Non-Commercial Stakeholders Group
Representing the interests and concerns of
non-commercial Internet users in domain name policy

To: Cherine Chalaby, Chair of the Board, ICANN
Cc: Göran Marby, President and CEO, ICANN

29 May 2018

Re: NCSG Input into ICANN's FY19 Budgetary Process

Dear Mr. Chalaby and members of the ICANN Board,

As you may be aware, the Non-Commercial Stakeholders Group (NCSG) has been very proactive in monitoring and participating in ICANN's budgetary process for the coming fiscal year. We have done this in order to meet our obligations to our members, to the non-commercial community, and to the broader ICANN community. It is very important to us that ICANN the organisation functions in the way that the Empowered Community has directed it to.

To that end, we submitted a comment to ICANN dated 5 March 2018 wherein we provided structured feedback and offered suggested revisions to the Budget and Operating Plan for the coming fiscal year.[1] This followed on from our comments on Reserve Fund replenishment[2] and our active involvement in the GNSO's Standing Committee on Budget and Operations, which a representative from our Stakeholder Group chairs. We have now reviewed the 24 April 2018 summary report of public comments to understand how ICANN has interpreted our analysis[3], and we have reviewed the final version of the Budget published 21 May 2018[4] which we understand is on your agenda for your Board meeting on 30 May 2018.

Before you consider adopting the Budget, we would like to take the opportunity to speak to how this Budget will impact us. We would also like to clarify some of our remarks, as it was our assessment that the responses offered by ICANN org did not necessarily mesh with the intended sentiment behind our initial comments.

In the pages that follow we have extracted in full our original comment, the response to our comments from ICANN org, and shared our clarifications. However, at a high level, we wish to remind you that:

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[1] https://mm.icann.org/pipermail/comments-fy19-budget-19jan18/2018q1/000019.html
[2] https://mm.icann.org/pipermail/comments-reserve-fund-replenishment-06mar18/2018q2/000005.html
[3] https://www.icann.org/en/system/files/files/report-comments-fy19-budget-24apr18-en.pdf
[4] https://www.icann.org/news/blog/final-proposed-fy19-operating-plan-and-budget

- It is our view that headcount and personnel costs cannot continue to grow. There must be a serious review of staff salaries, bonuses, and fringe benefits;

- In aggregate form, and given how large a percentage of the budget they comprise, personnel costs must be published at the granular level by function and location;

- The Additional Budgetary Request envelope must remain stable and not be shrunk. If it is not restored in FY19, the community's ability to engage in ICANN's policy work will be negatively impacted;

- The GNSO Council held a very successful Strategic Planning Session in FY18. In FY19, ICANN org has proposed cutting it from three days to two days, to save roughly $5,000. In light of the GNSO Council's growing responsibilities vis-à-vis a potential Expedited Policy Development Process Working Group, we ask that this session please be restored to its original length of three days;

- The proposed partial restoration of the Community Regional Outreach Programme (CROP) is welcomed but inadequate. We ask that it be restored to FY18 levels; and

- In the interest of transparency, we ask that information be published on staff travel expenditure.

Thank you, as always, for the work that you do and for considering our input.

Yours sincerely,

Farzaneh Badiei
Chair, Non-Commercial Stakeholders Group

Staff Headcount

In our March comment, we wrote:

> *The organization's headcount, and personnel costs, cannot continue to grow. We feel strongly that the proposal to grow headcount by 25 FTE to 425 FTE in a year where revenue has stagnated cannot be justified. As it stands, personnel costs of $76.8 million comprise 56% of the $138 million budget, and the growth here by $7.3 million (11%) over FY18 is unconscionable. A further $23.4 million, or 17% of the budget, is allocated to outside consultants, attorneys, and other "professional services." With 73% of the overall budget now being spent on staff and professional services, there is an urgent need to see this spend decrease over time. It is possible that some of this spend is a result of community requests; for instance, to support the IANA stewardship transition, or meeting transcription requests. We kindly request clarification as to precisely what kind of services fall into the professional services category. However, regardless of why the spend is the way it is, there is a need to stop the growth in the size of the staff, and to review staff salaries, bonuses, and fringe benefits.*

ICANN org responded with a lengthy, three-page comment in which it put forward rationales for the hiring of each of the 38 new full-time positions that will be advertised in FY19. We take seriously the point that some of this growth is because 'the community' directed the organisation to undertake certain activities. However, given nearly all community support has now been cut, there is not much left in future years that can be cut from our budget. A structural change is needed in order to ensure the stability of ICANN for years to come. This might include a gradual resizing of the organisation as staff naturally depart, leaving vacant positions empty, or it could include vertical redeployment of personnel as organisational priorities change (rather than hiring new staff). For the survival of ICANN, this has to happen.

