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**State Representative Rick Perales**  
**Ohio's 73<sup>rd</sup> House District: Western Portion of Greene County**

**House Bill 351 – Sponsor Testimony**  
**Senate Agriculture Committee**  
**May 10, 2016**

Chairman Hite, Vice Chairman Hackett, Ranking Member Gentile, and members of the Senate Agriculture committee, thank you for the opportunity to testify today regarding House Bill 351 which will help to eliminate some of the restrictive regulations on Ohio's craft distilleries, and foster economic development of this new rapidly expanding industry. This bill makes two changes to the A-3a permit, a permit created in 2008, then revised in 2012 intended to aid Ohio microdistillers. First, House Bill 351 will increase the annual production cap from 10,000 gallons to 100,000 gallons. Second, the bill will allow an A-3a permit holder to apply for an A-1-A permit. The A-1-A permit is currently available to the craft beer and wines industries, and allows the permit holder to offer beer, wine and intoxicating liquor by the glass for on-site consumption, and also allows for a food service operation. The A-1-A is commonly referred to as the brewpub permit.

The necessity for this legislation is clear. The current production cap of 10,000 gallons is the lowest of any of our border states, and tied for the lowest in the country. Similar distilleries in other states can produce greater volumes to control their costs, leaving Ohio's distilleries in poor position to compete on the national scale. Furthermore, microdistillers that reach their cap before the end of the year must choose between shutting down production or applying for a different permit.

The current A-3a does not allow for food or beverage service with the exception of 4 one-quarter ounce samples per person per day. These samples cannot even be mixed with water or ice, as that would be considered legally a cocktail. Allowing a brewpub-like operation at these distilleries would put them on the same level as the other craft industries such as beer and wine. The addition of the A-1-A would also improve the profitability of the product and allow for further expansion in both the back-of-house (distillery) and the front-of-house (brewpub), and thus enable these companies to create new jobs in the expanding industry.

Ohio laws haven't kept up with the emerging spirits market. As little as 10 years ago there were 1 or 2 craft distilleries statewide, and now there are 34. The increasing demand for craft spirits is a result of the movement to seek locally-sourced ingredients and to support locally-owned small businesses. House Bill 351 will aid in allowing these small businesses to thrive and create jobs in their regions. In addition to taking great pride in manufacturing an Ohio product with local ingredients, craft distilleries are a

magnet for tourism. People love taking tours and learning about the various mixtures, barrel and aging process. Therefore, this bill will also positively affect both the Agriculture and Tourism industries in Ohio.

Throughout the process of drafting this bill, we have worked closely with JobsOhio and the Department of Commerce to ensure that it would not have any unintended consequences for their organizations. I am proud to say that at this time neither party opposes this bill.

Again, I would like to thank Chairman Hite, Vice Chairman Hackett, Ranking Member Gentile, and the members of the committee for allowing me this opportunity to testify for HB 351. I urge your support of this legislation and would be happy to answer any questions you may have.