

July 12, 2021

Ms. Karin Sherr
President and General Counsel
Thomas Jefferson School of Law
701 B. Street, Ste 110
San Diego, CA 92101

Dear Ms. Sherr:

This letter serves as formal notification and official record of action taken concerning Thomas Jefferson School of Law (TJSL) by the WASC Senior College and University Commission (WSCUC) at its meeting June 25, 2021. This action was taken after consideration of the report of the review team that conducted the Seeking Accreditation Visit 4 to TJSL May 4, 2021. The Commission also reviewed the institutional report and exhibits submitted by TJSL prior to the Seeking Accreditation Visit 4 and the institution's May 26, 2021 response to the team report. The Commission appreciated the opportunity to discuss the visit with you and your colleagues Linda Keller, Dean; Nancy Vu, Vice President and CFO; Anders Kaye, Associate Dean for Academic Affairs and ALO; and Randy Grossman, Board Chair. Your comments were very helpful in informing the Commission's deliberations. The date of this action constitutes the effective date of the institution's new status with WSCUC.

Actions

1. Receive the Seeking Accreditation Visit 4 team report
2. Grant Initial Accreditation for a period of six years
3. Schedule the next reaffirmation review with the Offsite Review in fall 2026 and the Accreditation Visit in spring 2027
4. Schedule a Special Visit in fall 2023 to address all the requirements in this letter.

The Commission commends TJSL in particular for the following:

1. A highly effective leadership team that has engaged with constituents with calm and transparency, while continuing to keep focus on teaching and students. Working closely with its board, the leadership was able to eliminate massive debt, restructure its finances, move to a new facility, downsize faculty and staff, and then when the pandemic hit, shift swiftly to online instruction and services.
2. The creation of an entirely new financial model that matches the new vision for TJSL, including a rethinking of tuition and financial aid, a fresh look at which expenses are critical to meet its goals, and a resilient financial plan and budget.
3. A highly committed and engaged board that has acted decisively to make changes and smart strategic decisions as it created and implemented the new academic and financial models.

4. A clear focus on the work that has to be done to make this transition a reality by recruiting and admitting students under the new State Bar-based curriculum while providing support for students' success; shifting from a large full-time tenured faculty to a faculty model that has a strong core of full-time professors and a larger pool of practitioner-adjuncts; and adjusting expectations for facilities, research and library.
5. Collaboration with the ABA to ensure that students who entered as ABA students are properly taught through to completion and with the California State Bar Committee of Bar Examiners to effectuate a smooth transition to State Bar accreditation.

The Commission requires the institution to respond to the following issues:

1. Carefully monitor and adjust finances as needed to meet the new realities as a California State Bar-accredited law school. (CFR 3.4)
2. Monitor the detailed goals and objectives in the revised strategic plan, revisiting and revising that plan as more data are collected over time. (CFR 4.6)
3. Continue to ensure good student outcomes and bar pass rates by providing academic and bar preparation support for students to meet the goals of the strategic plan and in support of the new vision for TJSL as a California State Bar-accredited law school. (CFRs 2.5, 2.10 and 2.13)
4. Continue to collect and use data from institutional research and program reviews for planning and improvement, for the assessment of student learning, and to improve learning outcome results. (CFRs 4.3 and 4.4)

In taking this action to grant Initial Accreditation, the Commission confirmed that TJSL addressed the three Core Commitments and successfully completed the institutional review process for Initial Accreditation conducted under the 2013 Standards of Accreditation. In keeping with WSCUC values, TJSL should strive for ongoing improvement with adherence to all Standards of Accreditation and their associated CFRs to foster a learning environment that continuously strives for educational excellence and operational effectiveness.

TJSL must use the following statement if it wishes to describe its accreditation status publicly:

Thomas Jefferson School of Law is accredited by the WASC Senior College and University Commission (WSCUC), 1001 Marina Village Parkway, Suite 402, Alameda, CA 94501, 510.748.9001.

Federal law requires that the WSCUC address and phone number appear in your catalog.

The accredited status of a program should not be misrepresented. The accreditation granted by WSCUC refers to the quality of the institution as a whole. Because institutional accreditation does not imply specific accreditation of any particular program at the institution, statements such as "this program is accredited" or "this degree is

accredited” are incorrect and misleading. The phrase “fully accredited” is also to be avoided, since no partial accreditation is possible.

