



EN

AL-ALAC-ST-0425-01-00-EN

ORIGINAL: English

DATE: 25 April 2018

STATUS: Pending Ratification

AT-LARGE ADVISORY COMMITTEE
ALAC Statement on the ICANN Reserve Fund: Proposed Replenishment Strategy

Introduction

Alan Greenberg, At-Large Advisory Committee (ALAC) Chair developed an initial draft of the Statement on behalf of the ALAC.

On 24 April 2018, the first draft of the Statement was posted on its [At-Large workspace](#).

On that same date, ICANN Policy Staff in support of the At-Large Community sent a Call for Comments on the Statement to the At-Large Community via the ALAC Work mailing list.

On 25 April 2018, the ALAC Chair submitted comment. On 25 April 2018, the ALAC Chair requested that Staff open an ALAC ratification vote.

In the interest of time, the ALAC Chair requested that the Statement be transmitted to the ICANN public comment process, copying the ICANN Staff member responsible for this topic, with a note that the Statement is pending ALAC ratification.

ALAC Statement on the ICANN Reserve Fund: Proposed Replenishment Strategy

The ALAC appreciates the opportunity to comment on the proposed reserve fund replenishment strategy. As presented, the strategy is:

- The replenishment period should not exceed 5 years, in line with principle (i).
- Over the 5-year period, the ICANN Org should plan for operational savings in order to make a contribution of US \$15 million in total, in line with principle (ii).
- A contribution from the Auction Proceeds should be considered. The amount under consideration would be US \$36 million, corresponding to the total amount of withdrawals from the Reserve Fund to finance the IANA Stewardship transition.
- The remaining shortfall of US \$17 million (\$68m less \$15m and less \$36m above) could possibly come from one of the following sources, in no specific order of preference:
 - I. Contribution from leftover funds from the new gTLD program, if any.
 - II. Additional contribution from ICANN Org.
 - III. Additional contribution from the Auction Proceeds.

The ALAC supports this overall strategy but with the following conditions and additions:

1. The ALAC supports the allocation of operational savings at the average level of US \$3 million per year, but with the understanding that this implicit reduction on spending budgets must be spread evenly over the entire budget. As seen in the draft FY19 budget, there is a temptation to focus reductions on specific (vulnerable) parts of the community, potentially endangering the multistakeholder model. That must not happen in this case.
2. \$36 from the Auction Proceeds should be subject to a limit of 25% of available funds. If the .web funds ultimately are fully or partially available, the suggested US \$36 million could be increased to the 25% limit.
3. ICANN should not shy away from seriously considering a temporary increase on per-domain registrar fees. In past years, where ICANN finances were growing, we did not hesitate to reduce registrar fees in some years. We similarly should not hesitate to increase them in this case. A US \$0.02 increase per domain per year would net ICANN roughly US \$18 million over five years. It is likely that registrars will pass this increase on to registrants, but a US \$0.02 increase per year, even if marked up by registrars, is not going to be a deterrent to registering a domain. At a nominal domain cost of US \$10.00 per year, that is just an increase of 0.2%, far less than the inflation rates we see on most everything else.
4. The interest and other revenue from the reserve fund investments should be included in the replenishment calculations. Moreover, ICANN should consider using the interest and similar revenue on the other funds under management (the Auction Proceeds and the New gTLD surplus) to replenish the reserve instead of being returned to those funds.

Lastly, the ALAC notes that there are some in the community (including within At-Large) who feel that the Auction Proceeds should not be touched. The ALAC believes that the Auction Proceeds may be destined to do a lot of good, but doing so at the expense of an ICANN which is not financially stable is not wise.