



April 26, 2019

Internet Corporation for Assigned Names and Numbers (ICANN)
12025 Waterfront Drive
Suite 300
Los Angeles, California 90094

ATTN: Mr. Russ Weinstein, Global Domains Division

**RE: Proposed Renewal of .org Registry Agreement
Comments of the National Council of Nonprofits**

Dear Mr. Weinstein:

On behalf of the National Council of Nonprofits, the largest network of charitable nonprofits in the United States, I write to express strong opposition to proposed **Section 2.10 of the .org renewal agreement** that would remove caps and permit unlimited price hikes on .org registrations and renewals.

The National Council of Nonprofits is a trusted resource that advocates for America's nonprofits nationwide. Through its network of state associations of nonprofits and 25,000-plus member charitable nonprofits, faith-based groups, and foundations, it serves as a central coordinator and mobilizer to help nonprofits achieve greater collective impact in local communities across the country. It identifies emerging trends, shares proven practices, and promotes solutions that benefit charitable nonprofits and the communities they serve. The membership of the Council of Nonprofits reflects the broad panoply of charitable missions recognized under Section 501(c)(3), each of which will be affected, either immediately or over time, by the outcome of proposed revisions to the .org renewal agreement.

A very large share of the more than 10 million .org domains are registered to charitable nonprofits organized under Section 501(c)(3) of the Internal Revenue Code. The realities of this significant segment of the United States economy are illustrative of the challenges this proposed change would inflict on organizations dedicated to the public good and serving their communities. More than 1.3 million charitable nonprofits feed, heal, shelter, educate, inspire, enlighten, and nurture people of every age, gender, race, and socioeconomic status, from coast to coast, border to border, and beyond. Despite the collective size of the sector, most charitable nonprofits are relatively small: 97 percent have budgets of less than \$5 million annually, 92 percent operate with less than \$1 million per year, and 88 percent spend less than \$500,000 annually for their work. The "typical" charitable nonprofit is community-based, serving local needs. Accordingly, it should be no surprise that relatively few charitable nonprofits have an endowment upon which to rely when revenue shortfalls occur. Indeed, most charitable nonprofits have limited reserves – about 50 percent have less than one month of cash reserves, according to one analysis of nonprofit financial records. See OLIVER WYMAN AND SEACHANGE CAPITAL PARTNERS, *The Financial Health of the United States Nonprofit Sector* (Jan. 2018).

It is in this context that we urge ICANN to reconsider its proposal to treat the .org community as just another commercial domain. The stated rationale for eliminating caps on price hikes is the desire to put the .org domain “[i]n alignment with the base registry agreement....” Stripped of the jargon in the proposal is the suggestion that a domain populated almost exclusively by tax-exempt, nonprofit organizations is no different from long-established and emerging commercial-oriented domains. This mindset seeks to treat disparate entities as the same, something that laws and society fully reject.

Nonprofits are not just like for-profit businesses

Nonprofit entities, the organizations using the .org domain, may only maintain their tax-exempt status if they remain dedicated to the public good, prevent private inurement to individuals associated with the organization, disclose their finances through detailed reporting, limit their lobbying activities, and, in the case of charitable nonprofits, refrain from any partisan, election-related activities. In other words, the price of admission into the nonprofit community is much higher than entry as a for-profit entity. The two distinct sectors are just that – separate and distinct. Application of a for-profit approach to nonprofits is usually doomed from the outset.

While there are many other distinctions between the for-profit and nonprofit sectors, one in particular pertaining to budgets and regulations is worth noting here. The federal government has completely different rules that regulate government contracting with for-profit contractors (Federal Acquisition Regulations or FAR) and federal grantmaking with nonprofits (the OMB Uniform Guidance). The reason for the separate rules governing how the federal government purchases goods and services are based on the real and practical differences between for-profit and nonprofit entities. Notably, nonprofits do not receive reimbursements in excess of costs – hence the nonprofit name. In the context of these comments, that means that charitable nonprofits do not receive profits from which to pay ever-increasing .org domain expenses.