The Commission stipulated that this action encompassed the degrees offered by TJSL at the time of this action, as listed at the end of this letter as the Consolidated List of Currently Offered Degrees. Any proposed new degree programs, off-campus sites, online offerings, and/or changes in governance or ownership require review and approval through the Substantive Change process. Degree programs reviewed and included under this action may be extended to other currently approved campuses of the institution without prior Substantive Change action. Offerings at new locations may need to go through Substantive Change approval, in accordance with the requirements stated in the Substantive Change manual.

In accordance with Commission policy, a copy of this letter is being sent to the chair of TJSL’s governing board. The Commission expects that the team report and this action letter will be posted in a readily accessible location on TJSL’s website and widely distributed throughout the institution to promote further engagement and improvement and to support the institution's response to the specific issues identified in these documents. The team report and the Commission’s action letter will also be posted on the WSCUC website. If the institution wishes to respond to the Commission action on its own website, WSCUC will post a link to that response on the WSCUC website.

Finally, the Commission wishes to express its appreciation for the extensive work that TJSL undertook in preparing for and supporting this accreditation review. WSCUC is committed to an accreditation process that adds value to institutions while contributing to public accountability, and we thank you for your continued support of this process. Please contact me if you have any questions about this letter or the action of the Commission.

Sincerely,



Jamiene S. Studley
President

JSS/so

Cc: Phillip Doolittle, Commission Chair
Anders Kaye, ALO
Randy Grossman, Board Chair
Members of the Seeking Accreditation Visit 4 team
Susan Opp, Vice President

Attachment: Consolidated List of Currently Offered Degrees

Consolidated List of Currently Offered Degrees
Thomas Jefferson School of Law

1. Juris Doctor (JD)
2. Doctor of Juridical Science (JSD)
3. Master of Laws (LLM)
4. Master of Laws (LLM) in American Legal Studies
5. Master of Laws (LLM) in Practice Skills
6. Master of Studies in Law (MSL)

REPORT OF THE WSCUC VISITING TEAM

SEEKING ACCREDITATION VISIT 4

THOMAS JEFFERSON SCHOOL OF LAW

May 4, 2021

Team Roster

Team Chair:

Teri Cannon

Keck Graduate Institute of Applied Life Sciences

Minerva Institute

Team Assistant Chair:

Jenni Parrish

University of California Hastings College of the Law

Team Members:

Thomas O. Fleming Jr.

Loyola Marymount University

WSCUC Liaison:

Vice President Susan Opp

The team evaluated the institution under the WSCUC Standards of Accreditation and prepared this report containing its collective judgment for consideration and action by the institution and by the WASC Senior College and University Commission. The formal action concerning the institution's status is taken by the Commission and is described in a letter from the Commission to the institution. Once an institution achieves either candidacy or initial accreditation, the team report and Commission Action Letter associated with the review that resulted in the granting of either candidacy or initial accreditation and the team reports and Commission Action Letters of any subsequent reviews will be made available to the public by publication on the WSCUC website.

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SECTION I. OVERVIEW AND CONTEXT

Description of the Institution and Visit

Background and Update: Thomas Jefferson School of Law (TJSL) was founded in 1969 and accredited by the Committee of Bar Examiners of the State Bar of California in 1972. TJSL was accredited by WSCUC (WASC Senior Commission at the time) from 1976 to 2006 when it withdrew voluntarily from this accreditation. TJSL was formerly the Western State University (WSU) College of Law San Diego. It separated from WSU Orange County in 1995, was reorganized as a non-profit educational institution and changed its name to Thomas Jefferson School of Law. It was granted provisional American Bar Association (ABA) accreditation in August 1996 and full ABA accreditation in August 2001. After the Seeking Accreditation Visit 2 (SAV2) visit in 2017, Thomas Jefferson lost its ABA accreditation (in December 2019) and has continued to operate with approval of the JD program by the State Bar of California Committee of Bar Examiners (CBE). This consequential change is discussed further below.

