



House Bill 629 Testimony

Greg Lehman

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Thank you for the opportunity to testify today on House Bill 629. This legislation would increase micro-distillery production limits and remove the 50-cent charge for small tasting samples in retail settings.

I started Watershed Distillery in 2010. At a time when craft distilling was just lifting off in Ohio, we were fortunate to have enthusiastic community support and interest in our spirits. Customers stopped by to hear our story, tour the distillery, and taste our gin. When they asked to buy a bottle to take home, we had to direct them to the nearest liquor store. That was a huge disconnect for our customers and for our business.

Then in late 2012 when we obtained an A3a liquor permit, we were able to build an on-site bottle shop and sell our spirits directly to consumers – at the same price to the consumer and at the same tax rate to the State, but we gained the opportunity to tell our story and build pride in Ohio made products. This helped grow our operations as we hired more employees and increased the dollars we were spending on local agriculture products.

With the passage of House Bill 351 in 2016, Watershed Distillery was able to expand again. It allowed us to open Watershed Kitchen + Bar in 2017, where our customers could enjoy our craft cocktails alongside a great meal. Then they could grab a bottle of Old Fashioned on their way out to have a nightcap at home.

The passage of these two bills allowed us to grow our operation from 4 employees to 73 employees over the past 10 years.

During the pandemic when our restaurant shut down, our bottle shop helped keep our business alive, which kept our people working during a time when many Ohioans were unemployed. The pandemic added jet fuel to an already growing craft spirit industry. How many of you started making cocktails at home during lockdown? Even though we are back to celebrating with friends and family in restaurants and bars, the home craft cocktail trend is still going strong. And the manufacturing of craft spirits in Ohio is growing faster than ever as a result.

Now Ohio distillers are once again pushing up against the production limits of our current A3a permits. Exceeding the current production limit of 100,000 gallons per year would force us to shut down our restaurant and our bottle shop. We'd no longer be able to sell bottles at the distillery and we'd also have to lay off 40 people who are employed in our restaurant.

So what do we do? Cap our growth? Move our production out of state? Shut down the restaurant? We don't have to do any of those if you help pass House Bill 629.

Today Watershed employs 73 Central Ohioans. These aren't just seasonal or transient jobs – our employees have longterm careers at Watershed with good salaries, full healthcare benefits, paid time off, parental leave, and retirement with company match. We have built career pathways for everyone from distillers, bottlers and

supply chain managers, to marketing executives, sales reps, and the seasoned executives on our leadership team. We've done that right here in Central Ohio and we're really proud of it.

Passing this bill would help us increase our production and create many more manufacturing jobs. The continued growth of this industry in Ohio depends upon the passage of House Bill 629.

Finally, this bill would also bring some commonsense parity to a small but annoying requirement to charge 50 cents per tasting sample in retail locations. Wine and beer are not required to charge consumers, only distilled spirits producers are. Our customers sometimes wonder if it's a tax. Many consumers no longer carry cash or change and often walk away frustrated and confused. This puts us at a real disadvantage against bigger, nationally known competitors and is a missed opportunity to showcase Ohio-made spirits in OHLQ stores.

Thank you again for the opportunity to talk to you today. I am happy to answer any questions you may have at this time.