

ICANN  
Board Meeting  
August 22, 2013



FY14 Budget Approval

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# FY14 Budget Overview

(In thousands)

STATEMENT OF ACTIVITIES	ICANN Ops				New gTLD Program				Total			
	FY14 Final Budget	FY13 Forecast	Incr/ (Decr)	%	FY14 Final Budget	FY13 Forecast	Incr/ (Decr)	%	FY14 Final Budget	FY13 Forecast	Incr/ (Decr)	%
<b>TOTAL SUPPORT AND REVENUE</b>	\$ 88,158	\$ 76,419	\$ 11,739	15.4%	\$112,105	\$162,507	\$ (50,402)	-31.0%	\$200,263	\$238,926	\$ (38,662)	-16.2%
<b>OPERATING EXPENSES</b>												
Personnel	36,172	27,924	8,248	29.5%	16,317	7,462	8,855	118.7%	52,489	35,386	17,103	48.3%
Travel & Meetings	13,879	9,776	4,103	42.0%	217	73	144	198.4%	14,096	9,849	4,247	43.1%
Professional Services	18,742	16,224	2,518	15.5%	43,379	74,670	(31,291)	-41.9%	62,121	90,894	(28,773)	-31.7%
Administration	12,088	8,274	3,813	46.1%	1,963	1,896	67	3.5%	14,050	10,170	3,880	38.2%
Bad Debt Expenses	480	573	(93)	-16.3%	-	-	-	0.0%	480	573	(93)	-16.3%
Depreciation Expenses	2,540	2,094	446	21.3%	-	-	-	0.0%	2,540	2,094	446	21.3%
Community Support Requests	671	536	135	25.2%	-	-	-	0.0%	671	536	135	25.2%
<b>Operating Expenses</b>	<b>\$ 84,571</b>	<b>\$ 65,402</b>	<b>\$ 19,170</b>	<b>29.3%</b>	<b>\$ 61,875</b>	<b>\$ 84,101</b>	<b>\$ (22,225)</b>	<b>-26.4%</b>	<b>\$146,447</b>	<b>\$149,502</b>	<b>\$ (3,056)</b>	<b>-2.0%</b>
<b>CHANGE IN NET ASSETS DUE TO OPERATING ACTIVITIES</b>	<b>\$ 3,587</b>	<b>\$ 11,016</b>	<b>\$ (7,429)</b>	<b>-67.4%</b>	<b>\$ 50,230</b>	<b>\$ 78,407</b>	<b>\$ (28,177)</b>	<b>-35.9%</b>	<b>\$ 53,816</b>	<b>\$ 89,423</b>	<b>\$ (35,607)</b>	<b>-39.8%</b>
<b>OTHER INCOME/ (EXPENSE)</b>												
Contingency	(3,700)	-	3,700	0.0%	-	-	-	0.0%	(3,700)	-	3,700	0.0%
FX Translation Gain / (Loss)	-	154	154	100.0%	-	-	-	0.0%	-	154	154	100.0%
Investment Gain / (Loss)	-	3,914	3,914	100.0%	470	(47)	(516)	1102.5%	470	3,867	3,397	87.9%
<b>Other Income/ (Expense)</b>	<b>\$ (3,700)</b>	<b>\$ 4,068</b>	<b>\$ 7,768</b>	<b>191.0%</b>	<b>\$ 470</b>	<b>\$ (47)</b>	<b>\$ (516)</b>	<b>1102.5%</b>	<b>\$ (3,230)</b>	<b>\$ 4,021</b>	<b>\$ 7,251</b>	<b>180.3%</b>
<b>TOTAL NET EXPENSES</b>	<b>\$ 88,271</b>	<b>\$ 61,334</b>	<b>\$ (26,938)</b>	<b>-43.9%</b>	<b>\$ 61,406</b>	<b>\$ 84,147</b>	<b>\$ 22,742</b>	<b>27.0%</b>	<b>\$149,677</b>	<b>\$145,481</b>	<b>\$ (4,196)</b>	<b>-2.9%</b>
<b>CHANGE IN NET ASSETS BEFORE CONTRIBUTION, HISTORICAL &amp; RISK COSTS</b>	<b>\$ (113)</b>	<b>\$ 15,085</b>	<b>\$ (15,198)</b>	<b>-100.8%</b>	<b>\$ 50,699</b>	<b>\$ 78,360</b>	<b>\$ (27,660)</b>	<b>-35.3%</b>	<b>\$ 50,586</b>	<b>\$ 93,444</b>	<b>\$ (42,858)</b>	<b>-45.9%</b>
New gTLD App Support Contribution	-	(138)	138	-100.0%	-	-	-	0.0%	-	(138)	138	-100.0%
Historical Development Costs	11,687	16,941	(5,254)	-31.0%	(11,687)	(16,941)	5,254	-31.0%	-	-	-	0.0%
New gTLD Risk Costs	-	-	-	0.0%	-	(898)	898	-100.0%	-	(898)	898	-100.0%
Exceptional Items	(3,997)	-	(3,997)	0.0%	-	-	-	0.0%	(3,997)	-	(3,997)	0.0%
<b>CHANGE IN NET ASSETS</b>	<b>\$ 7,576</b>	<b>\$ 31,888</b>	<b>\$ (24,311)</b>	<b>-76.2%</b>	<b>\$ 39,013</b>	<b>\$ 60,520</b>	<b>\$ (21,508)</b>	<b>-35.5%</b>	<b>\$ 46,589</b>	<b>\$ 92,408</b>	<b>\$ (45,819)</b>	<b>-49.6%</b>

