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In Congress, a Bill Seeks to Tie Municipal Borrowing Power to Public Pension Disclosure.

Representatives from California and two other states introduced a bill in Congress on Thursday that would strip states and cities of their right to issue tax-exempt bonds unless they first disclosed the true cost of their pension plans and whether they could pay it.

The measure seeks to prevent more municipal bankruptcies like the one in Stockton, Calif., where the city has defaulted on hundreds of millions of dollars' worth of municipal bonds but continues to pay hundreds of millions of dollars more in pension costs.

A debate is now raging in that bankruptcy over which of the two debts has legal priority. The question has far-reaching implications both for labor relations and the building of public works, and many experts expect the Supreme Court to have the final say.

Sponsors of the disclosure bill, all Republicans, said Stockton and other distressed cities would not be in such deep trouble — and their workers, residents and bondholders exposed to such painful losses — if they had been keeping accurate track of what they promised to their retirees all along.

Sponsors said they wanted to send a signal that no matter what else happened, the federal government would not bail out states, cities or other governments that promised more than they could deliver.

"The costs of public pension funds are driving an increasing number of states and municipalities toward insolvency," said a sponsor of the bill, Representative Devin Nunes, a California Republican whose district includes Fresno and other inland cities that are still struggling to recover from the housing bust and the Great Recession.

Another sponsor, Darrell Issa, also a California Republican, said he thought that because pension costs were essentially hidden, state and local officials could "pander to both public employees and taxpayers" by racking up huge promises that local taxpayers would never agree to if they understood the cost.

"The key to addressing this problem is shining a light on the financial health of pension systems and making clear that federal taxpayers will not pick up the bill for reckless mismanagement," said Mr. Issa, whose district includes prosperous communities in San Diego County, which has had pension trouble, and Orange County, which declared bankruptcy in 1994 after its aggressive investments soured.

Other sponsors were Paul Ryan of Wisconsin, chairman of the House Budget Committee, and Senator Richard Burr of North Carolina. He said he would introduce the Senate version of the bill in a few days.

The bill would not require governments to change the type of benefits they offered workers, or to invest their retirement money in any particular way. The federal government has little or no power to direct such decisions by states and cities because of state sovereignty provisions in the Constitution.

A similar bill was introduced in 2011, and while it picked up sponsors from both parties, it drew withering opposition from public employees' unions, who viewed it as an attack on public workers. They argued the bill was a deliberate effort to make pensions look exorbitant, to stoke taxpayer anger and resentment, and heighten the pressure on states and cities to switch to 401(k) plans.

"The federal government does not need to intervene in this issue," said Iris J. Lav of the Center on Budget and Policy Priorities, a policy research group based in Washington, at a hearing on the previous bill before the House Ways and Means Subcommittee on Oversight. "States should be able to gradually solve their underfunding problems with the steps they are already taking," like requiring bigger contributions from both workers and governments.

In the new bill, the method for calculating pension costs has been changed so that it closely resembles the one that actuaries already use under certain circumstances. The big bellwether California state pension system, known as Calpers, already uses such a method to calculate a local government's final bill when it drops out of the system, for example.

This time, the bill may also gain momentum from the changing circumstances — Stockton's pension fight is out in the open, for instance, and certain other cities, like Detroit, are clearly struggling more than ever with retirement benefit costs. Federal regulators recently accused Illinois of securities fraud for issuing what they said was misleading information about its pension system.

Perhaps most important, in Washington the search is on for ways to reduce the federal deficit. The tax exemption for municipal bonds costs the Treasury more than $30 billion a year in forgone revenue, and fiscal experts say municipalities are at greater risk of losing it now than since the Great Depression. The Obama administration has repeatedly proposed capping it. So did Mitt Romney during the last presidential campaign.

The new bill would not use the tax exemption so much to narrow the federal deficit as to force municipalities into giving the world an unvarnished look at their pension plans. Until now, the accounting rules have permitted governments to factor in actuarial assumptions and smoothing techniques that greatly lowballed the benefits' cost.

In some cases, local governments could even say their workers' benefits were free. The Governmental Accounting Standards Board recently tightened the rules, but many economists say the revisions do not go far enough.

Moody's Investors Service, for one, has said it will not use the numbers that states and cities disclose in rating municipal bond offerings without first adjusting them. On Wednesday, Moody's said it had started making the adjustments, and had put Chicago, Cincinnati, Minneapolis, Portland, Ore., and 25 other local governments and school districts on review for possible downgrades as a result.

"The manner in which these obligations are reported varies widely, and we believe the liabilities are underreported from a balance sheet perspective," said Timothy Blake, a managing director at the ratings firm.

City and state officials generally remain hostile to the idea of so-called fair value pension disclosures. But they also cherish their ability to raise money at low cost with tax-exempt bonds and would probably make the disclosures if that were the only way to keep the tax exemption.