TJSL has been in continuous operation in San Diego since its inception, and now has more than seven thousand graduates. The school's alumni can be found in private practice, in government practice, and in non-profit public interest law groups throughout the U.S. and in many foreign countries. Many alumni remain in San Diego County in all sectors of the legal profession, among them a member of the U.S. Congress, the recently retired District Attorney, the Public Defender, the first Filipina-American judge in the United States, and several prominent federal and state court judges and lawyers.

TJSL's mission is "to provide an outstanding legal education for a nationally based, diverse student body in a collegial and supportive environment with attention to newly emerging areas of law, particularly those related to technological development, globalization and the quest for

social justice.” It seeks to achieve this mission primarily through the offering of the Juris Doctor (JD) degree program. It also offers the five additional non-JD law programs.

The JD degree is offered on both a full-time and part-time basis, with day and evening classes. Until the coronavirus pandemic, nearly all courses were offered in person and a few by synchronous online delivery. This year, because of the pandemic, instruction is being delivered online via Zoom. New students are now admitted in June (for a Summer Early Start Program), August (for Fall) and January (for Spring). As of April 1, 2021, there were 217 students enrolled in the JD program, including 137 students admitted under TJSJL’s CBE approval and 80 advanced students being taught out under the auspices of the ABA (with the number of ABA continuing students in Fall 2021 decreasing to 50). The ABA approved the teach-out plan through May 2023. Of the 137 new students 104 are full-time and 33 part-time. The student body is racially diverse, as shown by the new incoming fall class, which is 75 percent students from racial-ethnic minority categories, including more than 50 percent Latinx and African American/Black. A total of 20 students are enrolled in the three non-JD programs as follows: JSD online (5), LLM online (7), MSL online (4), LLM-ALS (3) and LLM-Practice Skills (1). It should be noted that the non-JD programs were not covered by the ABA approval and are not covered by the CBE accreditation, as those entities do not purport to have authority to approve these programs, but only “acquiesce” to law schools that offer them after an abbreviated review.

TJSJL has a fairly open admission policy for its JD program, providing an opportunity for a legal education to a very diverse group of students who hold a Bachelor’s degree but may not have high LSAT scores and undergraduate grade point averages. JD students in the ABA teach-out program are taking 89 semester credits including 56 credits of required courses. JD students in the State Bar-accredited program take 80 credits including 67 credits of required courses. Most graduates sit for the California bar examination.

At the time of the SAV1 and SAV2 visits, the team found that TJSL had been affected profoundly by the decline in law school enrollments over the last decade, which resulted in a decrease in enrollment of nearly 50 percent by 2017, increased debt and then restructuring of debt, and reduction of expenses. Admission of less well-prepared students and declines in first-time bar pass rates were major issues on those visits. TJSL had added non-JD programs to diversify offerings in additional law-related areas, which in part drove its initial decision to seek WSCUC accreditation again.

By SAV2 in September 2017, the status of the School's accreditation with ABA was in some doubt. In March 2017, the ABA requested a report so that it could determine compliance with ABA Standards in regard to finances, admissions policies and practices, attrition, bar pass rates, and academic support. TJSL was confident that it could take appropriate actions to maintain ABA approval but had also contacted the California Bar for approval in case ABA approval was not continued. In November 2017, the ABA's Council of the Section of Legal Education and Admissions (the Council) received TJSL's report and, upon recommendation of the Accreditation Committee, placed TJSL on probation for failure to meet the Standards on financial resources, admissions practices, academic program, and bar pass outcomes, noting that "only immediate and substantial action can bring about sufficient change to put the Law School on a realistic path to operating in full compliance within the time allowed by the Standards and Rules of Procedure." Numerous remedial actions were recommended, and Thomas Jefferson attempted to take the necessary actions to retain its approval. However, the ABA's Council met in May 2019 and found TJSL in continuing noncompliance with several Standards. ABA accreditation was withdrawn effective December 17, 2019. The ABA asked TJSL for a teach-out plan, which was received in January 2020 and approved. As noted above, ABA approval for the advanced students admitted while Thomas Jefferson was approved will continue until the end of the spring term 2023 "for the limited purpose of granting degrees to

current Law School students” TJSL reports regularly to the ABA on the status of the teach-out and other matters and expects all but a few of these students to graduate by Spring 2022 and the rest by Spring 2023.

