

# Stewardship Contracting in the Siuslaw National Forest

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The Siuslaw River Watershed is situated in the Mid-Coast region of Oregon. Along with the rest of the Pacific Northwest’s (PNW) bountiful and beautiful coastal rain forest, it was the scene of great upheaval and change during the final decades of the 20<sup>th</sup> Century. Through a series of court cases, logging on federal lands was halted in 1991, and for those of us living in this area of the great forests of the PNW, this brought about an eerie and unfamiliar silence as the mills and trainloads of lumber products were shut down, and the absence of smoke from forest slash-burning brought clear summer skies to our homeland.

## Foreword: Origins and Beginnings

I arrived in the Siuslaw in 1970, and until these harvest-reducing legal actions occurred almost two decades later, a total of at least five trains a day passed through the Basin. These trains travelled in both directions connecting Coos Bay and Eugene, and carried raw logs, lumber and veneer to and from mills and assembly plants, primarily for plywood and laminated beams. From here these

forest products made their way to destinations throughout the nation. Products from private, commercial lands were also being harvested and large amounts of these were being exported to Asia from the coastal ports. Hundreds of trucks made multiple runs each day from the clear-cuts to the mills, and the smoky orange dome of smoke from slash-burning in preparation for re-planting the logged-off areas frequently affected both breathing and visibility.

Passionate citizens, both long-term residents and newcomers, either benefitted from this thriving timber-based economy or opposed what they saw as its excesses and harmful practices. By the mid-80s, the area was locked in what the media called the ‘Timber Wars.’ As a modern-day homesteader in the small town of Mapleton-Deadwood, I could be counted among the minion of those frustrated by what seemed to be a clear violation of the legal safeguards protecting publicly-owned forestlands, all to the advantage of outsider, mega-corporations beholden to their faraway stockholders and owners. Yet myself and others knew that wood products were vital to our nation, and so were forests, and the conflict between values and value was as divisive in our communities as anything I had ever experienced,

other than the social battles over the Vietnam War. As I became more and more acquainted both with the issues and the people on both sides of this divide, I often found myself liking and associating with people on either side and recognizing that, like religion and politics, much of the debate was based on belief rather than reality, and on specific and diverse livelihoods and life-experiences.

A landmark occurrence in the community occurred in 1989-1990. A Coordinated Resource Management Plan process was convened and carried out with the facilitation of the Conservation District in the Deadwood Creek valley and sub-basin. The significance of this process was two-fold: it brought together all of the natural resources agencies and representatives of diverse interests in the area for the first time; and it focused on forging an agreement based on common priorities for management and communication between the planning and implementation activities of these previously isolated and independent entities. This paved the way later for more widespread collaboration and resulted in an ongoing process based on sharing knowledge and information, and informing one another about workplans and projects, allowing for mutual benefit and input from others.

With the 1990s came four important events or transitions which led to significant transformations for forest and community in this 770 square mile watershed. One of these was the arrival of Jim Furnish as Deputy Supervisor of the Siuslaw National Forest in May of 1994. Second, one month prior to that in April, the Clinton-driven Northwest Forest Plan (NWFP) launched what Furnish referred to as "a sweeping new vision for federal forest management." The third component of these major shifts was the listing of the coastal Coho salmon (*Oncorhynchus kisutch*) and its freshwater aquatic habitat as threatened under the Endangered Species Act, and the fourth was the founding and creation of

the Siuslaw Watershed Council. The Governor's Watershed Enhancement Board was in the process of initiating and supporting these watershed councils around the state as part of the Oregon Plan for Salmon, and we were being encouraged to come together and form one of these ourselves. The format was inclusive, and invitations went out from the Soil & Water Conservation District to as many parties of interest as could be identified as potential participants. The first meetings occurred over the winter of 1996-1997 and were very well attended, as many diverse groups and individuals felt that this might be a place for their competing views and needs to be resolved and supported. This began as an optimistic glimmer of hope in a community previously characterized by irresolvable controversy and conflict.

