget reflects the Board decision to hold 3 meetings per year. Also included in the proposed budget is \$50,000 in funding to contract out for meetings coordination function now carried out by staff. There is also provision for one Board retreat in the FY03 projection separate from a major ICANN meeting, and one in FY04. Any other retreats are assumed to be held alongside a major ICANN meeting. Staff travel to ICANN meetings is also included in this line item, and this will increase because of new staff hired in conjunction with ICANN 2.0, some of whom will need to travel to meetings.

As a cost savings measure, the ICANN Board should consider holding only two major meetings a year. There are tradeoffs to consider. The main drawback would be decreased opportunities for regional participation.

(5) Other Travel & Meeting costs are projected to increase to support the travel costs (other than to ICANN meetings) of additional staff members resulting from the annualization of the increased staff hired during FY03, and the effect of the new staff hired for reforms, that is the implementation of ICANN 2.0. Some of these have or will have duties that will require them to travel.

(6) Administrative & Systems costs are projected to increase to allow for three factors: (a) inflation; (b) costs of supporting an increased staff associated with ICANN 2.0, including increased space; and (c) costs of additional "hardening" of the L-root server" through contracting with an external professional facilities provider and providing for increased bandwidth. Furthermore, the latter and many of the other systems costs that were externally contracted in whole or in part were previously carried within the category of Professional and Technical Services (see [Note \(3\)](#)).

(7) This is the portion of meeting expenses that, in the past, was used to indicate the portion of meeting costs supported by external sponsorship (see [Note\(21\)](#) regarding the offsetting sponsorship income). However, for reasons given in [Note \(4\)](#), all such sponsorship income is now directed to offset expenses of the local host committee, and ICANN bears the entire cost of its own direct expenditures. This line item, therefore, is now carried for historical alignment, and will not be present next year.

(8) The proposed budgeted amount is to support the formation of Regional At Large Organizations and other ALAC expenses to help jumpstart the process. This amount will decrease with the growth of the RALOs and the ALAC as RALOs are able to shoulder their own expenses. The financial support for ICANN decline substantially from FY03 (actually, the last 4 months of FY03) to FY04, as the ALAC starts to rely on teleconferences and email to replace the face-to-face meetings required during its initial start-up period. ICANN

staff support for the ALAC is carried under Personnel Expenses for ICANN 2.0 (see [Note \(1\)](#)).

(9) The IDN Committee is an ad hoc committee of the Board. Contrary to earlier expectations, its work still continues as the need for examination of the policy implications of IDNA become more apparent. However, in FY04, the focus will shift to the work of the IDN Registry Implementation Committee. It is nevertheless anticipated that some funds will be needed to support the work of the IDN Committee in FY04, primarily for teleconferences, but there may also be a need for limited travel support.

(10) Every year projects arise in mid-year that are not anticipated when the budget is approved. For example, in FY02, the IDN and Security Committees were formed; in FY03 there were recruiting and related expenses associated with the new President and with providing interim support for the GAC. The indicated figure is a contingency amount to recognize this factor. It is not labeled "Contingency" as might be more customary because it is proposed that expenditures from this line item cannot be approved by the President, but require Board approval. Board approval must also require recognition of any continuing implications beyond FY04.

(11) This is the variable portion of the charges to the operators of those gTLDs that are in Tier 3 at the time of each quarterly billing, and of those ccTLDs under agreement that are in Tier 3 on 1 July 2003, the start of the fiscal year (as of now that will include .jp and .au). The total amount is set to ensure an adequate contribution to the operating reserve (see [Note \(24\)](#)), once revenues for all other categories have been determined. This total amount is split between gTLDs and ccTLDs proportional to the projected total number of domain names in each category as of around 1 March 2003 (see [Appendix 2](#)). This is in accordance with the [recommendations of the Task Force on Funding and approved by the Board](#). Prior to submission of the Proposed FY04 Budget, this number will be updated according to data then available, but the actual allocation will depend upon the most current data available on 1 July 2003, after the budget is approved.

