

Internet Corporation for Assigned Names and Numbers (ICANN) Proposed for Adoption FY22 Budget

April 2021



TABLE OF CONTENTS

1	INTRODUCTION	2		
2	PLANNING AND BUDGET OVERVIEW	4		
3	ICANN OPERATIONS	5		
3.1	FINANCIAL OVERVIEW	5		
3.1.1	<i>FY22 Proposed for Adoption Budget vs FY21 Forecast</i>	5		
3.1.2	<i>ICANN Operations Cash Expenses</i>	6		
3.1.3	<i>Expenses by Functional Activity</i>	7		
3.1.4	<i>ICANN Financial Trends</i>	7		
3.1.5	<i>Average Headcount Trends</i>	8		
3.2	ICANN OPERATIONS FUNDING	9		
3.3	TRAVEL AND COMMUNITY ENGAGEMENT	11		
3.3.1	<i>Constituent Travel</i>	11		
3.3.2	<i>Additional Budget Requests (ABRs)</i>	13		
3.3.3	<i>ICANN Meetings</i>	16		
3.4	RISKS AND OPPORTUNITIES	17		
3.5	CONTINGENCY	18		
4	IANA BUDGET	19		
4.1	IANA BUDGET OVERVIEW	19		
5	NEW GTLD PROGRAM 2012 ROUND	20		
5.1	MULTIYEAR VIEW	20		
5.2	NEW GTLD CASH EXPENSE ANALYSIS	21		
5.3	NEW GTLD RISKS AND OPPORTUNITIES	22		
6	FUNDS UNDER MANAGEMENT	23		
6.1	RESERVE FUND REPLENISHMENT STRATEGY	24		
7	APPENDIX	26		
7.1	REGISTRAR FEES	26		
7.2	GOVERNANCE	29		
7.3	ADDITIONAL FINANCIALS	31		
7.3.1	<i>FY21 Adopted Budget versus FY21 Forecast</i>	31		
7.3.2	<i>FY22 Proposed for Adoption Budget versus FY21 Adopted Budget</i>	32		
7.3.3	<i>Total ICANN Financial Overview FY21 Adopted Budget versus FY21 Forecast</i>	33		
7.3.4	<i>Total ICANN Financial Overview FY22 Proposed for Adoption Budget versus FY21 Forecast</i>	34		
7.3.5	<i>Total ICANN Financial Overview FY22 Proposed for Adoption Budget versus FY21 Adopted Budget</i>	35		
7.4	CARETAKER BUDGET	36		
8	GLOSSARY OF TERMS	37		
8.1	GENERAL BUDGET TERMS	37		
8.2	FINANCIAL TERMS	38		

1 Introduction

This document contains the Internet Corporation for Assigned Names and Numbers' (ICANN) fiscal year 2022 (FY22) Proposed for Adoption Budget. ICANN's FY22 comprises the following dates:

1 July 2021 – 30 June 2022

The ICANN FY22 Proposed for Adoption Budget includes a detailed overview of ICANN's financial plan for FY22. For operating plans and five-year financial projections, please see the [FY22–26 Operating & Financial Plan and FY22 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. Publishing the ICANN FY22 Proposed for Adoption Budget for Public Comment 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 FY22 Proposed for Adoption Budget includes:

- Highlights of ICANN Operations, excluding the New gTLD Program, which is covered separately.
- Activities that have already been submitted for Public Comment and as a part of the IANA FY22 Operating Plan and Budget.
- Highlights from the New gTLD Program.
- Overview of the Total ICANN FY22 Proposed for Adoption Budget, combining ICANN Operations and the New gTLD Program.

Where relevant, comparative information for FY21 is provided. Any arithmetic inconsistencies are due to rounding.

IANA Operations

The IANA FY22 Operating Plan and Budget was posted for Public Comment in October 2020 and was adopted by the ICANN Board in January 2021.

IANA operations are part of ICANN's total operations and are documented in the ICANN FY22 Operating Plan.

Background Information

Since ICANN's publication of the FY21 Adopted Budget, the world has been in the midst of a global pandemic. ICANN org has conducted almost all of its work remotely since March 2020. The organization braced itself for an economic crisis by being more cost conscious, working remotely, and holding all meetings virtually, including three ICANN Public Meetings. Fortunately, ICANN org's funding has remained relatively stable thus far.

While many factors of the pandemic and its economic impact remain to be seen, ICANN org has developed a set of projections and assumptions to help guide the FY22 Proposed for Adoption Budget in light of the pandemic:

- Funding is \$144 million, which reflects recent trends and a contribution for ICANN Security, Stability, and Resiliency (SSR) initiatives.
 - \$140 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 economic crisis due to the pandemic.
 - \$4 million is a contribution Verisign will make to fund SSR initiatives, which are a part of ICANN org's functional activities detailed in the Operating Plan.
- Expenses are \$144 million, balanced to funding and assume working conditions return to normal.
 - Personnel reflects an average headcount of 405, very similar to current staffing levels.
 - Travel and Meetings assumes three face-to-face ICANN Public Meetings and otherwise unrestricted travel.
 - Professional Services assumes an increased workload to support the Information Transparency Initiative (ITI), Open Data program, SSR initiatives, additional reviews support, and incremental research and data collection efforts.
 - Incremental operating initiatives reflect resources required in addition to the financial plans outlined in the Functional Activities section of the Operating Plan.
 - Other cost categories mostly align with trends.

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, and ICANN org will continue to oversee this endeavor. Throughout the pandemic, the org, community, and Board have performed their work successfully without face-to-face interaction. Although ICANN org plans for FY22 to have stable funding and expenses based on historical levels, the org is prepared to continue conducting its work remotely and reevaluate costs if necessary. Organizational activities will continue to be carried out under principles of increased prudence, frugality, and with heightened attention to necessity.

2 Planning and Budget Overview

The following illustration depicts the five-year planning cycle for FY22-26. The planning process consists of the ICANN Strategic Plan for FY21-25 and the Five-Year Operating and Financial Plan, which provide input and a basis for the annual planning process. The process includes consultation and development of the IANA Operating Plan and Budget, which feeds into the total ICANN Operating Plan and Budget.



3 ICANN Operations

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

3.1 Financial Overview

3.1.1 FY22 Proposed for Adoption Budget vs FY21 Forecast

This table compares ICANN org funding and expenses in the FY22 Proposed for Adoption Budget to the FY21 Forecast. The FY21 Forecast is based on four months of actual data and eight months of estimates. The FY22 Proposed for Adoption Budget assumes unrestricted travel for the entire fiscal year, whereas the FY21 Forecast assumes pandemic-related travel restrictions for the first nine months of the fiscal year.

The FY22 Proposed for Adoption Budget includes funding of \$4.4 million higher than the FY21 Forecast, driven by growth in domain name transactions per historical trends and a full year of contributions for SSR initiatives versus half a year of contributions for the SSR initiatives in the FY21 Forecast. Expenses in the FY22 Proposed for Adoption Budget are \$19.4 million higher than the FY21 Forecast, driven by two incremental face-to-face ICANN Public Meetings, more headcount and inflationary personnel expenses, and incremental operating initiatives. Due to the uncertain economic environment from the global pandemic, the Reserve Fund contribution in FY21 Forecast will be reviewed and assessed at the end of the FY21. FY22 Proposed for Adoption plans for a \$1 million contribution to the Reserve Fund.

In Millions, USD	FY22 Proposed for Adoption Budget	FY21 Forecast	Under/(Over) vs. FY21 Forecast	
	ICANN Operations	ICANN Operations	\$	%
Funding ⁽¹⁾	\$144.4	\$140.0	\$4.4	3%
Personnel	80.1	76.6	(3.5)	-5%
Travel & Meetings	13.8	4.7	(9.1)	-195%
Professional Services	19.6	17.9	(1.7)	-10%
Administration	17.2	16.6	(0.6)	-4%
Capital	4.0	6.3	2.2	36%
Incremental Operating Initiatives ⁽²⁾	5.5	2.0	(3.5)	-173%
Contingency ⁽³⁾	5.2	1.2	(4.0)	-333%
Cost Savings Initiatives	(2.2)	(1.4)	0.8	-55%
Total Operating Expenses	\$143.2	\$123.9	(\$19.4)	-16%
Excess/(Deficit) before Contributions	\$1.1	\$16.1	(\$15.0)	n/a
Reserve Fund Contribution	1.1	0.0	(1.1)	n/a
Net Operating Excess/(Deficit)	\$0.0	\$16.1	(\$16.1)	n/a
Average Headcount	405	395	(10)	-2%

