



## What is Happening to California?

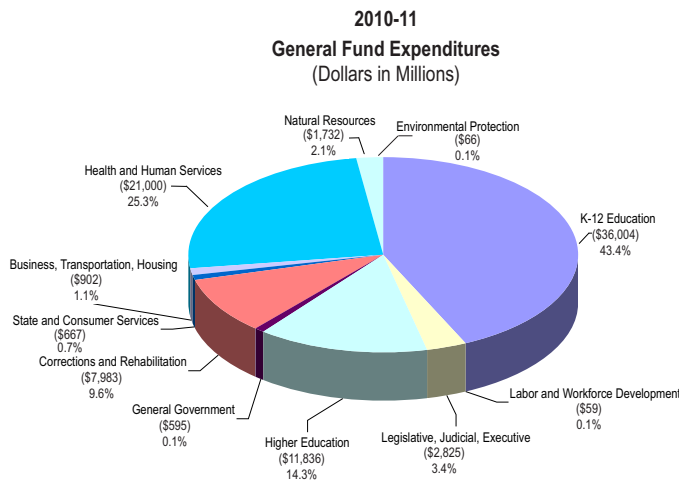
by Michael McBurnie  
CEO, My Therapy Company

When it comes to schools, and especially special education, probably no question is more important to our therapists and our California company than what is happening with the California state budget.

I recently reviewed the proposed California budget and the Obama Administration's proposed federal budget, and the following summary highlights some important components of both.

The California Governor's Budget Summary for 2010/2011 includes some of the following changes that might affect us:

### Total Proposed Expenditures by Agency



- K-12 Education receives a boost of 4.2%
- Higher Education is increased 12%
- Health and Human Services is cut 16.2%

The Obama Administration's new proposed federal budget includes a \$4 billion increase in education funding to states. Education will not be affected by any of the spending freezes.

### Key Investments for California

Here are some of the good things from the federal budget that will help California:

- Tax cuts for 12.6 million families
- 6.3 billion for schools, students, and teachers
- 6.1 billion to fix and expand the states' network of roads and highways, modernize airports, and expand water and sewer infrastructure

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## Having Fun on Catalina Island



My Therapy Company staff gather for a group picture during the 2009 annual outing.

## How FSA's Can Save You Money

### What Are FSA's?

A Flexible Savings Account (FSA), also known as a Medical Spending Account, is a voluntary saving program that allows you to put aside a portion of your pre-tax earnings to pay for qualified medical expenses. FSA's can cover your health insurance's deductibles, co-payments, and co-insurance, as well as other expenses not covered by insurance such as:

- Over-the-counter medicines
- Eyeglasses
- Dental exams and braces
- Deductibles, co-payments, and co-insurance
- Contacts and lens solution
- Chiropractic care
- Immunizations
- Prescription drugs
- Physical exams

### Why would I want to participate in an FSA?

An FSA provides the following benefits:

**Tax Savings.** FSA deductions come out of your paycheck before taxes are computed. Since these deductions are a pretax benefit, less wages are taxed, resulting in more take-home pay for you!

**Budgeting.** Regular payroll deductions help you budget medical, dental, vision, over-the-counter, and dependent care expenses.

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• **\$11.5 billion for special education grants to states. This is in addition to the extraordinary \$11.3 billion increase provided by the Recovery Act. These funds ensure that states and school districts have adequate resources to help students with disabilities meet the same challenging state proficiency standards as other students. The request would provide a per child average of \$1,713 for an estimated 6.7 million children with disabilities. In addition, for the 2010/2011 school year, states and school districts will have billions more to spend on IDEA activities since both the Recovery Act funds and the 2010 funds will be available at the same time.**



- \$3.9 billion in new funding for Pell Grants to help families pay for college
- \$4 billion for housing assistance
- \$29.4 billion for California to provide health coverage to low income children and families
- \$79 million to strengthen regional and local partnerships among rural health care providers, increase the number of health care providers in rural areas, and improve the performance and financial stability of rural hospitals
- \$169 million to place doctors, nurse practitioners, and dentists in medically underserved areas to improve access to needed health care services
- An increased childcare tax break through a 35% credit for middle class families earning up to \$85,000 a year and at least some additional credit for families earning up to \$113,000. Families could claim up to \$3000 in expenses for one child or \$6000 for two children. Many middle class families with two children will see the credit nearly double, from \$1200 to \$2,100
- Expanded childcare funding for working parents. \$1.6 billion will be added to the Child Care Development Fund, the largest one-year increase in 20 years, which will serve an additional 235,000 children.

Although it is still early to tell how schools will work with us in the upcoming school year, at this point I see nothing that concerns me. My Therapy Company increased its 2009 school contracts by 40%. We added more districts, not less, and we expect to have, at a minimum, the same level of employment opportunities for the 2010 school year. We look forward to our continued relationship with all of our valued therapists.

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**Ease and Convenience.** Paychex provides you with the information and service needed for your FSA through the Paychex Online Flexible Spending Account and the Paychex Employee Services phone line.

**Which is more beneficial – participating in the Flexible Savings Account Dependent Care Reimbursement Plan or taking the Child Care Credit on my federal income tax return?**

You may receive a tax break on your expenses with either option, but you must choose whether to use the Child Care Credit or the FSA. The IRS will not allow you to receive two tax breaks for the same expenses.

You may claim a Child Care Credit on your tax return equal to your dependent care expenses (up to \$6,000 per year for two or more dependents or \$3,000 per year for one dependent) multiplied by a percentage. The percentage ranges from a high of 35% to a low of 20% as your household adjusted gross income increases.

The Dependent Care FSA is limited to \$5,000 per year (for you and your spouse filing jointly), or \$2,500 if married and filing separately, for any number of dependents. You will experience “tax savings” throughout the year with every paycheck you receive. If you are subject to the lowest federal tax rate, state taxes, and Social Security taxes, you will save about 27% of your total medical expenses covered by the Dependent Care FSA. If you pay a higher federal rate, you will receive an even higher tax break through the Dependent Care FSA.

Generally those employees with a combined family income over \$30,000 or those who spend more than \$3,000 on care for only one qualifying child will save more through the Dependent Care FSA. Please contact your tax advisor if you have questions about which is best for you.

## Celebrating Our Therapists



**Birthday greetings to everyone who recently enjoyed their special day!**

### December

Deborah Bae – December 20  
Karen Stanton – December 23  
Michelle March-Osoria – December 23  
Lyn Harrelson – December 28

### January

Rebecca Pawlowski – January 7  
Susan Mennear – January 20

### February

Channing Jones – February 23

**Happy Birthday everyone!**