Staff Compensation Structure

We said:

> *We would like to see, at least in aggregate form, more information about ICANN's compensation structure, broken down by office location. We are under the impression that ICANN is a generous employer, and before we approve the budget we would like to understand whether the salary structure is too top-heavy or if the costs of hiring staff in certain locations is disproportionately expensive. We believe salaries at ICANN are relative to the location where one works, and given the majority of the organization's workforce is in the United States, we wonder if having more personnel in the global South, in countries with lower costs of living, would see cost savings. This could have a secondary benefit in helping ensure that ICANN is viewed as representative of the diverse population it is trying to serve. We have attempted to calculate the average salary in FY19 and, assuming a headcount of 425 and the 20 members of the governing body (the basis for their inclusion being that while directors are not strictly speaking employees, they are paid), there are potentially 445 Individuals sharing $76.8 million, or $172,600 each. This, of course, is a loaded rate and not a take-home salary for employees, but still meaningful because the fringe benefits that ICANN offers its staff are, we believe, high. In addition to health insurance, we understand ICANN pays its employees a 6% contribution to their 401(k) without requiring an employee contribution plus an addition 10% match with immediate vesting. We would like to see how ICANN salaries, including such contributions, compare against the industry standard.*

ICANN org wrote:

> *Personnel costs at the granular level by function and location is not available at this time.*

We are aware that this information is not made available. It is our view that ICANN should publish this following information in aggregate form. It is our suspicion, based on our desk research of different markets, that staff salaries in Los Angeles are likely to be higher than in other cities owing to that location's extraordinarily high cost of living. Given the majority of ICANN's staff are based there, this is problematic, and we would encourage ICANN in future to hirer personnel in cities with lower costs of living and where lower compensation packages can be both offered and accepted. That will also improve its globalization and serve more regions.

Additional Budgetary Request envelope

We wrote:

> *We strongly oppose ICANN's proposal to reduce the additional budgetary request envelope by two-thirds in FY19. This budgetary envelope was developed through a bottom-up process, and has developed into a major way to engage communities. The proposed reductions will inevitably result in important community requests for support not receiving funding and have a negative impact on the engagement of other members of the GNSO's constituencies, along with the ALAC. As we rely on the inputs, advice, and participation of the broader ICANN community, we foresee negative implications impacting our policy work.*

ICANN org says:

> *Assessment of Additional Budget Requests (ABRs) submitted each year are conducted within a separate framework, for which specific principles have been developed and apply. These ABR principles focus on the availability of resources (both financial and personnel) to support the individual and collective requests submitted. Consistent with the ABR Principles, each recommendation for approval will be prepared for evaluation by the ICANN Board Finance Committee and the full Board, and all requests submitted as well as approved will be published. Assessments of pilot programs initially funded as an ABR are also conducted, which may result in successful pilot programs becoming part of the core budget in future years.*

Firstly, we wish to note that the Community Regional Outreach Program (CROP) began as a pilot program funded through an ABR, then after several success iterations became a part of the core budget, and one year later was removed from the Budget without community consultation.

Secondly, we were disappointed to observe that in the final Budget published on 21 May that the Additional Budget Request envelope had not been restored in size to FY18 levels. The 66% reduction in size in FY19 will negatively impact us, as we and others in the ICANN community relied on this resource to fund our research and critical external engagement activities.

We wish to remind you that this budgetary envelope was developed by the community through a bottom-up process, and has developed into a major way to engage communities across ICANN. The proposed reductions have resulted in important community requests for support not receiving funding. For instance, in the proposed final Budget published 21 May, the NCSG did not receive support from ICANN org to send three participants to the Internet Governance Forum (IGF) in Paris in November. The funding for these three participants was dependent on the acceptance of a workshop by the IGF's Multistakeholder Advisory Group, confirmed speaking opportunities, and a commitment to work with ICANN staff to promote faith in ICANN as an institution. The same conditions applied for funded travelers from other parts of the ICANN community, who comprised roughly 12 individuals in 2018. In not supporting community participation in this important forum, ICANN will save roughly $15,000 -- but the credibility of ICANN as an institution will suffer, and this can already be observed on the various mailing lists like that of the Cross-Community Working Group on Internet Governance, where community members are no longer pitching IGF workshop proposals or accepting speaking engagements where they would be asked to speak on behalf of the ICANN community. Other important projects have not been funded this year which had equally small cost implications, like research assistance. As we rely on the inputs, advice, and participation of the broader ICANN community, we foresee negative implications from their cuts impacting our own policy work.