(1) Includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives

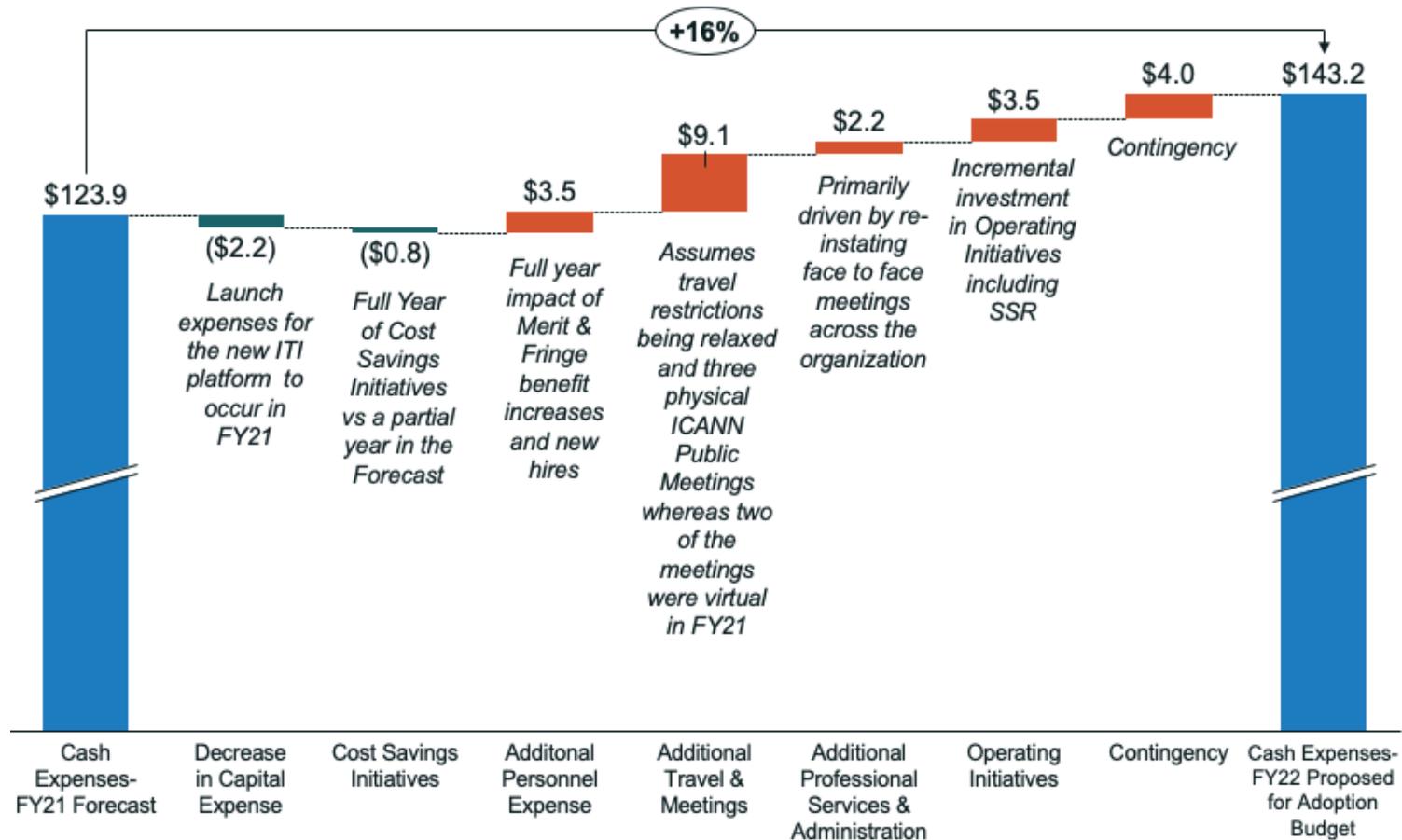
(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans

(3) Contingency represents an amount of budgeted expenses unallocated to specific activities or functions

(See Appendix for FY21 Adopted Budget versus FY21 Forecast financials)

3.1.2 ICANN Operations Cash Expenses

The chart below shows the variances between the cash expenses of the FY21 Forecast and the FY22 Proposed for Adoption Budget. While the FY21 Forecast expenses were impacted by the COVID-19 pandemic, ICANN org assumes that the majority of activities would occur in FY22 without impact from the pandemic. Excluding the impact of incremental expenses due to a return to in-person meeting operations post COVID-19, the FY22 Proposed for Adoption Budget expenses are growing at about seven percent over the FY21 Forecast. Please note the bars in the chart are not to scale.



3.1.3 Expenses by Functional Activity

To view ICANN Operations' planned cash expenses by functional activity for FY22 Proposed for Adoption Budget, please click [here](#).

3.1.4 ICANN Financial Trends

This section is an overview of the FY22 Proposed for Adoption Budget compared to prior fiscal years. ICANN org recognizes the need to establish long-term financial planning during the strategic plan development process. The Board requested that ICANN org develop an approach for long-term financial planning, including how to engage and inform the community. Due to the uncertain economic environment from the COVID-19 pandemic, FY20 and FY21 Reserve Fund contributions will be reviewed and assessed at the end of FY21.

In Millions, USD	FY19 Actuals ICANN Operations	FY20 Actuals ICANN Operations	FY21 Forecast ICANN Operations	FY22 Proposed for Adoption Budget ICANN Operations
Funding ⁽¹⁾	\$136.4	\$140.7	\$140.0	\$144.4
Personnel	71.0	74.8	76.6	80.1
Travel & Meetings	15.5	9.4	4.7	13.8
Professional Services	23.4	18.1	17.9	19.6
Administration	16.5	15.9	16.6	17.2
Capital	3.7	8.0	6.3	4.0
Incremental Operating Initiatives ⁽²⁾	0.0	0.0	2.0	5.5
Contingency ⁽³⁾	0.0	0.0	1.2	5.2
Cost Savings Initiatives	0.0	0.0	(1.4)	(2.2)
Total Operating Expenses	\$130.0	\$126.3	\$123.9	\$143.2
Excess/(Deficit) before Contributions	\$6.4	\$14.4	\$16.1	\$1.1
Average Headcount	390	388	395	405

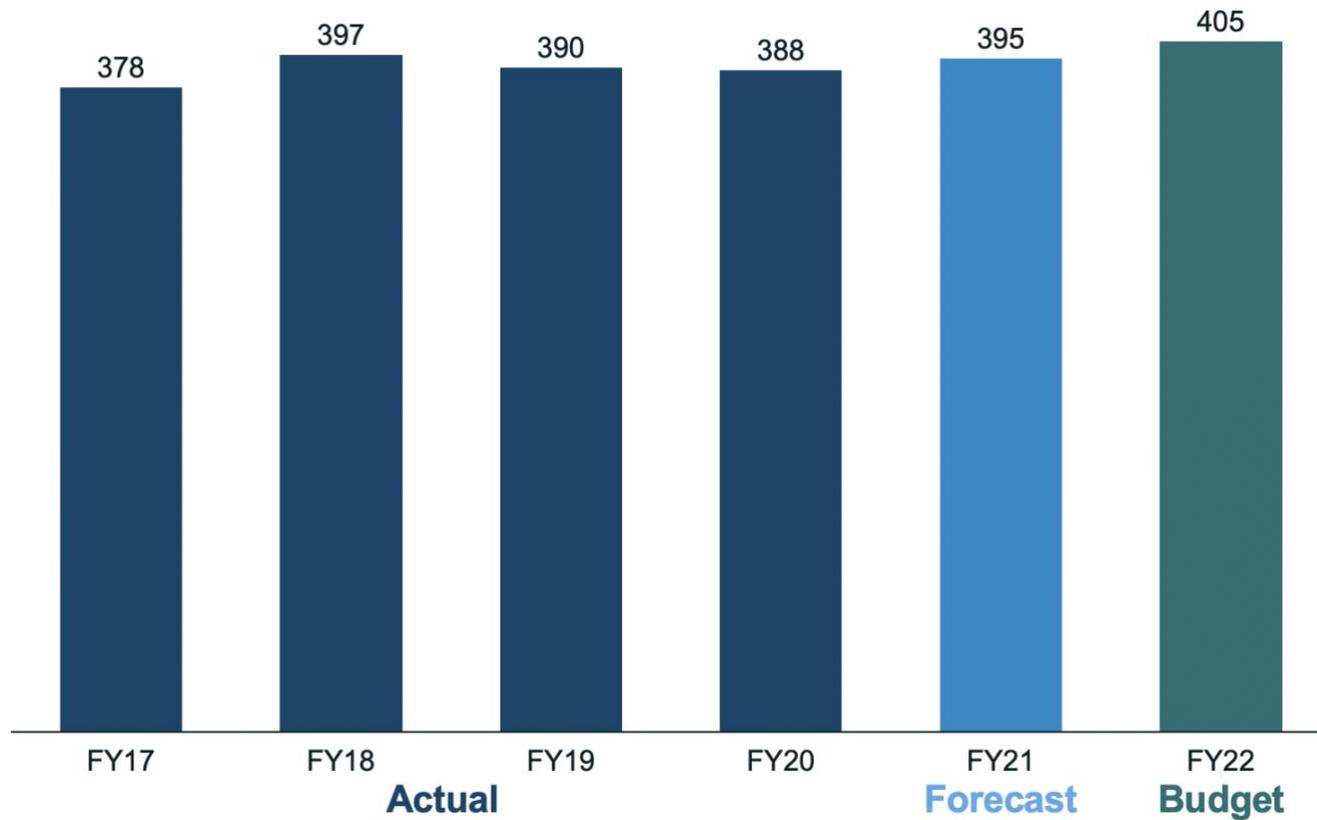
(1) FY22 Funding includes a full year contribution for SSR initiatives versus half year in FY21 Forecast, which are part of ICANN's Operating Initiatives

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans

(3) Contingency expense represents an amount of budgeted expenses unallocated to specific activities or functions

3.1.5 Average Headcount Trends

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



3.2 ICANN Operations Funding

As done in prior years, ICANN org has developed three scenarios to estimate funding. The “Medium” scenario is reflected in the FY22 Proposed for Adoption 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, such “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 FY22 projections. The information in the “Medium Estimate” column matches the FY22 funding included in the FY22 Proposed for Adoption Budget. References to growth and declines are in comparison with the FY21 Forecast.

