

Background Information for ICANN Budget Planning

The following background information may be helpful to you.

A. Current Year Budget and Priorities

As a point of departure for your considerations, it would be useful to consider the budget and stated priorities for the current financial year, 2001-2002. These can be found at

<http://www.icann.org/financials/proposed-budget-14may01.htm>

and more specifically for priorities at

<http://www.icann.org/financials/proposed-budget-14may01.htm#III.A>

(Note that the referenced proposed budget was adopted as presented.)

Although we have made good progress on the stated priorities for 2001-2002 (see attached document), we are still understaffed, and not all goals are likely to be reached within the current financial year. This is primarily because we do not hire all the staff authorized in the budget until cash received makes that feasible. For various reasons, cash receipts lag budgetary projections. I am optimistic that we will be able to increase staff in the second half of the year. Even so, I believe that ICANN is still severely understaffed in relation to demands and community expectations. Either staff will need to be increased next year or expectations will need to be reduced. Your comments on priorities are therefore very important to us.

B. Some Thoughts Looking Ahead

Looking ahead to next year, we expect that there will be new demands and the need to improve existing operations in ways such as the following:

1. Continue to improve IANA operations and technical services.
2. Implementation of whatever the outcome may be of the deliberations on the At Large study. Regardless of the approach chosen, there will likely be substantial demands on staff and other resources to implement the outcome.
3. Support of whatever the outcome may be of the recommendations of the IDN Committee. Also to the extent the Committee's deliberations reach into next fiscal year, there will be the continuing need to provide staff support to the Committee.
4. Increased technical expenditures to support improved security for ICANN's systems and facilities.
5. Implement any recommendations arising out of the overall increased focus on security arising out of the Marina del Rey security meeting and the post September 11 events.

6. Improved monitoring and support of contract agreements and new gTLDs. Although, except for the ccTLD agreements, most of the agreements envisaged by the Memorandum of Understanding with the U.S. Department of Commerce will shortly be in place, the existence of these agreements place considerable burden on the need for monitoring and compliance capabilities. Each of these agreements places burdens in this regard. ICANN is seriously under-resourced in this regard. It is not realistic to assume that ICANN can fulfill its responsibilities within the current resource framework.
7. Support of evaluation and monitoring of new gTLDs to the extent such evaluation exceeds the balance of funds available from this activity. This is separate from the need for contract monitoring and compliance.
8. Changes in required support for other legal expenditures beyond contract monitoring and compliance. As indicated above, most of the agreements envisaged by the Memorandum of Understanding with the U.S. Department of Commerce should have been completed and signed, except for most ccTLD agreements. The pace at which new ccTLD agreements will be signed is still uncertain. The demands of a possible round (or rounds) of new gTLDs are also unknown, although the initial legal effort required for each new agreement should be less since the basic framework has now been established. Litigation is always unpredictable.
9. Beyond the need for continuing monitoring and compliance, we expect that the progress already made on the tasks set in ICANN's Memorandum of Understanding with the U.S. Department of Commerce will allow us to focus our energies more intensely on our core technical coordination agenda. The budgetary implications of this, however, are unclear at this stage, other than the items reflected in the above.

These thoughts are not a fixed or ordered list of proposed priorities and are not intended to constrain your views or our continuing deliberations. They are just intended to be suggestive of some of the issues on the table.

C. Next Steps

The Budget Process Schedule is presented below. Please note that you will have additional opportunities to give us your views following the posting of the Preliminary Budget in February. And, of course, once the proposed Final Budget is posted in May, there is a final opportunity to comment. However, your comments now, as I develop the proposed Preliminary Budget, will be especially helpful in moving us toward consensus.

D. ICANN 2002-2003 Proposed Budget Approval Schedule

September, 2001	Finance Committee Meeting, Open Forum Solicitation of Comments on Budget Planning for 2002-2003, Montevideo
October, 2001	Appointment of Budget Advisory Group
November, 2001	Joint Finance Committee & Budget Advisory Group Meeting, Marina del Rey
November, 2001	Written solicitation of priority suggestions from Supporting Organizations, Advisory Committees, and constituencies
November, 2001	Initiate Board discussion-written
December, 2001	Preliminary Board discussion of priorities (teleconference)
December, 2001	Consultations with funding sources
January 10, 2002	Receipt of SO, Adv. C., and constituencies' views on priorities
January 2002	Review of proposed priorities with Finance Committee and Budgetary Advisory Group
February, 2002	Second Board teleconference
February, 2002	Preliminary Budget to Budget to Finance Committee, Budget Advisory Group
February, 2002	Posting of Preliminary Budget
March 2002	Joint Finance Committee & Budget Advisory Group Meeting, Accra
March, 2002	Public Forum discussion, Accra
March 2002	Board discussion of preliminary budget, Accra
April/May, 2002	Budget refinement and consultations with Finance Committee, Budget Advisory Group
May 7, 2002	Posting of proposed Final Budget for community feedback and Board approval
June 2002	Board decision on Final Budget

2001-2002 Budget Priorities and Issues

The following is excerpted from the 2001-2002 Budget Document to indicate the budget priorities and issues for the current year. I have annotated in italics to indicate progress made.

A. Budget Priorities and Issues (from 2001-2002 approved budget):

Priorities for 2001-2002 are a combination of highlighted and continuing priorities. In combination, these priorities are directed to supporting constituencies in their endeavors to ensure a stable Internet worldwide, and an Internet that can adapt rapidly to incorporate new possibilities and meet new challenges and user demands. The staffing requirements to meet these priorities are defined in the next section.