The budgeted amount in FY04 approximately equates to 18.4 cents per domain name, compared with 12.8 cents in FY03. This significant increase was anticipated in the various ICANN documents posted by the Evolution and Reform Committee leading up to the Board-approved reforms. See [Appendix 2](#) for greater detail on these calculations.

The funds attributable to gTLD registries have in the past been collected by direct billings to each registrar proportional to the total number of domain names housed on behalf of the registrar in all gTLD registries. This mode of collection requires that registrars representing at least two-thirds of the total gTLD domain names approve the budget. At ICANN's option, the funds can be collected directly from the gTLD registries with the total amount to be collected allocated to each gTLD registry proportional to the number of gTLD domain names housed in that registry. Each registry may, at its option, in turn collect those fees from each registrar in proportion to the total number of

domain names housed in the registry by each registrar.

See also the main text ("[Cost allocations to ccTLDs](#)") for discussion of proposed alternate allocations to ccTLDs under agreement that could affect these calculations.

(12) An agreement yet to be approved but that nevertheless guides budget considerations, provides for the IP address registries to pay ICANN the lesser of (a) 15% growth over the previous year's payment, or (b) 25% growth over the the payment three years prior to the year under consideration. Under this constraint, there is no increase in the amount allocated to address registries since the FY03 level already equals 125% of the FY01 allocation.

(13) These are budgeted fixed fees for Tier 1 (.museum, .aero) and Tier 2 (.coop) gTLDs, and and Tier 1 and Tier 2 ccTLDs under agreement. There are currently six Tier 1 ccTLDs and no Tier 2 ccTLDs under agreement. The Preliminary Budget does not provide for any increase in this number, although there surely will be an increase, since the actual number cannot be forecast with accuracy.

(14) This represents the annual fixed fees (paid in quarterly installments) associated with the Tier 3 gTLDs as follows:

Operator	Registry	Amount
VeriSign	.com	\$115,000
VeriSign	.net	\$115,000
Afilias	.info	\$115,000
PIR	.org	\$115,000
NeuLevel	.biz	\$92,000
GNR	.name	\$92,000
RegistryPro	.pro	\$92,000
	Total	\$736,000

As allowed for in the gTLD registry agreements with ICANN, these figures are 15% over those budgeted for FY03. It is assumed for budgetary purposes that there will be no new TLDs authorized in FY04, since no firm projection can be made at this time. This assumption may be changed by the time the final Proposed FY04 is posted, depending on any actions taken by the Board in the interim.

(15) For budgeting purposes, it is assumed there will be no new gTLDs in FY04 since there is no definitive information at this time. Should the Board approve any new gTLDs, however, this assumption will need to be adjusted.

(16) These are projected fixed fees to be realized from new applications by potential gTLD registrars.

(17) These are the annual fees paid by registrars to renew accreditation by ICANN. The budgeted figure for FY04 is higher than that budgeted for FY03 to account for new registrars that were accredited in FY03, but has also been tempered to provide for the effect of some registrars that do not renew their accreditations (see also [Note \(18\)](#)).

(18) This provides for registrars who do not pay their variable fees (see [Note \(11\)](#)). After a grace period and fair warnings, the accreditation for such registrars is withdrawn. This is part of the "tempering" effect referenced in [Note \(17\)](#).

(19) This is the overall allocation to ccTLDs according to the distribution proportional to the number of domain names (see [Note \(11\)](#)). However, as described in the text (see Budget Issues for FY04), except in the limited number of cases where ccTLDs have agreements with ICANN, contributions by ccTLDs to ICANN are entirely voluntary. As such, this overall allocation is never realized in practice. See [Note \(20\)](#).

(20) This is the portion of the allocation detailed in [Note \(19\)](#) that, in practice, is not expected to be contributed by the ccTLDs. The following line represents the anticipated net amount actually contributed by ccTLDs.

(21) This line item in the past represented actual sponsorship income for ICANN meetings. It is no longer applicable (see [Notes \(4\)](#) and [\(7\)](#)), but is carried because it was included in the FY03 budget. The line item will not appear in the FY05 budget process.