Thirdly, we ask that the length of the GNSO Council's Strategic Planning Session be maintained at three days in FY19. It has been approved for two days, which we consider to be too short. The first iteration of this forum in FY18 was highly successful and ran to three days. Given this, we believe it would be prudent to allow the GNSO Council's second Strategic Planning Session to run for a full three-days. It is quite possible that the Council, as manager of the GNSO's policy development processes, will need to spend the third day on issues surrounding the GDPR and the temporary specification which the Board adopted in May 2018.

In the FY19 Budget, some $60,000 has been allocated to the GNSO Council's Strategic Planning Session, the bulk of which likely comprises of delegate flights. Unless we are significantly

underestimating the costs involved in hosting this event (which was held in FY18 at ICANN's office in Marina del Rey, so ICANN had no need for external venue hire), the only additional cost here in stretching this to a three-day event is one additional night of hotel and per diem for each of the 22 travellers (21 Councillors + 1 volunteer facilitator), and a catered lunch. We believe this could not cost much more than $5,000.

CROP

We said:

> *On a process front, we consider it unacceptable for ICANN to remove a core activity from the FY19 Budget without first notifying the community. In the multiple webinars on the Budget that our representatives attended, not once was the withdrawal of CROP voluntarily highlighted by ICANN staff, despite the significant impact that its removal will have on our volunteerism and community engagement. This is problematic in terms of process and transparency because, being unaware that CROP was being cut, the community was unable to submit additional budgetary requests for these very activities, as we had expected them to continue to be funded through the core budget as had been the case in FY18*

ICANN org replied:

> *ICANN org acknowledges that it did not highlight the status of the community Regional Outreach Program (CROP) more clearly in the initial stages of community consultation. It should be noted, however, that the objectives, principles and ongoing approval processes for CROP are not the same as for the once-annual Additional Budget Request process, and each should not be used to supplement travel funding where the other is no longer available.*

We appreciate this acknowledgment that ICANN org misled the community by removing CROP from the core budget without community consultation and hoping we would not notice its absence. We are grateful that $50,000 has been found in the final Budget to partially restore CROP. However, given this is a significant reduction from the $150,000 that supported CROP in

FY18, we worry that the programme's scope has been shrunk without community consultation. This will negatively impact our ability to engage in critical external events.

We object to the insinuation that we would double dip, using both CROP and ABRs to serve the same purpose. We are aware of the distinction between the two. Our point was that *if* CROP was discontinued, we would now need to turn to the ABR process to seek to fund these important initiatives and activities, and as we said in our original comment, we would have only sought to have done this *if CROP was not available.*

Staff Travel

We said:

> *It is very hard to understand from the budget how much ICANN spends on staff travel, but we suspect it is a sizeable figure which could be comfortably trimmed. As civil society, we believe it is extremely important for the ICANN MS model that we have good representation at ICANN meetings, and that our members are responsible with the funds they utilize for travel. Many of our members are putting many hours of work each week purely as volunteers, and they have no organization to top up travel expenses. We try to hold our members to high standards of transparency and accountability, and would appreciate the ability to compare our spending on travel to that of ICANN the organization. Better data on these costs would also help us understand the impact of our own usage of staff time.*

ICANN org replied:

> *ICANN org has worked to reduce travel costs through new vendor contracts, as well as exploring alternative remote working tools. The FY19 travel expenses are less than FY18 forecast and the specifically the Board travel has been reduced 19.6% year over year.*

The NCSG is grateful to receive this update, and are glad to hear that Board travel expenditure is on the decline. However we still lack insights into how much ICANN spends on staff travel, particularly outside of ICANN meetings. We have in our possession a copy of the ICANN Staff Travel and Expenses Policy (dated September 2015, being the latest version uploaded into the

FCM Constituency Travel portal), and from that we understand that staff ordinarily travel in business class on journeys over eight hours, and in premium economy for journeys between five and eight hours, except if traveling to an ICANN Public Meeting. We would appreciate more granularity into what proportion of staff travel is in premium cabins, how frequently staff travel, and the average cost of each trip. We note that ICANN requires that community volunteers travel on the lowest logical fare in economy class, even when funded to travel long-haul for non-ICANN Public Meetings, for instance for Intersessionals, Strategic Planning Sessions, and CROP activities. We believe there should be a common standard of travel for ICANN Board members, staff, and community members, as this is only fair and consistent with the principle that in a multistakeholder model, no one participant is more important than another. We also note that it is unclear as to whether these supposed reductions in travel costs have been achieved through reductions or efficiencies in staff travel, or primarily through cuts to community support, for example by refusing to fund participation in the IGF in FY19 and cutting back on CROP expenditure by some 66%.