Highlight Priorities (the numbers are for reference purposes and do not refer to any particular ordering of the priorities):

1. Strengthen administrative and operational services to ccTLDs.

Many improvements have been made to streamline operations. Data capture, analysis, and reporting systems have been implemented to track progress and provide basis for service improvements.

2. Complete implementation requirements for the new gTLDs, monitor the introduction of new registries, and conduct an evaluation of the "proof of concept" results of initial operations and services.

All agreements are expected to be completed and signed by December 2001. Three new registries are in operation. A Task Force has been formed to recommend an evaluation process to the Board.

3. Refine the agreement structure with ccTLDs and enter into agreements with those ccTLDs who wish to do so.

The first ccTLD agreement has been signed with the new operator of .au. Several others are in negotiation. Model agreements have been posted. Progress, however, will be slow and will depend upon the readiness of ccTLDs to enter into agreements.

4. Complete other outstanding agreements with other ICANN constituencies not already completed in 2000-2001.

Agreements with the RIRs and the Root Server Operators are nearing completion.

5. Complete the At Large study and implement those recommendations from the study that are adopted by the Board.

The At Large Study Committee has submitted its final report. Feedback is being sought from the community. The Board has authorized contingent planning to support certain of the Committee's recommendations should they or similar recommendations be adopted. Whether or not this planning is implemented will depend upon actual actions taken by the Board in Accra in March.

6. Implement any other governance changes that are approved by the Board, including recommendations from any of the Supporting Organizations.

The Board has not approved any actions requiring staff effort, although it has appointed a Restructuring Committee of the Board to consider and proposals that may be submitted to the Board.

7. Continue to assist the IP registry community in the deployment of IPv6.

ICANN is running the ip6.arpa master, and is participating in IPv6 policy development through the ASO.

8. Monitor and provide assistance to the development of international domain name extensions to the DNS.

A Board IDN Working Committee has reported and recommended the establishment of an IDN Committee to coordinate IDN policy development to complement the technical work of the IETF. The IDN Committee is being formed with Director Katoh as chair.

9. Establish the Independent Review Panel as per Board policy.

A nominating committee has been established and is considering potential candidates.

10. Complete the evaluation of UDRP procedures, policy, and complaint process outcome. Implement any Board approved recommendations for improvement that are made by the Names Council.

The Names Council has established a UDRP Task Force to review the UDRP.

11. Stabilize ICANN as an organization by (a) clarifying the organizational structure (b) staffing to meet basic requirements of improved services and mission-imposed responsibilities, and (c) ensuring that responsibilities and authorities are more clearly defined.

Work is ongoing regarding (a) and (c). Regarding (b), staff have been recruited as authorized by the Budget, but the pace of recruitment has been slowed pending clarification of whether revenues (realized in cash) will achieve budgeted levels.

12. Normalize financial support for ICANN.

The financial structure of ICANN has been formalized, including the establishment of a programmatic structure. The overall model for financial support has been formalized

and built into registry agreements. A mode of seeking financial support from registries with which ICANN does not have agreements has been established.

13. Increase the Operating Reserve towards Board approved levels.

Although some progress has been made, this is still an elusive goal.

14. Implement any Board approved recommendations on long-range planning that result from the Finance Committee's review.

The Finance Committee is still working on long-range planning. However, there is a need to obtain consensus on planning assumptions before this work can proceed further.

Continuing Priorities:

Supporting the following “Continuing Priorities” continues to occupy the overwhelming majority of staff resources and time, leaving insufficient discretionary capacity to accomplish the above Highlight Priorities and other items that arise that are unforeseen when the budget is created (such as the fallout of September 11).

Missing from this list of continuing priorities is a clear focus on contract monitoring and compliance. Given a transition from formulation and implementation of agreements to the need to monitor and ensure compliance, this is an omission that must be remedied in the next budget cycle.

1. Provide timely and responsive support to the policy-making activities of the Board and Supporting Organization Councils and other advisory bodies and Board Committees as needed, including policy implementation, preparation of legal agreements and other materials, analysis as required etc.

This is continuing activity.

2. Ensure responsive services to meet operational commitments of service programs, including address registries, name registries, IANA, root servers, registrar accreditation, etc.

Many service improvements have been implemented (see above under Highlight Priorities).

3. Implement agreements with constituent bodies to formalize the delegation of ICANN responsibilities.

See above under Highlight Priorities.

4. Conduct an active education and outreach program that supports public participation in ICANN policy-making activities, including public meetings, electronic forums, publications (hardcopy or electronic), accessible website etc.

Standard activities in this area continue. Press communications has been brought in-house and special outreach activities for the press and others have been implemented.

5. Ensure efficient and effective planning and implementation of four ICANN meetings a year at locations approved by the Board.

Two ICANN meetings have been held and planned this year, including a special meeting on the security of Internet naming and address allocation systems. Two more are in the planning stages.

6. Operate technical services as required to meet community obligations such as registrar data escrow services and the root server distribution master as well as to support internal operations.

A document specifying requirements for registrar data escrow services has been issued.

7. Fulfill other requirements imposed by the Memorandum of Understanding with the US Government as prerequisites to the full internationalization of ICANN.

The introduction of new gTLDs has furthered increased registry competition. There is a reasonable expectation that agreements with the address registries and the root server operators will be consummated in the near future. The latter will allow finalization of the CRADA report. The principal remaining task will be the signing of agreements with ccTLDs. This will proceed only as fast as ccTLDs are ready to enter into such agreements. This may in some cases depend on the readiness of governments to pass appropriate legislation.

8. Execute the general management and administrative responsibilities of the corporation in an efficient and effective manner.