TJSL has been approved to operate by the California State Bar Committee of Bar Examiners since 1972 and in October 2018 was approved to operate as a State Bar-accredited school, independent of ABA approval, after submitting an extensive report demonstrating its compliance with the CBE Standards, which was handled on an expedited basis by the Bar. TJSL is now one of 17 California State Bar-accredited law schools. TJSL has submitted additional annual and bar pass rate reports to the Bar, as required for all California law schools, and had a Periodic Inspection Visit on November 19-20, 2020. The Inspection Team made a number of recommendations and suggestions in its report, which TJSL has addressed or is addressing. By the time of the SAV3 visit, TJSL had made adjustments to its admissions, curriculum, and academic support to adapt to its new status as a State Bar-accredited law school.

Since the loss of ABA approval, TJSL has undergone significant changes in its operation, leadership, location/facilities, and size of staff and faculty. It relocated to more modest facilities and reduced its faculty and staff to better match the size of the new student body. Its former dean, new at the time of the SAV2, left and the board appointed a new co-leadership team from long-standing trusted leaders in the law school, first in interim status and more recently removing the interim designation. The school has about 19 full-time and one part-time administrative staff members, less than half than at the time of the SAV2. The School has nine active full-time faculty members, including the Dean, Associate Dean and Director of Bar Preparation. The pool of adjunct faculty members, who teach between one and five courses a year, has increased to 50, comparable to what it was when the team last visited in 2020. The

mission remains the same, and many faculty, staff and leaders including the board have been part of TJSL for years and have been involved in the transition.

WSCUC Accreditation Status and Update: TJSL was found eligible to apply for accreditation in April 2015. Following its first Seeking Accreditation Visit (SAV1) in April 2016, TJSL was granted Candidacy by the Commission for a period of five years until June 24, 2021. In so granting, the Commission found that TJSL met Standard 1 at a sufficient level for Initial Accreditation and met Standards 2, 3 and 4 at a sufficient level for Candidacy, making six major recommendations based on the team's report. The SAV2 was held in fall 2017 and the Commission took action in February 2018 to continue Candidacy, calling for a progress report in spring 2019 and scheduling a SAV3 for spring 2020. The Commission found that TJSL had not demonstrated with sufficient evidence that TJSL met the level required for Initial Accreditation under Standards 2, 3, and 4. The spring 2020 SAV3 visit was postponed because of the coronavirus pandemic and was rescheduled first for August and then for September 2020. After SAV3, which was conducted virtually, the Commission found that Standards 2 and 4 had met the level required for Initial Accreditation. SAV4 was scheduled for May 2021 and its sole purpose was to evaluate the institution's compliance with Standard 3, in particular CFR 3.4.

Institution's Seeking Accreditation Visit Report: Quality and Rigor of the Review and Report

The team's SAV4 report was submitted timely on February 23, 2021. The report addressed directly the issues raised under Standards on the last visit and included useful documentation. However, several key documents were not yet ready (e.g., the FY2020 audit and the updated strategic plan) and were submitted later with other additional documents requested by the team (e.g., additional board minutes and enrollment reports). The team was able to obtain all the documents it needed to conduct the review. TJSL did not communicate with constituents about the confidential email account as set forth on the WSCUC schedule for pre-visit actions, but

when it discovered this oversight, a message was sent to constituents early on May 3 and remained open until May 5. No concerns were posted to that email account.

Response to Issues Raised in Past Commission Letters

In the eight months since the SAV3, important steps have been taken to address the issues stated in the Commission's action letter, additional improvement has been realized, and a longer record of its new operation as the State Bar-accredited law school has been established. TJSJL has a new operational/financial model and has transitioned successfully to being a State Bar law school. With smaller institutional size, less expensive facilities, fewer full-time faculty and staff, and lower tuition, TJSJL is showing itself to be stable and sustainable. Evidence of the transition includes the FY20 audit, projected budgets, enrollment of a second class of new students, retention of the new fall students, prospects for enrollment in fall 2021, a new strategic/financial plan, and careful expense containment.

Section II: Evaluation of Institutional Compliance with WSCUC Standards of Accreditation and CFRs Identified on Prior Seeking Accreditation Visit

A. Standards Found to be at a *Sufficient* Level for Initial Accreditation

Standard 1. Defining Institutional Purposes and Ensuring Educational Objectives

As noted above, TJSJL was found previously by the Commission to comply with Standard 1 at a sufficient level for initial accreditation.