Nonprofits cannot pass on cost increases

The ICANN proposal would subject nonprofits to unpredictable and unrestricted price hikes. Unlike for-profit businesses, nonprofits typically do not have revenue flexibility to absorb new and unexpected costs or to raise prices on consumers to overcome the hit to their bottom lines. It is a regrettable truth that the public and donors fixate on nonprofit overhead expenses in relation to direct program costs. “Overhead” includes such things as accounting services, training, legal compliance, and costs associated with maintaining a presence on the internet. All nonprofits must have a presence on the internet so that their clients and potential beneficiaries can find them, so that volunteers can learn what opportunities are available to serve, and so donors can have a secure platform on which to give. Yet, higher domain costs would result in higher overhead costs, leading to the appearance of out-of-line expenses for the nonprofits. The “overhead myth” is an indisputably flawed and destructive metric, but one that remains pervasive. This proposal to permit unfettered cost increases plays into the myth and undermines valuable and legitimate organizations. All for a misguided and arbitrary goal of aligning things that are dissimilar.

Domain names are essential to nonprofits

As noted, nonprofits rely on an easy-to-reach internet presence to be found by those who need their services and for potential donors to learn about and support the organization. The domain name is an important part of being found. If domain names are no longer affordable, nonprofits will be forced to use less substantial subdomain. Donors are much more likely to donate at nonprofit.org than nonprofit.wixsite.com. Nonprofits that are no longer able to afford to keep a

domain also risk longstanding domains being taken over by others, causing branding confusion and the potential for domains associated with charitable works being used for less-than-charitable purposes.

Proposal would divert scarce resources away from community needs

Many of the comments to-date express concerns over the arbitrary nature of the proposal and presume that the underlying motivation relates to greed rather than fairness or public service. We make no judgment about the motives, but do flag the significant consequences of this action if actually implemented. Quite literally, the profits derived by this unwarranted change will ultimately be paid by the people nonprofits will not be able to serve. Every \$1 in increased prices on the 10+ million .org domain users would generate more revenue each year than is utilized by all but the top one-percent of charitable nonprofits. Each one-dollar hike in costs per domain would divert more than \$10 million from nonprofit missions for the enrichment of the monopoly. By anyone's estimate, this money would be better spent delivering an additional 1,600,000 meals by Meals on Wheels to seniors to help maintain their health, independence and quality of life. Or \$10 million could enable nonprofits to provide vision screenings for every two- and three-year-olds in California. Or pay for one million middle school students to attend performances of "Hamilton" or "To Kill a Mockingbird". Nonprofits should not need to choose between paying for a domain name and helping people.

We close by reiterating the quotes from comments you have already received from charitable nonprofits, comments that we wholeheartedly endorse:

"I am writing to oppose lifting price caps on .org and .info domains. This change could lead to tax-exempt organizations paying thousands of dollars per year to maintain domain names, which would make it impossible for many community nonprofits to maintain a web presence. This would have a detrimental affect the public's ability to obtain information and services, and could put small nonprofit organizations out of business."

~ [Comments of Dawn Merritt](#), Izaak Walton League of America, March 25, 2019

"Many of these organizations have long-held .org domain names and a substantial percentage of their meager funding is tied to donors being able to find them via those domains. The massive potential price increases (as opposed to the moderate ones that are already possible) would prohibit smaller organizations and personal projects from having a place on the Internet. This is an anti-competitive practice aimed squarely at eliminating smaller organizations and nonprofits from having a presence on the Internet."

~ [Comments of Chris Raters](#), April 24, 2019

"The organization to which I belong is a registered nonprofit charity. Our domain is an essential part of our identity and our ability to engage our members and raise money for our operations. We are granted nonprofit charitable status because we bring a much needed benefit to the music and arts community. A significant increase in the price of our domain would diminish our ability to offer these benefits and threaten our survival."

~ [Comments of Jerry Silver](#), AROKIS Centre of Music Society, April 25, 2019

"Why, in God's name, would anyone decide that .org domains in particular should be a market free-for-all?"

~ [Comment from the administrator](#) of dozens of domain names for various nonprofit ministries, April 24, 2019

Conclusion

For all of the foregoing reasons, the networks of the National Council of Nonprofits strongly oppose the proposed revisions that would remove caps and permit unlimited price hikes on .org registrations and renewals.

Sincerely,



David L. Thompson
Vice President of Public Policy