	Funding Type	Medium Estimate	High Estimate	Low Estimate
Legacy TLDs	Transaction-based Fees	3.0% growth	6.4% growth	(9.9%) decline
New TLDs	Fixed Fees	Decrease of 15 TLDs, starting FY22 with 1,156 and ending with 1,141	Decrease of 8 TLDs, starting FY22 with 1,156 and ending with 1,148	Decrease of 73 TLDs, starting FY22 with 1,156 and ending with 1,083
	Transaction-based Fees	5.3% growth	29.3% growth	(20.2%) 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 444 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 ICANN Operations funding by source and type. The FY22 Proposed for Adoption Budget figures reflect the medium estimate information in the previous chart compared to the FY21 Forecast. The high and low scenarios from the previous chart are also shown.

In Millions, US Dollars	FY22 Proposed for Adoption Budget	FY21 Forecast	Over / (Under)		Other FY22 Scenarios	
			\$	%	High	Low
Transactions						
Registry transaction fees - Legacy	\$ 52.8	\$ 51.4	\$ 1.4	3%	\$ 54.7	\$ 46.2
Registry transaction fees - New gTLD	5.1	4.9	0.3	6%	6.3	3.9
Registrar transaction fees - Legacy	33.4	32.2	1.1	4%	34.3	29.1
Registrar transaction fees- New gTLD	4.2	4.0	0.2	5%	5.2	3.2
Sub-total	95.5	92.6	3.0	3%	100.5	82.4
<i>Volume: legacy transactions (millions)</i>	185.4	179.1	6.3	4%	190.6	161.7
<i>Volume: New gTLD transactions (millions)</i>	23.5	22.4	1.1	5%	28.8	17.9
Sub-total	208.9	201.5	7.4	4%	219.4	179.6
<i>Volume: New gTLD billable transactions (millions)</i>	20.5	19.4	1.1	6%	25.2	15.6
<i>New gTLD Billable rate - average</i>	87.4%	86.9%	1%		87.4%	86.9%
Registry Fixed Fees	28.5	29.1	(0.6)	(2%)	28.8	27.3
<i>Count of total Registries/TLDs - at end of year</i>	1,141	1,156	(15)	(1%)	1,148	1,083
<i>Incr./ (Decr.) new Registries/TLDs - at end of year</i>	(15)	(28)	13		(8)	(73)
Registrars Accreditation						
Application fees	0.1	0.2	(0.1)	(54%)	0.2	-
Accreditation fees - annual	9.4	9.5	(0.2)	(2%)	9.6	7.8
Per-registrar variable fees	3.4	3.4	-	-	3.4	3.4
Sub-total	12.9	13.2	(0.3)	(2%)	13.2	11.2
<i>Count of total Registrars - at end of year</i>	2,356	2,328	28	1%	2,388	1,884
<i>Incr./ (Decr.) new Registrars - at end of year</i>	28	(121)			60	(444)
Contributions						
RIR	0.8	0.8	-	-	0.8	0.8
ccTLD	2.3	2.3	-	-	2.3	2.3
Meeting Sponsorships/Other	0.3	0.1	0.2	306%	0.3	0.3
SSR Contribution	4.0	2.0	2.0	100%	4.0	4.0
Sub-total	7.4	5.2	2.2	43%	7.4	7.4
ICANN Ops Funding	\$ 144.4	\$ 140.0	\$ 4.4	3%	\$ 149.9	\$ 128.4

3.3 Travel and Community Engagement

3.3.1 Constituent Travel

ICANN provides travel support for selected community members to: (i) advance the work of ICANN; (ii) provide support for those who might otherwise not be able to afford to attend ICANN Public Meetings; and (iii) broaden participation in ICANN's processes. [ICANN.org](https://www.icann.org) publishes travel guidelines and regular reports 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 FY21 budget levels. Likewise, the number of travel seats funded for Fellows and NextGen at each of the three ICANN Public Meetings remains the same as FY21 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	ICANN72 - Seattle		ICANN73 - San Juan		ICANN74 - The Hague	
	TRIPS	AMOUNT	TRIPS	AMOUNT	TRIPS	AMOUNT
ALAC	29	\$69,821	29	\$69,790	29	\$74,951
Fellows	45	\$106,731	45	\$107,100	45	\$111,588
ccNSO	17	\$41,359	17	\$41,230	17	\$45,194
GAC	40	\$94,872	40	\$95,200	40	\$99,189
GNSO	49	\$117,257	49	\$117,390	49	\$124,545
NextGen	15	\$35,577	15	\$35,700	15	\$37,196
RSSAC	6	\$16,308	6	\$15,820	6	\$20,955
SSAC	16	\$38,987	16	\$38,850	16	\$42,714
Technical Liaison Group	8	\$27,282	8	\$25,200	8	\$44,146
Incoming Travelers	5	\$11,859	0	\$0	0	\$0
NomCom Selectees	5	\$11,859	0	\$0	0	\$0
Total	235	\$571,911	225	\$546,280	225	\$600,479
ICANN Meetings Subtotal	\$1,718,670					

OTHER SO/AC Events	
Placeholder for SO/AC Additional Budget Requests	\$300,000
NARALO General Assembly in Seattle	\$40,200
LACRALO General Assembly in San Juan	\$142,800
GNSO – GDD Summit/Working Sessions	\$113,440
GAC High Level Government Meeting (HLGM)	\$56,800
GAC Capacity Development Workshop	\$43,760
CROP Program	\$50,400
Total	\$747,400
FY22 Budget - Constituent Travel	\$2,466,070

3.3.2 Additional Budget Requests (ABRs)

For the FY22 budget process, ICANN org received 30 individual ABRs as compared to FY21 with 34 individual ABRs. Each proposal was assessed and evaluated by ICANN org senior staff in line with the assessment principles established for the ABR process. The requests included a number of proposals for community participation in Internet governance-related events outside of the ICANN meeting structure, as well as outreach opportunities. In line with the assumptions underlying the FY22 Budget, and consistent with the assessment principles, the ABR assessment process focused on facilitating effective and sustainable community work through:

- Granting the available resources to 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 such as the GDD Summit.
- 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 six ABRs should be included in the core ICANN FY22 budget and, as such, were not eligible for ABR submissions in the FY22 budget cycle. With effect from FY22, the following activities have been moved to the core ICANN budget, to be planned and budgeted for 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.

Request No.	Organization	Document Title	Approved Amount
FY21-11	ALAC	RALO Discretionary Funding - policy-related engagement activities such as At-Large Structure read out sessions, registration fees, displays, graphics and travel	20,000
FY21-12	ALAC	Real Time Captioning RTT services in English and Spanish	18,000
FY21-18	BC	Production of BC Outreach materials, primarily Newsletters and Factsheets specific to events	15,000
FY21-24	GAC	FY20 Continuation of GAC Capacity Development Workshops	40,000
FY21-25	GAC	Additional Travel Support for Senior Government Travelers to the FY21 High-Level Government Meeting (HLGM) at ICANN69 – Hamburg.	60,000
FY21-22	GNSO	GNSO Council Strategic Planning Session	65,000
FY21-23	GNSO	GNSO Additional Community Travel Support Funding	19,500
FY21-10	NCUC	This is a continuation of the Additional Budget Request for Communication support presented on FY18, FY19 and FY20.	15,000
Total			252,500

After review of the FY22 Additional Budget Request Submissions, 12 submissions out of the 30 requests were approved for the FY22 Budget. The report of FY22 Additional Budget Request Decisions can be located on the ICANN wiki here.