Standard 2. Achieving Educational Objectives through Core Functions

As noted above, TJSL was found previously by the Commission to comply with Standard 2 at a sufficient level for initial accreditation.

Standard 3: Developing and Applying Resources and Organizational Structures to Ensure Quality and Sustainability

CFR 3.4 --The institution is financially stable and has unqualified independent financial audits and resources sufficient to ensure long-term viability. Resource planning and development include realistic budgeting, enrollment management, and diversification of revenue sources. Resource planning is integrated with all other institutional planning. Resources are aligned with educational purposes and objectives.

At the time of the first (SAV1) and second (SAV2) visits, TJSL was adjusting to the major restructuring of the large debt incurred to build the school's campus in San Diego, which was finalized in late 2014, and to reductions in staffing and other expenses, including pay cuts and increases in teaching and workloads. The team found that addressing TJSL's financial challenges and bringing it back to financial health were the most important priorities on the first three Seeking Accreditation Visits, and also that the leadership had done a highly effective job of leading these changes. After SAV2, TJSL entered into an agreement that cancelled its debt obligations and its lease on its expensive educational facility. This financial event took place in 2018 and TJSL recognized a \$55,694,189 gain on the extinguishment of its debt. The impact of that transaction together with its 2018 operations resulted in its Net Assets changing from a deficit of \$48,326,893 to a positive balance of \$7,874,334.

It then entered into a 12-year lease for its new educational facility. The lease has two five-year renewal options for the 56,338-square-foot location, which is located at 701 B Street, San Diego, CA 92101. The new educational facility is in a Class A downtown San Diego building and includes the entire basement of the building, the west side of the building's lobby, the entire mezzanine floor, and the entire second floor. The law school has its own separate entrance, its own staircase accessible to all the floors, and its own private elevator. In addition to the classrooms, clinic, and library space, the facility includes 45 enclosed offices (including

four clinical offices) and eight additional workstations. In the Fall of 2018 (FY 2019), TJSL terminated its long-term lease for student residence facilities. This lease termination resulted in a credit back to the law school of approximately \$1,820,000 in FY 2019.

The above lease-related actions and the extinguishment of the long-term debt dramatically improved the financial health of TJSL. In addition to lowering its ongoing operating costs, the impact upon the financial statements permitted the Department of Education (DOE) to remove the requirement for TJSL to have an irrevocable letter of credit of approximately \$5,132,753 (as of October 21, 2017) with the DOE and improved its viability ratio from -0.9 to approximately 2.0, which brings TJSL in compliance with the Financial Responsibility Ratios.

On January 10, 2018, the TJSL Board of Trustees declared financial exigency. Members of the board indicated the declaration gave TJSL senior management the lever it needed to address the extreme financial problems TJSL was encountering at that time. The financial exigency enabled management to downsize its faculty, including tenured faculty members, from 31 to 11, which it determined is the size of the full-time tenured faculty that fits within its plans to be a premier Cal Bar school. It also allowed management to retain the faculty members it deemed most essential to the future success of TJSL. At the April 15, 2021 Board of Trustees meeting, the financial exigency was terminated because TJSL had met its objective of restructuring its operations and faculty model. In addition to the nine current full-time faculty, TJSL has a pool of 50 adjunct faculty members who are practitioners and teach one to five classes a year. One aspect of changing the faculty model in addition to downsizing has been the increasing emphasis on teaching and learning and the de-emphasizing of scholarship.

Financial statements and supplemental schedules are reviewed in detail by the CFO and the President. Once those financial documents are reviewed and approved by the school, they are then sent to members of the Board of Trustees. TJSL's financial statements are prepared in accordance with generally accepted accounting principles and are audited each year by an independent accountant. These audits are conducted in accordance with generally accepted

auditing standards and are consistently issued with “unqualified opinions.” The Audit Committee reviews the annual audited financial statements, meets with the auditor and recommends action to the Board on the audit.

