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Foundations of Well-being:
Financing Infant and Early Childhood Mental Health Services and Supports for Families in Child Welfare

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BACKGROUND

The first brief in this series, *Foundations of Well-being: Policy Strategies for Integrating Infant and Early Childhood Mental Health into Child Welfare*, delineated a continuum of infant and early childhood mental health (IECMH) services and supports that should be available to all families, especially those at risk for or involved in child welfare. This companion brief identifies a range of federal funding sources that can potentially fund a continuum of IECMH services across different levels of prevention, from primary prevention strategies for all families to secondary or tertiary services for families with greater needs. These federal funding sources can be leveraged by early childhood system partners to build and improve access to IECMH across a multitude of settings.

Early childhood system partners, including child welfare, have a critical role in ensuring timely access to high-quality IECMH services and supports across the prevention continuum. Working together through these partnerships, with meaningful centering of families with lived expertise, we can change the trajectory of families with infants and toddlers who have experienced trauma. IECMH services and supports should be foundational building blocks and areas of investment for early childhood systems.

IECMH services are rooted in relationship-based approaches in which a primary caregiver is always included in the interventions provided. Investment in these services and supports helps families build critical buffers to adversities they may be experiencing now or in the future. The philosophies and approaches of IECMH are strongly aligned with the goals of many child welfare leaders to work upstream alongside families and partners to strengthen families and prevent the need for deeper system involvement.

> *An early childhood system brings together health (holistically defined and for all members of the family); child welfare, including the dependency court; early care and education; other human services; and family support program partners—as well as community leaders, families, and other partners—to achieve agreed-upon goals for thriving children and families.*

THE FUNDING LANDSCAPE FOR IECMH AND CHILD WELFARE

Few federal funding sources are solely dedicated to IECMH, so the challenge for early childhood systems leaders is to find a pathway within existing funding streams to carve out dollars to directly support the mental health of infants and toddlers. Based on research for this report, at least 13 nondiscretionary federal funding streams can support one or more types of IECMH services for families who are involved in child welfare. Given the multitude of funding sources, identifying the flow of dollars can be an involved and lengthy process at the state level and requires collaboration among early childhood system partners.

In 2024, federal spending on babies and toddlers was just 1.52% of the overall federal budget, which equates to $102 billion.[i] It is increasingly important for states and localities to find efficient ways to leverage limited federal dollars and maximize their impact.

A number of federal funding streams can support direct services for families and children[ii], including primary prevention/promotion approaches for all families, or secondary or tertiary approaches for families with higher risk of child welfare involvement. Title IV-E is by far the largest funding stream supporting families involved in child welfare. Between 2015 and 2022, states spent $68.6 billion on Title IV-E;[iii] however, this resource is very limited in covering IECMH services and supports. Medicaid and other federal funding streams do pay for direct IECMH services, and they provide greater flexibility to think about primary and secondary prevention, which is why it is so critical to understand the intent and allowable uses for each of these services. Examples of federal funds that can be leveraged for select services and supports in the IECMH continuum are listed in Figure 1. Service definitions are included in the Appendix.

Medicaid is the primary payor for IECMH services and supports for families involved in child welfare, as 99% of all children in child welfare system are Medicaid-eligible. New Mexico's Children, Youth & Families Department sustains Child-Parent Psychotherapy for families in the community and those in the child welfare system through a combination of state dollars and Medicaid funding.

Figure 1. Which Federal Programs Can Pay for IECMH Services and Supports for Children in Child Welfare?

The examples provided in this chart show the array of funding streams available to pay for select components of the IECMH continuum of care. While funding may be available in a state, individual and/or family-level eligibility requirements may facilitate or prevent access to specific services. States must ensure safeguards to billing and claiming to avoid "double dipping" or billing for the same service more than once for the same family member across funding streams.

FUNDING SOURCE	IECMH SERVICES AND SUPPORTS								
	Social Emotional/Mental Health Screening	Relationship-Based Assessment	Clinical Diagnosis	Non-Clinical Interventions[1]	Mental Health Treatment	Peer Support/ Parent Partner	IECMH Consultation	Therapeutic Preschool/ Therapeutic Nursery	Crisis Respite/ Crisis Nursery
Medicaid	●	●	●	●	●	●	●	●[2]	●[2]
Title IV-E Prevention[4]	○	○	○	●[3]	●[3]	●[3]	○	○	○
Title IV-E Foster Care[5]	○	○	○	●	○	○	○	○	●[6]
Title IV-B	●	●	●	●	●	●	○	●	●
Temporary Assistance for Needy Families (TANF)	●	●	●	○	●	○	○	○	○
Individuals with Disabilities Education Act (IDEA) Part C	●	●	●	●	●	○	○	○	○
Child Abuse Prevention and Treatment Act (CAPTA)[7]	●	●	●	●	●	●	○	○	● Community Based Child Abuse Prevention (CBCAP)
Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program	●	●	○	●	○	○	○	○	○
Preschool Development Grant Birth to Five (PDG B-5)	○	●	●	●	●	○	●	●	○
Child Care and Development Fund (CCDF)	●	○	○	●	○	○	●	○	○
Community Mental Health Block Grants	●	●	●	●	●	●	●	●	●
Substance Abuse Prevention and Treatment Block Grant	○	○	○	●	●	●	●	●	●
Victims of Crime Act (VOCA)	○	○	●	○	●	●	○	○	●