Request No.	Organization	Document Title	Approved Amount
FY22-05	ALAC	Professional Individual End User Poll	50,000
FY22-06	ALAC	Real-time Captioning RTT of Zoom Meetings in Spanish and French	18,000
FY22-09	ISPCP	Constituency Outreach Material	7,500
FY22-12	NCUC	Enhancements to web presence and promotional materials	7,500
FY22-17	RALO	Diversity in ICANN Leadership bodies	15,000
FY22-18	RALO	Protecting the Internet's Unique Identifier System in an Age of Disinformation	15,000
FY22-19	RALO	LAC Digital Forum (Civil Society and Government)	20,000
FY22-20	RALO	Support participation of individual users in EURALO	7,500
FY22-24	RSSAC	Measuring the Local Perspectives of the Root Server System	26,000
FY22-25	RYSG	Registries Stakeholder Group attendance of 2022 GDD Industry Summit	25,000
FY22-28	BC	Outreach Materials	7,500
FY22-30	BC	Development of BC Specific Training Knowledgebase and Onboarding Materials	10,000
Total			209,000

3.3.3 ICANN Meetings

ICANN 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 following meetings will occur, the Public Meetings are known as the Community Forum, the Policy Forum, and the Annual General Meeting (AGM).

Due to the COVID-19 pandemic, ICANN Public Meetings since March 2020 have been conducted in a virtual format, and therefore, reflect cost savings. For the FY22 Proposed for Adoption Budget, the assumption has been made that all ICANN Public Meetings will return to a face-to-face format.

ICANN Public Meetings	Format	Actuals	Budget
ICANN 74-The Hague	Policy	n/a	3.4
ICANN 73-San Juan	Community	n/a	3.8
ICANN 72-Seattle	AGM	n/a	3.6
Total FY22 ICANN Meetings		n/a	10.8
ICANN 71-The Hague	Policy	n/a	3.7
ICANN 70-Cancun	Community	n/a	3.7
ICANN 69-Hamburg (Virtual)	AGM	0.5	4.2
Total FY21 ICANN Meetings		0.5	11.6
ICANN 68-Kuala Lumpur (Virtual)	Policy	0.4	3.4
ICANN 67-Cancun (Virtual) ⁽¹⁾	Community	1.4	4.2
ICANN 66-Montreal	AGM	3.6	4.0
Total FY20 ICANN Meetings		5.4	11.6
ICANN 65-Marakesh	Policy	2.8	3.1
ICANN 64-Kobe	Community	4.1	4.2
ICANN 63-Barcelona	AGM	3.8	4.4
Total FY19 ICANN Meetings		10.7	11.7

1. ICANN 67-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

3.4 Risks and Opportunities

This section identifies risks and opportunities in the FY22 Proposed for Adoption Budget. Each scenario is classified as related to funding or an expense, includes an estimated U.S. dollar impact, and 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: Costs resulting from Board-approved implementation (EPDP, RSSAC 37-38, etc.)	-\$1.5 million	Medium
Expense: GDPR compliance	TBD	Medium
Expense: Litigation and Accountability Mechanisms risk	TBD	Unknown

Opportunities	Potential Amount	Probability
Funding: Higher new gTLD transaction growth	+\$0.5 million	Low
Expense: Lower travel and meetings due to travel restrictions	+\$4.0 million	Low
Expense: Lower vendor costs due to project delays	+\$2.0 million	Medium

3.5 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, 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 of design, planning, scheduling and delivery starts.

In an effort to present a comprehensive view of projected ICANN operations over the five-year period, the FY22–26 Operating and Financial Plan includes areas of work still under discussion within the community or under Board consideration (please see [Appendix A – ICANN Rolling Five-Year Roadmap](#) for more details).

The contingency in the FY22 Proposed for Adoption Budget is \$5.2 million (approximately 4% of total expenses).

4 IANA Budget

The planning process for the IANA Budget is part of the ICANN planning process. The IANA multiyear plans are part of ICANN's Five-Year Operating Plan. The IANA FY22 Operating Plan and Budget is a component of ICANN's FY22 Operating Plan and Budget. Public Technical Identifiers (PTI) is required to submit a Budget to ICANN at least nine months in advance of the fiscal year.

Consultations were conducted on the IANA FY22 Operating Plan and Budget. After developing a final proposed draft, the Draft IANA FY22 Operating Plan and Budget was published for Public Comment from 8 October 2020 through 30 November 2020. A report of submissions for Public Comment was published mid-December 2020. The final FY22 IANA Operating Plan and Budget was adopted by the ICANN Board in January 2021.

4.1 IANA Budget Overview

ICANN org receives input from PTI on its budget and then develops an IANA Budget each year. The FY22 IANA Proposed for Adoption Operating Plan and Budget is \$10.3M, of which \$9.7M is for PTI services and \$0.6M is for IANA services (not performed by PTI). PTI services in FY22 is \$0.3M less than in the FY21 IANA Budget primarily due to one less headcount and decreases in direct shared and shared services allocations; partially offset by incremental direct costs for capital. The IANA Services component is relatively flat compared to the FY21 Budget.

FY22 IANA Budget in Millions, USD	FY22 IANA Proposed for Adoption Budget	FY21 IANA Adopted Budget	Under/(Over)		FY20 IANA Actuals
			Total	%	
FUNDING	\$10.3	\$10.6	\$0.3	2.4%	\$8.0
Personnel	\$6.4	\$6.6	\$0.2	3.3%	\$5.1
Travel & Meetings	\$0.6	\$0.5	(\$0.1)	-16.8%	\$0.2
Professional Services	\$1.6	\$1.7	\$0.1	4.1%	\$1.2
Administration	\$0.9	\$0.9	\$0.1	8.8%	\$1.2
Contingency	\$0.5	\$0.5	\$0.0	0.0%	\$0.0
Capital	\$0.3	\$0.1	(\$0.2)	-173.9%	\$0.3
Depreciation ⁽¹⁾	\$0.1	\$0.3	\$0.2	63.0%	\$0.0
TOTAL CASH EXPENSES	\$10.3	\$10.6	\$0.3	2.4%	\$8.0
EXCESS/(DEFICIT)	\$0.0	\$0.0	\$0.0	0.0%	\$0.0
Average Headcount	23.5	24.7	1.2	4.8%	21.2

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

FY22 IANA Budget in Millions, USD	FY22 IANA Proposed for Adoption Budget	FY21 IANA Adopted Budget	Under/(Over)		FY20 IANA Actuals
			Total	%	
PTI Services	\$9.7	\$10.0	\$0.3	2.8%	\$7.5
IANA Services ⁽¹⁾	\$0.6	\$0.6	(\$0.0)	-5.2%	\$0.5
TOTAL	\$10.3	\$10.6	\$0.3	2.4%	\$8.0

(1) IANA Services include the Root Zone Maintainer function, Customer Standing Committee, Root Zone Evolution Committee, and IANA Naming Function reviews. These costs are funded by ICANN Operations.

5 New gTLD Program 2012 Round

The New gTLD Program is a \$360 million multiyear program launched in 2012 to create new top-level domains. Important goals of the program are to enhance competition, innovation, and consumer choice.