\*Exceptional items include ICANN Strategy Panels and ATLAS II.

Comments provided on subsequent slides.

Total multi-year New gTLD program information can be found on slide 14.

# FY14 Budget vs. FY13 Forecast – Revenue Overview

(In thousands)

	FY14 Budget	FY13 Forecast	Incr/ (Decr)	%
<b>Existing TLDs</b>				
<b>Registry</b>	\$ 42,363	\$ 38,808	\$ 3,555	9.2%
<b>Registrar</b>	34,229	33,879	349	1.0%
<b>RIR</b>	823	823	0	0.0%
<b>ccTLD</b>	1,900	1,863	37	2.0%
<b>IDN ccTLD</b>	-	-	-	0.0%
<b>Meeting Sponsorships/other</b>	1,800	1,046	754	72.1%
<b>Sub-total</b>	<b>\$ 81,115</b>	<b>\$ 76,419</b>	<b>\$ 4,696</b>	<b>6.1%</b>
<b>New gTLDs</b>				
<b>Registry</b>	\$ 5,193	\$ -	\$ 5,193	0.0%
<b>Registrar</b>	1,850	-	1,850	0.0%
<b>Sub-total</b>	<b>\$ 7,043</b>	<b>\$ -</b>	<b>\$ 7,043</b>	<b>0.0%</b>
<b>ICANN Ops Revenue</b>	<b>\$ 88,158</b>	<b>\$ 76,419</b>	<b>\$ 11,739</b>	<b>15.4%</b>
<b>New gTLD Application Fees</b>	<b>\$ 112,105</b>	<b>\$ 162,507</b>	<b>\$ (50,402)</b>	<b>-31.0%</b>
<b>Total Support and Revenue</b>	<b><u>\$ 200,263</u></b>	<b><u>\$ 238,926</u></b>	<b><u>\$ (38,662)</u></b>	<b><u>-16.2%</u></b>

Comments provided on next slide.

Total multi-year New gTLD program information can be found on slide 14.

# FY14 Budget – Revenue Variance Analysis

(In thousands)

**FY13 Forecast** **\$238,926**

## Variations - Fav/ (Unfav):

<b>Registry</b>	8,748	Transactions volume in historical gTLD registries is forecasted to decrease during the 2nd half of FY14 by 1%, as a result of the new gTLD registries starting operations, resulting in a flat transaction volume vs FY13. Full year effect of the conversion of .com contract from fixed fee to transaction adds (+\$2.5M) in revenue for FY14. Revenues generated from new gTLD registries is (+\$5.2M) in FY14, mostly from fixed fees.
<b>Registrar</b>	2,200	Revenues from existing TLDs has a impact of (+\$0.3M) due to an increase in fixed fees from new registrars. The estimated transactions created by the new gTLD registries generate additional transaction fee revenue of (+\$1.9M).
<b>ccTLD</b>	37	
<b>Contributions &amp;</b>	754	The FY14 budget includes contributions from four meetings versus two in FY13.
<b>New gTLD App Fees</b>	(50,402)	Efforts and resources for the Initial Evaluation Phase were shifted from FY14 to FY13. As a result, expenses/revenue for FY14 is lower offset by higher expenses/revenue in FY13.