The first and most significant order of business once the Watershed Council was created and its founding documents and charter were approved, was a collective effort to identify desired changes in resources management and then to develop some strategies around seeking solutions and outcomes. A suite of recommendations was developed and agreed upon involving multiple levels of agencies, institutions, and the private land-owning and commercial sectors. This effort was called 'The Siuslaw Option' in honor of its innovation and unifying intentions. It dealt with a range of resources, challenges, limitations, regulations, and planning models. From fishing seasons to forest roads, and from the estuary to the ridge-tops, multiple components of the 'Option' composed a diverse and somewhat long-term menu of needs and opportunities for which different participants could either join in taking responsibility or offering support.

During this time, Supervisor Furnish was attending and contributing to the monthly meetings, as a partner rather than as a dominant player. Furnish was enthusiastic

about the Council and its potential and offered several ideas of his own, as well as useful information on what the Forest Service (FS) could or could not do under their mandates and restrictions. Early in the organization's discussions, he advanced the possibility of utilizing the Siuslaw as a forest-wide exercise in ground-truthing the NWFP. The argument was that the NWFP had been done in 90 days, largely from aerial photos, and that it probably lacked specific or accurate spatial and age-related data upon which the categories of Late Successional Reserve (set-aside), Matrix (harvestable), and Riparian Reserve (threatened) designations had been determined. He proposed that the Siuslaw Forest could provide a model for rapid and systematic verification based on random sampling and coordinated evaluation, and that this could lead to more successful and ongoing conformity with the goals and desired outcomes of the NWFP.

A corollary to this exercise would be the identification of specific timber-stands which could be identified for 'restoration logging.' This was the idea that certain selected trees and selectively-managed stands could be harvested, so that the above-cost receipts from their sale could be kept on that forest to help fund restoration and forest health activities. The Council enthusiastically supported this concept and endorsed it when it was submitted to the Regional Office of the FS. The answer came back that this was clearly a Federal issue and the Regional FS office had no authority for this use of harvested timber when, at that time, all such receipts were required to go to the U.S. Treasury.

Furnish was not dissuaded from pursuing the concept and arranged for him and me (as a co-founder and representative of the Council, and the Conservation District) to travel to Washington DC and present the idea at the United States Forest Service (USFS) Headquarters. We still hoped to be given the

authority to move ahead on this as a pilot endeavor. With very little discussion, the USFS Headquarters repeated what the Region 6 FS Forester's Office had told us, saying that they also lacked this authority, and they recommended that we try this concept out on Vice-President Gore's Reinvention of Government Task Force as a next step.

We arranged for a meeting and lunch with the Task Force and its leadership, to be held the next day. As soon as we arrived, we were given a slot of time during their staff meeting for presenting our ideas. This was followed by a cordial and informal lunchtime gathering, after which we were asked to come back in two hours for a decision.

I can still hear the words describing the decision made by the so-called 'Reinvention Task Force' when the Chair asked us into his office, and in a very friendly way requested that we show him where the Siuslaw National Forest was on the map hanging on the wall. Although the map was fairly detailed, any regular-sized postage stamp could have covered most of the area of our forest. We did what he asked, and he thanked us for coming this far, and then delivered the verdict.

"There will never come a day when the income and receipts of the sale of federal property do not have to be turned over to the US Treasury for accounting and dispersing to the Congress for allocation. The Committees overseeing this activity will then 'authorize' its use for either dedicated or discretionary purposes. The funds will then go to the Appropriations Committee for an approved transfer of the funds for those purposes. At that point the action will be reviewed by the Office of Management and Budget to make sure its source and uses are compatible with the government's needs and budgetary dictates. So," he continued, "as you can see, although what you have presented is a good idea, it is unworkable, and we urge you to return to your Siuslaw Forest and continue the

good work that you have told us about. Thank you for coming.”