The budgeting appears to be realistic. It is, of course, entirely dependent upon meeting the enrollment projections. The budgets appear to be conservatively based and include revenue and expense contingencies. TJSJ is a highly tuition-dependent institution (over 95%) and is currently dependent primarily on both JD tuition revenue and a much smaller amount of non-JD tuition revenue from several small programs. TJSJ has not developed other tuition sources, gifts, or auxiliary revenues to support its mission and does not have an advancement or development function at present.

The leadership, collaborating with the board, faculty and staff, revised and updated the three-year strategic plan, setting clear goals with timelines and metrics. The board set the overarching goal of becoming the premier State Bar-accredited law school and approved the final version of the plan. The board indicated that it would be monitoring progress in meeting the goals set forth in the plan in their quarterly meetings. The plan was aligned with the three years of budgets and projections presented to the team.

At the time of the SAV3, TJSJ had lost its ABA accreditation and entered a teach-out agreement with the ABA to provide an ABA-accredited JD degree program to 101 students, scheduled to be graduated no later than spring 2023. The law school admitted its first cohort of 126 students into its J.D. California Accredited Law School (CALSA) program in August 2020. Because those actions occurred within the year prior to the SAV3 visit, there was only a limited financial record to review under its new operating conditions, in effect for FY 2021. The results of operations for FY 2020 showed a loss of \$629,860, which was attributed to recording its leasehold improvements as financing lease over the 12-year lease period rather than on a straight-line basis over the life of the lease. TJSJ had positive cash flows of \$738,462, and was primarily the result of \$824,000 from the Paycheck Protection Program (“PPP”). TJSJ has

completed but not yet submitted the paperwork to obtain forgiveness of the PPP loan and will recognize the forgiveness in the operating statements of the year where the loan is forgiven. It is anticipated that the PPP loan will be forgiven during FY 2021. TJSL also received in FY 2021 approximately \$373,200 in U.S. Department of Education Educational Stabilization funds, a portion of which is due to the students with the balance to be used to address COVID-19 costs.

In the FY 2020 audited financial statements regarding the TJSL financial status it was stated in Note 14, "Management's plan is to maintain its current and future financial stability and grow its board-designed endowment through designating annual excess cash generated from operations. The School remains vigilant in conservative budgeting and closely monitors all expenditures to ensure it can meet unexpected challenges. As part of the School's budgeting and monitoring expenditures, it has reduced its total salaries expense through layoffs and natural turnover and increased utilization of adjunct faculty. The budget calls for consistent and conservative enrollment and attrition in its JD program as the Law School stabilizes the size of entering and graduating classes. Faculty and staff will be added as necessary as enrollment grows. The School plans some increase in revenue from the JD program as it completes the transition to a full CAL ("California Accredited Law School"). The financial projections demonstrate consistent positive net income." The note in the audited financial statements is consistent with the team's conversations held with Senior Management and the Board of Trustees.

FY 2021 is projected to produce a surplus of approximately \$819,615. The projection includes receiving PPP loan forgiveness of \$824,000 and \$310,000 of CARES Act funding. Additionally, TJSL is forecasting contributing \$1,000,000 to its quasi-endowment from its positive cash flow generated from its FY 2021 results of operations and at the same time increasing its general cash balances by approximately \$870,000. Its operating results for the first six months of FY 2021 show an operating surplus profit of approximately \$246,000.

FY 2022 and FY 2023 are projected to have increasing enrollments and net operating surpluses. The budget projections show no tuition rate increases. The projected revenue growth will result from increases in enrollment, primarily in the JD program. The budget does anticipate compensation and other employer benefit increases over the next few years; however, that is subject to meeting revenue projections. The faculty and staff have not had broad-based compensation adjustments since approximately 2011. The budgets for FY 2021 did not include any salary increases although there are promotion-related adjustments when existing personnel are promoted to different positions, which can take place after the departure of the previous incumbent.

The draft budget for FY 2022 anticipates recognizing \$225,435 in CARES Act funds that have been received and will be expended in FY 2022. The FY 2022 budget does not include other potential government grants or a second PPP loan that have not been currently received by TJSJL. The budget process calls for the Vice President of Finance and the President to draft the budget after soliciting input from various units (e.g., admissions and academic departments). The budget is finalized and discussed with the Board Finance Committee and, after any revisions made to the budget, presented to the Board of Trustees for approval.