**FY14 Budget** **\$200,263**

**Total multi-year New gTLD program information can be found on slide 14.**



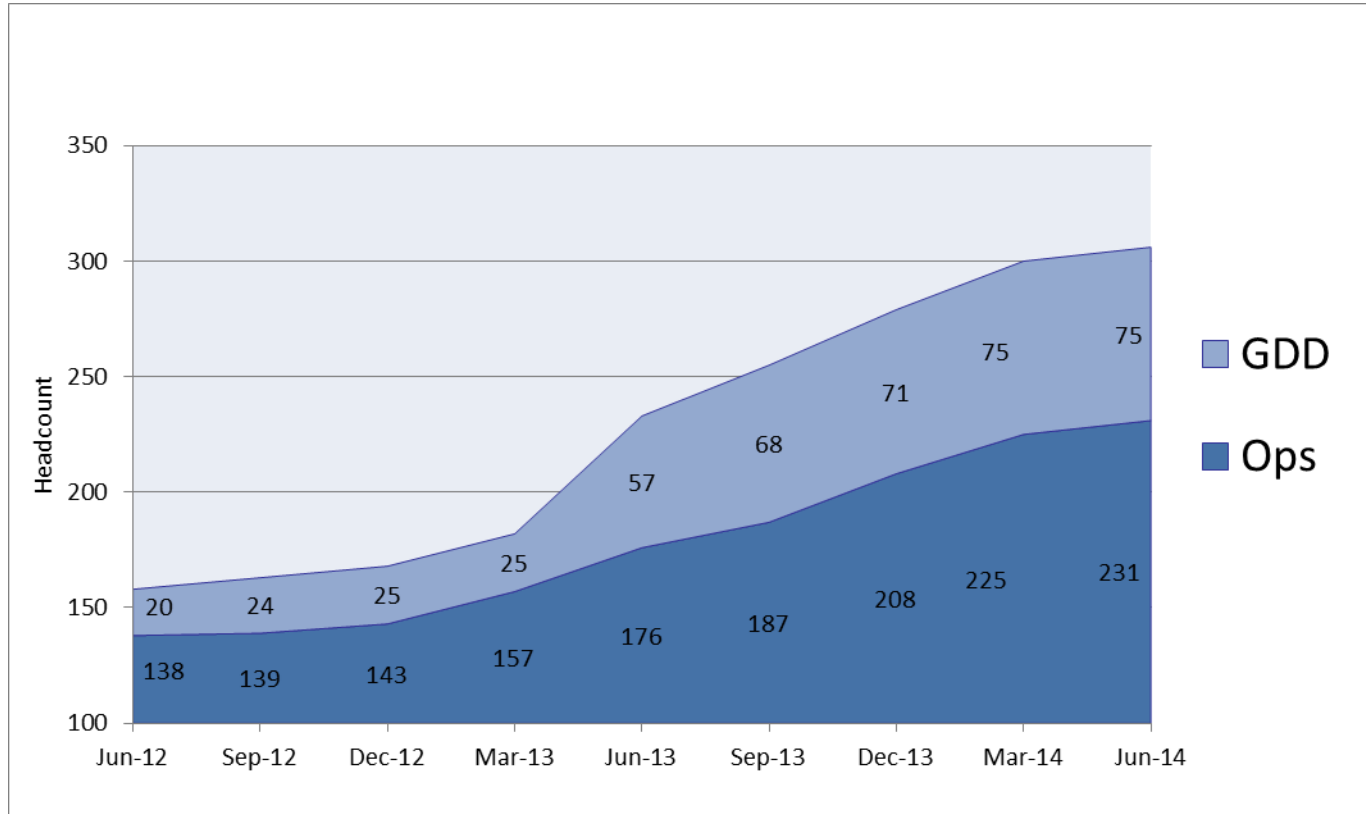
# FY14 Budget - Headcount by Function

Group	FY14 Budget		FY13 Forecast		Incr/ (Decr)	
	EOY <sup>(1)</sup>	Avg.	EOY <sup>(1)</sup>	Avg.	EOY <sup>(1)</sup>	Avg.
<b>Ops</b>						
00 - Reserved	1	1	1	1	-	-
01 - Executive	12	11	9	6	3	6
02 - Strategic Comm <sup>(2)</sup>	17	14	16	9	1	6
03 - GSE	36	29	17	14	19	15
04 - Gov Engagement	7	6	4	3	3	4
05 - SO/AC engagement	24	23	21	19	3	4
07 - Governance support	18	15	14	11	4	5
09 - Technical functions	48	43	37	42	11	1
10 - Operations <sup>(2)</sup>	49	44	39	30	10	15
11 - Compliance	19	18	17	15	2	3
<b>Ops sub-total</b>	<b>231</b>	<b>206</b>	<b>175</b>	<b>148</b>	<b>56</b>	<b>58</b>
<b>Generic Domains Division</b>						
06 - Domain Name Services	24	19	16	12	8	7
08 - GDD Executive	1	1	2	2	(1)	(1)
08 - GDD Operations	11	5	3	-	8	5
08 - Online community services	10	9	8	1	2	9
New gTLD Application Processing	29	36	36	16	(7)	20
<b>Generic Domains Division sub-total</b>	<b>75</b>	<b>71</b>	<b>65</b>	<b>31</b>	<b>10</b>	<b>40</b>
<b>TOTAL ICANN</b>	<b>306</b>	<b>277</b>	<b>239</b>	<b>178</b>	<b>66</b>	<b>99</b>

<sup>1</sup> End of year.

<sup>2</sup> The Meetings team that is currently reported under Operations was reported under Strategic Communications in the published budget.

# Headcount Growth (FY13 to FY14)





# FY14 Operating Plan and Budget

## New gTLD Program

# New gTLD Program – Financial Summary

(In thousands)

	FULL PROGRAM		
	Current Estimate (June 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)
Total Application Fees	\$ 363,342	\$ 370,000	\$ (6,658)
Less: Total Refunds	(52,025)	(32,930)	(19,095)