In 1999, Furnish was promoted to Deputy Chief of the Forest Service. At that time, the Forest Service and Congress were in the initial phases of developing the authority for a new way of doing business referred to as Stewardship Contracting. Through some very diligent and creative work on the part of Siuslaw Forest personnel, such as Karen Bennett and Bob Turner, the Siuslaw National Forest (SNF) was designated as one of the early national pilots for this authority with its multiple changes in the FS business model to be tested in practice. In early 2001, I walked past Turner and another SNF employee and overheard them saying they weren't sure how they would handle these 'retained receipts.' I asked what this was about, and they explained that the SNF now had the authority to keep the above-cost income (if any) from a few Stewardship Contracted sales and utilize it for 'forest health' purposes. I was quite surprised, and yet I also felt I was hearing an echo of Furnish's voice in our presentation of this concept back in DC in 1997. I was learning that sometimes a good idea just has to wait for its time to come.

As Karen Bennet, who became one of the key Siuslaw NF people engaged in this transformative development says, “We could not have done this and been so successful, if it were not for the participation, vision, and support of the communities the Forest was already working with.” Combined with equally visionary and committed Forest Service personnel, the Siuslaw quickly became a national leader and key innovator in the application and use of this new Stewardship Contracting Authority.

### Historical Context

The last two decades of the 20<sup>th</sup> Century brought great changes in the mission and focus of the USFS, in federal land management

agencies in general, and in the PNW in particular. Prior to that, the primary activities of FS personnel, and the bulk of its appropriated budget and income, dealt directly with timber harvest and management, road building/maintenance, and reforestation. National Forest lands in the PNW were managed largely as working forests and produced more than one-third of the region's timber. In western Oregon alone, federal forests managed by both the FS and the Bureau of Land Management (BLM) produced, on average, close to 50 percent of the region's timber in the 30 years prior to 1994. The single most important source of employment for forest community residents was working in the timber industry as loggers, truck drivers, and mill or office workers—harvesting, transporting and manufacturing lumber and wood products—or as forest-related and land use agency personnel.

With the changing global marketplace, invention of new building materials, and increasing concern for old-growth forests and their dependent species, the mission of the FS was significantly shifted. Priorities became the conservation of biodiversity, with a primary focus on species protection in accordance with the Endangered Species Act; the restoration of natural conditions and functions; providing opportunities for the public to enjoy and access FS lands; and the protection of the land and its clean water resources. Concern over the environmental effects of timber harvesting on the region's forestlands resulted in the listing of the northern spotted owl (*Strix occidentalis caurina*) as threatened under the Endangered Species Act, followed by a series of lawsuits effectively shutting down or greatly reducing timber harvesting on federal forestlands in western Washington, western Oregon, and northwestern California.

The NWFP, created in 1994 (early in the Clinton presidency) was an attempt by the administration to try and resolve the conflict

among traditional industrial interests, their community supporters, and environmental advocates or litigious parties, as well as more moderate constituencies. Since 1994, the NWFP has been in effect on 24 million acres of Forest Service and BLM lands in the PNW. Although promoted as a compromise that would support local economies by balancing forest protection with a sustained timber harvest, it has never been fully implemented nor endorsed by either the timber industry or environmental interests. By greatly reducing timber harvesting on FS lands and the associated customary timber income of the FS, these transformative changes caused a rapid downsizing of government capacity. They also resulted in a restructured agency workforce, through both the significantly lowered overall number of agency employees, and the recruitment of different personnel specializations and expertise to replace the previous harvest-dominant labor profile of the PNW Region. Declines in timber harvests on both public and adjacent private lands also caused additional impacts on nearby rural communities, causing forestry workers to either commute greater distances, move away, retire, change professions, or become unemployed.

Communities such as Mapleton-Deadwood were devastated economically and psychologically when their commercial foundations were suddenly pulled out from under them. Although the historic boom and bust cycles of the timber economy were an integral part of this way of life, nothing had ever so directly threatened the basic existence of severely impacted timber-dependent towns and populations living throughout the PNW's coastal forestlands. Projected consequences associated with the 80 percent decline in harvest volumes and revenue from federal lands instigated a variety of challenges among these communities, including business closures, severe reductions in school

attendance, income, and in community support for the agencies responsible for enacting these changes.

