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Market-Driven Solutions to Relieve Drought

DR. ARTHUR B. LAFFER

Drought-weary Californians breathed a sigh of relief because another “March Miracle” series of storms soaked much of the northern half of the state. Sadly for the people of the Golden State, their relief is mostly misplaced. The state reported that the statewide snowpack is only 87 percent of normal and El Niño was mostly a disappointment. Farmers on the west side of the San Joaquin Valley will receive only 5 percent of their allocation from the Central Valley Project this year. It looks like we are heading into the fifth year of a historic drought.

The surging rivers feeding a few reservoirs and the snowpack in parts of the Sierras will be a short-term help, but until California water policy changes, the inevitable dry years will send the state back into an unnecessary crisis. It doesn’t have to be this way. Policy should be easier to change than the weather. Californians shouldn’t need to depend on miracles to ensure an adequate water supply.

In my 2012 book, “Eureka! How to Fix California,” I made a series of recommendations for California regulators and politicians that would ensure a more efficient distribution of California water. I argued that bureaucrats and legislators should get out of the business of controlling the distribution of water and price because the blunt instrument of regulation inevitably leads to inefficiencies, waste and favoritism that privileges politically favored entities over the public.

I also noted that California water prices needed to rise to encourage conservation, and that everyone – farmers, businesses, families and government agencies – should pay the same price for water so they all had the same incentive to treat it with the respect it deserves.

This legislative session, California could take an important step toward creating a true water market to meet the needs of cities, farmers and the environment with the Open and Transparent Water Data Act (Assembly Bill 1755). It's hard to solve a problem when we don't have all the facts and this bill would make all the facts available to everyone.

Ultimately, I stressed that California needs a robust, comprehensive water market, because history's verdict is clear: There is not a more effective, fairer or less-coercive way to allocate a scarce good than by having it trade in a free market. At the same time, I pointed out that our forests, bays, rivers and marshes already share the burden of drought with us and cannot afford any additional deprivation. Government should maintain set-asides to meet environmental water needs.

This legislative session, California could take an important step toward creating a true water market to meet the needs of cities, farmers and the environment with the Open and Transparent Water Data Act (Assembly Bill 1755). It's hard to solve a problem when we don't have all the facts and this bill would make all the facts available to everyone.

The legislation creates a statewide, online water data information system that would integrate existing federal, state and local water and biological data. It would also provide data on water transfers and create an entity to serve as a clearinghouse for all of those numbers. AB1755 would establish data sharing and documentation protocols as well, making the information more consistent and meaningful to everyone accessing it, including private entrepreneurs who could use this "open data" resource to develop new services (i.e., a water market).

This bill comes on the heels of the Sustainable Groundwater Act of 2014, which mandates new data reporting on use and availability from groundwater users; and Senate Bill 88, which will require surface water users to report to the State Water Resources Control Board how much water they are diverting.

California is moving in the right direction with this reporting, but what good will it do if no one knows how or where to access the data? That's where AB1755 ties everything together and puts the state's water users in a position to benefit from a more robust and transparent water market.

Once AB1755 becomes law, water managers can use the universal, instant data to make better decisions regarding water transfers. Individuals, farms and private companies can access the data to give them a real-time understanding of water supply, demand and price. These public data are a necessary condition of a rational water market in the state. It is urgently needed.

Even with the Open and Transparent Water Data Act in place, California would have a ways to go. But if government would knock down the complex rules and pricing requirements that stifle the market, California could use the bill's data and quickly see benefits. Market signals would spring to life and incentivize conservation. Buyers and sellers could profitably transfer water as they found the best and highest use for the commodity.

The Open and Transparent Water Data Act is part of a market-driven solution that could guarantee a supply of this most critical commodity and give some relief to stressed-out Californians who head into winter every year with their fingers crossed. Droughts are a fact of life, but water shortages don't have to be.