(22) This line item in FY03 provided for individual voluntary contributions to further the At Large process. It is not applicable to FY04, and will not be carried forward into FY05.

(23) This category includes interest income and other miscellaneous income.

(24) The Contribution to the Operating Reserve has been set towards building a necessary ICANN reserve equal to about one year's operating costs. This follows a directive of the Board and is consistent with prudent financial management. The level of the Operating Reserve is also set to anticipate a shortfall in ccTLD funding contributions compared with budgeted levels. See [Notes \(11\)](#), [\(19\)](#) and the earlier section on "[Building the Reserves](#)" for a fuller explanation.

(25) This projection for FY03 assumes that all the \$372,000 carried forward from FY02 for the evaluation of the new gTLDs (authorized in November 2000 and subsequently launched) will be spent in FY03. Should this not to be the case, the evaluation will carry forward into FY04. This would be reflected in the Proposed FY04 Budget

(26) In FY03, ICANN issued a Request for Proposals and undertook a detailed evaluation leading to a decision to transfer responsibility for the operation of the .org registry from VeriSign to a new organization, the Public

Interest Registry (PIR). Each of the 11 bidders were charged \$29,000 for their bid submission to cover ICANN's costs associated with the RFP and Evaluation processes, and to provide for any contingency for future costs that might arise (for example, any future legal costs). As of the date of this Preliminary Budget, expenditures on this project total \$241,000 against revenues of \$319,000. No decision has been made by the Board at this point regarding the disposition of any remaining funds on this project once all disbursements have been made.

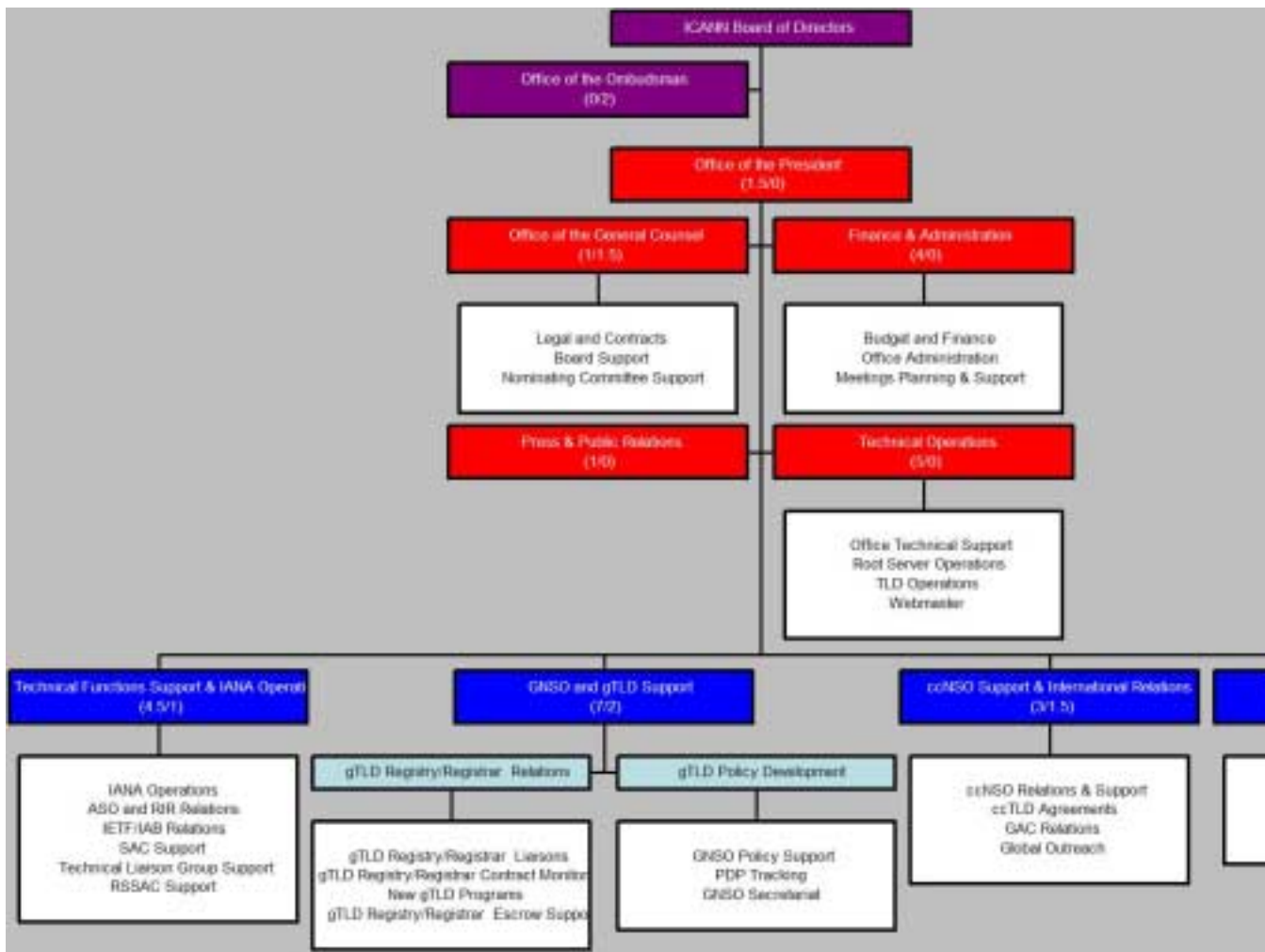
Footnotes to Text:

