**Feedback from Chuck Gomes regarding the 2nd READING CONCLUSIONS on BUDGET**

This feedback relates primarily to CCWG 2nd Reading Conclusion #1 on the Budget which is copied here: 1. Confirmed clarifications requested by CWG regarding transparency, rationale and role of CWG-Stewardship in elaborating a process for IANA Budget. I highlight points where I think changes are needed in the CCWG Accountability proposal in blue font.

Chuck’s Feedback

* As stated in Comment W1, the CWG Stewardship required that the CCWG-Accountability proposal or the implementation process address the matters that are not sufficiently specified in the Third Draft Proposal (i.e., those relating to budget transparency, grounds for rejection of a budget/plan, timing of budget preparation and development of the caretaker budget, each of which were described in the Second Draft Proposal).
* In my opinion I think that:
  + The text added in paragraph 10 adequately addresses grounds for rejection.
  + The text added in paragraph 13 covers the development of the caretaker budget although the ‘defined approach’ is too vague and should be clarified; where is the approach defined or how will it be defined?
  + Budget transparency and timing of budget preparation are not addressed at all.
* In the FY16 budget development process and in the currently occurring FY17 budget development process, ICANN is using a process that is transparent and timely enough to allow for community feedback in time for budget adjustments to be made in response to public comments prior to Board approval. But would the wording in paragraph 10 allow the community to reject a budget if the needed level of transparency and timeliness was changed in future processes?
  + Paragraph 10 says that the community should be able to reject a budget if there is a “perceived inconsistency with . . . the needs of ICANN stakeholders . . .”
  + I suppose that it could be argued that ‘the needs of ICANN stakeholders’ were not met if processes comparable to those used for the FY16 and FY17 budgets were not followed in the future, but I think that a little more specificity would be better.
  + There are two critical conditions that must be met for the budget development process to meet the CWG Stewardship requirements for transparency and timeliness:
    1. The level of budget detail in the Draft Budget provided for public comment must be sufficient enough to allow community members to evaluate whether planned expenses will adequately meet community needs. Using current finance systems and processes, this requires expense detail at least down to the project level and, in cases where a project involves several million dollars of costs, broken out into smaller cost areas.
    2. The Draft Budget with the detail described in item i above must be posted for public comment early enough in the process to allow time for analysis and response to public comments with enough time for budget adjustments to be made as appropriate prior to Board consideration and approval of the Final Budget.
  + I suggest adding a sentence something like this to paragraph 10: “To meet stakeholder needs, it is essential that the budget development process provide sufficient detail of revenue and expenses to allow stakeholders to evaluate whether the budget adequately meets community needs and that such detail be provided early enough in the process for stakeholders to not only provide their input but also with sufficient time for adjustments to be made prior to Board consideration and approval.”
* It is essential to recognize that, while the above comments relate to the overall ICANN budget, they also apply to the IANA budget except that the timeframes would likely have to even earlier in the case of the IANA budget.
  + Paragraphs 14 to 21 do a pretty good job in my opinion of covering the CCWG requirements regarding the IANA Budget but I think that the following points need to be considered:
    1. The second sentence in Paragraph 21 says, “The process must also be implemented in such a way as to ensure the stable and continuous delivery of the IANA Functions, and that ensures the proper delivery of contractual service levels to the respective operational communities.”
    2. Stable and continuous service is necessary for all ICANN services but I believe it is especially critical for IANA services.
    3. Even with the greatly improved budget development processes for FY16 and FY17, the reality is that the Final Budget is not approved until at best a few days before the start of the fiscal year; I do not think that this is avoidable for ICANN’s overall budget without making undesirable compromises but I definitely do not think it is acceptable for the IANA budget.
* That is a key reason why “. . . there should be two distinct processes with respect to the community’s power to reject the IANA Budget and its power to reject the ICANN Budget . . .” (Paragraph 17)
* Paragraph 20 says that an implementation group “is required to develop a proposed process for the IANA Functions Operations-specific budget review.”
* The paragraph prior to paragraph 20 discusses a Caretaker Budget for IANA if the IANA Budget is rejected.
* To ensure stable and continuous IANA operations, I firmly believe that the IANA budget (or IANA Caretaker Budget if applicable) must be finalized with considerable more lead time prior to the start of the new fiscal year.
* Therefore, I suggest that a sentence be added where appropriate that says something like this: “The process for the IANA Functions Operations-specific budget review must ensure finalization of that budget including approval of an IANA Caretaker Budget if needed no later than one month prior to the start of the new fiscal year.”