



a community-run Polkadot testnet, by developers, for developers

Proponent: 14z2CnmqMX2kcWGP5VT68sovjKXZipjkNUPtaMMnz6cjXW3q

Timeline: 6 months (July–December 2026)

Requested USD: 210,800 USDC

1. Context of the proposal:

Every product, regardless of whether it is Web2 or Web3, requires a reliable development environment where new functionality can be tested before reaching production. In the Polkadot ecosystem, this need is particularly important because multiple independent teams build and deploy their software in a shared environment where the relay chain, system chains, and parachains are all evolving simultaneously.

Paseo was created to serve as a community-run Polkadot testnet, providing a stable environment where teams can safely deploy, test, and validate infrastructure before launching on production networks.

Since its launch, Paseo has become the primary test environment used by parachain teams, infrastructure providers, and ecosystem developers. The network currently supports validator infrastructure, system chains, parachain deployments, runtime upgrades, and developer tooling used across the ecosystem.

The goal of this proposal is to secure operational funding for Paseo for the third and fourth quarters of 2026, ensuring that the testnet continues operating as a stable environment for development, integration testing, and ecosystem experimentation.

2. Motivation for the Restructuring and Cost reduction

The motivation for this proposal is to fund Paseo's continued operation across the third and fourth quarters of 2026 while significantly reducing its cost base. The Polkadot ecosystem has

shifted from a focus on shared infrastructure and security toward shipping products to onboard end users, and Paseo has evolved alongside that change.

This evolution is reflected in lower demand from parachain teams for dedicated cores and the need for a leaner architecture to run products through their testing and validation phases. The current price of DOT also has a direct bearing on a project whose costs are met by the treasury, reinforcing the case for reducing Paseo's resources and run-rate. This proposal therefore redefines Paseo's footprint and operating procedures, as detailed in the scope and burn sections below.

Funding continues to be requested and held directly in stablecoins (USDC), as established in the H1 2026 proposal following the introduction of the multi-asset bounty pallet. The funding model itself is unchanged in this cycle: denominating and holding the bounty in stablecoins removes DOT volatility risk and spares the treasury the inefficiency of liquidating DOT at low prices to cover infrastructure costs.

3. Scope of Work

The scope of Paseo operations remains consistent with the previous funding cycles. The Paseo team continues to provide operational support across several key areas:

Runtime Operations: Historically releases originating from the Polkadot Fellowship repository are deployed and validated in a timely manner. Paseo has operated under a service expectation to deploy new runtime versions within a short time window after publication. However, we want to pivot into having more recent features available in the testnet sooner than usual. We believe the testnet provides more value by making more features available even before they are included by the Fellowship in a release.

Infrastructure Coordination: Following the Q3 restructuring, the network operates with approximately 60 validators across multiple infrastructure providers. These providers maintain validator nodes, system chain collators, and RPC nodes required to operate the testnet reliably.

Ecosystem Integration Support: Paseo serves as the environment where ecosystem teams deploy and test their chains and applications before moving to production networks. This includes testing parachain integrations, system chain functionality, and new protocol features.

Developer and Ecosystem Support: Paseo collaborates with DevRel and Education teams to support developers onboarding, workshops, and testing environments used by ecosystem projects.

4. Q3 and Q4 2026 Scope of Work

Beyond the ongoing operational responsibilities outlined in Section 3, the central focus of this proposal, which covers Q3 and Q4 2026, is a significant restructuring of Paseo's resources and

operating procedures. The changes below are implemented from the start of Q3 and define how the network operates through Q4, moving Paseo to a smaller footprint that matches current demand and the ecosystem's shift toward shipping products while preserving the service teams rely on. The main workstreams are described below.

Core and validator footprint: Paseo will move to a target of 20 cores, shared between the system chains and community parachains. With fewer cores available we will group chains to share some of the existing cores, the starting target would be assigning six tasks per core so that each team produces a block roughly every 36 seconds, while the system chains that host product infrastructure retain dedicated cores. These 20 cores will be backed by 60 validators provided by Paseo's infrastructure providers.

System chain decommissioning: the Collectives, Coretime, and Bridge Hub system chains will be decommissioned. Bridge Hub seems currently unused by any team, Collectives has produced empty blocks with no collective configured, and Coretime will no longer be required within the test network, long term core allocations will transition into a more managed fashion since a market driven pricing hasn't quite been a fit for a testnet with no actual value held in it.

Network reset: given the scale of this reorganization, and because the network carries a considerable state that no longer adds direct value, Q3 will begin with a network reset. The relay chain state will start from zero, while the state of Asset Hub, People, and Bulletin (the chains holding data that teams rely on) will be preserved. Teams should expect some disruption as part of this process. Comms to the broader community will be made to dampen potential disruption in operations coming from this operation.

RPC provisioning: the bounty now assumes responsibility for the network's RPC nodes, comprising 3 nodes for the relay chain and 9 for the system chains. These were previously supplied by the IBP as part of its Polkadot infrastructure bounty, and as that provision has wound down these costs are now absorbed by the testnet bounty.

Logging instance shutdown: the dedicated logging instance will be shut down. It has not proven as useful as expected. Logs will instead be provided by the operators when traceability is required during an incident until further notice.

Core team consolidation: reflecting the broad impact of artificial intelligence on systems maintenance, and the reduced resourcing it allows, the team will be consolidated into a smaller and more efficient group formed by R0GUE team members, keeping the same responsibilities at a lower cost.