1. As of the time of the posting of the Preliminary Budget, the Budget Advisory Group has not met as a whole. There have been separate consultations with the various subgroups, however. The BAG will first meet as a whole at the ICANN meeting in Rio de Janeiro at the end of March 2003.
 2. This is because the the domain count in the number of ccTLDs under agreement is still small compared with the gTLDs domain count.
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Appendix 1: Organization & Staffing

ICANN's functional organization is outlined in Figure 1 ([click here for full size](#)). The various boxes indicate the functional responsibilities. Also shown are FY03 budgeted FTE and planned additional FTE for FY04 to meet requirements of ICANN 2.0.

Figure 1



The staffing schedule is indicated in [Figure 2](#). With the new organization in place (Figure 2), some positions have been renamed to more accurately reflect the duties of the position.

Figure 2

Current Title of Position	Incumbent	Budgeted Position Title	Status	Notes
Office of the Ombudsman				
Ombudsman		Ombudsman	Planned FY04	
Ombudsman Administrative Assistant		Ombudsman Support	Planned FY04	
Office of the President				

<i>President & CEO</i>	Stuart Lynn	President & CEO	Budgeted FY03	New president in process of recruitment
Senior Advisor	Andrew McLaughlin (.2)	IDN Committee Support	Budgeted FY03	
<i>Vice President and General Counsel</i>	Louis Touton	Vice President & General Counsel	Budgeted FY03	
Deputy General Counsel	(vacant)	(Unbudgeted)	Requested New	
Nominating Committee Support	Andrew McLaughlin (.3)	Nominating Committee Support	Planned FY04	Will evolve to .5 time position
<i>Chief Financial Officer/Business & Finance Manager</i>	Diane Schroeder	CFO & Bus/Finance Manager	Budgeted FY03	
Financial Analyst	Renée Fang	Financial Analyst	Budgeted FY03	
Finance Administrative Assistant	Monique West	Finance Administrative Assistant	Budgeted FY03	
Administrative Assistant/Receptionist	Tanzanica King	Administrative Assistant/Receptionist	Budgeted FY03	
<i>Director of Communications</i>	Mary Hewitt	Director of Communications	Budgeted FY03	
<i>Manager of Technical Operations</i>	Kent Crispin (Acting)	Technical Systems Manager	Budgeted FY03	
Technical Systems Support	(vacant)	Technical Systems Programmer	Budgeted FY03	
Network Administrator	Jim Villaruz	Network Administrator	Budgeted FY03	
Technical Sysadmin	Steve Conte	Technical Sysadmin	Budgeted FY03	
Webmaster	Terri Irving	Webmaster	Budgeted FY03	
Technical Functions Support				
<i>Director of Technical Functions & IANA</i>	Louis Touton (Acting)	Manager of IANA Operations	Planned FY04	Position converted to more general title
Manager of IANA Operations	Michelle Cotton	IANA Administrator	Budgeted FY03	

