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UPDATE 2-U.S. Senate shortens transport extension, sets up clash with House

Wed Jul 30, 2014 5:44am IST

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(Adds senator comment, details on fuel taxes)

By David Lawder

(Reuters) - The U.S. Senate on Tuesday approved an \$8.1 billion extension of federal funding for transportation projects through the end of 2014, setting up a clash with the House of Representatives just days ahead of cutbacks in money for road, bridge and transit construction.

The Democratic-controlled Senate had been considering a House-passed measure for a longer-term extension through May 2015, but reduced the amount of money with the aim of forcing Congress to approve a long-term transport funding bill during its post-election "lame duck" session in November.

The final bill, which also stripped the main funding mechanism in the House-passed measure, revenue from pension accounting changes, passed by a strong bipartisan vote of 79-18.

"Let's force the Congress this year - before the end of this year - to deal with an issue that's sponsored an

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The vote raises the stakes for Congress as a twin deadline looms on Friday for a reduction in payments to states from the Highway Trust Fund and the start of a five-week summer recess for lawmakers.

Republican House Speaker John Boehner earlier on Tuesday said the House would simply strip any changes made by the Senate to the transportation funding bill and send back the original House version to the Senate for approval.

Such legislative "ping-pong" with time running out raises the risk that Congress will not replenish the rapidly dwindling Highway Trust Fund before Friday.

The Department of Transportation has said it will begin to curtail payments from the fund to states by as much as 30 percent starting that day, a move lawmakers and state transportation directors say could halt planning work for major projects and lead to the layoffs of hundreds of thousands of construction workers.

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State transportation directors and business groups have been clamoring for a long-term solution that would eliminate uncertainty over the funding of road and rail transit projects that benefit the heavy construction industry and its suppliers, including Fluor Corp, Vulcan Materials, LaFarge SA and Caterpillar Inc.

The trust fund has suffered chronic shortfalls in recent years as revenue from fuel taxes, unchanged since 1993, have failed to keep pace with rising construction costs and been hit by improved vehicle fuel economy. Some lawmakers have advocated a fuel tax increase and believe this may be easier to achieve after November's congressional elections.

The House earlier this month approved a \$10.9 billion funding patch largely funded through "pension smoothing," which allows companies to reduce their contributions to employee pensions, thus increasing taxable profits.

It also would extend customs fees for another, a measure in common with the Senate bill.

But the Senate measure substituted some other provisions to raise revenue by improving tax compliance, such as increased reporting requirements for mortgage interest deductions. (Reporting by David Lawder; Editing by Sandra Maler and Diane Craft)

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