Registries Stakeholder Group Statement

Draft ICANN FY25 Plans

Date statement submitted: 12 February 2024

Reference url:
https://www.icann.org/en/public-comment/proceeding/draft-icann-fy25-plans-12-12-2023

<u>Background</u>[1]

Documents for input

- **Draft ICANN FY25 Budget**
- **Draft ICANN FY25-29 Operating & Financial Plan and Draft ICANN FY25 Operating Plan**
- **Draft IANA FY25 Operating Plan and Budget**
- Highlights of the Draft ICANN FY25-29 Operating & Financial Plan and Draft ICANN FY25 Operating Plan & Budget

RySG comments on previous draft ICANN plans and budgets

- FY24, FY23, FY22, FY21, FY20

Registries Stakeholder Group Comment

Introduction

The Registries Stakeholder Group (RySG) welcomes the opportunity to comment on ICANN's Draft FY25 Plans. This comment is structured as follows: the RySG first provides overarching comments on the document and process, then, in line with ICANN's recent guidance, includes an additional budget request, and finally lists individual projects and budget items of concern to the RySG.

I. Overarching comments

Once again, and consistent with previous RySG comments, we invite ICANN to simplify its financial reporting.

- The multitude of Operating Initiatives (11) and Functional Activities (34) – some of which appear to be redundant or at least overlapping – continue to make it difficult to assess where ICANN is focusing (or not) its resources.

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[1] Background: intended to give a brief context for the comment and to highlight what is most relevant for RO's in the subject document – it is not a summary of the subject document.

- Relatedly, funding for these efforts appears to be divided across units within ICANN org making it extremely difficult to determine the full scope of investment in each initiative and their reasonability.
- As previously suggested, a zero-based accounting of all of ICANN's activities (rather than building a spending plan to match projected revenues) could help streamline the spending proposals.
- In addition, the sheer volume of information and text in the report presents a challenge of finding time and human resources to thoroughly review, compare, and comment substantively.

Given the recurring concerns about the complexity of ICANN's budget documentation and financial reporting, and in particular the accessibility of the massive and challenging amount of information to deal with from a community and volunteer perspective, and in particular community members with no training or background in finance, we pose the following questions:

1. Does ICANN org have any plans to simplify its financial reporting? How might those plans improve community visibility into the transparency and accountability of ICANN's expenditures?
2. ICANN org indicates how progress is tracked internally against all of its Operating Initiatives and Functional Activities but is this data publicly available? If only shared with the ICANN Board's Finance Committee, does the latter provide any public assessments beyond Q&A sessions at the numbered ICANN meetings?
3. Does ICANN org plan to show levels of activity over time? Importantly, are total dollars invested per item available so that the community can assess the reasonability of these investments?
4. How will ICANN ensure that the Activity Based Reporting - as presented at the 23 December webinar - enhances financial reporting without adding complexity, but increases budget transparency and facilitates the assessment by its community? Is it ICANN's intention to replace the traditional expense category reporting with activity based reporting or will activity based reporting be supplemental to traditional reporting?

In the RySG's clarifying question submitted earlier in this public comment process, we noted that *"Many SOs/ACs rely upon the ABR to ensure and enable participation in ICANN's multistakeholder processes. What are the process, timelines, formalities and contact for ICANN community groups to submit resource requests as part of the OP&B process, as is suggested in the 8 November announcement?"*

ICANN responded that in lieu of the traditional additional budget request (ABR) process, *"For the FY25 ICANN Operating Plan and Budget, ICANN community groups may submit resource requests as part of their submissions to the Public Comment proceeding on the Draft ICANN FY25 Plans, which closes at 23:59 UTC on Monday, 12 February 2024. ICANN will review all resource requests from the community. ICANN community groups may contact planning@icann.org with any questions before the deadline."*.

Submitting SO/AC specific ABRs via a public comment process focused on the entirety of the ICANN Budget and Operating Procedure process, seems unsustainable. Does ICANN envision a specific process for ABRs for SO/ACs outside the budget public comment process in the future?