<b>Net Application Fees</b>	<b>\$ 311,317</b>	<b>\$ 337,070</b>	<b>\$ (25,753)</b>
<b>Expenses</b>			
Evaluation Costs	\$ 130,458	\$ 142,618	\$ 12,160
Overheads	41,371	14,238	(27,133)
Historical Development Costs	32,454	32,454	-
<b>Total Operating Expenses</b>	<b>\$ 204,283</b>	<b>\$ 189,310</b>	<b>\$ (14,973)</b>
<b>Remaining Balance</b>	<b>\$ 107,035</b>	<b>\$ 147,760</b>	<b>\$ (40,725)</b>

	Current Estimate (June 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/(Unfav)
<b>Remaining Balance</b>	<b>\$ 107,035</b>	<b>\$ 147,760</b>	<b>\$ (40,725)</b>
Risk Reserve *	110,040	120,000	(9,960)
<b>Net Remaining Balance</b>	<b>\$ (3,005)</b>	<b>\$ 27,760</b>	<b>\$ (30,765)</b>

\* Risk Reserve of \$110.0M includes \$1.2M of actual costs incurred through May 2013

## VARIANCE EXPLANATIONS

### Application Fees (6,658)

- (i) Applications 1930 vs. 2000 budgeted (-\$12.9M).
- (ii) ICANN Applicant Support Contributions, 1 approved application vs. 15 budgeted (-\$1.8M); offset by fees of (+\$.1M)
- (iii) Application fee of \$5K/each for applicants who applied to the program but did not complete the process (+.8M).
- (iv) Assumed 85 applications will elect CPE at \$10K/application (+.8M). Fees for RSTEP to be billed to applicants (+2.8M).
- (vi) Applicants that paid \$185K each but withdrew from program prior to the release of the applicant list (+3.5M).

### Refunds (19,095)

Total projected withdrawals 646 vs. 545 budgeted; Total applications reflect withdrawals to date and projected withdrawals. For breakdown of refund milestones, see table 1.0 in appendix.

### Evaluation Costs 12,160

Objection Processes (+17.1.0M); Initial Evaluation (+3.0M); Quality Control (-\$1.2M); Extended Evaluation (-\$3.3M); Program Administration (-\$4.5M); All other (+.9M).