5. Quarterly Burn Overview

The following table summarizes the per-quarter operational costs and the total budget requested across the proposal period.

Role	Quarterly Cost	Details	vs Paseo H1 2026
Core Team	\$62,500	* Runtime upgrades * Release management & announcements * System first-line support * Monitoring communication channels * DevRel and Ed teams support.	- 40.39 %
Providers: 60 validators, 6 SC collators, 12 RPC nodes (2 extra nodes for contingency)	\$36,000	* 150\$ per Validator * 150\$ per System Chain Collator * 150\$ per RPC node	- 52.31 %
Blockscout (Eth Explorer for Assesthub)	\$450		N/A
Curator fees	\$1,000	Covers a \$250 payment per curator per quarter. An estimated 4 curators in 2026. Max \$1,000 ea.	N/A
Dev Tooling (faucet, etc.)	\$0	As required (funds covered by Parity). * Setup and maintenance of the faucet * Tooling for faucet management	N/A
Turboflakes Portal	\$450	Provided by Turboflakes	N/A
Quarterly Total	\$100,400	Operational cost per quarter	- 48.83%

Role	Quarterly Cost	Details	vs Paseo H1 2026
Proposal Total (Q3 + Q4)	\$200,800	Quarterly total across two quarters	- 48.83%
Contingency	\$10,000	Buffer for unforeseen operational costs over the proposal period	N/A
Total Requested	\$210,800	Proposal total plus contingency	- 46.30%

Based on the operational costs described above, the total budget requested to operate Paseo throughout the third and fourth quarters of 2026 is **\$210,800**, comprising \$100,400 of operational costs per quarter across two quarters (\$200,800) plus a \$10,000 contingency for unforeseen costs. This new budget represents a substantial reduction in operational costs, with total costs decreasing by 48.83% compared with the previous budget.

This funding covers all operational expenses for the Paseo testnet, including infrastructure providers, core maintainers, monitoring services, and ecosystem tooling.

The DOT balance previously held by the bounty was returned to the Polkadot treasury following the transition to stablecoin-denominated funding under the H1 2026 proposal. This top-up is requested and held entirely in stablecoins.

Return of remaining DOT funds into the Treasury can be audited via:
<https://asethub-polkadot.subscan.io/extrinsic/17404525-2>

6. The Bounty Structure

The Paseo bounty will continue to operate under the established governance structure. Curators responsible for approving and executing payouts are:

- Nicholas Morgan (Parity)
- Otar Shakarishvili (JUST Ventures)
- Erin Grasmick (Parity)
- Wil Wade (Independent)

Operational payouts to infrastructure providers and contributors will continue to be executed quarterly and transparently recorded through the existing payout tracking repository.

Any unused funds remaining at the end of the funding period may either be returned to the treasury or applied toward future operational needs, subject to governance approval.

7. SLO Q3 and Q4 2026

7.1 Definitions

- Relay chain: Paseo Network.
- Validators: Block authoring nodes in the network provided by the Paseo infrastructure providers (60 validators in total).
- System chains: Paseo System Chains, namely Assethub(1000), People chain(1004) and Bulletin(1010).
- System Chain Collators: Parachain collators supporting Paseo System Chains.
- P0 is considered enacted when:
- We observe at least 1 minute without block production in any of the above listed systems.
- We observe at least 50 blocks of finality lag in the Paseo relay chain.

7.2 Paseo SLOs

Runtime Upgrades

SLI: Time from Fellowship runtime release publication to successful deployment on Paseo relay + required system chains.

SLO: 95% of runtime releases deployed within 7 business days; 99% within 10 business days.

No runtime upgrades on Fridays.

We keep this SLO in place as a fallback, but as suggested above the runtimes will start showcasing new features as soon as possible rather than waiting for the fellowship to release them.

Relay Chain Availability

SLI: Percentage of time Paseo relay chain finality is healthy and blocks are produced/finalised

within expected thresholds.
SLO: 99.5% monthly availability.

System Chains Availability

SLI: Percentage of time Paseo system chains produced within expected thresholds.
SLO: 99.5% monthly availability.

Validator Participation Ratio

SLI: Percentage of maximum validator votes missed validators.
SLO: At least 95% active validators online at any point; at least 99% of days with no critical failure.

Incident Response for P0

SLI: Time to acknowledge and time to mitigate P0 incidents affecting relay/system chain availability.

- P0: System halt (block production stalls or finalization stops) of either the relay chain or the system chains listed above.
- Coverage: Monday to Friday from 8AM to 8PM CET.
- Best Effort: Weekends and Weekdays from 8PM to 8AM CET

SLO: 95% of P0 incidents acknowledged within 30 minutes, mitigation plan issued within 60 minutes.

Incident Response for non-P0

- Coverage: Monday to Friday from 8AM to 8PM CET.
- Best Effort: Weekends and Weekdays from 8PM to 8AM CET

SLO: 95% of P0 incidents acknowledged within 5 hours.

Observability Coverage

SLI: Percentage of critical components/providers with required dashboards, alerts, and log pipelines.

- Logs availability.
- Reachability checks at the Networking layer.
- Validator block authoring observability.

SLO: 100% of critical network components (relay chain and system chains defined above) covered by reachability checks and validator block authoring observability, with logs supplied by the providers on request when an incident requires traceability.