IANA Administrative Assistant	Lauren Graham	IANA Administrative Assistant	Budgeted FY03	
IANA Administrative Assistant	Jennifer Rodriguez	Administrative Assistant	Budgeted FY03	
Senior Technical Officer	John Crain	Manager of Technical Operations	Budgeted FY03	
Security Technical Analyst	Jim Galvin - Consultant (.5)	Security Technical Analyst	Budgeted FY03	SAC Support
GNSO & gTLD Support				
<i>Director of GNSO & gTLD Support</i>	Louis Touton (Acting)	Vice President & Chief Policy Officer	Budgeted FY03	
Manager of Registrar Relations	Dan Halloran	Chief Registrar Liaison	Budgeted FY03	
Registrar Liaison	Ellen Sondheim	Registrar Liaison	Budgeted FY03	
Manager of Registry Relations	(pending)	gTLD Registry Liaison/Administrator	Budgeted FY03	
Registry Liaison	Karen Lentz	Contract Monitor	Budgeted FY03	
New gTLD Program Manager	(vacant)	New gTLD Planning/Evaluation	Budgeted FY03	
Manager of GNSO Support	(vacant)	GNSO Policy Support	Planned FY04	
GNSO Support	Anne- Rachel Inne	Policy Analyst/Liaison	Budgeted FY03	
GNSO Secretariat	Glen de St. Gery	GNSO Secretariat Support	Planned FY04	Supported by DNSO until 30 June 2003
International Outreach Consultants	(vacant)	[Unbudgeted]	Requested New	Consultant staff if budgeted
ccNSO Support & International Relations				
<i>Director of ccNSO Support & International Relations</i>	Theresa Swinehart	Counsel for International Legal Affairs	Budgeted FY03	
ccTLD/IANA Contract Specialist	(vacant)	Junior Counsel (ccTLD/IANA Support)	Budgeted FY03	
			Budgeted	Budgeted FY03.

ccTLD Liaison	(vacant)	ccTLD Liaison	FY03	Vacant as of 1/1/03
ccNSO Support	(vacant)	ccNSO Policy Support	Planned FY04	Only if required by ccNSO
[ccNSO Secretariat]	(vacant) (.5)	ccNSO Secretariat Support	Planned FY04	Only if required by ccNSO

Public Participation & Outreach

<i>Manager of Public Participation</i>	Stuart Lynn (Acting)	Manager of Public Participation	Planned FY04
Web Content Manager	(vacant)	MPP Support	Planned FY04
ALAC Support	Denise Michel	ALAC Support	Planned FY04

Appendix 2: TLD Assumptions

The following tables detail the assumptions made regarding domain name counts for purposes of the Preliminary Budget. These assumptions are important since they form the basis for allocating budgeted revenues among gTLDs and ccTLDs (see [Note \(11\)](#)). The counts used will need to be refined between posting of the Preliminary Budget and of the Proposed Budgeted. This will require the cooperation of those TLDs affected by these counts.

The domain name counts for ccTLDs have jumped 22% over the numbers used last year. The count for gTLDs, however, has declined 5%, largely due to a drop-off in .com whose statistics dominate the overall gTLD count because of its comparative size.

The Tier 3 ccTLD counts as of 1 February 2003 are provided below. They will need to be updated to provide 1 July 2003 estimates or actual. The other ccTLDs are Tier 1 or Tier 2.