The team found that TJSJL still has significant financial challenges. Its net income for 2018 and 2019 was \$446,842 and \$2,218,787, respectively. In 2020 its audited loss is \$629,860, which was the result of expensing its lease as a financing in accordance with accounting principles, rather than as sale leaseback for \$5,900,000 provided under the agreement for leasehold improvements. Payments under the lease for the facility are amortized and recognized as a reduction or accretion to the finance lease obligation and interest expense based on the interest rate that fully amortizes the finance lease obligation over the life of the agreement FY 2020 resulted in a significant positive cash flow. The future budgets have reflected the financing lease treatment for the lease cost amortization.

The FY 2021 forecast projects a surplus and TJSL expects to have operating surpluses in FY 2022, FY 2023, and FY 2024. TJSL is in the strongest financial position it has been in for many years. It has zero debt and new affordable educational facilities (\$1,800,000 in its first year increasing to \$2,700,000 in year 12), which will provide financial benefits compared to previous years' facilities costs. It is still transitioning to a State Bar-accredited law school from an ABA-approved law school through spring 2023. The financial impact of that transition is not fully known; however, its budgets and projections show a careful plan to transition fully to a State Bar-accredited law school. The complete transition to the State Bar-accredited law school will be in FY 2023 at which time TJSL will have admitted new students for three years, have three cohorts as a State Bar school, and have finished the teach-out of the ABA students. With the reduction in the number of ABA students and then their graduation, the heavy financial aid associated with those students will dissipate and not be replaced with aid to the new students.

Because the change of TJSL's business model is only in its second year, it is difficult to fully evaluate TJSL's resource planning and development budgeting, and enrollment management projections. Following a successful enrollment above projections in Fall 2020, the number of Fall 2021 entering class enrollment deposits is slightly ahead of the number of last year at this time. It seems realistic that TJSL will be able to meet its goal for a fall 2021 entering class of at least 110 students. Candidates for admissions are carefully considered but standards are less selective than at most ABA schools. The quality of the entering class is slightly higher than last fall as measured by LSAT and GPA, but the profile of incoming students continues to be of some concern. The strategic plan calls for increasing the indicators of LSAT score and g.p.a. over time. An attrition rate of about 30 percent is factored into planning, based on recent data for voluntary withdrawals and academic dismissals.

TJSL's most recent bar pass rates were 46% for first-time takers and 43% for repeaters, an improvement over the previous bar results. The State Bar requires that schools have a 40%

rolling average; TJSJ's rolling average is currently 61.7%. Academic support for new students and for bar preparation continue to be high priorities.

As noted, there is virtually no revenue diversification, and the tuition revenue is almost entirely related to its JD program. Approximately 93% of the TJSJ students receive Title IV loans. Access to federal funds initially came through ABA accreditation. Prior to withdrawal of ABA approval, TJSJ had transferred the basis for its federal approval to WSCUC after Candidacy was granted. If WSCUC accreditation is not approved by June 2021, access to federal money will stop. The total loans disbursed pay approximately 93% of the total tuition revenue. Some TJSJ JD graduates carry high student loan debt load, but despite this and some years of low bar pass rates, students, graduates, and those who have dropped out of the program appear to be paying their student loans -- the cohort default rates are only 3.1% (FY 2015 and FY2016) and 2.17% (for FY2017).

The audit opinion for 2020 was unqualified and included a paragraph labeled "Emphasis of Matters Regarding Going Concern." This was included because of the loss of the ABA accreditation and uncertainty regarding WSCUC accreditation. Ultimately TJSJ was evaluated as a going concern (Note14). The auditors as a matter of practice review its "Emphasis of Matters Regarding Going Concern." TJSJ complies with the requirement that it has received unqualified audit opinions in its audits.

The team also considered the liquidity of TJSJ. In its 2020 financial statements, note 9 addressed liquidity, and it indicated that as of June 30, 2020, there was an estimated liquidity of \$1,572,989 compared to \$890,644 (FY 2019) for general university purposes going into FY 2021. In addition to the estimated liquidity for general university purposes, there is approximately \$1,996,000 (as of June 30, 2020) in restricted quasi-endowment that the Board of Trustees could release to assist TJSJ operations. Board of Trustee members indicated that such action would be taken by the board under appropriate circumstances. The board members

consider those funds as the cash safety net for TJSL rather than having a line of credit in place to serve as the safety net.