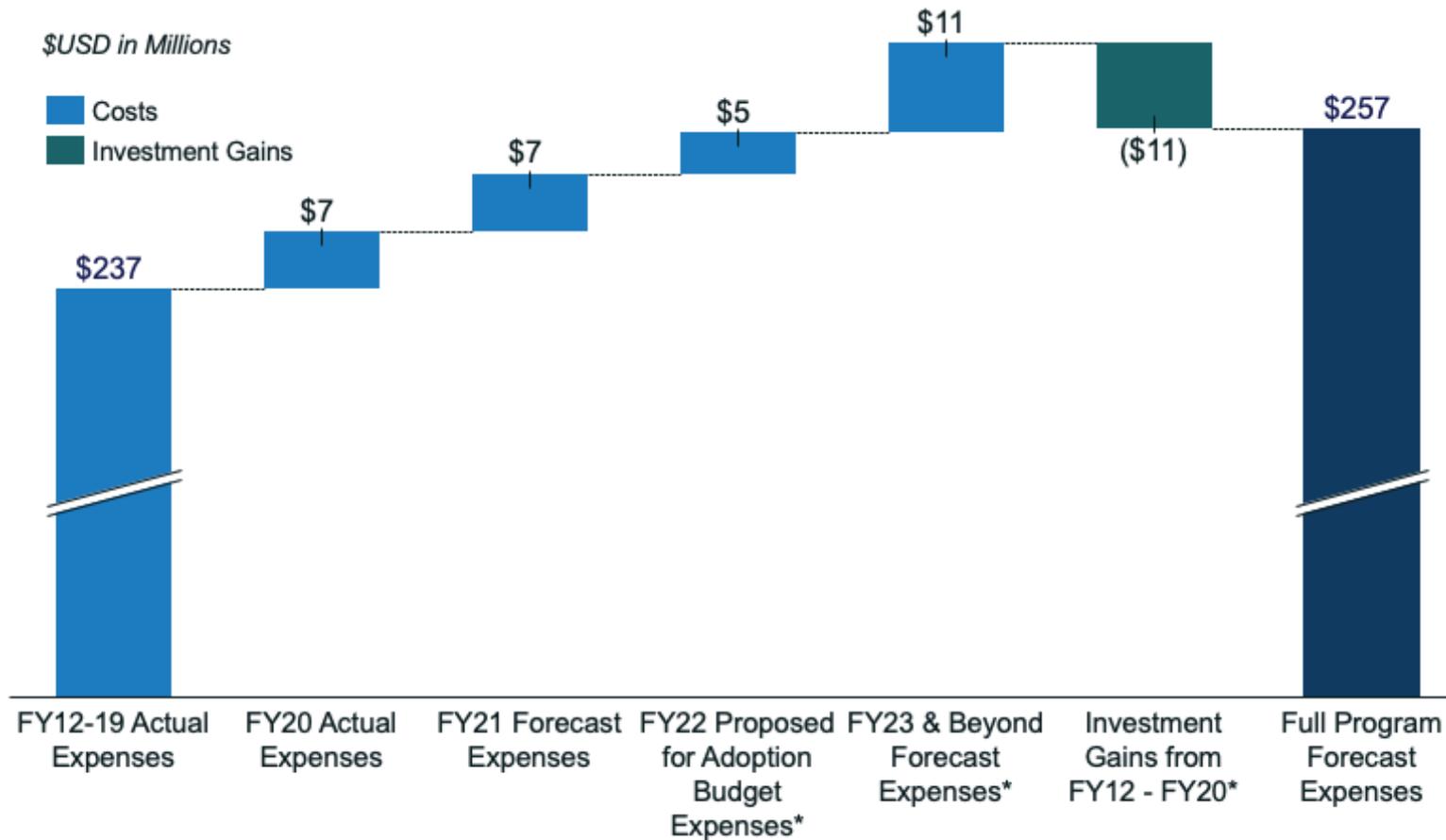
5.1 Multiyear View

ICANN org periodically reviews the total estimated costs of the New gTLD Program 2012 Round. ICANN org currently estimates that this program will end sometime after fiscal year 2023. The chart below shows the multiyear projections.

New gTLD Program 2012 Round	Statement of Activities by Fiscal Year					Statement of Activities for Full Program (Dec 2020) Current Estimate
	FY12 - FY19 Actual	FY20 Actual	FY21 Forecast	FY22 Proposed for Adoption Budget	FY23 & Beyond Forecast	
New gTLD Applicant Fees	335	(8)	9	8	17	361
Refunds	(50)	(0)	(1)	(0)	(1)	(52)
Applicant Fees (Net of Refunds)	\$ 285	\$ (9)	\$ 8	\$ 8	\$ 16	\$ 308
Initial and Extended Evaluation	(68)	-	-	-	-	(68)
Quality Control and Objection Proces	(11)	-	-	-	-	(11)
Pre-delegation	(12)	-	-	-	-	(12)
Program Costs	(35)	(2)	(4)	(4)	(9)	(55)
Staff Costs	(55)	(1)	(1)	(1)	(2)	(61)
Operating Expenses	\$ (181)	\$ (4)	\$ (5)	\$ (5)	\$ (11)	\$ (206)
Historical Development Costs	(32)	-	-	-	-	(32)
Risk Costs	(22)	(4)	(2)	-	-	(28)
Non Operating Expenses	\$ (54)	\$ (4)	\$ (2)	\$ -	\$ -	\$ (60)
Other Income/(Expense)	\$ (2)	\$ 0	\$ -	\$ -	\$ -	\$ (2)
Investment Income/(Expense)	\$ 9	\$ 2	\$ 0	\$ -	\$ -	\$ 11
Total Expenses	\$ (229)	\$ (5)	\$ (7)	\$ (5)	\$ (11)	\$ (257)
Net Remaining New gTLD Funds	\$ 56	\$ (14)	\$ 1	\$ 3	\$ 5	\$ 51

5.2 New gTLD Cash Expense Analysis

The chart below represents the multiyear expense forecast of the New gTLD Program 2012 Round. Application Fees collected totaled \$361 million with projected refunds of \$53 million, resulting in net funding of \$308 million. The projected program costs are \$268 million, which are partially offset by investment gains from FY12–FY20 of \$11 million. This results in total costs of \$257 million, equating to projected remaining funds of \$51 million, which will be reserved for unexpected expenses including Risk Costs.



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

5.3 New gTLD Risks and Opportunities

This section outlines the risks and opportunities in the ICANN FY22 Proposed for Adoption Budget of the New gTLD Program. 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.”

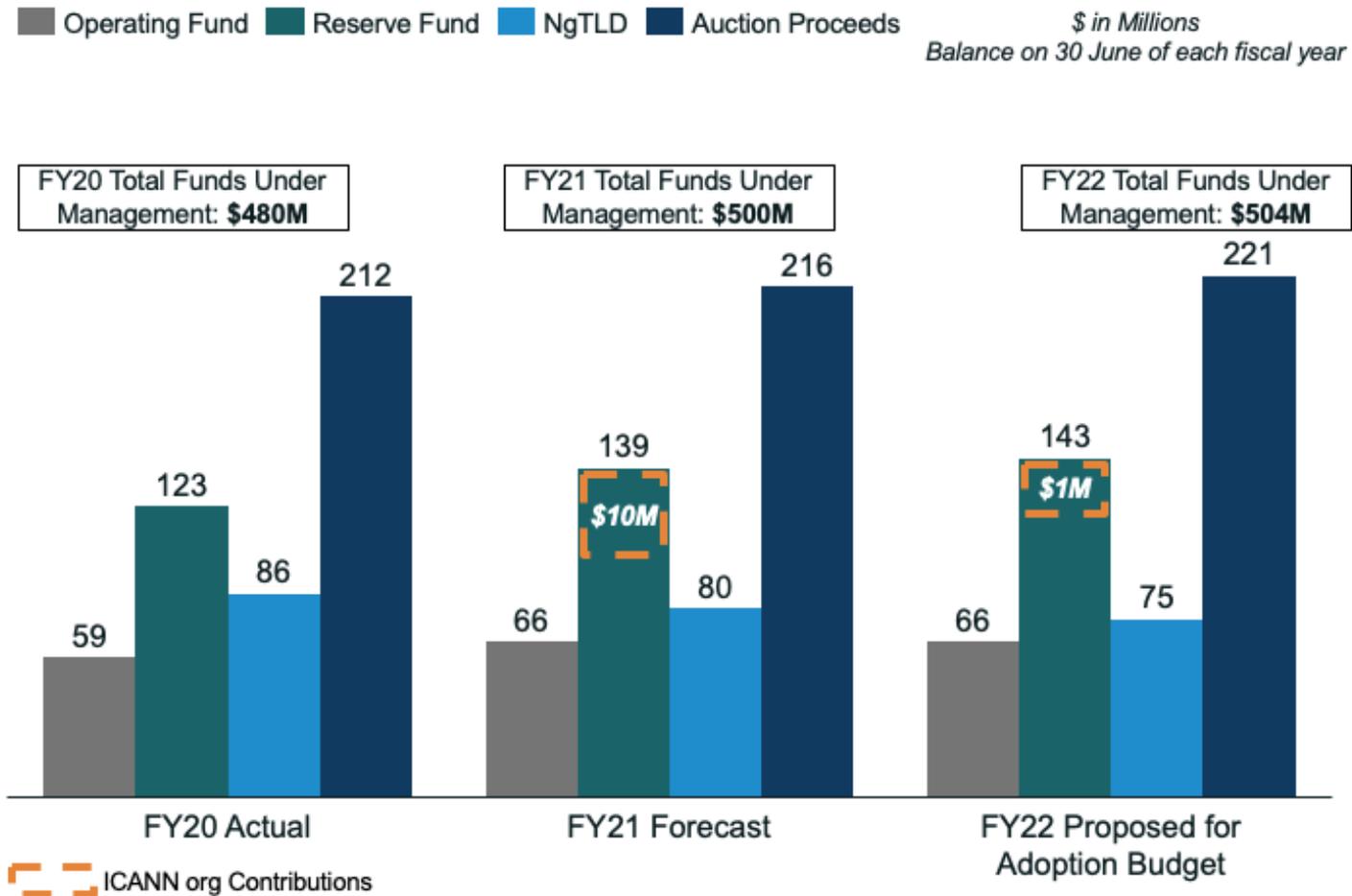
A risk is defined as “lower funding” or “higher expense.” An opportunity is defined as “higher funding” or “lower expense.”

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 Funds Under Management

ICANN org manages four funds. The Operating Fund covers day-to-day operations and the Reserve Fund is ICANN's funding of last resort to cover large expenses from unavoidable, unpredictable, or unplanned events. Both are governed in accordance with the ICANN Investment Policy. The chart below shows the balance of each fund on 30 June of each fiscal year listed.



The amount of New gTLD Program Fund correspond to the unspent portion of the New gTLD Program application fees, collected from applicants during the application window in 2012. The funds are used to evaluate the applications and to cover hard-to-predict costs, including risks. Auction proceeds come from ICANN auctions held to resolve string contention in the New gTLD Program. These are reserved and earmarked until the Board determines a plan for the appropriate use of the funds after consultation with the community. Both 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 FY22 despite the uncertainty from the impact of COVID-19. In FY20, \$20 million of New gTLD Program funds were transferred to the Operating Fund as a reimbursement for expenses paid by ICANN in FY18-20. The Funds Under Management listed in the FY22 Proposed for Adoption Budget assume the following:

- Subject to Board approval, \$10 million planned contribution to the reserve fund in FY21 from net excess generated from FY20.
- Due to the uncertain economic environment from the COVID-19 pandemic, the FY21 Forecast Reserve Fund contribution will be reviewed and assessed at the end of the FY21.
- \$1 million planned contribution to the Reserve Fund in FY22, and a two percent interest increase from the FY21 balance to the FY22 balance.
- No significant market gains or losses in any other fund; only operating expenses, decrementing the New gTLD and Operating Fund.
- Keeping a FY21 surplus in the Operating Fund to mitigate potentially late or uncollectable funding.