### Overhead (27,133)

ICANN staff allocation (-\$15.6M); gTLD team (-\$6.8M); Other overhead (-\$4.7M).

### Risk (9,960)

The risk reserve of \$110M represents the total balance for the program to date for active applications. This includes actuals of \$1M. Future costs until the end of the program cannot be estimated.

# New gTLD Program – Financial Summary

(In thousands)

	EXPENSES			REVENUE		
	Current Estimate (June 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)	Current Estimate (June 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)
FY12	\$ 5,594	\$ 1,917	\$ (3,677)	\$ -	\$ -	\$ -
FY13	101,042	84,316	\$ (16,725)	162,507	153,801	\$ 8,706
FY14	73,562	87,544	\$ 13,982	112,105	159,833	\$ (47,728)
FY15	24,085	15,532	\$ (8,553)	36,705	23,436	\$ 13,269
<b>Full Program</b>	<b>\$ 204,283</b>	<b>\$ 189,310</b>	<b>\$ (14,973)</b>	<b>\$ 311,317</b>	<b>\$ 337,070</b>	<b>\$ (25,753)</b>

## VARIANCE EXPLANATIONS

### Expenses \* **(14,973)**

ICANN Staff Allocation (-\$15.6M); gTLD Team (-\$6.8M); Other Overhead (-\$4.7M); Evaluation Processing (+12.1M),

### Revenue **(25,753)**

Refunds (-\$19.1M); New gTLD Applicant Fees (-\$8.4M); ICANN Applicant Support (-\$1.8M); Additional application fees: CPE Fees (+.8M) and Extended Evaluation Fees (+2.8M) for RSTEP.

\* Detailed explanation of expenses provided subsequent slides

# New gTLD Program – Operating Expenses

(In thousands)

1930 Applications	Current Estimate Full Program (June 2013)	Prior Estimate Full Program (June 2012)	Variance Current vs. Prior Fav/(Unfav)
Operating Expenses			
<b>Direct Costs</b>			
Initial Evaluation	70,417	73,495	3,078
Extended Evaluation	6,800	3,540	(3,260)
Quality Control	9,851	8,600	(1,251)
String Contentions	2,426	2,505	80
Objection processes	7,690	24,800	17,110
Pre-delegation	24,216	25,128	912
Program Administration	9,058	4,550	(4,508)
<b>Indirect/Overhead</b>			
gTLD Team	12,415	5,599	(6,816)
ICANN Staff Allocation	22,769	7,118	(15,651)
Other Overhead	6,187	1,521	(4,666)
<b>Total Operating Expenses</b>	<b>\$ 171,829</b>	<b>\$ 156,856</b>	<b>\$ (14,973)</b>

*See comments on variances on the next slide.*

# New gTLD Program – Expense Variance Analysis

(In thousands)

