

### INTRODUCTION

The Pacific Research Institute (PRI), a free-market think tank based in San Francisco and founded in 1979, has dedicated itself to examining how market principles can improve policies in education, healthcare, the environment and governance for more than three decades. Today, California-based technology companies embrace these principles as they revolutionize our society and disrupt traditional thinking to bring consumers better options. But, as the state enters the fifth year of a historic drought, it is increasingly apparent that California needs to embrace that same ethos to rethink the policies that manage our most precious resource – water.

Water deliveries that serve as the lifeblood to cities, farmers, and ecosystems still rely on policies created more than 50 years ago. Despite incredible advances in technology, infrastructure, and environmental science over the past several decades, the regulations that decide whether a farm can plant crops, a city can avoid mandatory water cutbacks, or a river is full enough to support a healthy ecosystem have largely remained unchanged.

Increasingly, water experts are looking for creative solutions and new water management practices to ensure California’s water supply is flexible and resilient. Policymakers on both sides of the political spectrum and experts from multiple scientific disciplines agree that water markets may be the next innovation that will change the way water is distributed across the state.

On June 22 in the California State Capital, PRI gathered experts from the Water Foundation, the Public Policy Institute of California, the Association of California Water Agencies, the Environmental Defense Fund, and other organizations to discuss the benefits of a California water market and to highlight the legislative solutions needed to implement a truly functional water market. Water managers and scientists increasingly see the benefit a free market will have on their supplies, towns, farms, and environment.

In this ebook, PRI has compiled a sampling of these voices. The authors of these studies include experts in their fields and the most knowledgeable voices on water policy in the nation. As the California drought continues, we hope policymakers review this research and, with this in mind, establish policies that apply free market principles – in this case, a fully functional water market – to help address California’s most urgent needs.

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