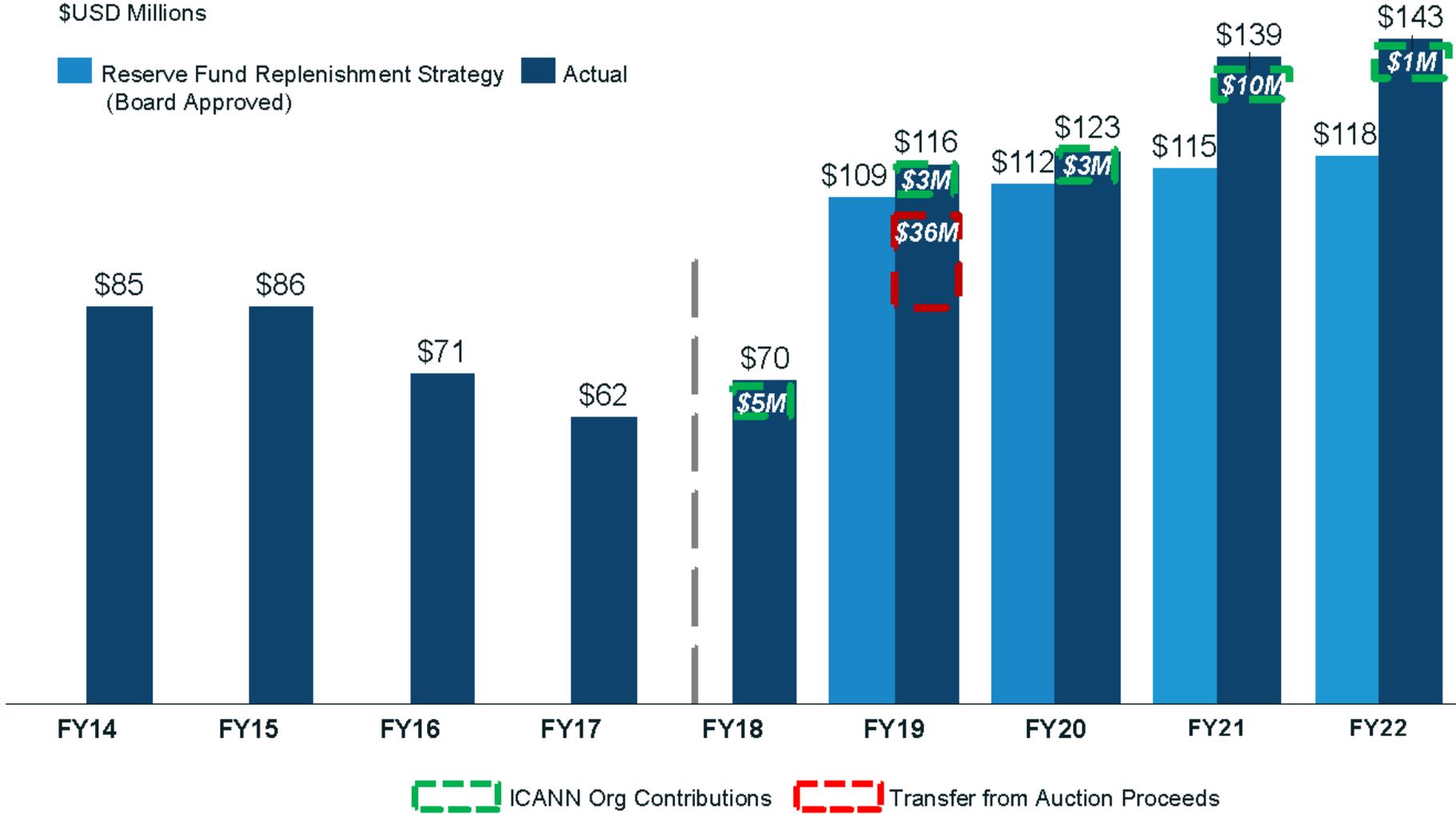
6.1 Reserve Fund Replenishment Strategy

The Reserve Fund is a pillar of ICANN's financial sustainability and critical to ICANN's ability to fulfill its Mission in the public interest. To address and remediate the depletion of the Reserve Fund that occurred during the IANA stewardship transition, the ICANN Board adopted a Reserve Fund replenishment strategy in November 2018. Significant progress has been made, and the ICANN Reserve Fund is now very close to its minimum target level of 12 months of operating expenses. The faster than planned replenishment of the ICANN Reserve Fund is due to an additional contribution made during FY20. Continuous focus is necessary to ensure that this strategy is fully achieved and the Reserve Fund continuously meets or exceeds its minimum level in the future.

The below graph shows the Reserve Fund trends and anticipated level for FY22. ICANN org is currently evaluating the amount of FY20 excess to contribute to the reserve fund. Initial estimates are for a \$10 million contribution to the Reserve Fund in FY21 and a \$1 million contribution in FY22. The Reserve Fund is invested as per the ICANN Investment Policy. A conservative two percent rate of return generated through the investment of the funds are estimated to be reinvested within the Reserve Fund for FY21 and FY22.

\$USD Millions

Reserve Fund Replenishment Strategy Actual (Board Approved)



7 Appendix

7.1 Registrar Fees

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

Approximately 2,450 registrars are accredited by ICANN as of 31 March 2021. This relationship is 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	<p>Application fees are paid one time by prospective registrars at the time of application.</p> <p>For FY22, application fees are estimated to be \$98,000 based on a volume of 28 applications and a fee of \$3,500 per application.</p>
Annual Accreditation Fees	<p>Annual accreditation fees are fees that all registrars are required to pay annually to maintain accreditation. The fee is \$4,000 per year. Registrars have the option of paying the annual \$4,000 accreditation fee in quarterly installments of \$1,000.</p> <p>For FY22, the annual accreditation fees are estimated at \$9.4 million, based on 2,356 registrars renewing and being newly accredited.</p>

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: <ul style="list-style-type: none"> • Per-registrar variable fee • Transaction-based fee
3.1 Per-Registrar Variable Fees	<p>Per-Registrar Variable Fees are based on a validated concept that ICANN expends the same effort in providing services to a registrar regardless of size. However, if the registrar is considerably small 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:</p> <ol style="list-style-type: none"> 1. Less than 350,000 gTLD names under its management 2. No more than 200 attempted adds per successful net add in any TLD <p>Forgiveness will be granted each quarter to all registrars that qualify.</p> <p>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.</p> <p>In addition, a discount of 10 percent is granted to all registrars operating under the 2013 RAA.</p>
3.2 Transaction-Based Fees	<p>Transaction-Based Fees are assessed on each annual increment of an add, renewal, or transfer transaction that has survived a related add or auto-renew grace period. This fee will be billed at \$0.18 per transaction for registrars operating under the 2013 RAA (resulting from a \$0.20 base fee, discounted by 10 percent to \$0.18).</p>

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 FY22 Proposed for Adoption 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	FY22 Proposed for Adoption Budget		FY21 Forecast		Other FY22 Scenarios			
					High	Low		
Accreditation Fees - annual	\$	9.4	\$	9.5	\$	9.6	\$	7.8
Per-registrar Variable Fees		3.4		3.4		3.4		3.4
Registrar Transaction Fees		37.6		36.3		39.5		32.3
Total Registrar Funding	\$	50.4	\$	49.2	\$	52.5	\$	43.5

7.2 Governance

Name of Fund	Description of Fund
1 Operating and Reserve Funds	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 Board-approved ICANN Budget. The Operating Fund contains enough funds to cover ICANN's expected expenditures for three months. Periodically, any excess funds are transferred to the ICANN Reserve Fund. To illustrate, the ICANN Board approved an allocation of \$3 million from the Operating Fund to the Reserve Fund in November 2019.
1.2 Reserve Fund	<p>The Reserve Fund is ICANN's funding of last resort to cover large expenses resulting from unavoidable, unpredictable, or unplanned events, which cannot be funded from ICANN's operations. The use of any Reserve Fund is restricted by actions of the Board of Directors, with a partial delegation of authority to the Board Finance Committee (BFC).</p> <p>The Reserve Fund is the subject of an October 2018 Board-approved replenishment strategy to a minimum of 12 months of operating expenses. The replenishment is expected to occur through annual allocations from the Operating Fund to the Reserve Fund, which are the subject of separate Board decisions at the time they occur.</p>

Name of Fund	Description of Fund
2 New gTLD Program Funds and the 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 Funds	This corresponds to the unspent portion of the New gTLD Program application fees, collected from applicants during the application window in 2012. The funds are used to evaluate the applications and to cover hard-to-predict costs, including risks.
2.2 Auction Proceeds	The ICANN Auction is a mechanism of last resort to resolve string contention within the New gTLD Program. ICANN expects most string contentions to be resolved by other means before reaching an auction conducted by ICANN's authorized auction service provider. Auction Proceeds will be reserved and earmarked until the Board determines a plan for the appropriate use of the funds after consultation with the community. Auction Proceeds are a net of any auction costs. Auction costs may include initial set-up costs, auction management fees, and escrow fees.