On the positive side, there was a gradual emergence of collaborative private and governmental attempts to deal with the impacts of this nearly catastrophic upheaval and its all-pervasive consequences. In 1995-1996, the newly formed Siuslaw Watershed Council became a forum for these efforts in the Siuslaw River Basin, as partners such as the Forest Service, Lane County, and the newly formed, locally-based Siuslaw Institute, struggled to salvage the future with an ambitious agenda of restoration and stewardship, all designed to involve multiple sectors of the affected communities and their residents.

Through this collaborative forum, members of the community and their FS counterparts developed a broad-based vision focused on transforming their community and National Forest from one that prioritized 'getting out the cut' to one that prioritized 'restoration with productivity as a result.' Among other things, this vision—the Siuslaw Option—promoted the revolutionary concept of keeping funds from selected timber sales at the producing forest's level and using those receipts to fund the restoration of aquatic and terrestrial resources, such as habitat for the northern spotted owl and Coho salmon. When this authority was finally enacted, the SNF and their partners sought and received designation as one of the first stewardship-contracting pilot project areas in the country.

### **Stewardship Contracting**

Stewardship Contracting is a management authority that, unlike traditional timber-sales, allows national forests and BLM districts to combine several timber sale and service provisions into a single contract. Stewardship Contracting and its authority originated from concepts advanced by rural forest community

leaders, legislators, and FS officials who recognized that processes and procedures held over from the era dominated by industrial timber production limited their efforts to restore forestlands and improve weakened community economies in the face of declining productivity and increasing protection-oriented litigation. Stewardship Contracting was designed to foster comprehensive forest and rangeland restoration, build closer working relations between federal agencies and communities, and contribute to economic growth and sustainable development in these local and rural communities.

These contracts are significantly different from traditional timber sale contracts (used solely for commercial logging of federal timber) and service contracts (used to acquire goods and services). Stewardship Contracting emphasizes forest restoration over generating federal income by awarding contracts that can be based on ‘best value,’ a criterion that allows for the consideration of past performance and benefit to the local community as well as bid price. This provision contrasts with traditional timber sale and service-contracting practices that could only consider awards based on low-bid price and did not allow preference for utilizing the local workforce and businesses when making awards. Stewardship contracts also allow for the exchange of goods (forest products removed during a project) for contractor-supplied services (pre-commercial thinning, road maintenance, habitat improvements, hazardous fuels reduction, etc.) by using one instrument in which the value of goods offsets the cost of providing these services. Perhaps most importantly, the offering national forest retains any excess funds produced by the sale of forest products above the costs associated with that sale if it is a stewardship project, to be

used for the implementation of additional restoration activities, both within forest boundaries and on nearby private lands through the Wyden Authority. These accumulated funds are referred to as ‘retained receipts’ because they remain at the forest where they were generated rather than being deposited in the U.S. Treasury. This was exactly what Furnish and myself had advocated for in DC several years earlier, and it was both a surprise and a recognition of that concept and early efforts.

Stewardship contracts can also be designed and awarded for up to 10 years to accomplish longer-term restoration goals and to ensure a more stable supply of forest products without having contracts being constantly renewed. It is hoped that over time these contracts, in turn, will stimulate investment in value-added, manufacturing and utilization businesses where some assurance of raw material supplies is necessary for obtaining loans and investing capital. Although the legislation authorizing Stewardship Contracting authority does not specifically require collaboration for stewardship contracts, the FS and BLM have been directed by the Secretaries of Agriculture and Interior to engage with “states, counties, local communities, and interested stakeholders in a public process to provide input on implementation of stewardship contracting projects” and to “make an effort to involve a variety of local interests and engage key stakeholders in collaboration throughout the life of the project, from project design through implementation and monitoring.”<sup>1</sup> This directive provides encouragement for the agencies to engage in collaborative conservation, another departure from the traditional way of doing business, and results in less cause for both litigation and protests.

Although the use of stewardship contracts has been steadily increasing, their use

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<sup>1</sup>See USDA ‘Stewardship Contracting,’ ch. 60 of *Renewable Resources Handbook*, Forest Service Resources Handbook 2409.19 (Washington, DC: USDA, Forest Service, 2008) sec. 61.12, p. 24

has not yet become widespread, and many forests have been slow to adopt this tool as part of their management strategy.