Finally, it should be noted that TJSL shifted effectively to online delivery of courses and services during the pandemic but plans to return to in-person instruction in fall 2021. The leadership indicated that they may continue to use online services for some purposes where that modality has proven to be more effective, for example in recruitment and bar preparation. But TJSL is eager to reconvene in person with students as quickly as permitted to do so.

TJSL continues to be in a somewhat fragile financial position as it transitions to its new model under California State Bar standards. It has developed a new financial paradigm for which there is limited but positive basis on which to assess the reasonableness of financial projections and future operations. The financial condition of TJSL has improved substantially from when it was first visited during SAV1 and, while the next few years will be critical to determining long-term financial health, TJSL does appear to meet Standard 3, in particular CFR 3.4, at a level sufficient for Initial Accreditation.

The WSCUC team finds that TJSL meets Standard 3 at a level sufficient for Initial Accreditation, understanding that only the Commission is authorized to make the final determination.

Standard 4. Creating an Organization Committed to Quality Assurance, Institutional Learning, and Improvement

As noted above, TJSL was found previously by the Commission to comply at a sufficient level for initial accreditation.

SECTION III. FINDINGS, COMMENDATIONS AND RECOMMENDATIONS

As noted in Section II above, the team found that TJSL meets all four Standards at a level sufficient for Initial Accreditation.

Commendations

Since the initiation of TJSL's quest for WSCUC accreditation, it has undergone a dramatic transition from being an ABA-approved law school with a larger student body and full-time faculty to a smaller State Bar-accredited law school with a more modest enrollment and smaller faculty, staff, and student body. The leadership, board, and faculty have managed this transition with great care and effectiveness. Thomas Jefferson has emerged with a new vision of being the premier State-Bar-accredited law school in California and with revised academic and financial models directed toward that vision. This transformation has been made possible by the energy and determination of many people committed to the new vision. Among the strengths that the team observed in this SAV4 visit are:

- A highly effective leadership team that has engaged with constituents with calm and transparency, while continuing to keep focus on teaching and students. Working closely with its board, the leadership was able to eliminate massive debt, restructure its finances, move to a new facility, downsize faculty and staff, and then when the pandemic hit, shift swiftly to online instruction and services.
- The creation of an entirely new financial model that matches the new vision for TJSL, including a rethinking of tuition and financial aid, a fresh look at what expenses are critical to meet its goals, and a resilient financial plan and budget.
- A highly committed and engaged board that has acted decisively to make changes and smart strategic decisions as it created and implemented the new academic and financial models.
- A clear focus on the work that has to be done to make this transition a reality by recruiting and admitting students under the new State Bar-based curriculum while providing support for students' success; shifting from a large full-time tenured faculty to a faculty model that has a strong core of full-time professors and a larger pool of practitioner-adjuncts; adjusting expectations for facilities, research and library.

- Collaboration with the ABA to ensure that students who entered as ABA students are properly taught through to completion and with the California State Bar Committee of Bar Examiners to effectuate a smooth transition to State Bar accreditation.

Recommendations

- TJSL needs to monitor its finances carefully and adjust as needed to meet the new realities as a State-Bar-accredited law school. This oversight and strategic planning and decision making involves a close attention to enrollment management and expense containment, using the many levers that are available to make adjustments if revenue projections are not met and continuing to achieve surpluses and contribute to reserves.
- Related is the need for the leadership, faculty and board to monitor the detailed goals and objectives set in the revised strategic plan, revisiting that plan as TJSL collects more data over time on which to make adjustments.
- Thomas Jefferson admitted and enrolled more than 140 first-year students in the current academic year to study under the new State Bar-based curriculum. Given the non-selective admissions standards that have been adopted, special attention, study and vigilance are required to support students in multiple ways and to ensure that students without a good chance of passing the bar are not continued. Achieving good bar pass rates is critical to the new vision and to meeting the strategic plan.
- Some assessment and related initiatives have been delayed, primarily as a result of the resources and attention required to shift to online instruction and operations during the pandemic. As the pandemic eases and the new TJSL is fully operationalized, the leadership and faculty should resume the good work that was being done to conduct and use data from institutional research and

program reviews for planning and improvement and to assess student learning and improve learning results.