NgTLD	
<b>Prior Estimate (June 2012) Expenses</b>	<b>189,310</b>
<b>Variations - Fav/ (Unfav):</b>	
<b>Initial Evaluation</b>	3,078 Due to favorable contract negotiations, String Similarity Panel (+\$5.1M); Registry Services (-\$.1M); DNS Stability (-\$.2M); Geographic Names (-\$.3M); Fin/Tech/Ops Panel (-\$1.4M) due to rework and additional evaluation due to change requests.
<b>Extended Evaluation</b>	(3,260) Unbudgeted RSTEP costs to be offset by separately billing to applicants (-\$.8M); Assumed 400 apps will go to EE - 200 Fin and 200 Tech @ \$10K/app (-\$.5M); Favorability due to lower applications 1930 vs. 2000 budgeted (+.1M).
<b>Quality Control</b>	(1,251) Change in sample population and scope of work (-\$.12M)
<b>String Contentions</b>	80
<b>Objection Processes</b>	17,110 Govt Objection cases received were 10 @ assumed rate of \$150K vs. 2000 @ \$4.7K (+7.9M); ALAC cases 5 vs. 40 (+\$5.3M); Independent Objections costs (+3.9M).
<b>Pre-Delegation</b>	912 Favorability due to lower applications 1930 vs. 2000 budgeted (+\$.9M).
<b>Program Administration</b>	(4,508) TMCH (-\$.9M); Consultants for QC, LCs and Panel Coordination (-\$.4M); EBERO (-\$.1M); URS (-\$.1M).
<b>gTLD Team</b>	(6,816) Due to program needs the following functional areas were identified: gTLD Operations, gTLD Initial and Extended Evaluation, gTLD Post-Evaluation, gTLD Customer Service, gTLD Systems, and gTLD Rights Protection. (i) gTLD Support - 8 headcount (-\$.25M) (ii) gTLD Post-Evaluation which includes Contracting, Pre-delegation testing, CPE and Auctions - average headcount 7 vs. 0 budgeted (-\$.8M) (iii) gTLD Systems - average headcount 4 vs. 1 budgeted (-\$.10M) (iv) gTLD Customer Service which includes resources for Istanbul and Singapore - average headcount 16 vs. 6 budgeted (-\$.6M) (v) gTLD Rights Protection - new functional area (-\$.4M) (vi) gTLD Initial and Extended Evaluation team - average headcount 3 vs. 2 budgeted (-\$.4M) (vii) gTLD Operations - 2 headcount (-\$.1M)
<b>ICANN Staff Allocation</b>	(15,651) Staff allocation increased due to additional support needed for the NgTLD program. Percentage of allocation ranges from 10% to 25% for each departments total operating expenses. (i) FY13, \$5.7M vs. \$2.1M (-\$.36M) (ii) FY14, \$9.8M vs. \$2.1M (-\$.77M) (iii) FY15, \$6.0M vs. \$1.7M (-\$.43M)
<b>Other Overhead</b>	(4,666) Legal professional services not included in budget (-\$.44M); All other i.e. travel, etc. (-\$.3M).
<b>Current Estimate (June 2013)</b>	<b>204,283</b>

# New gTLD Program – Multi-Year View

(In thousands)

1930 Applications	Statement of Activities for Full Program (June 2012)	Current Estimate Full Program (June 2013)				
		FY12 Actual	FY13 Forecast	FY14 Forecast	FY15 Forecast	Total
New gTLD Applicant Fees	368,000	-	-	-	-	359,554
ICANN Applicant Support Contributions	2,000	-	-	-	-	138
Auction Proceeds	-	-	-	-	-	-
Additional Application Fees	-	-	-	-	-	3,650
Refunds	(32,930)	-	-	-	-	(52,025)
<b>Net Application Fees</b>	<b>\$ 337,070</b>	<b>\$ -</b>	<b>\$ 162,507</b>	<b>\$ 112,105</b>	<b>\$ 36,705</b>	<b>\$ 311,317</b>
<b>Operating Expenses</b>						
<b>Direct Costs</b>						
Initial Evaluation	73,495	3,172	58,400	8,845	-	70,417
Extended Evaluation	3,540	-	-	5,100	1,700	6,800
Quality Control	8,600	-	4,344	5,508	-	9,851
String Contentions	2,505	-	-	1,040	1,386	2,426
Objection Processes	24,800	39	4,586	3,065	-	7,690
Pre-delegation	25,128	-	4,902	16,272	3,041	24,216
Program Administration	4,550	450	2,438	3,550	2,620	9,058
<b>Indirect/Overhead</b>						
gTLD Team	5,599	689	1,737	6,428	3,561	12,415
ICANN Staff Allocation	7,118	1,137	5,725	9,889	6,018	22,769
Other Overhead	1,521	107	1,968	2,179	1,933	6,187
Historical Development Costs	32,454	-	16,941	11,687	3,826	32,454
<b>Total Operating Expenses</b>	<b>\$ 189,310</b>	<b>\$ 5,594</b>	<b>\$ 101,042</b>	<b>\$ 73,562</b>	<b>\$ 24,085</b>	<b>\$ 204,283</b>
<b>Net Remaining Balance</b>	<b>\$ 147,760</b>	<b>\$ (5,594)</b>	<b>\$ 61,466</b>	<b>\$ 38,543</b>	<b>\$ 12,620</b>	<b>\$ 107,035</b>
Investment Income	-	-	91	845	500	1,436
Investment Management Fees	-	-	(138)	(376)	(222)	(735)

# FY14 Registrar Fees

# FY14 Budget - Registrars Fees

(In thousands)

The Registrars fees are to be approved by the Board before submission to voting by the Registrars.