### **Applications of Stewardship Contracting on the Siuslaw National Forest**

Federal lands in the PNW now play a greatly reduced role in regional timber production, and communities near federal lands have had real struggles diversifying their economies as the timber industry and wood products infrastructure declined and shifted toward private lands harvests and fewer local processing businesses. It is within this context that the story of stewardship contracting and the SNF and its adjacent and surrounding communities in Oregon takes place.

Our Siuslaw watershed is centrally located in Oregon's Coast Range and comprises a large part of the SNF. It includes valleys and gentle slopes in the eastern part of the watershed, with steep and sharply bisected terrain in the Coast Range Mountains, and then reaching the dunes, broader floodplain, and wetlands of the coast and its estuary. The climate is mild and rainy, creating some of the most productive timber-growing lands in the world. Fast growing conifers have historically covered much of the basin. Clear-cut timber harvesting significantly reduced the population of older trees in the watershed on both government and private land, and much of the remaining forest consists of younger stands of Douglas-fir created by regeneration plantings. Shifts in forest age profiles and species make-up are also a result of severe wildfires occurring in the mid-nineteenth and early twentieth centuries.

Over half of the land in this basin is publicly owned, including about 25 percent owned by the FS, 26 percent by BLM, and 7 percent by the state of Oregon. This leaves a little over 40 percent of the land in private ownership, consisting mostly of a mix of industrial timberlands (31 percent) and smaller

holdings (10 percent) of non-industrial forestland, homes, farms, and small towns scattered throughout its valleys and floodplains.

However, clear-cutting and replanting from the 1950s through the 1980s had left a legacy of overstocked and dense young plantations in serious need of both pre-commercial and commercial thinning treatments. Planting up to 400 trees per acre—in anticipation of rather high mortality that did not occur, and with the expectation that these sites would be clear-cut again at age 70—created densely overcrowded plantations that were fire and disease-prone liabilities with significantly suppressed growth rates. This legacy of 40 years of clear-cutting had occurred over about 30 percent of the Forest's landscape. Since the NWFP's implementation, the majority of the SNF has been allocated for the protection and long-term restoration of old-growth habitat for threatened and endangered species in the category of 'late-successional reserves' (i.e. long-term development of owl habitat based on improving and allowing old-growth forest characteristics to develop over time, as well as with compatibility to watershed and aquatic health). Although the NWFP allowed for some restoration work, including thinning of forest stands under 80 years old and within late-successional reserves in forests with historic fire regimes of infrequent, stand-replacing fires, this active management had been slow to occur across the entire plan area.

When the SNF was selected to participate in the pilot program to test Stewardship Contracting, it was in an advantageous position to utilize the new authority due to its rapid-growth characteristics, the commercially desirable size of the trees on its overstocked plantations, and because of the welcome absence of litigation—evidence of social and agency unanimity on the need for thinning. Cooperating entities already existed to assist the SNF in determining how best to

spend the ‘new moneys’ from retained receipts to accomplish extensive restoration actions. For the pilot study, the SNF focused its stewardship efforts in the Siuslaw watershed, utilizing a whole-watershed approach that included both federal and private forest lands in landscape-scale planning, with an overall restoration strategy. This transformation was instituted at the turn of the twenty-first century, following a decade of greatly reduced timber harvests in the SNF.

It is important to point out that the successful transition to the Stewardship Contracting process adopted by the SNF was due in large part to the enthusiasm and expertise of agency personnel at all levels, from the supervisor’s office to field personnel. Contrary to the frequent personnel shuffling prevalent in the USFS, the SNF also retained many of its best and most-innovative employees, who often had to pass up promotion and pay raises in order to remain in the place they loved and served. I had many good friends who were in this situation. With children in the schools and even parents in the cemeteries, many of these experienced and dedicated folks stayed local throughout their careers, and even beyond retirement. As residents in a FS-dominated landscape, we watched the transition from a focus on timber-harvest to one of restoration, recreation, forest health, and biodiversity. This real shift in values and functions did away with the historic need to prevent collusion between agency and business people, and instead emphasized the value of experience in this terrain and climate and with these communities and species of concern, and of having one’s home and loyalties in this area. Although turnover in some of these positions sometimes slowed the adoption and application of the authority and its management, there was a nearly universal acceptance of the Stewardship Contracting authority’s potential among SNF staff. This positive attitude toward innovation and the willingness of local personnel to take risks gave this effort

the impetus that led to its rapid inclusion in the business practices and implementation toolbox of the SNF.