Finally, in line with ICANN's recent guidance, please find the RySG's additional budget request for eight (8) funded travel slots for the CPS and one (1) additional funded travel slot for regular ICANN meetings in FY25 below.

In the past few years, the RySG has found incredible value in the opportunity the CPS provides contracted parties to discuss operational issues and best practices across the CPH. In addition, the engagement with staff has been invaluable. The RySG would like to request that ICANN support eight (8) travel slots for RySG participation for the Contracted Parties Summit (CPS) in FY25.

Further, the RySG wishes to encourage, as best as possible, the broadest and most inclusive participation from all our members at these important community driven meetings, from across the full spectrum of our diverse membership. As such the RySG would like to request that ICANN supports a further one (1) travel slot for RySG participation for the ICANN Public Meetings during FY25 (Thus bringing the total number of slots available to eight (8)).

The RySG Executive Committee will closely monitor any travel requests submitted by requiring the requestors to demonstrate their need, provide a statement of interest, indicate how they can benefit by participation and commit to actively participate in the CPS and ICANN Public Meetings as well as taking an active role in any follow-on activities from their meeting participation.

The travel support currently provided to the RySG for members to participate in the three (3) ICANN meetings each year has resulted in a growth in new member participation and mentoring, a high level of participation in working groups and other critical efforts within the RySG and broader CPH. There is every expectation this same outcome will be realized by providing those members, who are otherwise unable to attend the CPS and ICANN Public Meetings with travel support funding.

Such funding will afford them an opportunity to engage in the focused and outcome-driven sessions, to enhance their knowledge base of topics most directly focused on the RySG (and CPH), and ultimately provide further volunteer participation in on-going and ever-expanding critical activities within the RySG, GNSO and broader ICANN community.

Additional travel funding will allow us to develop and mentor leadership within the RySG, enable small registries or those with new business models to participate, and provide the opportunity to reach out to those underserved geographic regions within the gTLD registries community and properly support their participation.

In summary, the RySG respectfully submits a **request for unrestricted support of eight (8) travel slots to participate in the CPS** and **one (1) additional travel slot for each of the three regular ICANN Public Meetings in FY25.**

II. Comments on individual items of the FY25-29 Operating Plan

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Operating initiative 9: Implement New gTLD auction proceeds recommendations as approved by the Board
FY25-29: p. 33-34 / FY25: p. 151-152

The RySG commends ICANN for unveiling its Grant Program to distribute the substantial proceeds from past ICANN Auctions of Last Resort, and looks forward to the application process that is scheduled to begin on 25 March 2024.

Operating initiative 11:   ICANN Reserves.
FY25-29: p. 37 / FY25: p. 154

The RySG notes that ICANN org continues supplementing the Reserve Fund, whereas,
- The ICANN Board only directed "an amount equal to one year of operating expenses as the minimum target level."
- With a reported balance of $170M (as of 30 June 2023), this is 17% over the FY23 budgeted operating expenses of $145M – more than the "slightly higher" difference noted in ICANN org's documentation.
- ICANN org also reports that it "contributed" $34M to the Reserve Fund in 2022 and 2021 alone. This is almost the sum ($36M) that the ICANN Board diverted from the Auction Proceeds in October 2018, and came at a time when ICANN expenses were significantly lower due to the global pandemic.

Given the current level of excess in the Reserve Fund and the reported trend of stability in ICANN's revenue stream,
1. Does ICANN org plan to seek ICANN Board authorization to return any/all of the $36M diverted from the Auction Proceeds? This would be especially timely given the pending launch of the ICANN Grants Program.
2. Does ICANN org plan to seek ICANN Board clarification on the appropriate level for the Reserve Fund? The current "minimum target level" language has resulted in significant overages and offers no guardrail to the continued squirrelling away of funds that could/should be better used elsewhere in the community.

Summary of Submission:

The Registries Stakeholder Group (RySG) provides comments on the ICANN's FY25 Plans documentation and process, additional budget requests, and individual projects and budget items of concern to the RySG.