Around 1,000 registrars are currently accredited by ICANN. This relationship is governed by the Registrar Accreditation Agreement (RAA), of which the most recent version was approved in June 2013. The three versions of the agreement currently in use were approved in 2001, 2009, and 2013. The RAA is a five year agreement that provides for the following types of fees:

- Application fee
- Annual accreditation fee
- Variable accreditation fee
  - Per registrar variable fee
  - Transaction based fee

In addition, since 2009, 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 also assumed to be zero for the FY14 budget. Figure 3-5 shows all registrar fees.



# FY14 Budget - Registrars Fees cont.

(In thousands)

Figure 3-5

(in thousands, US dollars)	FY 14 BUDGET	FY13 FORECAST	FY13 BUDGET	FY14 Budget Change	
<b>Application Fees</b>	420	360	140	60	14%
<b>Accreditation Fees</b>	4,215	4,137	4,000	78	2%
<b>Per Registrar Variable Fees</b>	3,800	3,800	3,800	-	0%
<b>Discounts</b>	(380)	(380)	(380)	-	0%
<b>Transaction Fees</b>	26,174	25,947	28,296	227	1%
<b>AGP Excess Deletion Fees</b>	-	16	-	(16)	
<b>Registrar Revenue-Traditional</b>	34,229	33,880	35,856	349	1%
<b>Transaction Fees Related to New gTLDs</b>	1,850			1,850	100%
<b>Registrar Revenue -Total</b>	<b>36,079</b>	<b>33,880</b>	<b>35,856</b>	<b>2,199</b>	<b>6%</b>

# FY14 Budget - Registrars Fees cont.

(In thousands)

**Application fees** are paid one time by prospective registrars at the time of application. For FY14, the application fees are estimated to be \$420,000 based upon a volume of 120 applications and a per application fee of \$3,500 per application.

**Annual accreditation fees** are fees that all registrars are required to pay annually to maintain accreditation. The fee is \$4,000 per year. Unless a registrar is operating under the 2001 version of the RAA, (2001 RAA) registrars have the option of paying the annual \$4,000 accreditation fee in quarterly installments of \$1,000. For FY14, the annual accreditation fees are estimated at \$4.2 million, based on an estimate of a total of 1,050 registrars renewing and being newly accredited.

**Variable accreditation fees** are determined based on the transaction type and volume of each registrar. There are two types of fees associated with the variable accreditation fees:

- Per registrar variable fee
- Transaction based fee

# FY14 Budget - Registrars Fees cont.

(In thousands)

**Per registrar variable fees** are budgeted at \$3.8 million but are expected at \$3.4 million for FY14, to be paid by the registrars as a whole. The per-registrar fee is based on a validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of size. However, provided that the registrar is considerably smaller in size and in 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, the registrar must have (1) less than 350,000 gTLD names under its management and (2) no more than 200 attempted adds per successful net add in any tld. Forgiveness will be granted each quarter to all registrars that qualify.

The amount per registrar is calculated each quarter by dividing \$950 thousand (one-fourth of \$3.8 million) equally among all registrars that have at least been accredited for one full quarter or have made at least one transaction, taking into consideration the forgiveness factor.

In addition, a discount of 10 percent is granted to those registrars that are operating under the 2009 or 2013 RAA. The FY14 revenue budget assumes a 10 percent reduction across all registrars due to the low percentage of registrars currently operating under the 2001 RAA.

# FY14 Budget - Registrars Fees cont.

(In thousands)

**Transaction based fees** are assessed on each annual increment of an add, renew or a transfer transaction that has survived a related add or auto-renew grace period. This fee will be billed at \$0.20 per transaction for registrars operating under the 2001 RAA, and \$0.18 per transaction for registrars operating under the 2009 or 2013 RAA. As of April 2013, majority of domain names are managed by registrars operating under the 2009 RAA. The FY14 transaction fee revenue is calculated at the lower rate of \$0.18 in the anticipation that most transactions will be billed at \$0.18 by the end of the fiscal year. Transaction volume is expected to increase slightly over the next year to an average of 36 million transactions per quarter.

Add-grace period 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% of total adds, per month, per tld. The rate per excess deletion is \$0.20.