[1] Services reimbursed in this category will vary by state and funding source. For instance, in some states, home visiting is Medicaid billable, whereas in other states it is not an approved Medicaid state plan service. See Service Definitions for additional services included in this category.

[2] Components of these approaches may be billable through Medicaid, including mental health day treatment, respite care, mental health assessment, crisis mental health assessment, case management, and home visiting.

[3] Interventions are limited to the evidence-based practices (EBPs) in the Title IV-E Family First Prevention Services Clearinghouse; within the Clearinghouse, clinical interventions are included in the mental health and substance use categories.

[4] This includes children who are candidates for foster care and their caregivers based on the state's definition (if the state has a federally approved Title IV-E Prevention Plan). Many services are reimbursable via Medicaid, though this varies based on the provisions of the state's Medicaid plan. (Payor of last resort for 'foster care candidates")

[5] Children must meet the Title IV-E eligibility requirements.

[6] Title IV-E covers emergency placements for children coming into child welfare; crisis respite providers may qualify for reimbursements if they meet state standards for emergency placement providers.

[7] CAPTA primarily covers services that would be deemed prevention/early intervention; does not apply to children/families with substantiated abuse findings.

Figure 1 identifies the services and supports that each of the 13 key federal fund sources can pay for a comprehensive continuum to support the mental health of infants, toddlers, and their families at risk for or involved in child welfare.

Early childhood funding comes in many forms, from federal block grants, entitlement programs, and discretionary grants to state and local dollars. These funds can, and often are, dispersed across multiple agencies, (e.g., Medicaid, early care and learning, public health, child welfare, and behavioral health). As a result, policies and funding decisions within each sector influence the availability and infrastructure for these services. Absent a coordinated approach and focus on IECMH, states run the risk of further fragmenting access to care and exacerbating policy inequities.

Creating a Funding Map for the IECMH System

Expenditures for IECMH services can show up in different funding streams, including Medicaid, Title IV-E, Title IV-B, and the Child Care and Development Fund (CCDF), among others. This can result in a fragmented approach to funding the infrastructure and a gap in understanding what collective investments are being made to support infant mental health. A funding map can identify the flow of dollars, support strategic thinking around how to pool funds, and explore ways to maximize available resources. This process can also illuminate areas of underinvestment and pinpoint potential funding sources for future exploration. The funding map created by the Buffett Early Childhood Institute at the University of Nebraska reflects the state's public investment in early care and education. Additional fiscal maps for a selection of states have been released and more are in development by the Children's Funding Project. While not specific to IECMH, these fiscal maps outline state public financing for children's services across various domains, including health and mental health.

MATCHING REQUIREMENTS FOR FEDERAL FUNDING

Funding sources that are not solely dedicated to the child welfare system, also called non-dedicated funding (e.g., federal block grants), will require intentional partnerships at the state level to direct these funds to a population and/or need. In addition, some funding requires a state or locality to provide *matching funds* as a percentage of the federal share of spending. Matching funds can present hurdles for maximizing federal drawdowns, and the availability of matching dollars often depends on the health of the state and local economy, as well as political will. **Figure 2** provides a snapshot of matching requirements for a sample of federal funding streams.

Figure 2. Federal Matching Requirements for Selected Funding Streams

FEDERAL FUNDING	REQUIRES STATE MATCH	MATCHING REQUIREMENTS
Medicaid/Children's Health Insurance Program (CHIP)	✓	State must provide nonfederal matching funds at the required Federal Medical Assistance Percentage (FMAP)
Title IV-E Prevention	✓	50% federal matching rate through 2026
Title IV-E Foster Care	✓	State must provide nonfederal matching funds at the required FMAP for the state's Medicaid program
Title IV-B	✓	States must match at a rate of 25% of total program costs with nonfederal funds
TANF	✓	States must spend 80% of their 1994 state spending on the TANF program (Rate is reduced to 75% if state meets its work participation rate)
IDEA Part C		Some direct services in Part C may be billable to Medicaid; see Medicaid above
Community-Based Child Abuse Prevention (CBCAP)	✓	States must provide nonfederal matching funds at a rate of 20% of the program's total award
MIECHV	✓	States must match at a rate of 25% of total program costs with nonfederal funds
PDG B-5	✓	States must match at a rate of 30% of total program costs with nonfederal funds
CCDF	✓	Based on state's FMAP rate and compliance with Maintenance of Effort (MOE) standards
Community Mental Health Block Grants		
Substance Abuse Prevention and Treatment Block Grant		