TIER 3 ccTLDs					
Country Code	Country Name or Distinct Economic Zone	Number of Domains		Percent Growth	Percent of Total
		15 Mar 2002	1 Feb 2003		
.de	Germany	5,200,000	6,117,000	18%	30.8%
.uk	United Kingdom	3,100,000	4,168,000	34%	21.0%
.nl	Netherlands	695,000	827,000	19%	4.2%
.it	Italy	613,000	767,000	25%	3.9%
.ar	Argentina	515,000	626,596	26%	3.3%*
.us	United States	25,000	529,000	2016%	2.7%+
.cc	Cocos (Keeling) Islands	500,000	500,000	0%	2.5%

.jp	Japan	467,000	568,195	26%	3.0%*
.kr	Korea, Republic of	460,000	507,000	10%	2.6%
.br	Brazil	415,000	427,000	3%	2.2%
.ch	Switzerland	400,000	500,000	25%	2.5%
.dk	Denmark	352,000	428,276	26%	2.2%*
.au	Australia	281,826	342,895	26%	1.8%
.ca	Canada	240,000	310,000	29%	1.6%
.at	Austria	225,000	272,000	21%	1.4%
.tv	Tuvalu	215,000	261,589	26%	1.4%*
.be	Belgium	177,000	238,000	34%	1.2%
.ws	Western Samoa	150,000	182,504	26%	0.9%*
.fr	France	141,000	163,000	16%	0.8%
.pl	Poland	140,000	175,000	25%	0.9%
.no	Norway	130,000	165,000	27%	0.8%
.cn	China	127,000	179,000	41%	0.9%
.se	Sweden	122,000	148,436	26%	0.8%*
.tw	Taiwan	120,000	123,000	2%	0.6%
.ru	Russian Federation	120,000	156,000	30%	0.8%
.nz	New Zealand	118,560	144,251	26%	0.7%*
.cz	Czech Republic	117,000	131,000	12%	0.7%
.za	South Africa	110,000	133,836	26%	0.7%*
.nu	Niue	91,884	111,795	26%	0.6%*
.to	Tonga	80,000	97,335	26%	0.5%*
.hu	Hungary	73,000	90,000	23%	0.5%
.cl	Chile	73,000	88,819	26%	0.5%*
.mx	Mexico	67,000	75,000	12%	0.4%
.ms	Montserrat	57,000	69,351	26%	0.4%*
.ro	Romania	53,000	64,485	26%	0.3%*
.hk	Hong Kong	48,000	64,440	34%	0.3%+
	Total	15,794,270	19,222,804	26%	100.0%

(*) Domain name counts where not available are estimated from the average of all other ccTLDs for which data is available (from websites or other direct information). These estimated counts represent about 16% of all ccTLD domain names.

(+) Was Tier 2 in 2002-2003

The Tier 3 gTLD counts will also need to be updated for purposes of the Final Approved Budget:

Tier 3 gTLDs				

gTLD	Registry	Number of Domains		Percent Growth	Percent of Total
		1 Mar 2002	1 Feb 2003		
Sponsored (Tier 3)					
.com	VeriSign	24,420,000	23,239,000	-5%	73.0%
.net	VeriSign	4,654,000	3,990,000	-14%	12.5%
.org	PIR	3,059,000	2,637,000	-14%	8.3%
.info	Afilias	550,000	1,029,000	87%	3.2%
.biz	Neulevel	650,000	837,000	29%	2.6%
.name	GNR	-	87,000	n.a	0.3%
.pro	registry.pro	-	-	n.a	0.0%
		33,333,000	31,819,000	-5%	100.0%

The split between gTLDs and ccTLDs is thus calculated as follows:

	2002-2003		2003-2004	
	No. of Domain Names	Percent	No. of Domain Names	Percent
gTLDs	33,333,000	67.9%	31,819,000	61.6%
ccTLDs	15,794,270	32.1%	19,855,021	38.4%
	49,127,270	100.0%	51,674,021	100.0%

Tier 2 registries are those estimated to house between 5,000 and 50,000 domain names. The budget assumes that each of these would be requested to contribute \$5,000. The 31 ccTLD registries assumed to be in this category are listed in the table at the end of this Schedule. In addition, .coop is also now a Tier 2 registry.