7.3 Additional Financials

7.3.1 FY21 Adopted Budget versus FY21 Forecast

This table compares ICANN org funding and expenses in the FY21 Adopted Budget to the FY21 Forecast. The FY21 Forecast is based on eight months of actual data and four months of estimates. The FY21 Adopted Budget assumed pandemic-related travel restrictions for the first three months of the fiscal year, whereas the FY21 Forecast assumes pandemic-related travel restrictions for the entire fiscal year.

Compared to the FY21 Adopted Budget, the FY21 Forecast funding is \$10.7 million higher, driven by a less than planned impact from the pandemic, and a \$2 million contribution for SSR initiatives. Expenses in the FY21 Forecast are \$9.4 million lower, driven by less-than-planned Travel and Meetings expenses due to the COVID-19 pandemic. Given the uncertain economic environment from the COVID-19 pandemic, the FY21 Forecast Reserve Fund contribution will be reviewed and assessed at the end of FY21.

In Millions, USD	FY21 Adopted Budget	FY21 Forecast	Under/(Over) vs. FY21 Forecast	
	ICANN Operations	ICANN Operations	\$	%
Funding ⁽¹⁾	\$129.3	\$140.0	\$10.7	8%
Personnel	76.0	76.6	0.6	1%
Travel & Meetings	12.4	4.7	(7.7)	-62%
Professional Services	20.0	17.9	(2.0)	-10%
Administration	17.1	16.6	(0.5)	-3%
Capital	1.7	6.3	4.6	277%
Incremental Operating Initiatives ⁽²⁾	0.0	2.0	2.0	n/a
Contingency ⁽³⁾	5.2	1.2	(4.0)	-77%
Cost Savings Initiatives	(3.0)	(1.4)	1.6	-53%
Total Operating Expenses	\$129.3	\$123.9	(\$5.4)	-4%
Excess/(Deficit) before Contributions	\$0.0	\$16.1	(\$16.1)	n/a
Reserve Fund Contribution	0.0	0.0	0.0	n/a
Net Operating Excess/(Deficit)	\$0.0	\$16.1	(\$16.1)	n/a
Average Headcount	395	395	0	0%

(1) FY21 Forecast Funding includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans

(3) Contingency represents an amount of budgeted expenses unallocated to specific activities or functions

7.3.2 FY22 Proposed for Adoption Budget versus FY21 Adopted Budget

This table compares ICANN org funding and expenses in the FY22 Proposed for Adoption Budget to the FY21 Adopted Budget, which was adopted in May 2020 and adjusted for an estimated impact of the COVID-19 pandemic for the first three months of the fiscal year.

Compared to the FY21 Adopted Budget, the FY22 Proposed for Adoption Budget funding is \$15.1 million higher, driven by growth in domain name transactions per historical trends and a full year contribution to SSR initiatives versus none in the FY21 Adopted Budget. Expenses in the FY22 Proposed for Adoption Budget are \$14.0 million higher, driven by incremental operating initiatives, more headcount and inflationary Personnel expenses, and Capital projects. Given the uncertain economic environment from the COVID-19 pandemic, the planned FY21 Adopted Budget Reserve Fund contribution will be reviewed and assessed at the end of FY21. The FY22 Proposed for Adoption Budget plans for a \$1 million contribution to the ICANN Reserve Fund.

In Millions, USD	FY22 Proposed for Adoption Budget	FY21 Adopted Budget	Under/(Over) vs. FY21 Adopted Budget	
	ICANN Operations	ICANN Operations	\$	%
Funding ⁽¹⁾	\$144.4	\$129.3	\$15.1	12%
Personnel	80.1	76.0	(4.1)	-5%
Travel & Meetings	13.8	12.4	(1.4)	-11%
Professional Services	19.6	20.0	0.3	2%
Administration	17.2	17.1	(0.1)	-1%
Capital	4.0	1.7	(2.4)	-143%
Incremental Operating Initiatives ⁽²⁾	5.5	0.0	(5.5)	n/a
Contingency ⁽³⁾	5.2	5.2	0.0	0%
Cost Savings Initiatives	(2.2)	(3.0)	(0.8)	28%
Total Operating Expenses	\$143.2	\$129.3	(\$14.0)	-11%
Excess/(Deficit) before Contributions	\$1.1	\$0.0	\$1.1	n/a
Reserve Fund Contribution	1.1	0.0	(1.1)	n/a
Net Operating Excess/(Deficit)	\$0.0	\$0.0	\$0.0	0%
Average Headcount	405	395	(10)	-2%

(1) FY22 Funding includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans

(3) Contingency expense represents an amount of budgeted expenses unallocated to specific activities or functions

7.3.3 Total ICANN Financial Overview FY21 Adopted Budget versus FY21 Forecast

This table compares the total ICANN funding and expenses, including New gTLD Program funding and expenses in the FY21 Adopted Budget, to the FY21 Forecast. The FY21 Forecast is based on eight months of actual data and four months of estimates. The FY21 Adopted Budget assumed pandemic-related travel restrictions for the first three months of the fiscal year, whereas the FY21 Forecast assumes pandemic-related travel restrictions for the entire fiscal year.

Compared to the FY21 Adopted Budget, funding for the FY21 Forecast, is \$13.8 million higher, and is driven by lower than planned costs due to the impact of the pandemic and a \$2 million contribution for SSR initiatives. Expenses in the FY21 Forecast are \$9.7 million lower and driven by less-than-planned Travel and Meetings expenses due to the COVID-19 pandemic. Due to the uncertain economic environment from the COVID-19 pandemic, the FY21 Forecast Reserve Fund contribution will be reviewed and assessed at the end of FY21.

In Millions, USD	FY21 Adopted Budget			FY21 Forecast			Under/(Over) vs. FY21 Forecast			
	ICANN Operations	New gTLD	Total ICANN	ICANN Operations	New gTLD	Total ICANN	ICANN Operations	New gTLD	Total ICANN	%
Funding ⁽¹⁾	\$129.3	\$5.1	\$134.4	\$140.0	\$8.1	\$148.1	(\$10.7)	(\$3.0)	(\$13.8)	-9%
Personnel	76.0	1.0	77.0	76.6	1.0	77.6	0.6	(0.1)	0.6	1%
Travel & Meetings	12.4	0.1	12.5	4.7	0.1	4.8	(7.7)	(0.0)	(7.7)	-162%
Professional Services	20.0	4.1	24.1	17.9	3.9	21.8	(2.0)	(0.2)	(2.3)	-10%
Administration	17.1	0.1	17.1	16.6	0.1	16.7	(0.5)	(0.0)	(0.5)	-3%
Capital	1.7	0.0	1.7	6.3	0.0	6.3	4.6	0.0	4.6	73%
Incremental Operating Initiatives ⁽²⁾	0.0	0.0	0.0	2.0	0.0	2.0	2.0	0.0	2.0	100%
Contingency ⁽³⁾	5.2	0.0	5.2	1.2	0.0	1.2	(4.0)	0.0	(4.0)	n/a
Cost Savings Initiatives	(3.0)	0.0	(3.0)	(1.4)	0.0	(1.4)	1.6	0.0	1.6	-114%
Total Operating Expenses	\$129.3	\$5.4	\$134.6	\$123.9	\$5.1	\$128.9	(\$5.4)	(\$0.3)	(\$5.7)	-4%
Excess/(Deficit) before Contributions	\$0.0	(\$0.3)	(\$0.2)	\$16.1	\$3.0	\$19.2	(\$16.1)	(\$3.3)	(\$19.4)	n/a
Reserve Fund Contribution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Net Operating Excess/(Deficit)	\$0.0	(\$0.3)	(\$0.2)	\$16.1	\$3.0	\$19.2	(\$16.1)	(\$3.3)	(\$19.4)	n/a
End of Period Headcount										
Average Headcount	395	0	395	395	0	395	0	0	0	0%

(1) FY22 Funding includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans

(3) Contingency expense represents an amount of budgeted expenses unallocated to specific activities or functions

7.3.4 Total ICANN Financial Overview FY22 Proposed for Adoption Budget versus FY21 Forecast

This table compares the total ICANN funding and expenses, including New gTLD Program funding and expenses in the FY22 Proposed for Adoption Budget, to the FY21 Forecast. The FY21 Forecast is based on eight months of actual data and four months of estimates. The FY22 Proposed for Adoption Budget assumes unrestricted travel for the entire fiscal year, whereas the FY21 Forecast assumes pandemic-related travel restrictions for the entire fiscal year.