APPENDIX: SERVICE DEFINITIONS

Below are brief descriptions of the services described in Figure 1. States have multiple options for financing this array of services for children in child welfare and for families at risk of child welfare involvement. While not an exhaustive list of potential services and supports or funding streams, those included here are critical to child and family well-being, especially for families in the child welfare system.

Social Emotional/Mental Health Screening: An initial screen of mental health symptoms using a validated, age-appropriate tool. May be administered by a licensed mental health professional or another professional with appropriate training and knowledge to conduct screenings with this age group.

Relationship-Based Assessment: A comprehensive psychosocial assessment process carried out by an IECMH professional that focuses on collecting background and current contextual information about the child, caregiver(s), and the caregiver-child relationship. The assessment is informed by validated assessment tools and observations of the child in different settings with the primary and other caregivers. Relationship-based assessments include discussions with key informants, biological family, resource families, and fictive kin, among others. A full history of the child's life experiences, relationships with primary caregivers, and other related information are gathered during this process.

Clinical Diagnosis: The *DC:0–5™ Diagnostic Classification of Mental Health and Developmental Disorders of Infancy and Early Childhood* is the gold standard for diagnosis of mental health conditions in very young children. Clinicians may also use validated clinical assessment instruments during this process. Best-practice diagnosis of very young children involves three to five face-to-face sessions, which allows for adequate observation across settings and caregiver relationships to identify the signs and symptoms of a mental health condition of infancy or early childhood.

Non-Clinical Intervention: A wide range of services fall into this category, which can be delivered by paraprofessionals or professionals. Some of the services include case management, home visiting, care coordination, substance use services, parent skills training, respite, therapeutic foster care, and in-home stabilization services.

Mental Health Treatment (two-generation or multigenerational treatment): These services are delivered by an IECMH professional, with knowledge and interventions focused on healing and fostering the relationship between the caregiver(s) and child. These services are delivered across settings and typically involve the caregiver(s) and child in the therapy session at the same time.

Peer Support/Parent Partner: A direct service provided by parents or caregivers with lived experience in child welfare to parents currently involved in child welfare. Parent partners assist parents with navigating the child welfare and court systems, provide moral support and coaching, and support parents in connecting with services across adult and family-serving systems. Peer support or parent partners may also be certified in substance use or mental health recovery depending on their experiences and the availability of certification programs within their state.

IECMH Consultation: A prevention strategy to improve social, emotional, and behavioral development of infants and toddlers—and the adults who care for them. An IECMH consultant partners with other professionals and staff working with young children to infuse approaches to promote healthy social and emotional development/mental health in their ongoing work. The IECMH consultants are mental health professionals with specialized expertise in early childhood.

Therapeutic Preschool/Therapeutic Nursery: Therapeutic nurseries, also known as therapeutic preschools, are a proven approach to supporting families who have already experienced trauma and intense stressors. Children with traumatic histories may experience challenges in mainstream child care settings that are not fully equipped to help such children manage their emotions, learn, and engage in play with peers.

Crisis Respite/Crisis Nursery: A crisis nursery is a trauma-responsive child care and respite setting for families in distress. The underlying philosophy of these programs is that during high stress or unpredictable situations, such respite can provide a safe, temporary place for very young children to receive short-term care and wraparound services. Crisis nurseries provide 24/7 care for children from birth to 5 on a temporary basis, but there are variations at the program level in length of stay and ages served. Additional information on crisis nurseries can be found in the fact sheet from the ARCH National Respite Network and Resource Center.

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ENDNOTES

i Children's Defense Fund. (2024, June 12). *Babies in the budget 2024: New report finds share of spending on children continues to decline.* (end italic) Coalition on Human Needs. https://www.chn.org/voices/babies-in-the-budget-2024-new-report-finds-share-of-spending-on-children-continues-to-decline/#:~:text=That's%20according%20to%20First%20Focus,just%201.52%25%20in%20FY%202024

ii Office of Early Childhood Development. (2024). Infant and early childhood mental health funding compendium. U.S. Department of Health and Human Services, Administration for Children and Families. https://acf.gov/ecd/training-technical-assistance/infant-and-early-childhood-mental-health-funding-compendium

iii U.S. Government Accountability Office. (2025). Child welfare: States' use of TANF and other major federal funding sources (GAO-25-107467). https://www.gao.gov/products/gao-25-107467

