

**SUPPLEMENT DATED MAY 22, 2014
TO OFFICIAL STATEMENT DATED APRIL 23, 2014
AS PREVIOUSLY SUPPLEMENTED ON
APRIL 28, 2014, APRIL 29, 2014, MAY 1, 2014 AND MAY 14, 2014
OF
NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
\$553,845,000 SCHOOL FACILITIES CONSTRUCTION REFUNDING BONDS,
2014 SERIES PP;
\$615,465,000 SCHOOL FACILITIES CONSTRUCTION REFUNDING BONDS,
2014 SERIES QQ BONDS (FEDERALLY TAXABLE); AND
\$60,000,000 SCHOOL FACILITIES CONSTRUCTION BONDS, 2014 SERIES RR**

Please insert the following Appendix I-2, "Supplement Dated May 22, 2014, to Appendix I" directly preceding Appendix I-1:

APPENDIX I-2

SUPPLEMENT DATED MAY 22, 2014, TO APPENDIX I

Supplement dated May 22, 2014 to Appendix I, dated April 8, 2014

Please insert the following subsection on page I-8 below the last paragraph in the subsection entitled “Recent Developments” in the section entitled “FINANCIAL RESULTS AND ESTIMATES”:

Developments Since April 28, 2014

Executive Order 156. In response to shortfalls in resources for Fiscal Year 2014, on May 20, 2014, the Governor issued Executive Order No. 156 (Christie 2014)(“Executive Order 156”), which directed the Budget Director to place into reserve items of appropriation pursuant to N.J.S.A. 52:27B-26. Further, the Budget Director was directed by Executive Order 156 to place into reserve such amounts appropriated for the State’s Fiscal Year 2014 contribution to the pension plans necessary to ensure that the State ends Fiscal Year 2014 with a \$300 million ending fund balance, with the exception that the Budget Director shall not place into reserve the actuarially required normal contribution for all active employees. In addition, the Governor in Executive Order 156 directed the Budget Director not place into reserve or prevent the timely disbursement of appropriations which have been determined to be essential to the maintenance of health, safety and welfare of State residents such as debt service payments and final payments to institutions of higher education, hospitals, nursing homes, school districts and Transitional Aid to municipalities determined to be in fiscal distress.

Treasurer’s Statement. On May 21 and May 22, 2014, the State Treasurer provided to the budget committees of both houses of the State Legislature an updated statement of anticipated resources from those anticipated in the Governor’s Fiscal Year 2015 Budget Message along with budgetary actions taken and proposed with respect to Fiscal Years 2014 and 2015 (the “Treasurer’s Statement”). These budgetary actions are intended to comply with Executive Order 156. See “STATE FINANCES – New Jersey’s Budget and Appropriations System” herein.

The Treasurer’s Statement indicated that anticipated revenues are \$31.518 billion for Fiscal Year 2014 and \$32.738 billion for Fiscal Year 2015, which are \$1.045 billion (3.2 percent) less and \$1.710 billion (5 percent) less, respectively, for Fiscal Years 2014 and 2015, than were anticipated in the Governor’s Fiscal Year 2015 Budget Message.

Approximately 85 percent of the revenue shortfall year-to-date can be attributed to less than anticipated Gross Income Tax collections. Larger-than-anticipated Gross Income Tax refund amounts and the unexpectedly large effect of the 2012 federal “fiscal cliff” that caused high-income taxpayers to accelerate the receipt of capital gains and other income during that year instead of 2013, largely account for the significant shortfall in Gross Income Tax collections.

To offset the \$1.045 billion shortfall in anticipated resources for Fiscal Year 2014 and to accommodate certain additional spending needs for Fiscal Year 2014 in the approximate amount of \$253 million (\$39 million less than proposed in the Governor’s Fiscal Year 2015 Budget Message), in addition to closing Fiscal Year 2014 with an ending fund balance of \$300 million (\$1 million less than proposed in the Governor’s Fiscal Year 2015 Budget Message), the Treasurer’s Statement identified the following: (1) a reduction in the contribution to the pension

funds of approximately \$887 million; and (2) lapses in other appropriations totaling approximately \$118 million (in addition to the \$694 million in lapses proposed in the Governor's Fiscal Year 2015 Budget Message).

To offset the \$1.710 billion shortfall in anticipated resources in Fiscal Year 2015 and to achieve an ending fund balance of \$300 million (\$13 million less than anticipated in the Governor's Fiscal Year 2015 Budget Message), the Treasurer's Statement proposes reducing appropriations by \$1.697 billion as follows: (1) a reduction in the contribution to the pension funds of \$1.569 billion and (2) other reductions/adjustments in various appropriation categories of approximately \$128 million.

The proposed reduction in the pension contribution for both Fiscal Years 2014 and 2015 represents an amount equivalent to the unfunded actuarial accrued liability portion of the annual required contribution. The Treasurer's Statement proposes that the State make a contribution to the pension funds of \$696 million in Fiscal Year 2014 and \$681 million in Fiscal Year 2015, each representing an amount equivalent to the employer normal cost, i.e. the portion of the present value of retirement benefits that are allocable to active members' current year service. See "FUNDING PENSIONS – Required Actuarial Valuations" herein.

The proposed reduction in contributions described above could have the effect of (1) delaying the phase-in of the State's full actuarially required contribution, (2) increasing the amount of such contribution, (3) increasing the size of the UAAL and (4) decreasing the percentage of the Funded Ratio of the Pension Plans once the phase-in is completed. See "FUNDING PENSION PLANS – Impact of Pension Reforms and the State's Funding Actions on Pension Plans." Assuming contributions equivalent to the employer normal cost in Fiscal Years 2014 and 2015 and resumption of the seven-year phase-in in Fiscal Year 2016 at four-sevenths (ending with a full actuarially required contribution in Fiscal Year 2019), a preliminary analysis projects a full actuarially required contribution in Fiscal Year 2019 of approximately \$4.8 billion, a UAAL in Fiscal Year 2019 of approximately \$46 billion and a Funded Ratio of the Pension Plans in Fiscal Year 2019 of 48.24%. Based on this preliminary analysis and absent any other action by the State, the State could be required to make higher than anticipated contributions in subsequent years. As the State has previously noted, future increased contributions in future Fiscal Years, depending on their magnitude, will likely create a significant burden on all aspects of the State's finances.

The State anticipates that in response to actions being taken pursuant to Executive Order 156 and the information provided in the Treasurer's Statement, members of the State Legislature, other elected officials and representatives of organizations and individuals affected by the actions ordered or proposed, including representatives of individuals covered by the pension funds, may issue statements or reports, post information on websites or otherwise make public information that characterize the ordered and proposed actions and the effect thereof on the State, its programs and its financial condition. Such statements, reports and information are not part of this Appendix I or the Official Statement to which this Appendix I is appended and should not be relied upon by investors or other market participants.

In addition, the State cannot predict whether the actions ordered and proposed will result in any changes in the ratings of securities of the State or securities that are secured by amounts subject to appropriations by the State Legislature.

The State anticipates that certain of the actions ordered and proposed, particularly those relating to pension funding, may result in litigation. The State will vigorously oppose any such lawsuits.

The foregoing discussion of anticipated resources, proposed actions and resulting anticipated ending fund balances for Fiscal Years 2014 and 2015 is based upon information currently available to the State Treasurer and estimates and assumptions deemed reasonable at this time, but are subject to revision. Because such discussion includes elements based on expectations about future events and economic performance, no assurance can be given that actual results may not differ materially from those anticipated in the discussion.

State of New Jersey