Compared to the FY21 Forecast, the FY22 Proposed for Adoption Budget is \$4.4 million higher, driven by growth in domain name transactions per historical trends and a full year of contributions to SSR initiatives versus half a year in FY21 Forecast. Expenses in the FY22 Proposed for Adoption Budget are \$19.8 million higher, driven by three incremental face-to-face ICANN Public Meetings, a higher headcount and inflationary Personnel expenses, and incremental operating initiatives. Due to the uncertain economic environment from the COVID-19 pandemic, the FY21 Forecast Reserve Fund contribution will be reviewed and assessed at the end of FY21. The FY22 Proposed for Adoption Budget plans for a \$1.1 million contribution to the ICANN Reserve Fund.

In Millions, USD	FY22 Proposed for Adoption Budget			FY21 Forecast			Under/(Over) vs. FY21 Forecast			
	ICANN Operations	New gTLD	Total ICANN	ICANN Operations	New gTLD	Total ICANN	ICANN Operations	New gTLD	Total ICANN	%
Funding ⁽¹⁾	\$144.4	\$8.1	\$152.5	\$140.0	\$8.1	\$148.1	\$4.4	\$0.0	\$4.4	3%
Personnel	80.1	1.0	81.2	76.6	1.0	77.6	(3.5)	(0.1)	(3.6)	-5%
Travel & Meetings	13.8	0.1	13.9	4.7	0.1	4.8	(9.1)	(0.0)	(9.1)	-190%
Professional Services	19.6	4.2	23.8	17.9	3.9	21.8	(1.7)	(0.3)	(2.0)	-9%
Administration	17.2	0.1	17.3	16.6	0.1	16.7	(0.6)	(0.0)	(0.6)	-4%
Capital	4.0	0.0	4.0	6.3	0.0	6.3	2.2	0.0	2.2	36%
Incremental Operating Initiatives ⁽²⁾	5.5	0.0	5.5	2.0	0.0	2.0	(3.5)	0.0	(3.5)	n/a
Contingency ⁽³⁾	5.2	0.0	5.2	1.2	0.0	1.2	(4.0)	0.0	(4.0)	n/a
Cost Savings Initiatives	(2.2)	0.0	(2.2)	(1.4)	0.0	(1.4)	0.8	0.0	0.8	n/a
Total Operating Expenses	\$143.2	\$5.4	\$148.7	\$123.9	\$5.1	\$128.9	(\$19.4)	(\$0.4)	(\$19.8)	-15%
Excess/(Deficit) before Contributions	\$1.1	\$2.7	\$3.8	\$16.1	\$3.0	\$19.2	(\$15.0)	(\$0.4)	(\$15.4)	n/a
Reserve Fund Contribution	1.1	0.0	1.1	0.0	0.0	0.0	(1.1)	0.0	(1.1)	n/a
Net Operating Excess/(Deficit)	\$0.0	\$2.7	\$2.7	\$16.1	\$3.0	\$19.2	(\$16.1)	(\$0.4)	(\$16.5)	n/a
Average Headcount	381	23	405	395	0	395	14	-23	-10	-2%

(1) FY22 Funding includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans

(3) Contingency expense represents an amount of budgeted expenses unallocated to specific activities or functions

7.3.5 Total ICANN Financial Overview FY22 Proposed for Adoption Budget versus FY21 Adopted Budget

This table compares total ICANN funding and expenses, including New gTLD Program funding and expenses in the FY22 Proposed for Adoption Budget, to the FY21 Adopted Budget. The FY21 Budget was adopted in May 2020 and adjusted for the estimated impact due to the COVID-19 pandemic for the first three months of the fiscal year.

Compared to the FY21 Adopted Budget, the FY22 Proposed for Adoption Budget funding is \$18.1 million higher, driven by growth in domain name transactions, per historical trends, and a full-year of contributions to SSR initiatives versus none in the FY21 Adopted Budget. Expenses in the FY22 Proposed for Adoption Budget are \$14.1 million higher, driven by more headcount and inflationary Personnel expenses, and incremental operating initiatives. Due to the uncertain economic environment from the COVID-19 pandemic, the planned FY21 Adopted Budget Reserve Fund contribution will be reviewed and assessed at the end of FY21. The FY22 Proposed for Adoption Budget plans for a \$1.1 million contribution to the ICANN Reserve Fund.

In Millions, USD	FY22 Proposed for Adoption Budget			FY21 Adopted Budget			Under/(Over) vs. FY21 Adopted Budget			
	ICANN Operations	New gTLD	Total ICANN	ICANN Operations	New gTLD	Total ICANN	ICANN Operations	New gTLD	Total ICANN	%
Funding ⁽¹⁾	\$144.4	\$8.1	\$152.5	\$129.3	\$5.1	\$134.4	\$15.1	\$3.0	\$18.1	14%
Personnel	80.1	1.0	81.2	76.0	1.0	77.0	(4.1)	(0.0)	(4.2)	-5%
Travel & Meetings	13.8	0.1	13.9	12.4	0.1	12.5	(1.4)	(0.0)	(1.4)	-11%
Professional Services	19.6	4.2	23.8	20.0	4.1	24.1	0.3	(0.1)	0.3	1%
Administration	17.2	0.1	17.3	17.1	0.1	17.1	(0.1)	(0.0)	(0.1)	-1%
Capital	4.0	0.0	4.0	1.7	0.0	1.7	(2.4)	0.0	(2.4)	-143%
Incremental Operating Initiatives ⁽²⁾	5.5	0.0	5.5	0.0	0.0	0.0	(5.5)	0.0	(5.5)	n/a
Contingency ⁽³⁾	5.2	0.0	5.2	5.2	0.0	5.2	0.0	0.0	0.0	0%
Cost Savings Initiatives	(2.2)	0.0	(2.2)	(3.0)	0.0	(3.0)	(0.8)	0.0	(0.8)	28%
Total Operating Expenses	\$143.2	\$5.4	\$148.7	\$129.3	\$5.4	\$134.6	(\$14.0)	(\$0.1)	(\$14.1)	-10%
Excess/(Deficit) before Contributions	\$1.1	\$2.7	\$3.8	\$0.0	(\$0.3)	(\$0.2)	\$1.1	\$3.0	\$4.0	n/a
Reserve Fund Contribution	1.1	0.0	1.1	0.0	0.0	0.0	(1.1)	0.0	(1.1)	n/a
Net Operating Excess/(Deficit)	\$0.0	\$2.7	\$2.7	\$0.0	(\$0.3)	(\$0.2)	\$0.0	\$3.0	\$2.9	n/a
Average Headcount	405	0	405	395	0	395	-10	0	-10	-2%

(1) FY22 Funding includes contribution for SSR initiatives, which are part of ICANN's Operating Initiatives

(2) Figures only reflect Operating Initiatives that require resources in addition to functional activity plans

(3) Contingency expense represents an amount of budgeted expenses unallocated to specific activities or functions

7.4 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 in place. Under the ICANN Bylaws, there is both a ICANN Caretaker Budget and a IANA Caretaker 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 would adopt as a basis 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 Proposed for Adoption 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 Proposed for Adoption Budget:
 - Travel and Meetings.
 - Professional Services of the Proposed for Adoption Budget.
 - Exclude any expense directly associated with the reason for which the Empowered Community rejected the Proposed for Adoption Budget, if such expense can reasonably be isolated and avoided.

8 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](#).

8.1 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 three times per planning cycle: as a “Draft” in December, as “Proposed for Adoption” after the Board approves, and as “Adopted” after the Empowered Community period in 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 both budgetary components of ICANN (ICANN Operations and New gTLD Program) combined with the IANA Budget.

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 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 Generic Top-Level Domain Program

The New Generic Top-Level Domain Program (New gTLD Program) is implemented by ICANN org to enable the expansion of the DNS. The New gTLD Program 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 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. 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 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.

8.2 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. This funding is used to carry out ICANN’s Mission to ensure the stable and secure operation of the Internet’s unique identifier systems. In the Budget document, expenses incurred to support the Mission are often represented with the cost categories below.

Funding Categories:

Transactions

ICANN org receives transaction fees for registrations, renewals, and transfers of domain names. Transactions are generally categorized as pertaining to registries or registrars, and Legacy TLDs or New gTLDs (see New Generic Top-Level Domain Program above). Transactions have to meet a minimum criterion to be considered billable. Transactions are billed quarterly.

Registry Fixed Fees

Registry Operators pay a fixed fee to ICANN org, which is billed quarterly.

Registrar 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 fees.

Registrar Accreditation Fees

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.

*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, CFO, and the Senior Vice President, 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 5 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. Administration expense excludes 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 FY22. These positions are budgeted at the organizational level instead of being allocated to specific functional activities.

Incremental Operating Initiatives

Operating Initiatives that require resources in addition to functional activity plans.

Cost Savings Initiatives

ICANN org will 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 staff costs and overhead expenses, are allocated to the New gTLD Program.