The remaining 192 registries (including .museum, and .aero) are assumed to be Tier 1 for purposes of this Preliminary Budget.

TIER 2 ccTLDs	
Between 5,000 and 50,000 domain names	
Country Code	Country Name
.ac	Ascension Island
.as	American Samoa
.cx	Christmas Island
.es	Spain
.fi	Finland
.fm	Micronesia, Federal State of
.gr	Greece
.hr	Croatia/Hrvatska

.id	Indonesia
.ie	Ireland
.il	Israel
.is	Iceland
.lt	Lithuania
.lu	Luxembourg
.la	Latvia
.my	Malaysia
.ph	Philippines
.pt	Portugal
.sg	Singapore
.sl	Slovenia
.sk	Slovak Republic
.st	Sao Tome and Principe
.tc	Turks and Ciacos Islands
.tf	French Southern Territories
.th	Thailand
.tr	Turkey
.ua	Ukraine
.uy	Uruguay
.ve	Venezuela
.yu	Yugoslavia

Appendix 3: Proposed ICANN Outreach Program

The purpose of this program is to provide an improved vehicle for ICANN to explain its policies and procedures, and its other activities, to Internet communities in developing countries, including governments. We now do visit many of these countries and give talks at regional meetings, but there is need for a continuing presence "on the ground" to ensure follow-through and continuing coordination. In spite of current visits, communication problems are made more difficult by the frequency with which governments and other players change so there may be little continuity of knowledge.

The proposed Outreach Program would be a pilot program of outreach, education, and communication in which ICANN would hire two part-time Internet activists in two key developing regions who would be resident in each region, that is, "locally" accessible. These outreach "evangelists" would be responsible for fielding queries from governments, institutions, businesses, and individuals in their respective regions, preparing outreach materials suitable for local distribution (online, in print, via CD-ROM, etc.), making presentations at relevant meetings and conferences, and communicating with the media.

Initially, this program would be piloted in two regions of the world. The reason for piloting

before committing to an established program is to learn more about what is most effective and what difference such a program makes. In considering this budget request, the proposal should be thought of as a two-year pilot to allow ample time for tuning and to evaluate its effectiveness. This would be a more considered approach before asking the ICANN Board to commit to a more permanent and fully-defined program.

To support this two-year pilot, as stated above two articulate, knowledgeable communicators would be hired – probably as consultants – who are actually located in and are from developing countries in the selected regions, charged with making the ICANN process, its policies and activities, and the DNS more fully transparent, less mysterious, more responsive, and more welcoming to Internet communities in developing countries. They could also help to catalyze "at large" activities in the region in support of the ALAC's activities. Subject to Board approval, of course, the first two hires in this prototype effort should be in (a) Africa and (b) either the Pacific Islands or Latin America.

The kinds or problems, for example, that these consultants would address are processes to be followed in effecting a redelegation (the most common problem as more countries wish to "repatriate" their ccTLDs); where to find basic information on ccTLD operations (there is room here for a cooperative educational effort with ISOC, for example); how to address situations where the administrative or technical contact is not doing their job; understanding ICANN and its role in the global community.

The pilot program would have modest costs in its first year of operation, about \$170,000, of which \$90,000 would be for salaries and benefits, \$40,000 for travel (mostly within the region, but with some for training at Marina del Rey), \$20,000 for administrative costs, including the costs of production of appropriate materials and for mini-workshops (mostly attached to other regional workshops), and \$20,000 for administrative costs. These individuals can likely either work out of their homes or collocate for free with some established entity.

This important effort that will support our activities to enter into agreements with ccTLDs in developing countries. ICANN would also collaborate with UNICT and with the ITU-D as appropriate to see to what extent their activities can be beneficial in amplifying the modest steps proposed with this effort.

It should be noted that other avenues are being explored for establishing this program, including the possibility of grant funding and of collaboration with other parties.

Comments concerning the layout, construction and functionality of this site should be sent to webmaster@icann.org.

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