In addition, more than a decade of previous collaborative restoration efforts between the Forest Service and local partners, including the Siuslaw Soil and Water Conservation District, the Siuslaw Institute, and the local Watershed Council greatly facilitated formation of the Siuslaw Stewardship Group (SSG) in 2002. The SSG was specifically associated with and mandated by this new stewardship authority under the multi-party monitoring requirements. Initial representation and participation came from local government, non-profit organizations, area Tribes, commercial timber interests, private landowners, and regional environmental organizations, with a professional facilitator hired by the Forest Service.

The SSG’s role was to assist the agency in complying with the authority’s mandate for collaboration in stewardship-contracting activities by consulting with the Forest Service on its stewardship projects and recommending other restoration projects in the watershed, those that could be funded utilizing the SNF’s retained receipts. The group also functioned as the local multi-party monitoring team for the pilot project and has since evolved to become a vital agency partner for mutual education, resource and funding pooling, and overall cooperative work toward watershed and community health and vigor.

Since Stewardship Contracting allows the local forest to retain the above-cost receipts from the sale of timber and associated forest products, the Forest Service and the SSG created the Siuslaw Stewardship Fund to oversee the use of these receipts. An agreement between the Forest Service and the SSG was forged that allocates up to 60 percent of the funds generated by stewardship activities for reinvestment on public lands in on-Forest restoration, while 40 percent are dedicated to pay for restoration on



private lands through the use of the Wyden Authority. Although the Forest Service is not bound in statute to follow the SSG's recommendations, most participants feel that their input is highly valued and that the entire effort is built on trust and commitment to a shared vision within a mutually beneficial process.

Working collaboratively with the SSG, the SNF conducted silvicultural treatments to improve forest health on approximately 2,000 acres of forestland and sold almost 50 million board feet of timber in its initial use of the authority, between 2002 and 2007. As mentioned, retained receipts have also been used on adjacent private and non-federal lands, attracting significant amounts of matching funds and additional expertise, social energy, and support in the ten years since those initial years.



**Shiloh Sundstrom, Ph.D.**, lead author and researcher for this piece, worked for the Siuslaw Watershed Council in 2005 & 2006. He was born in his parents' small apartment at the back of the barn on their cooperatively owned ranch in Deadwood, Oregon. He was known as a "Rancher-Scholar" whose local upbringing fostered his dedication to pioneering collaborative management, and the sustainable use of natural

resources. These interests took him from growing up and working in the Siuslaw Basin, to associations throughout the US West, and engaging with communities in the Maasailand savannahs of Kenya, always pursuing and assisting in the vision of having both productivity and protection on the same landscapes. He earned an MS in Forest Ecosystems and Society at Oregon State University, and subsequently a posthumous PhD in Geography (also at OSU), following his tragic death as a hit-and-run pedestrian fatality in November 2015. His reputation and the widespread respect for his work and legacy continue to endure and expand. In May of this year, 2018, the first Award of the Shiloh Sundstrom Memorial Endowment was made to an OSU graduate student.

**Johnny Sundstrom**, Shiloh's father and co-author of this document, is the Founder/Director of the Siuslaw Institute, a salmon habitat restoration project manager in the Siuslaw, and also a rancher. He has served in various leadership positions at the local, state, and national levels of Soil and Water Conservation Districts for nearly 30 years and has been an original and active member of the Siuslaw Stewardship Group since its inception in 2002. He has also written and published four novels since 2010, focused on the conquest and settling of the West.